



Department for Planning and Infrastructure
Government of Western Australia

Department for Planning and Infrastructure

Recommendation report – taxi fare increase for 2008/09

FINAL REPORT

12 December 2008



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Fare increase recommendation

Introduction

The WA Department for Planning and Infrastructure (DPI) has commissioned PricewaterhouseCoopers (PwC) to review the effectiveness of the current model used to adjust fares for Perth metropolitan taxis, and also to assess whether a new model would be more appropriate. Based on PwC's understanding that the DPI requires a more sophisticated model to better capture the costs of operating a taxi, we have developed an industry-specific cost index for Perth metropolitan fare changes.

The PwC report dated 12 December 2008 *Recommendation Report – new Perth metropolitan taxi fare model* discussed the different approaches that could be applied by the DPI in determining taxi fare changes for Perth metropolitan taxis. The report recommended a Perth Taxi Cost Index model that is an industry-specific cost index, with the aim to ensure future fare increases are in line with the movement in the principle costs of a taxi business in Perth.

The proposed fare setting model was prepared based on:

- PwC analysis of typical taxi operating costs in several Australian jurisdictions;
- the results of 17 surveys received from taxi operators and drivers in the Perth metropolitan area;
- consultation with the DPI and the Taxi Steering Committee; and
- a comparison with models and cost weightings used in other Australian jurisdictions.

Fare recommendation

Based on the proposed Perth Taxi Cost Index prepared in the *Recommendation Report – new Perth metropolitan taxi fare model*, this report presents the recommended taxi fare increase resulting from the application of this model to cost inflators from September 2007 to September 2008.

As presented in **Table 1**, this report recommends a fare increase of **6.18%** for Perth metropolitan taxis for 2008/09. Based on PwC's understanding that there was an interim fare increase of 3.92% in July 2008, the November 2008 fare increase is recommended to be **2.26%**.¹

¹ Source: communication with DPI, 5 November 2008

Table 1: Recommended fare increase for 2008/09

Cost item	Weighting	Cost inflator	Contribution to fare increase
Driving costs			
Notional driver labour	50.0%	5.1%	2.53%
LPG fuel	9.1%	22.5%	2.05%
Operating costs			
Notional operator labour (administration)	1.6%	5.1%	0.08%
Repairs and maintenance (including tyres)	7.0%	5.4%	0.38%
Comprehensive insurance	2.0%	11.9%	0.24%
Third party insurance	0.9%	0.0%	0.00%
Vehicle lease / financing	5.6%	12.1%	0.68%
Rank fees	4.6%	0.0%	0.00%
Sub-lease fees	14.7%	0.0%	0.00%
Other operator costs	4.5%	4.9%	0.22%
Fare increase			6.18%

Note: may not total due to rounding

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