

Economic Regulator Act 2009

Taxi Fare Methodology Inquiry

Terms of Reference - 2021

The Tasmanian Economic Regulator (the Regulator) is to conduct an inquiry under Part 5 of the *Economic Regulator Act 2009* and report to the Transport Commission on appropriate methodologies in respect of setting and calculating annual increases in taxi fares in Tasmania.

Background

Under Section 66A of the *Taxi and Hire Vehicle Industries Act 2008*, the Transport Commission may make an order that sets out the maximum fare, or a method for calculating the maximum fare, that may be charged for taxi services to a person including the amount of any tariff that may be charged and any other amounts that may be charged.

In accordance with Section 44 of the *Economic Regulator Act*, the Minister for Finance, on the request of the Transport Commission may direct the Regulator to inquire into and report to the Transport Commission on appropriate methodologies in respect of the setting of these maximum taxi fares. The Minister for Infrastructure and Transport has approved this request.

Changes to the on-demand small passenger transport industry recently occurred with the passing by Parliament of the *On-Demand Passenger Transport Services Industry (Miscellaneous Amendments) Act 2020*. These changes are designed to promote safety, increase competition and consumer choice, provide for the delivery of services, accommodate new technologies and, where appropriate, reduce the regulatory burden on industry.

These changes include amendments to the *Passenger Transport Services Act 2011*, the *Taxi and Hire Vehicle Industries Act 2008*, and the addition of Section 45A to the *Economic Regulator Act*.

Given that some of the on-demand legislative changes impact on the level and structure of tariffs and taxi operations and will therefore affect revenue earning capacity, as well as other changes which will affect input costs, it is necessary for the Regulator to consider these changes in the context of taxi fares.

This will be the second taxi fare methodology inquiry conducted by the Regulator following an inquiry commenced in 2012.

Current fare setting arrangements

A formal process does not currently exist for reviewing maximum taxi fares in Tasmania. The Department of State Growth (State Growth) has an historic taxi cost model, which was developed by State Growth's predecessor, the Department of Infrastructure, Energy and Resources, in conjunction with the taxi industry, which was used to inform recommendations on maximum fare increases. State Growth periodically updated this model, generally at the request of the industry, to evaluate whether changes in operating costs could potentially justify a fare increase. State Growth also considered changes in the Consumer Price Index to inform this work.

Once an update of the taxi cost model was completed, it was State Growth's practice to circulate a proposal for a fare increase to the industry for comment. The information provided to industry typically offered a comparison between the change in the cost model and the change in the CPI since the last fare increase. Once industry comments were received, State Growth would review its proposal and makes a recommendation to the Minister for Infrastructure and Transport in respect of the maximum fare increase.

Scope of Inquiry

As set out in Section 45A of the Economic Regulator Act, the Regulator, in conducting the inquiry, is to consider the following matters:

1. the efficient cost of providing taxi services;
2. the need for greater efficiency in the supply of taxi services so as to reduce costs for the benefit of consumers and taxpayers;
3. the protection of consumers from abuses of monopoly or cartel power in relation to prices and standards of service;
4. the social impact of the setting of taxi fares in accordance with the results of the Inquiry;
5. the effect, of the setting of taxi fares in accordance with the results of the Inquiry, on the use of taxis and other modes of passenger transport;
6. standards of quality, reliability and safety in relation to taxis, whether those standards are set by legislation, agreement or otherwise;
7. the degree to which the structure of taxi fares, set in accordance with the results of the Inquiry, is comprehensible to passengers and operators of taxi services;
8. ensuring taxi fares are not discriminatory between classes of consumers and classes of operators of taxi services;
9. any other matter set out in this direction in relation to the scope of the inquiry, and;
10. any other matter that the Regulator considers relevant.

In undertaking the inquiry, the Regulator is to consult with key stakeholders, industry and other persons it considers appropriate.

The Regulator, in undertaking the inquiry, is to consider the following fare-related issues:

- methods for setting maximum fares;
- methods of calculating maximum annual increases in fares;
- the relative weighting of fare-related components; and
- any other matters relating to the matters listed above fares which are raised during the course of the inquiry.

The Regulator, in undertaking the inquiry, is also to consider the Tasmanian Government's policy commitments relating to taxi fares which will potentially impact on industry cost structures. These were reflected either directly in the On-Demand Passenger Transport Services Industry (Miscellaneous Amendments) Act or associated commitments. These commitments are listed in the Appendix to these terms of reference.

The Regulator's Final Report is to include recommendations on:

- the period over which the methodology is to apply; and
- the circumstances under which, and the process whereby, the methodology may be reviewed within that period.

Inquiry methodology

In accordance with Section 45 of the Economic Regulator Act, the Regulator may conduct the inquiry in such manner as it considers appropriate.

Other reviews

With the proclamation of sections of the On-Demand Passenger Transport Services Industry (Miscellaneous Amendments) Act, the Regulator is due to produce its first Reserve Price Determination in respect of Owner-Operated Taxi Licences on or before 1 December 2021.

Following discussions between the Department of State Growth and the Office of the Tasmanian Economic Regulator, it has been decided that there are benefits in conducting the Reserve Price Determination and the Taxi Fare Methodology Inquiry at the same time. Taxi licence values and taxi fares are interrelated to a degree, as taxi licence values are influenced by the level of taxi fares. Conducting the Reserve Price Determination investigation and the inquiry concurrently is also likely to make stakeholder consultation more coherent (as stakeholders would be likely to raise the issue of fares in the Reserve Price Determination investigation as well as raising the issue of the cost of licences in the inquiry) and may deliver savings to the Government.

Date of Completion

The Tasmanian Economic Regulator is to provide a Final Report to the Transport Commission, the Minister for Finance and the Minister for Infrastructure and Transport by 28 February 2022.

Liability for the Costs of this Inquiry

In accordance with Section 44(4) of the Economic Regulator Act, the Transport Commission is liable to pay the costs of this Inquiry.

Appendix

The following is a summary of government policy commitments relating to taxi fares which will potentially impact on industry cost structures. These were reflected either directly in the On-Demand Passenger Transport Services Industry Act or in associated commitments. The Tasmanian Economic Regulator is to consider these commitments in the course of undertaking the Inquiry.

General:

- the ability for taxis to undertake multiple hires (that is passengers who are not associated share a journey in the same general direction) is to be introduced;
- the regulated fare structure for wheelchair accessible taxis is to be made consistent with standard fares (to address existing potential fare discrimination issues);
- the way fares are charged is to be changed so that the meter is activated when the passenger presents for boarding (to take into account loading time for WATs, passenger luggage etc);
- a review is to be undertaken to ensure that all efficient costs are transparently identified and factored into the regulated tariff, and;
- the annual taxi licence fee will be removed, but a new limited accreditation fee will be introduced.

Operators and Booking Service Providers:

- booking service providers are now to be regulated as operators to account for taxi networks/dispatch services;
- an accreditation of operators requiring them to meet certain standards and have systems in place to ensure legislative compliance is to be introduced;
- operators are to be responsible for relevant driver training and competence;
- there is not to be any compulsory affiliation of taxi operators to radio rooms/dispatch networks, and;
- annual fees are to be applied fairly across the industry (including booking service providers).

Vehicles:

- there are not to be any aesthetic or comfort based standards introduced;
- the requirement that Wheelchair Accessible Taxis be brand new when initially authorised to perform a public passenger vehicle service in particular taxi areas is to be removed;
- there is to be an annual inspection for vehicles under 10 years of age and six-monthly inspections for vehicles over 10 years. Existing inspection arrangements for new vehicles are to remain in place;
- vehicles newly entering the market (date stamped within seven years) are to have a 5-star Australasian New Car Assessment Program (ANCAP) or equivalent rating – exceptions can be made by the Transport Commission, and;

- there is a requirement for Wheelchair Accessible Taxis to meet minimum safety standards and the *Disability Standards for Accessible Public Transport 2002* (as opposed to an ANCAP ratings for these vehicles).

Drivers:

- there will be an ongoing evolution of driver authorisation and renewal processes which reflect the activity and risk profile of the service being provided;
- there will be a phased-in and risk-based approach to medical declarations based on evidence. There will be compulsory annual medicals for drivers over 65;
- there is to be an annual training self-declaration process for all drivers which covers legislative obligations, requirements of disability and anti-discrimination legislation and driver behaviours;
- there are to be no mandatory training requirements for an Ancillary Certificate. This involves removing compulsory driver training from the driver authorisation process. Under this model, the operator would be responsible for ensuring that their driver is appropriately trained to operate the vehicles they are using and the service they are providing. Where a taxi operator has Wheelchair Accessible Taxis, all of its drivers must be trained in how to meet the needs of a wheelchair-reliant passenger and to operate the vehicle specific systems, and;
- driver identification, including ancillary certificate number, must be available to passengers, either displayed in the vehicle or made electronically available to the passenger.

Compliance and Enforcement:

- complaints that are not criminal in nature will continue to be directed to taxi operators/booking service providers in the first instance. If consumers remain dissatisfied, they can refer to Transport Commission or Registrar of Motor Vehicles;
- a chain of accountability model will be introduced. Under this model, all parties who have control or influence over the point-to-point transport sector share responsibility for compliance and have a primary duty of care to deliver safe services;
- industry will be expected to manage how to meet its obligations. The Department of State Growth will continue to require systems audits of operators to ensure compliance;
- a reportable incident scheme for operators and drivers will be established, and;
- options to deal with non-compliance will be introduced, including: warning, improvement notices, infringement notices, probation, suspension, cancellation, require additional audits or variation of conditions of accreditation, and a requirement to provide the Transport Commission with evidence and information.