

Taxi fare Inquiry

Joint submission from Yellow Cabs Hobart and Taxis Combined Launceston

1. Objectives

We consider the direct costs associated with leased licenses (weekly rental arrangement) should be taken into account when setting fares. The market should be allowed to dictate the value of a Perpetual License and in turn the leased weekly rental arrangement. However, if a change was to be made that impacted directly on the owner of a Perpetual Taxi License and the lessee the government should compensate accordingly. We note the experience in the Northern Territory where plates were bought back by the government from the private sector at market value and leased back to the private sector for a relatively small annual fee.

2. Fare structure

We consider that the fare structure should be adjusted to attract drivers to shorter trips and to compensate for trips, particularly at night time, which are seen as being less desirable/more dangerous. We note that we experience additional expenses at night time to cover the costs of replacing smashed windows, repairing damaged body work, the costs of property stolen from inside the taxi and fare evasion. Furthermore, some short trips and suburban trips are less attractive to our drivers due to less revenue and less chance of receiving a return trip. Other industries recognise these aspects, and we consider this to be reasonable for the taxi industry.

We suggest that there should be three tariffs as follows:

- Tariff 1 from 6am to 6pm Monday to Friday;
- Tariff 2 from 6pm to 11pm Monday to Friday and all day Saturday, Sunday and on public and bank holidays; and
- Tariff 3 from 11pm to 6am every day (including Saturday, Sunday, public and bank holidays).

For tariff 1 and 2 the flag fall should be increased from its current level relative to the distance charge to around \$4. A further premium of around \$2 should be added to the flag fall for tariff 3 but with the same distance charge as tariff 2.

We do not want fares to be deregulated and would like fares to continue to be consistent between Hobart and Launceston. We believe that deregulation would cause unnecessary confusion for customers. It may also attract individuals to the industry who do not understand the real cost of operating a taxi. Often these individuals leave the industry after a short period of time which is disruptive and leaves the remaining industry participants to pick up their licence and serve their customers. These industry entrants may also damage the public's perception of the taxi industry.

Finally, we consider that there may be some merit in introducing a booking fee to attract drivers to suburban trips.

3. Cost weights

In general we do not consider the proposed cost weights to be unreasonable.

4. Indexation

We support the use of independent inflators for the cost index, including the specific inflators proposed in the Regulator's draft report. Furthermore, we do not consider it unreasonable to adopt an average Australia-wide productivity adjustment as an additional input into the model; for example, if application of the model indicated that fares should rise by 2 per cent and there is a productivity adjustment of -0.2 per cent, fares should increase by 1.8 per cent.

However, we do not support the use of a negative inflator for Perpetual Taxi Licenses. We consider it reasonable for a Perpetual Taxi License owner to continue to earn a positive and growing return on their investment. If adjustments made through fare or licence releases impact on the value of a Perpetual Taxi License and also license leases, then we consider that the Government should compensate the Perpetual Taxi License owner.

5. Fare setting process

We support the proposal for an annual review of fares plus a major review every four years. We also support the monitoring of fuel prices every six months. As an appropriate trigger for fare adjustments, we consider that should fuel costs change to a level that leads to an overall cost change of more than 3 per cent, fares should be adjusted. Otherwise fares should remain the same until the next annual fare review.

We consider that having two rounds of consultation/written submissions is appropriate at each major review. However, we do not consider that consultation is necessary for annual reviews. We consider that a public hearing is not necessary from our perspective but do not object to one being held.

We would prefer the Tasmanian Economic Regulator conduct future reviews.

Finally, we are supportive of a slight increase in licence fees, if necessary, to fund the proposed fare setting process.

		
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