



Government of **Western Australia**

Department of **Transport**

Revised Metropolitan Taxi Fare Model

Based on 2010 Taxi Industry Board Review

Passenger Services Business Unit
Department of Transport
November 2010

Introduction

On 29 December 2009 the Minister for Transport, the Hon Simon O'Brien MLC, asked the Taxi Industry Board (TIB) to review the Metropolitan Taxi Fare Model (MTFM) and provide recommendations regarding any necessary changes or amendments. To fulfil this task, the TIB appointed a subcommittee which undertook a comprehensive review of the MTFM. This review is now completed.

Current situation

The TIB subcommittee's review of the MTFM included comprehensive analysis of the suitability of:

- Each cost item, including the item's base value and relevant weighting; and,
- The inflator attached to each cost item.

Based on its analysis of the above, the TIB has made a number of recommendations:

1. Refocus the MTFM: the MTFM was originally based on a 'median (conventional) taxi' whereby the model considered the costs incurred by the *taxi*. The TIB recommended that the model instead be based a 'representative taxi business' whereby the model considers the costs incurred by the *operator* of the business. *The representative taxi business is a taxi where the operator plate leases a privately owned conventional taxi plate. It is also assumed that the operator drives the taxi and shift leases the taxi to another driver.*
2. Retain the original cost items: after much consideration, the TIB recommended that the existing cost items were appropriate and reflective of the costs of operating a representative taxi business.
3. Change the inflator attached to the 'vehicle financing' cost item: the TIB recommended that the inflator change from the RBA Interbank Cash Rate to the RBA Small Business Loan Rate.
 - The Interbank Cash Rate is the interest rate which banks pay or charge to borrow or lend funds to other banks on an overnight unsecured basis. Conversely, the RBA Small Business Loan Rate is based on the predominant or average interest rate charged by major banks for fully-drawn loans (unsecured) for small business (such as a representative taxi business).
 - The TIB's investigations into the RBA Small Business Loan Rate indicated that it is reflective of the interest rates actually paid by taxi operators. Consequently, the TIB considered that the RBA Interbank Cash Rate was not reflective of the actual movements in taxi vehicle financing costs/interest rates.

The above changes necessarily required a recalculation of the weightings of the MTFM. The Minister approved the TIB's recommendations and the revised MTFM on 19 October 2010. The revised MTFM has been set out in the attached table (*see Table 1 below*).

Consultation

The new revised MTFM was presented to the TIB Reference Group (TIBRG) at the 21 September 2010 meeting. At this meeting there was general support for the revised MTFM, however, concern was expressed that the 'level' of the fare itself needed to be reviewed.

Table 1: Metropolitan Taxi Fare Model

Cost item	Current Annual cost (\$) Median Taxi	Reviewed TIB calculated annual cost (\$) Representative Taxi Business	Current Weighting	Reviewed TIB weighting	Escalator
<i>Driving costs</i>					
Notional driver labour & other driver costs	NA	NA	50%	50%	Labor Price Index (Western Australia)
LPG fuel	11,463	7,164	9.1%	6.1%	Fuel Watch (Western Australia)
<i>Total driver costs</i>	NA	7,164	59.1%	56.1%	NA
<i>Operating costs</i>					
Notional operator labour (administration)	2,043	1,940 ¹	1.6%	1.7%	Labor Price Index (Western Australia)
Repairs and maintenance	8,780	8,780	7.0%	7.5%	Consumer Price Index – Perth motor vehicle repairs and servicing
Comprehensive insurance	2,540	2,540	2.0%	2.2%	Taxi Insurance Cooperative
Third party insurance	1,081	982	0.9%	0.8%	Taxi Insurance Commission
Vehicle financing	7,038	7,040	5.6%	6.0%	RBA small business loan rate
Rank fees	5,720	5,720	4.6%	4.9%	Swan Taxis rank fees
Plate sublease fees	18,460	18,460	14.7%	15.8%	Department of Transport
Other operator costs	5,704	5,700	4.5%	4.9%	Consumer Price Index
<i>Total operator costs</i>	51,366	51,162	40.9%	43.9% ²	NA
Total Costs	NA	116,652³	100%	100%	NA

Cost of 'Representative taxi business' = (Total operator costs + LPG fuel) x 2

¹ Updated figure from the Taxi Driver Incomes Study (TDIS) report which was published six months after the MTFM.

² This percentage was calculated by dividing the *Total operator costs* by *Total Costs* and then multiplying the figure by 100. It is not a straight addition of all the percentages of the individual operator costs.

³ The *actual* 'Total Cost' is \$58,326 (*Total driver costs* PLUS *Total operator costs*). This figure was multiplied by two in order to accommodate the 50 per cent 'Notional driver labour & other driver costs'.

