



Review of Regulated Maximum Taxi Fares

Final Report

8 June 2022

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The findings in this report have been formed on the above basis.

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Executive Summary

Introduction

In Western Australia (WA) the maximum amount that can be charged for rank or hail taxi fares is regulated by the State Government. Standard industry practice is to adopt these maximum fares as the metered rates for both rank or hail and booked trips.

The historic policy objectives for regulating maximum rank or hail fares were to provide certainty to taxi users over what they will be charged for taxi services, and to ensure that taxi fares were reasonable for taxi users and also to provide reasonable returns for taxi operators.

There has been substantial change to the economic, policy and regulatory landscape of passenger transport services in recent years, with on-demand transport reforms in 2019 removing the limit on the number of taxis that can be authorised.

In the context of the recent on-demand transport reforms, the Department of Transport (DoT) engaged KPMG to undertake a review of WA's maximum metered rank or hail fares. The review considered what, if any, need there is for regulated maximums for metered taxi fares in the current regulatory context.

The review also considered each component of the fare structure (e.g. flagfall, distance rate, detention rate, etc.), the method for determining any increase in regulated maximum rates and whether any changes to fare regions should be made.

Approach to Review

To inform the review a range of inputs were sought, including a desktop comparison of fare regulations across Australian jurisdictions, as well as a two-stage industry consultation process.

Industry consultation

The first stage was a written questionnaire which sought quantitative responses to questions related to identifying the scale of revenue and cost streams for different taxi services. The second stage of consultation was a series of interviews with taxi industry representatives, seeking their insights on how they believe fares should be regulated.

A range of different sized taxi booking services were interviewed across nine of the ten fare regions in WA. Booking services interviewed spanned from larger metropolitan firms through to mid-size regional operators and single owner/operators. Some regional booking services interviewed had a greater focus on providing services in wheelchair accessible taxis rather than rank or hail trips.

Taxi fare model

A 'building block' taxi fare model was developed to estimate the fare revenue required to recover the costs of providing rank or hail taxi services.

A building block framework is commonly applied across regulated industries in Australia, including energy, transport, postal services and urban utilities. It equates total revenue to the sum of underlying costs, or 'building blocks', including the return on capital, depreciation and operating expenditures.

The proportion of total revenue to be recovered through individual charges is then determined outside the model. This approach is considered appropriate as it provides transparency to analyse each cost component, and allows for a fare recovery mechanism (of cost) in a flexible manner.

Findings from Jurisdictional Comparison

WA's approach to regulating maximum rank or hail fares is broadly consistent with other jurisdictions across Australia. All jurisdictions currently regulate maximum metered fares for metropolitan areas, with the majority also regulating maximum fares for regional areas. Victoria is currently the only jurisdiction to deregulate rank or hail fares, with fares for country and regional areas in Victoria deregulated in 2014.

In a metropolitan context WA currently regulates a higher maximum flagfall than the national average, but lower maximum distance rate. For late night or 'peak' periods WA currently regulates the highest maximum flagfall and the lowest maximum distance rate of all Australian states or territories.

Priorities Identified by Industry

As part of the consultation, industry participants were asked what they would change about the structure of the current regulated fares if they could.

The priorities identified by individual booking services are outlined in Table ES1 below.

Table ES1 – Priorities identified by individual booking services in interviews

Industry priority	Description
Metropolitan	
Reduce flagfall and increase distance rate	Reduction of flagfall and increase the distance and detention rate to reduce the upfront cost to passengers on the meter.
Tariff 3 eligibility expansion	Expansion of eligibility to charge Tariff 3 to instances where a higher occupancy vehicle is required based on a customer's needs.
Annual indexation of maximum fares	Annual indexation of maximum metered fares for rank or hail based on CPI, with provision for interim reviews to respond to significant changes in costs. Provision for more in-depth reviews every five years (or when costs change considerably).
Permit pre-agreed fares for rank or hail trips	Permit drivers to be able to accept pre-agreed fares at a taxi rank where the fare estimate is at or less than the maximum metered rates.
Regional	
Increase frequency of fare reviews	Multiple regional booking services identified the need for fare reviews to be undertaken more frequently, even for those who indicated they were comfortable with the current maximum fares.
Increase maximum fares	Three regional booking services explicitly identified a preference to increase the fares by an amount spanning from 5 per cent to 20 per cent.
Introduce weeknight late night surcharge	Introduction of a 'late night' surcharge for all evenings, commencing prior to midnight.

Strategic options Identified

Based on the scope of this review, the jurisdictional analysis and the industry consultation undertaken, the following strategic options were identified for analysis.

1. Deregulate rank or hail fares

Maximum metered fares are removed for rank or hail trips, with On-Demand Booking Services (ODBSs) enabled to establish and set their own fare structure. There are three identified sub options to consider:

- 1a. Deregulate rank or hail fares across all of WA;
- 1b. Deregulate metropolitan (Perth and Peel) fares only; and
- 1c. Deregulate regional fares only

2. Retain maximum metered fares

Retain the current fare structure and index the fares annually using CPI data from the ABS.

Option 2 may be used in conjunction with Options 1b or 1c to provide clarity on future increases for any fares which remain regulated.

3. Lift maximum fare ceiling

Increase the current maximum metered taxi fares (ceiling) by a significant amount to provide booking services greater capacity to compete on price, while retaining a fare ceiling safety net to continue to somewhat protect consumers. An approximate 50 per cent increase (equivalent to increasing Tariff 1 rates to Tariff 3 rates) is suggested as an appropriate increase under this option. This increase would then be maintained through a mechanism such as CPI indexation as suggested in option 2.

Within each of these strategic options are a range of sub-options or policy considerations that have been identified and discussed as part of the options analysis.

Should maximum fares continue to be regulated?

A range of analytical approaches, both quantitative and qualitative, have been undertaken to assess the options, and identify whether maximum metered taxi fares should continue to be regulated.

Quantitative Analysis

The potential impact of fare changes on demand for taxi services and total revenue for each of the options have been analysed based on different 'price elasticities of demand'. These are estimates of how sensitive demand for taxi services are to changes in fare price.

Three elasticity scenarios have been developed (low, medium and high), with different values for price elasticity adopted for metropolitan Perth and regional WA. These scenarios have been developed based on a number of literature values for price elasticity of demand for taxi services in Australia.

Based on the results of the quantitative analysis, the potential impact of fare changes on demand for taxi services and total revenue for each of the options are summarised below.

Metropolitan region	
1. Deregulate rank or hail fares	<p>Under the medium scenario, the optimum fare price to maximise revenue was projected to be a 16 per cent reduction, with the 'low' elasticity scenario projecting an optimum fare price of a one per cent increase. This is reflected in individual booking services concern of a 'race to the bottom' on taxi fares if they were to be deregulated.</p> <p>Metropolitan ODBS revenue is however not directly linked to fare revenue and instead is linked to the number of drivers operating for the booking service. In the short term, there may be pressure to increase fare prices to attract drivers rather than to maximise demand for services and fare revenue from passengers. In the longer term, there is a greater probability that some booking services may look to differentiate themselves from competitors on price through reduced fare rates.</p>
2. Retain maximum metered fares	<p>Increasing the maximum fare price in line with cost inflation would, in effect, be holding the maximum fare constant in real terms, which should have minimal effect on demand for taxi services or revenue, and subsequently minimal impact on competition.</p>
3. Lift maximum fare ceiling	<p>Given greater level of competition from rideshare and other booking services in metropolitan Perth this option is expected to have a similar outcome to Option 1 from a policy perspective, in that total fare revenue may be decreased if fares were to increase well above inflation.</p> <p>While some booking services may initially increase fares to attract drivers, this could easily lead to increased demand for their competitors if customers are able to differentiate between booking services rather than perceiving them as a single 'taxi industry'. In the longer term, some booking services may look to differentiate themselves from competitors on price through reduced fare rates.</p>

Regional WA

1. Deregulate rank or hail fares

Under the medium scenario, total fare revenue is close to maximised under current fare rates, however there is a substantial difference between the results of the 'low' elasticity scenario where revenue is projected to be maximised under a 52 per cent increase to fares, and the 'high' (post-rideshare) scenario where fare revenue is projected to be maximised through a 16 per cent reduction in fares.

While booking services would be unlikely to implement a reduction in metered rates in the short term, the results of the analysis speak to the range of different commercial environments in which regional booking services operate. Based on the analysis undertaken, if rank or hail fares were to be deregulated (in the absence of alternative consumer protection methods) some regional booking services may increase their fare rates well above cost inflation, particularly in locations where there is limited existing competition from other taxi services or rideshare.

2. Retain maximum metered fares

Increasing the maximum fare price in line with cost inflation would, in effect be holding the maximum fare constant in real terms, which should have minimal effect on demand for taxi services or revenue, and subsequently minimal impact on competition.

3. Lift maximum fare ceiling

This option may have an increased likelihood of regional booking services increasing their metered rates up to the new ceiling, or higher than would otherwise occur under Option 1.

In areas with limited existing competition or alternative mobility options, and relatively inelastic demand for taxi services, some booking services may look to maximise total fare revenue by adopting the fare ceiling, of an approximate scale up to a 50 per cent fare increase. Changes in fare price of this scale would likely act as a catalyst for increased industry competition.

Challenges of lifting the maximum fare ceiling

Option 3 (lifting the maximum fare ceiling) shares a number of similarities with Option 1 in that it can be perceived as an alternative approach to implementing deregulation of rank or hail fares. There are a number of key challenges associated with the implementation of this option, primarily relating to the substantial increase to the maximum metered fare rates.

Given that it is established industry practice to adopt the maximum metered fare rates as the standard rate (typically for both rank or hail and booked trips), this option presents a risk that booking services may move to adopt the new maximum 'ceiling', with limited consideration of their ability to compete on price below the ceiling. Careful communication of this option would be essential to avoid this perception, with the potential to redefine the terminology (such as to reflect a 'safety net') to differentiate this option from existing regulatory practices.




This option presents a risk that consumers and industry may perceive the new fare ceiling as a substantial increase to the regulated maximum metered fares that have been endorsed by government, without apportioning responsibility for fare setting to operators. It is likely that additional mitigation methods would be required to protect consumers (such as a price notification system for instance), that would diminish one of the potential advantages of this option which is ease of implementation.

Given the substantial challenges associated with effectively implementing Option 3, it is not recommended to proceed with this option.

Comparison of Regulation and Deregulation

A summary of the analysis of options to deregulate rank or hail fares (Option 1) or to retain maximum metered fares (Option 2) is presented below.

Key policy considerations	Option 1. Deregulate rank or hail fares	Option 2. Retain maximum metered fares
Industry support	Minimal evidence of industry support for deregulation of maximum rank or hail fares at this point in time. Further policy development and industry engagement would be required to further develop this option if supported by government.	Strong support for more regular fare reviews. Overall support dependent on how Option 2 is implemented.
Implementation	Extensive policy development and industry consultation would be required as part of a 'roadmap to deregulation' to develop and agree an implementation approach. An effective communications plan would also be required for the public given the scale of change.	As this option effectively represents the status quo, there are very few challenges associated with implementation.
Labour force impacts	This option directly empowers booking services to set fares that enable them to increase/protect driver earnings to attract and retain drivers, or to respond effectively to sudden changes in operating costs.	The ability for booking services to set fare prices to respond to the commercial challenges they may face (such as price increases, a tight labour market or low demand for services) are limited under this option.
Driver earnings	Based on the industry consultations and quantitative analysis, fares in regional WA may increase under this option, increasing driver earnings and booking service revenue relative to the status quo.	While the maximum metered fare price will likely increase through regular indexation, the limited data available to index for regions means that any differences in cost increases between metropolitan and regional areas would not be apparent and accounted for until a larger review is undertaken, notionally every five years.
ODBS revenue	In metropolitan Perth, some industry representatives consulted indicated that they may look to increase fares in the immediate term to try to attract drivers and increase revenue from rank fees / subscriptions. Alternatively a number of booking services expressed a concern that there may be a 'race to the bottom' on fare price. Overall this option provides greater flexibility for booking services to trial new fare structures and compete on price. It is expected that competition between booking services would see a price equilibrium reached between supply and demand.	The ability for booking services to trial alternate fare structures (such as reducing flagfall and increasing distance rate) to differentiate themselves and compete on price would be limited.
Fare prices and consumer protection	Moving away from regulated fares for rank and hail services dispenses with the existing approach to protecting consumers. Developing appropriate measures to ensure consumers have price transparency will be vital. Recent on-demand transport reforms have removed barriers to competition.	There is much greater certainty associated with fare prices as well as the mechanism for consumer protection under this option given that maximum fares remain regulated. The incremental nature of fare increases and retention of regulation may lead to higher fares in the metropolitan area than may be seen under Option 1.
Competition and services	This option has the potential to see increased services (either at certain times or in specific locations) in areas with low demand as the higher cost per trip to provide these services would be able to be recovered through higher fare rates.	Due to the incremental nature of this option, it is unlikely to have any substantial impact to services. Booking services that are currently operating at the margins would have limited ability to adjust to changes in costs outside of the fare review cycle.

Legend	 Clear policy advantage	 Minimal policy advantage	 Policy disadvantage compared with status quo
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Regulatory role of government

Reform of the on-demand transport industry (including taxis) was recently undertaken in WA, which deregulated the passenger transport services industry with the aim of creating a level playing field and increasing competition. The successful implementation of these reforms has transformed the commercial environment for taxi services by providing increased pricing flexibility for industry through enabling and encouraging greater use of pre-agreed fares for booked services, and substantially reducing the barriers to competition in the taxi industry.

The On-Demand Transport Green Paper that was published by the Department in 2015 noted that “the Department of Transport would retain regulatory authority over maximum fares for the short-to-medium term to protect consumers and support pricing transparency” (DoT, 2015).

This need to retain regulated maximum fares in the short-to-medium term was in part based on an Economic Regulation Authority finding that “caps on maximum fares appear to be necessary when there is a restriction on the number of taxis operating to prevent the abuse of market power. The need for caps on fares would diminish if restrictions on the number of taxis were removed” (ERA, 2014).

Retaining a regulatory role beyond when market conditions deem it necessary can have detrimental effects for both consumers and industry, which were noted in both the Green Paper as well as the Regulatory Impact Statement (DoT, 2017). These papers highlighted problems associated with an overly prescriptive regulatory environment, including “a taxi industry that is too dependent on the regulator rather than responding proactively to changing market conditions, and has a tendency to turn to Government for strategic direction” (DoT, 2017).

The Regulatory Impact Statement noted that “to provide the best possible outcomes for both the industry and consumers, it is important that the regulatory environment encourages businesses to take responsibility for their services and be held accountable for those services” (DoT, 2017).

The on-demand transport reform in 2018 took significant steps to achieve this, and by reducing barriers to competition in the taxi industry, the ongoing need for government to regulate maximum metered taxi fares has been diminished.

Preferred option summary

Based on the analysis undertaken, the findings of this review are that the preferred option for rank and hail fares is ‘Option 1 – Deregulate rank or hail fares’.

Recommendation 1: Adopt the deregulation of rank or hail fares as the preferred approach in the medium to long term and develop a ‘roadmap to deregulation’ to progress the preferred approach.

This option best addresses the large range of often competing priorities that industry have identified through the industry consultation, and provides booking services with greater flexibility and autonomy to set fare prices to respond to their specific economic environments and commercial challenges.

Following the reforms undertaken in 2018 which reduced barriers to competition, the ongoing need for regulated maximum metered fares has been diminished.

These reforms enabled increased flexibility in fare setting for pre-booked services in the form of ‘contract fares’. While greater use of contract fares represents a sizeable opportunity for industry that has the potential to address many of their specified concerns, it is accepted that it is a well established practice to apply the maximum metered rank or hail fare rates to booked services. A reluctance to charge passengers different rates for otherwise identical trips depending on how that trip was booked was cited by a major metropolitan booking service as the reason for not adopting wider use of pre-agreed fares for booked services.

It is acknowledged that there are a number of key challenges associated with the implementation of Option 1 and that further development of the option is required, including comprehensive engagement with industry prior to implementation.

Given that further policy development is required to progress the preferred Option 1, it is the finding of this review that ‘Option 2 – Retain maximum metered fares’ be retained as an interim measure while Option 1 is being developed and progressed.

Recommendation 2: In the interim until deregulation can be practically achieved, retain regulated maximum metered fares.

What interim changes are required to regulate maximum fares?

Frequency and Method of Fare Reviews

WA does not currently undertake regular formal reviews of maximum metered taxi fares, with annual fare reviews paused in 2017 due to the on-demand transport reform. A fare increase of 6.5 per cent was implemented in 2021 which represented the percentage CPI increase since 2014 in the Perth transport basket of goods.

Regulated fares in WA were previously reviewed annually between 2015 to 2017 using a Regional Price Index (RPI) approach, with no fare increase implemented during this review period. Maximum metered fares were increased in 2014 and prior to this maximum taxi fares were reviewed annually based on a Perth Taxi Cost Index (TCI) approach.

The use of three different indexation methods in the eight year period between 2014 and 2021 highlights a need to develop and agree on a preferred approach to indexation based on a reliable dataset that is regularly updated.

The outcomes of the taxi fare modelling undertaken as part of the review found that the current fare settings are appropriate and do not need to be recalibrated, beyond annual indexation.

A simple, transparent approach to indexation should be adopted which is able to be easily communicated to, and understood by, industry.

On this basis, it is recommended that all regulated maximum metered fare components are indexed annually by CPI for the 'private motoring' sub-group in Perth.

This approach closely resembles the approach taken to indexation in 2021, excluding only 'urban transport fares' from the basket of goods and services as this component is, in part, what is being determined through the fare reviews.

Recommendation 3: Implement annual fare reviews based on indexation by the 'private motoring' sub-group of CPI published by the ABS.

Until deregulation can be practically achieved, more in-depth fare reviews should be considered on approximately a five year basis to ensure that annual indexation aligns with taxi industry cost movements in each fare region across WA. This approach was identified as a preferred approach by one major metropolitan booking service as part of the industry consultations.

Recommendation 4: Consider establishing regular, in-depth fare reviews on a five-yearly basis (or until deregulation can be practically achieved) to ensure annual indexation has aligned with changes to taxi industry costs for each region across Western Australia.

Out-of-cycle fare reviews

As part of the industry consultation, several booking services expressed support for the concept of having out of cycle fare reviews that could be triggered whenever there were substantial changes in costs, even if regular fare reviews were scheduled.

While it is recommended that fares are indexed annually, there is merit in having the ability to respond to sudden changes in economic environment that impact the taxi industry between the cycle of fare reviews. These could be in the form of an interim set of rates that expire after a set duration if required, depending on the context they are aimed at addressing.

The requirement for booking services to display fare rates on their vehicles could be an impediment to the pricing flexibility that out of cycle fare reviews would be aimed at providing.

Recommendation 5: Consider the potential for out of cycle fare reviews to enable temporary increases to be applied to maximum metered fares to respond to sudden, short term changes in cost.

Considerations for a roadmap to deregulation

Based on the industry consultations and analysis undertaken as part of this review, some key considerations in developing a 'roadmap to deregulation' of rank or hail fares may include the following:

Short-term

- Consider the potential to permit drivers to accept pre-agreed 'contract' fares for rank or hail trips, provided the total fare does not exceed the amount if the maximum metered fare were applied.
- Consider easing the requirements to display the regulated maximum metered fares on vehicles to reduce the administrative costs associated with fare price changes.
- Consider expanding the eligibility to apply Tariff 3 rates to instances where fewer than five passengers request a higher occupancy vehicle for transporting equipment or luggage (excluding wheelchairs).

Medium-term

- Develop an engagement strategy for the taxi industry with opportunities to provide meaningful input at relevant times to help shape the development of a preferred approach to implementing deregulation of maximum metered rank or hail fares, as well as a supporting communications plan for the broader public.
- Identify and analyse a range of potential deregulation options and determine a preferred approach to implementing deregulation of rank or hail fares in parallel with industry engagement.
- This should consider issues such as preferred approach to consumer protection (such as a price notification system or a requirement for drivers to provide upfront estimates), staging and timeframe of implementation, including potential to stage initial implementation in regional WA, and trip types/locations/time periods for which maximum fares may continue to be regulated.
- Key considerations in the development of a preferred approach will be to identify relevant legal, regulatory, technical and governance challenges and opportunities associated with fare deregulation.

Summary of Recommendations

- 1. Adopt the deregulation of rank or hail fares as the preferred approach in the medium to long term and develop a 'roadmap to deregulation' to progress the preferred approach.**
- 2. In the interim, until deregulation can be practically achieved, retain regulated maximum metered fares.**
- 3. Implement annual fare reviews based on indexation by the 'private motoring' sub-group of CPI published by the ABS.**
- 4. Consider establishing regular in-depth fare reviews on a five-yearly basis to ensure annual indexation has aligned with changes to taxi industry costs for each region across Western Australia.**
- 5. Consider the potential for out of cycle fare reviews to enable temporary increases to be applied to maximum metered fares to respond to sudden, short term changes in cost.**

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1. Comparison of fare regulations by jurisdiction

1. Comparison of fare regulations by jurisdiction

How Western Australia (WA) compares to other Australian states and territories:

Fare Structure



Review frequency

- Regular **annual fare reviews paused in 2017**, with a fare increase in 2021 representing the percentage CPI change for Perth transport since the previous increase in 2014.

Regions and fare structure

- **Ten different regions** with separate fare structures in WA. This is the highest in Australia.
- WA adopts the **same maximum distance rate** across all time-periods – one of only two states to do so.
- WA's '**ultra-peak**' period is the **shortest duration** (three hours) in Australia, with New South Wales (NSW) regulating a peak period of eight hours.

Regulated Maximum Fares



Metropolitan

- **Flagfall:** Highest evening and weekend rate - 26% above national average. During 'ultra-peak', 57% above Australian average.
- **Distance Rate:** Lower than national average for all time periods. Lowest in Australia during ultra-peak period.
- **Duration Rate:** 4th highest - 9% above national average.

Regional (weekday fares)

- **Flagfall:** 5-7% above national average
- **Distance Rate:** In-line with national average
- **Duration Rate:** 8% above national average

1. Comparison of fare regulations by jurisdiction

The extent and method in which taxi fares are regulated in Australia differs substantially across jurisdictions. Section 1 summarises the taxi fare regulations for each Australian state and territory, for both rank or hail and contract/pre-paid fares by location.

A comparison of fare structures by time period, as well as maximum pricing for each fare component, is presented for both metropolitan and regional/rural areas, as well as a jurisdictional comparison of total maximum fare for an 'average' trip.

The comparison is based on a desktop analysis of publicly available taxi fare policies and regulated maximum metered taxi fares published by each jurisdiction across Australia. The comparison only considers fare policies that are currently implemented, and does not address policies that may be under consideration by other jurisdictions but are not yet implemented.

1.1 Metropolitan rank or hail fares

Section 1.1 presents a comparison of fare structures across jurisdictions for trips within metropolitan areas with fares and regulations for capital cities used as the reference for all states and territories.

1.1.1 Time periods

Each jurisdiction across Australia implements different maximum fares for differing times of the day and week. All jurisdictions implement a weekday rate, while some jurisdictions also have separate weekend, public holiday and/or late-night or ultra-peak rates. The different time periods adopted for regulated rank or hail fares across Australia are shown in Table 1a. The way in which regulated fares vary across these time periods differs by jurisdiction, with some applying a higher flagfall during evening, weekend or public holiday periods, while others apply increased distance and/or duration rates during these periods. Further discussion on how these fare elements are applied across jurisdictions is contained in Section 1.1.2 below.

WA defines the weekday period (Tariff 1) as 6am to 6pm. The commencement of this tariff period at 6am is typical across jurisdictions, with six of the eight jurisdictions also commencing the weekday period at 6am. The commencement of the evening period (Tariff 2) at 6pm in WA is earlier than the majority of other jurisdictions, with five of the eight jurisdictions commencing the evening period after 6pm, with times ranging from 7pm to 10pm. VIC is the only jurisdiction with an earlier commencement of the evening period, with the 'day rate' for Melbourne spanning business hours of 9am to 5pm.

The greatest difference in time periods for alternate fare structures across jurisdictions is in the treatment of weekends and public holidays. The approach that WA currently implements, with maximum fares on weekends matching maximum evening weekday fares, with an 'ultra-peak' late night period on weekends aligns closely with five of the eight jurisdictions. Tasmania (TAS), Australian Capital Territory (ACT) and Northern Territory (NT) implemented a simplified approach of regulating weekday fares and 'all other times' with no late night or ultra-peak surcharge. The duration of the metropolitan 'ultra-peak' period in WA is relatively narrow (midnight Friday/Saturday to 3am Saturday/Sunday) compared with other similar jurisdictions, with NSW and VIC commencing their peak weekend period at 10pm and extending to 6am and 4am respectively.

Table 1a – Time periods regulated (capital cities, rank or hail)

Time period	WA	QLD	NSW	VIC	SA	NT	ACT	TAS
Day	6am – 6pm	7am – 7pm	6am – 10pm	9am – 5pm	6am – 7pm	6am – 6pm	6am – 9pm	6am – 8pm
Night	6pm – 6am	All other times	10pm – 6am	5pm – 9am	7pm – 6am	6pm – 6am	9pm – 6am	8pm – 6am
Weekend	6pm Fri – 6am Mon (excluding ultra-peak times)	N/A	Peak only – see below. Otherwise as above.	Peak only – see below. Otherwise as above.	7pm Fri – 6am Mon	All-day Sat and Sun	All-day Sat and Sun	All-day Sat and Sun
Peak/Late night	Midnight – 3am Sat and Sun	Late night: Midnight – 5am	10pm – 6am on Fri and Sat	10pm – 4am on Fri and Sat	Midnight – 6am Sat, Sun and public holidays	N/A	N/A	N/A
Public holidays	Christmas (Midnight – Midnight) NYE: 6pm – 6am	All other times including public holidays	Evening prior to public holidays	Christmas/Boxing Day (All-day), 6pm New Year’s Eve – midnight New Year’s Day	During public holidays all other times	All-day public holidays	All-day public holidays	All-day public holidays

The extent to which different fare prices are set for different time periods varies across jurisdictions. The most common approach is to have a weekday rate and a separate rate for ‘all other times’, which is the approach adopted by NT, ACT and TAS. A similar approach is adopted by WA, Queensland (QLD) and South Australia (SA) with the addition of a third ‘late night’ fare rate/surcharge. In contrast, NSW and VIC have a separate day rate and overnight rate, regardless of whether it is a weekday or weekend.

The manner in which jurisdictions regulate fares for public holidays varies, with QLD, SA, NT, ACT and TAS aligning public holiday rates with the weeknight rate. In contrast, NSW and VIC align the public holiday rate to the ‘late night’ rate. WA is the only jurisdiction to set a unique rate for public holidays, with a surcharge applied for New Year’s Eve trips (\$6.20) and Christmas Day trips (\$5.40).

1.1.2 Fare structure

WA's regulated fares maintain a fixed maximum distance and detention rate across all time periods (excluding high occupancy taxis), with a higher flagfall applying during evening and weekend periods, and additional up-front surcharges at defined ultra-peak periods. Maintaining a fixed maximum distance rate across all time periods is not a common regulatory approach, with only WA and QLD implementing this approach. All other jurisdictions vary the distance rate to some extent, depending on the time and day of the journey.

Varying the maximum detention/duration rate is less common, with only VIC implementing a variable 'time' rate, including the option to implement alternate approaches to applying the time rate (either only applying when the speed is below 21km per hour, or a lower maximum rate applying at all times throughout the journey).

The vast majority of jurisdictions have a variable maximum flagfall depending on the time period, with only TAS and the ACT implementing a single flagfall across all time periods with no additional up-front surcharges.

The comparative maximum fares for each fare component by jurisdiction is presented in Table 1b and discussed below.

Flagfall

For consistency across jurisdictions, the following analysis of the maximum flagfall value excludes any commercial passenger services levy that may be in effect in other jurisdictions due to the different methods in which the levies are implemented.

WA's maximum flagfall value for weekday trips (Tariff 1) is close to the national average, with the value of \$4.50 being marginally higher than the average of \$4.31, with SA, NT and the ACT applying a higher maximum flagfall.

WA's maximum flagfall during weeknights and on weekends outside of peak periods (Tariff 2) is currently the equal highest rate in Australia, tied with NT at \$6.50, above the national average of \$5.15 for weeknight periods. Not all jurisdictions treat weekends in the same manner, with many (including WA) adopting the same maximum flagfall as during weeknights, while others retain a separate day and night rate.

During the 'ultra-peak' period of midnight to 3am on Saturday and Sunday mornings, WA applies an additional surcharge of \$3.80. This surcharge in effect increases the maximum flagfall during this 'ultra-peak' period to \$10.30, the highest of all jurisdictions and well above the national average of \$6.56 during this same time period.

Similarly during the Christmas Day and New Year's Eve peak periods, WA applies an additional surcharge of \$5.40 and \$6.20 respectively. Using New Year's Eve as a comparison, WA's maximum effective flagfall of \$12.70 is close to double the national average of \$6.61 and significantly higher than Australia's second highest maximum flagfall of \$7.90 in SA.

Distance rate

As noted previously, WA implements a single maximum distance rate across all time periods of \$1.83/km. This value is lower than the national average across all time periods, with the national average spanning from \$1.93/km for weekdays to \$2.20/km during 'ultra-peak'/late night periods.

WA has the third lowest maximum distance rate for the weekday period, with only VIC and NT having a lower rate. During the 'ultra-peak' period, WA's maximum distance rate is the lowest in Australia (in contrast with the highest flagfall), as well as during peak public holiday periods such as New Year's Eve.

Duration rate

Similar to all jurisdictions other than VIC, WA applies a fixed maximum detention/duration rate for journeys. WA's maximum detention rate of 87c/minute is higher than the national average of approximately 80c/minute, however three other jurisdictions (NSW, NT and ACT) have higher maximum detention rates of 94c/minute (NSW) and 92c/minute (NT and ACT). The current regulations in WA do not specify when the detention rate should be applied, in contrast with VIC for instance which specifies the potential ways to apply the duration rate and sets out different rates for each, and NSW which clearly defines when the 'waiting time' is to be applied.

Other regulated fees

Across Australia a number of other types of fees and charges for rank or hail taxi services are regulated. These fee types and the variation in costs across jurisdictions are discussed below.

Higher occupancy

There are substantial differences in how each jurisdiction regulates fares for higher occupancy within vehicles. The majority of jurisdictions regulate higher maximum fares for higher occupancy trips, with the exception of QLD that stipulate that 'high occupancy fares must not be applied off taxi ranks (or for a hail)'.

The most common approach to regulating fares for high occupancy trips in rank or hail taxis is to vary the distance rate and the flagfall rate, with only WA and SA also varying the duration rate. VIC and NSW implement simpler approaches, with VIC setting a maximum \$14 additional fee and NSW setting a maximum fare of up to 150 per cent of a regular taxi fare.

This 50 per cent increase is a rate that is observed across a number of the other jurisdictions, including WA that currently set the maximum flagfall, detention rate and distance rate at approximately 50 per cent higher for high occupancy trips (44 per cent, 49 per cent and 56 per cent respectively). NT regulate just the distance rate to be 50 per cent higher than regular fares, while the ACT set the maximum flagfall and distance rate at approximately 50 per cent higher for all time periods.

A number of jurisdictions have specific provision for 'multiple hire fares', where passengers share a taxi with a stranger. The most common regulation for this type of fare is for a 75 per cent reduction in the maximum fare for each passenger, with WA, NSW, QLD, SA, TAS and NT adopting this fare reduction.

Wheelchair access

The fares for hirers with wheelchairs vary depending on the customer's eligibility and registration as part of each jurisdiction's version of a taxi subsidy scheme, with trips under the subsidy schemes typically required to be limited to the regulated fares even though they are primarily booked rather than via rank or hail.

The vast majority of jurisdictions across Australia also provide a subsidy to drivers in the form of a 'lift payment' to cover the additional costs associated with the time taken to provide access for passengers in wheelchairs. This subsidy value ranges from approximately \$14 in the ACT to \$25 in SA, with this cost not being able to be passed to the passenger, but paid for by the state or territory. WA currently administers a 'Co-Payment' for each taxi journey where a wheelchair is being used by an eligible TUSS participant.

Cleaning Fees

Cleaning fees is a category for which a number of jurisdictions regulate a maximum fee, spanning from \$50 in NT, \$120 in NSW and VIC, to a maximum of \$137 in QLD. WA does not currently regulate a maximum cleaning fee, however regulations do specify that charging a cleaning fee is allowed and if used must be displayed on fare schedules.

Table 1b – Summary of typical metropolitan fares (\$) by jurisdiction (capital cities, low occupancy, wheelchair not required)

Market		WA	QLD	NSW	VIC ³	SA	NT	ACT	TAS	National Average
Flag fall (\$) ¹	Weekday AM-PM	4.50	2.90	3.60	4.20	4.70	5.40	5.30	3.90	4.31
	Weekday PM-AM	6.50	4.30	3.60	5.20	5.90	6.50	5.30	3.90	5.15
	Weekend (day)	6.50	4.30	3.60	4.20	5.90	6.50	5.30	3.90	5.03
	Public Holiday ²	12.70	4.30	6.10	6.20	7.90	6.50	5.30	3.90	6.61
	Peak/Late night	10.30	6.30	6.10	6.20	7.90	6.50	5.30	3.90	6.56
Distance rate (\$/km)	Weekday AM-PM	1.83	2.17	2.19	1.62	1.87	1.54	2.20	2.02	1.93
	Weekday PM-AM	1.83	2.17	2.63	1.80	2.16	1.89	2.50	2.42	2.18
	Weekend (day)	1.83	2.17	2.19	1.62	2.16	1.89	2.50	2.42	2.10
	Public Holiday ²	1.83	2.17	2.63	1.99	2.16	1.89	2.50	2.42	2.20
	Peak/Late night	1.83	2.17	2.63	1.99	2.16	1.89	2.50	2.42	2.20
Duration rate (\$/min)	Weekday AM-PM	0.87	0.82	0.94	0.57	0.66	0.92	0.92	0.64	0.79
	Weekday PM-AM	0.87	0.82	0.94	0.63	0.66	0.92	0.92	0.64	0.80
	Weekend (day)	0.87	0.82	0.94	0.57	0.66	0.92	0.92	0.64	0.79
	Public Holiday ²	0.87	0.82	0.94	0.70	0.66	0.92	0.92	0.64	0.81
	Peak/Late night	0.87	0.82	0.94	0.70	0.66	0.92	0.92	0.64	0.81

1. For consistency in comparison across jurisdictions, figures exclude any 'Passenger Service Levy'.

2. Using New Year's Eve as a price reference. Some jurisdictions vary maximum fares for different public holidays. See Table 1a for more information.

3. "Fare Structure 1: rates based on 'time or distance' charging" have been assumed for Melbourne. For comparison purposes, this most closely reflects how the distance rate and duration rate are applied across other jurisdictions.

Source: Taxi fare policies published online by each jurisdiction, as set out in Reference List (p. 58).

1.2 Regional rank or hail fares

The following section presents a comparison of fare structures across Australian jurisdictions for trips within regional and rural areas. The definitions of regional areas and the extent to which fare pricing differs for key fare components across jurisdictions will be discussed.

1.2.1 Definition of regional areas

The manner in which regional areas are defined differs across each jurisdiction, including the number of geographic areas that have different fare structures. WA identifies 10 different geographic areas, including the Perth metropolitan area, the majority of these having unique fare structures. The variations in pricing between some of the regions in WA is minor, with the Mid West fare structure for instance differing from the Great Southern, South West and Peel regions only through a 10c additional flagfall, 1c/km higher distance rate and 50c/hour additional detention rate.

There are three distinct groupings of regions in terms of fare regulations for WA:

- Perth metropolitan area;
- South West, Peel, Great Southern, Goldfields/Esperance, Mid West and Wheatbelt (3-9 c/km higher distance rate for Tariffs 1 and 2 and 0-4 c/km higher for Tariff 3); and
- Gascoyne, Kimberley and Pilbara (59 – 63 c/km higher distance rate for Tariff 1 and 2 and 84-90 c/km higher for Tariff 3).

In part due to its geographic extent, WA's approach is the most disaggregated approach of all jurisdictions, with the second highest number of different regions being in NT with five. All other jurisdictions have three or fewer regional fare structures, including those for capital cities.

NSW has two different geographic definitions, the first being 'urban areas' which includes the Sydney metropolitan area as well as 26 regional cities, towns or local government areas. The second NSW fare structure is for 'country areas' which are defined as all areas not specified as 'urban'.

VIC similarly has two fare structures, including one for Greater Melbourne and a second for major regional centres such as Geelong. Since 2014, there has been no maximum rank or hail fares regulated for country and regional areas in VIC other than those areas specified.

QLD has three different fare structures; one being for South-East QLD (including Brisbane), one for 'Regional Queensland' and a third for 'Rural Queensland'.

1.2.2 Time periods

The time periods set out for regional fares across jurisdictions are typically similar to those regulated for metropolitan trips, however some jurisdictions implement a 'flatter' fare structure with fewer time periods. VIC for instance only regulates a 'standard rate' or 'high occupancy rate' for trips in regional cities, compared with a 'day rate', an 'overnight rate' and a 'peak rate' for metropolitan trips. NSW similarly does not provide for a 'peak time hire charge' for trips in country areas, although separate 'night distance rates' are specified. WA's regulated time periods are identical across regional and metropolitan trips, including provision for an 'ultra-peak surcharge' in regional areas, although the duration of this ultra-peak period is extended from midnight to 5am.

1.2.3 Regional fare pricing

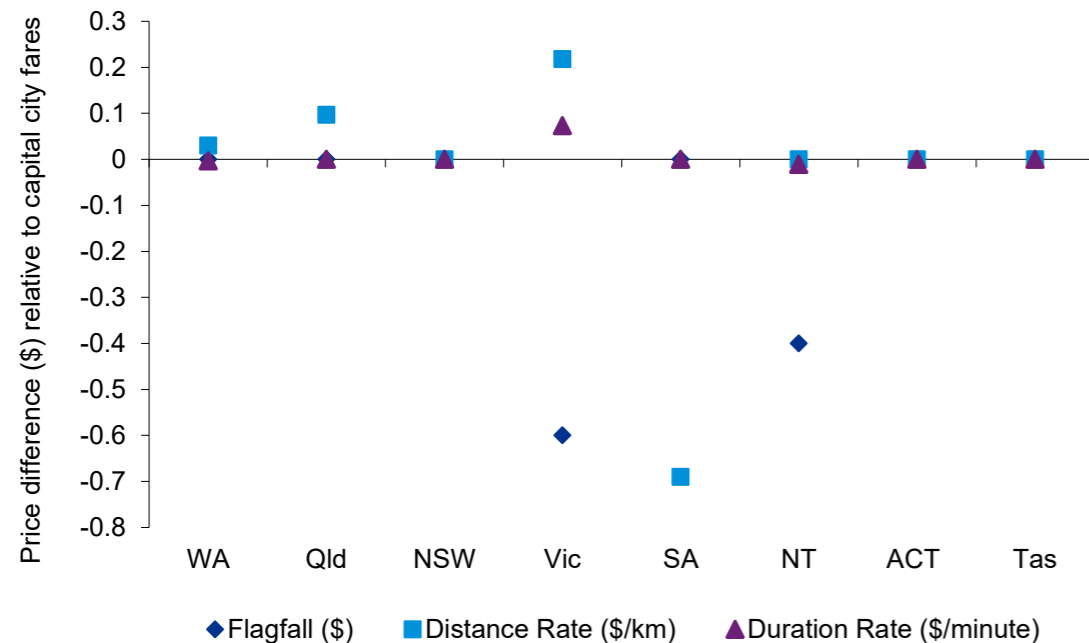
The approach taken to regulating maximum fares for regional areas differs considerably across jurisdictions and in some instances even within jurisdictions. Figure 1 and Figure 2 below demonstrate the variation across jurisdictions in how pricing for key fare components differs relative to metropolitan areas for regional cities and rural areas respectively. For comparison purposes, all discussion below is with respect to weekday fares.

Flagfall

For the majority of jurisdictions the flagfall does not differ from the maximum regulated value for metropolitan areas. Where they do differ (VIC and NT) they are typically lower than for metropolitan areas, although NT does regulate for a higher maximum flagfall in some regional areas such as Gove and Katherine (for which there is no distance or duration rate). NSW has an identical flagfall to Sydney for major regional cities, with a 50c increase for 'country areas'.

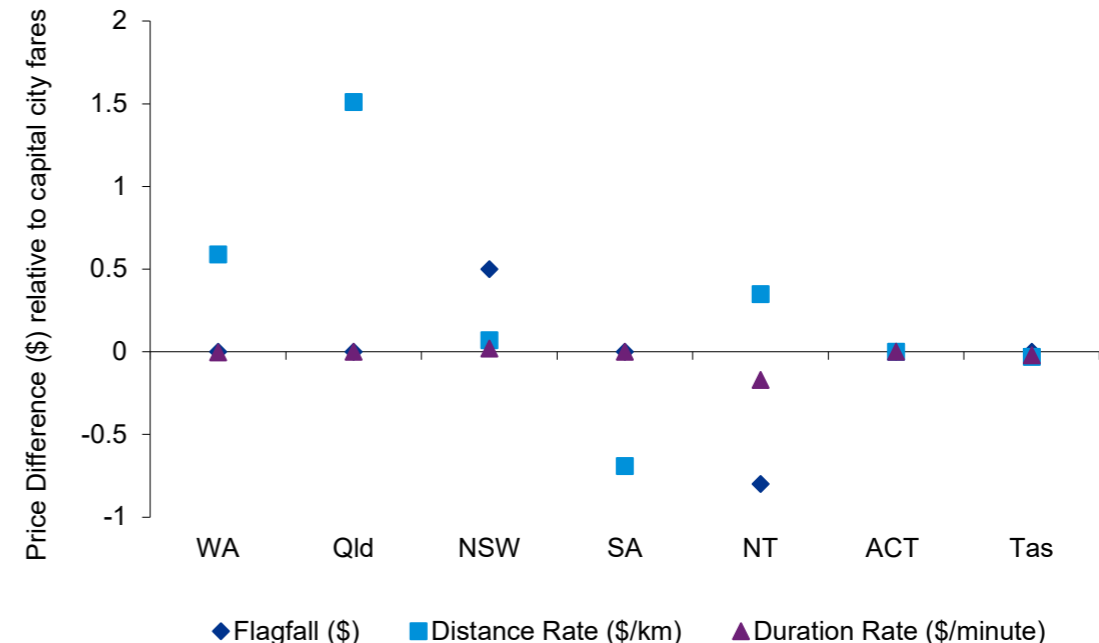
WA retains an identical flagfall to Perth for all regional areas other than Mid West which is 10c higher.

Figure 1a – Regional cities: Price difference to metro weekday fares



*South West (WA) and Alice Springs (NT) have been selected as indicative regional cities.

Figure 1b – Rural areas: Price difference to metro weekday fares



*Kimberley (WA) and Tenant Creek (NT) have been selected as indicative rural areas.

Source for Figures 1 and 2: Taxi fare policies published online by each jurisdiction, as set out in Reference List (p. 58).

Distance rate

The maximum distance rate has a greater degree of variation between metropolitan areas and regional areas, with half of jurisdictions increasing the regional distance rate relative to the metropolitan rate. WA is most similar to QLD in that a tiered increase is presented across regional cities, and rural areas. As noted previously, NSW does not differentiate between metropolitan Sydney and regional cities, however it does regulate a minor increase (7c/km) to the distance rate in 'country areas'.

VIC regulates a considerably higher increase to the distance rate for regional cities than other jurisdictions, with an increase of 22c/km for Geelong, Ballarat and Bendigo. This compares to a 3c/km decrease to the distance rate regulated in TAS for all areas in the state not specifically listed (i.e. 'country areas').

Duration rate

For the majority of jurisdictions across Australia, including WA, the maximum duration rate in regional areas does not vary from that regulated for metropolitan areas. WA regulates a marginally higher detention rate (50c/hr additional) for trips in the Mid West region, however the detention rate for all eight other regional areas matches that for the metropolitan area. For jurisdictions which do differ the duration rate in regional areas, the approach taken differs; with VIC regulating a higher duration rate for regional cities (with no regulated maximum rate for country areas), while NT regulates a lower duration rate. NSW and TAS regulate the same duration rate in regional cities as for their respective metropolitan areas, however for 'country areas', NSW regulates a 2c/hour increase to the duration rate while TAS sets a 2c/hour decrease to the duration rate relative to the metropolitan area.

1.3 Frequency of fare reviews

WA does not currently undertake regular formal reviews of maximum metered taxi fares, although the State has previously undertaken regular annual fare reviews. A fare increase was implemented in 2021 which represented the percentage CPI increase since 2014 in the Perth transport basket of goods. Regulated fares in WA were previously reviewed annually between 2015 to 2017 using a Regional Price Index (RPI) approach, with no fare increase implemented during this review period. Annual fare reviews were paused in 2017 due to the on-demand transport reform. Maximum metered fares were increased in 2014 and prior to this maximum taxi fares were reviewed annually based on a Perth Taxi Cost Index (TCI) approach.

WA's current pause on annual fare reviews contrasts with a number of other jurisdictions that regularly undertake reviews of maximum fares for unbooked taxis. VIC's Essential Services Commission undertakes a review of regulated fares every two years, although only one increase has been applied in the last 14 years. In the NT, fares are reviewed on an annual basis using the ABS CPI quarterly figures. Tasmania's Department of State Growth have recently supported a recommendation from the Tasmanian Economic Regulator that fares should be reviewed regularly, although it holds the view that reviews should be undertaken every five years.

1.4 Estimate of a 'standard' fare

This section presents a fare comparison across jurisdictions for a typical trip. 'Standard' fares are presented for each state and territory for the metropolitan area, a major regional city, as well as a rural area.

Assumptions:

- Weekday AM-PM period
- Low occupancy
- No wheelchair required
- Distance: 7.5km
- Time stopped: 90 seconds
- Time at 'slow speed': 90 seconds
- Excludes any 'Passenger services levies'

Market	WA	QLD	NSW	VIC	SA	NT	ACT	TAS	National Average
Metropolitan	\$21.40	\$20.01	\$21.21	\$16.85	\$19.30	\$18.56	\$22.91	\$19.46	\$19.96
Regional city	\$21.62 South West	\$20.66	\$21.11	\$17.94	\$14.65	\$18.12	\$22.91	\$19.46	\$19.57
Rural area	\$25.78 Kimberley	\$30.20	\$22.24	- No regulated maximum	\$14.65	\$19.61	\$22.91	\$19.19	\$22.08

The comparison above demonstrates that the current rank or hail fare rates for WA are broadly in-line with the national average and those implemented by other jurisdictions.

2. Industry consultation summary

2. Industry consultation summary

Interviews were undertaken with 12 On-Demand Booking Services (ODBSs) representing nine different fare regions across WA.

Key findings:



- The continued regulation of maximum metered taxi fares has strong industry support across both the metropolitan and regional areas.



- The primary reason for this support was to protect consumers as well as the industry's reputation.
- There was also concern from metropolitan booking services that deregulation could lead to a 'race to the bottom' on fares.



- There is strong industry support for regular fare reviews, with supporting communication to industry outlining the reasoning for any decision on fare prices. An annual review was the most commonly preferred interval.



- Nearly all industry participants indicated they currently charge the maximum metered fares and would adopt any fare increases. The importance of this in retaining/attracting drivers was a common message.



- Pre-agreed or contract fares are not commonly used by the taxi industry and are typically based on the maximum metered fares. In a regional context, they are most commonly used for trips between towns.

A 'Typical' On-Demand Booking Service

Weighted average results of survey responses from On-Demand Booking Services for key metrics.

Metropolitan

Fleet

- 22% higher occupancy taxis
- 8% wheelchair accessible taxis
- 1.1 drivers per vehicle

Trips

- 2,100 trips / vehicle annually
- 61,000 km / vehicle annually
- 4% of trips are during ultra-peak period
- 70% of trips are during weekdays

Fare types

- 37% of trips are rank or hail
- 57% of trips are booked using metered rates
- 5% of trips are booked using pre-agreed fares



Regional

Fleet

- 57% higher occupancy taxis
- 14% wheelchair accessible taxis
- 1.1 drivers per vehicle

Trips

- 5,500 trips / vehicle annually
- 31,000 km / vehicle annually
- 4% of trips are during ultra-peak period
- 72% of trips are during weekdays

Fare types

- 17% of trips are rank or hail
- 79% of trips are booked using metered rates
- 5% of trips are booked using pre-agreed fares

2. Industry consultation summary

2.1 Methodology

A two-stage consultation process was undertaken as part of this review, with selected on-demand booking services (ODBSs) having the opportunity to participate. The first stage was a written questionnaire which sought quantitative responses to questions on the following topics:

- A. How different taxi service operators structure their business
- B. Revenue and expenses
- C. Understanding the scale of taxi operations
- D. The limitations of fare calculation devices (meters).

The responses to the questionnaire provided key inputs to the Taxi Fare Model outlined in Section 3, in particular understanding the cost profile and revenue models for ODBSs of a range of different sizes and in different markets across WA (both geographic and consumer profile).

The second stage of consultation was a series of interviews with ODBS representatives, seeking their insights on how they believe fares should be regulated, as well as exploring the costs associated with operating in regional WA. This consultation stage was undertaken between 24 February 2022 to 10 March 2022.

Profile of industry participants

A total of 12 ODBSs were interviewed as part of the consultation process, representing nine of the 10 fare regions across WA, with no ODBS based out of Gascoyne able to be interviewed.*

A range of different sized booking services were interviewed, spanning from larger metropolitan firms through to mid-size regional operators and single owner/operators. Some regional booking services interviewed had a greater focus on providing services in wheelchair accessible taxis rather than rank or hail trips.

Table 2a – Regional locations of ODBS participants

Perth and Peel	South West	Great Southern	Wheatbelt	Goldfields/ Esperance	Mid West	Gascoyne	Pilbara	Kimberley
4	1	1	1	1	2	-	1	1

*Twenty-two ODBSs were contacted as part of this consultation process, targeting representation across all fare regions, however 10 declined to participate.

2.2 Consultation themes

2.2.1 Regional specific costs

Regionally based ODBSs were asked whether there are any specific goods or services that they require to operate that they find difficult to obtain, or costs that are unique to their location.

Feedback from the booking services varied considerably depending upon which region and/or town they were based in. A number of regional operators indicated that they travel to Perth for maintenance on specific aspects of their vehicles, such as for the meter or cameras, although it was noted that this was a rare occurrence and did not add significantly to their operating costs. Other booking services indicated that they have access to all specialist skills they require at nearby major regional centres.

Some regional booking services noted that cost of living, in general, is higher in the region in which they operate and that fares should reflect the general cost of living differences across WA. Another consideration highlighted by one regional booking service was that the distance they travelled to arrive at a customer can often be higher than for the metropolitan area. While this may be true for trips between regional centres, this may not typically be the case given the smaller geographic areas that regional towns span.

2.2.2 Regulation of maximum metered fares

Booking services were asked for their insights on a range of questions relating to the regulation of maximum metered taxi fares, including on how they currently apply the maximum fares and their thoughts on the frequency of fare reviews and on potential options for deregulation of maximum metered fares.

How maximum fares are currently applied

All metropolitan booking services interviewed indicated that they always applied the maximum allowed metered fares, with one indicating that it is 'just not viable to charge less than the maximum amounts'. Similarly, the majority of regional booking services (five of the eight interviewed) indicated that they always charge the maximum allowable fares, with three others indicating that they sometimes offer slight discounts to regular customers. In all instances where booking services indicated that they sometimes charge less than the maximum allowable amount, it was in the context of booked fares and not rank or hail trips.

One metropolitan booking service indicated that they had previously intended to not pass the most recent fare increase on to customers, however strong feedback from their drivers who threatened to shift to their competitors had forced them to apply the maximum allowable fares. While not all metropolitan booking services had this experience, others indicated similar sentiment that drivers respond to fare changes far more than customers and will express a strong interest and intent to drive for the booking service with the highest fare rates.

In terms of contract fares, the vast majority of booking services apply the maximum metered rates to calculate the fixed fares, other than the slight discounts for regular customers noted above. One of the metropolitan operators noted that, for consistency reasons, they do not want to apply different rates for booked services and rank or hail services as this would be inconsistent for customers given that the service from the customer's perspective is essentially identical.

Fare review frequency

When asked how often regulated maximum taxi fares should be reviewed, there was strong support from industry for regular reviews. An interval of at least once a year was a strong preference with 75 per cent of booking services interviewed expressing a preference for at least an annual review. All other booking services interviewed expressed a preference for a review at least every two years, or whenever increases to costs warrant a fare increase.

A desire for improved communication associated with fare reviews was expressed by a number of ODBSs in both the metropolitan region and across regional WA. While it was accepted that regular fare reviews may not necessarily result in increases to the maximum metered fares in each review cycle, booking services expressed a desire for reasoning and justification for the decision associated with the fare reviews to be communicated to industry rather than simply the outcome. There was uncertainty from some booking services as to whether fares are regularly reviewed by the Department or how often this occurs.

One metropolitan booking service noted that there is a cost to booking services when maximum metered fares are updated, including the need to display the metered rates in each vehicle. They noted that the last time fares were increased in 2021 it took a week to 'resticker' the vehicles, with an approximate cost of \$8 per vehicle.

A number of booking services identified and expressed support for the concept of having out of cycle fare reviews that could be triggered whenever there were substantial changes in costs, even if regular fare reviews were scheduled. The majority of these conversations were in the context of managing the additional costs associated with the recent fuel price rises. One metropolitan booking service identified a preference to have annual indexation of fares by CPI, coupled with more in-depth fare reviews every five years or whenever CPI movements are in excess of five per cent in a calendar year.

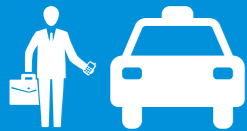
Case Study 1 and 2 below explore how other passenger services firms and related transport industries have responded to the recent rapid increase in fuel costs.

Case Study 1: Uber fuel surcharge

In the week following the interview stage of the taxi industry consultation, Uber Australia announced that a temporary fuel surcharge was being introduced in response to feedback from drivers (WAtoday, 2022).

The 60 day fuel surcharge will be applied on a per-kilometre basis to all trips in Australia, with 100 per cent of the revenue from the surcharge being retained by drivers. The average surcharge amount was estimated at 50c per trip.

WAtoday (2022), 'Uber introduces surcharge to tackle skyrocketing fuel prices', 13 March 2022



Case Study 2: Logistics companies increase fuel surcharges

The Australian Financial Review has reported that logistics companies, such as trucking companies and international freight forwarders, are passing on increasing fuel costs to customers through fuel surcharges in the scale of 20 per cent.

"There is not a single truck operator in the country who can afford to absorb the fuel prices increase, it doesn't matter how big or small they are – they all have to pass it on." - South Australia Road Transport Association

Australian Financial Review (2022), 'Fuel surcharges jump to 20pc and beyond', 15 March 2022



Deregulation of maximum fares

There was strong industry support to retain regulated maximums for metered fares for rank or hail trips across both metropolitan Perth and regional WA, with only one of the booking services interviewed supporting deregulation of maximum metered fares. This booking service operates in regional WA and indicated that they believed there was sufficient competition in the market to ensure that fares would remain reasonable even if deregulated.

Consumer protection through regulation

Although the reasons for support for retaining regulated maximums varied, a common point of feedback was that it is recognised that the current regulated maximums protect consumers from being exploited. One of the metropolitan booking services noted that while there is still a culture of taking the first cab off the rank, consumers could be exploited without regulated maximums as competition is not practically possible at a taxi rank. This sentiment was closely related to a desire from established booking services to protect the taxi industry's reputation from 'independent drivers' who may exploit consumers in the absence of regulated maximums.

Similar feedback was provided from multiple regional booking services, particularly in locations which have high seasonal demand, where there was concern that drivers with no long-term presence in the region would take advantage of consumers during the seasonal peaks. It was reported that there is a regular surge of drivers from other parts of the state that offer services during periods of high tourist demand and are only looking for short term revenue and not to build a business and presence in the region. Concern for consumers from regional booking services was amplified given the lack of alternative mobility options in some regions, potentially leaving people more exposed to exploitation in the absence of regulated fares.

Uncertainty in how to set fares

Another common area of feedback was that there was uncertainty in how fares would be set in the absence of regulated maximums, both in terms of not wanting to set lower rates than competitors as well as not wanting to overcharge customers. One regional booking service for instance noted that even if fares were to be deregulated, they would still like a guideline on what to charge. Similarly, one metropolitan booking service indicated that although deregulated maximum fares could drive more competition, they are not sure how they would set their own prices in the absence of maximum fares.

From a metropolitan context there was common concern over a desire to retain and attract drivers to their booking services, with uncertainty over how booking services would adjust fares in a deregulated environment. One metropolitan operator stated that they would likely increase fares if they were no longer subject to regulated maximums, so as to take a lead in the hope that drivers would switch to them from their competitors based on their higher rates. Other metropolitan booking services expressed a concern that deregulation could lead to a 'race to the bottom' in trying to compete against ride share on price, despite there currently being no minimum fare regulated.

One metropolitan booking service expressed support for an increase in regulated maximum fares to a scale that would still protect consumers from exploitation while providing greater flexibility for booking services in setting fares, although noted that this could easily be interpreted by media and the public as a substantial price hike if not communicated carefully.

Half of all regional booking services interviewed stated that they would likely increase fares if the regulated maximums were removed, with estimates spanning from five per cent to a 20 per cent increase, while one indicated that they would likely anchor their fares to changes in fuel price.

Fare structure

Distance and duration rate

Booking services were asked about the potential for a duration rate to be applied at the same time as the distance rate in the manner currently taken by some charter service providers. There was little interest or support for this concept amongst booking services interviewed as many felt that the driver's time is already reflected through the existing combination of distance rate and detention rate when the vehicle is stopped or traveling slowly. One regional booking service opposed the concept of a duration rate that applied throughout the entire trip as they felt it would encourage passengers to pressure drivers to speed. A metropolitan booking service noted that it is not the fare structure that matters but the price itself, and the option to apply the duration rate across the entire journey is not needed if the distance rate and detention rate are priced appropriately.

One metropolitan ODBS identified the current definition of Tariff 3 as a concern, with it being defined as only applying 'when carrying 5 or more passengers'. They noted that there are often circumstances where passengers require a larger occupancy vehicle, such as for carrying equipment, but can only be charged at a Tariff 1 or Tariff 2 rates as a single occupant. The booking service stated that the costs associated with operating a larger vehicle were not covered by these low occupancy fares, despite the customer's requirement for a larger vehicle. The Transport (Road Passenger Services) Regulations 2020 make note of 'any charge for carrying oversized or excess luggage' in the context of the Levy fare (since removed), however the provision for these charges are not specified in the manner that cleaning costs are for instance in regulation 130.

Flagfall

A range of insights and opinions were provided by booking services relating to flagfall, recognising the competing interests of wanting to maximise ridership while also ensuring a fair return to drivers and/or booking services for servicing short distance trips.

One metropolitan ODBS noted that, if they could change anything about the current fare structure, it would be to reduce flagfall and opt for a higher distance and detention rate. They noted that between flagfall, the ultra-peak surcharge and the On-demand Passenger Transport Levy (since removed), fares can already be at \$11.30 before the vehicle has commenced the trip. The ODBS felt that this was increasingly a deterrent for passengers, with people's experience with rideshare potentially having shifted consumer expectations. Other metropolitan ODBSs disagreed however, stating that they feel passengers are familiar with this format, and that the current flagfall rate provides appropriate incentive for drivers to take on shorter trips.

This contrasting set of views was reflected in regional booking services as well, with one stating that flagfall should not be increased further as customers complain about it already, while another indicated they would prefer higher flagfall to act as an effective minimum fare. Broadly speaking however, there was no strong support to reform the scale of flagfall rates in either metropolitan Perth or regional WA.

Ultra-peak surcharge

Based upon the responses to the questionnaire, approximately four per cent of taxi trips occur during the ultra-peak period for both metropolitan and regional booking services. When asked about the ultra-peak surcharge, many booking services acknowledged that they do not consider the ultra-peak period specified for their region as reflective of their peak demand periods. One metropolitan booking service noted that the surcharge is effectively 'blindly guessing' at peaks and that they could easily experience their peak demand during a weekday afternoon. There was broad support for retaining the surcharge however, with one metropolitan ODBS noting that the surcharge is minimal in comparison with fare surcharges implemented by some rideshare operators, and another noting that the drivers who work the ultra-peak are 'putting up with a different clientele' and the surcharge reflects this. There was a preference to retain the surcharge rather than move to an additional tariff as it was felt that this could be more easily misused by drivers.

Two regional booking services interviewed stated that they are aware of the ultra-peak surcharge, but that they do not apply it. Another regional booking services noted that their

drivers do not really look to the surcharge, stating that it may encourage some drivers to stay on longer, but that they do not typically drive that period as there is insufficient demand. One regional ODBS identified a preference to extend the ultra-peak surcharge to a daily 'late night' surcharge, to address challenges associated with attracting drivers to late-night shifts. This discussion was in the context of drivers reporting regular vandalism of vehicles and a subsequent reluctance to take these evening and late night shifts.

Other

While not directly raised through the interview questions, some booking services provided insights and feedback on other fare issues such as the Taxi User Subsidy Scheme (TUSS).

One regional booking service stated that they would like to see the maximum subsidy available under the TUSS to increase from the current \$25 - \$35 (depending on whether travelling in a wheelchair accessible taxi) to at least \$50. It was noted that the TUSS maximum subsidy values had not been adjusted after either the introduction of the levy (since removed) or the recent increase to the maximum metered taxi fares.

2.2.3 Meters

Booking services were asked whether there were any features of their meters that they would like to use but cannot due to the existing fare structure, and whether there are any limits or features the Department should be aware of when considering changes to metered fares. More than half of the ODBSs interviewed stated that they are using a Cabcharge FAREWAYplus meter, with other meters identified by regional booking services including Novax LEDA and TaxiCaller. One metropolitan booking service noted that all of their meters were app-based, and that they were moving away from traditional meters and dispatch systems.

The significant role that Cabcharge play in supporting booking services was highlighted by one metropolitan ODBS that noted that Cabcharge had emailed them regarding the 2021 fare increase indicating that the fares would increase at midnight that evening. The booking service was not intending to pass the fare increase on and had not displayed the increased fare rates in vehicles as would be required in order to implement the increase.

There were no specific features identified that meters were capable of that booking services wished to use but currently could not under existing regulations. Similarly, industry did not identify any specific limits to the meters that the Department should be aware of when considering changes to the metered fares. One metropolitan booking service spoke to the importance of ensuring that there are no barriers to industry having choice in meter type, or the ability to develop their own app in the future.

2.2.4 Demand for services

Peak demand periods

Booking services were asked what seasons, months, days and times they experienced the highest and lowest taxi demand. The metropolitan ODBSs were consistent in responding that their busiest demand periods are in the weekday 6am – 6pm period. This is demonstrated in the responses to the questionnaire which showed that 70 per cent of all metropolitan trips occur during the weekday Tariff 1 period.

While questionnaire data from regional ODBS responses was similar (72 per cent of trips occurring during the weekday Tariff 1 period), during the interviews a number of localised considerations were identified. Many regional ODBSs noted that they experience their highest demand peaks during school holiday periods. The importance of tourism to some regional booking services was highlighted by one response that indicated that they regularly struggle to provide sufficient drivers to meet demand for trips to the beach to watch sunsets between 5:30pm – 7:00pm. In contrast, one regional booking service which focuses primarily on providing wheelchair services stated that they do not typically see seasonal peaks due to the nature of their work, which is focussed more on providing regular services to repeat customers.

Demand expectations

Metropolitan booking services were consistent in their expectations that demand will likely not return to pre-pandemic levels until 2023. The impact of border closures on taxi demand was an area of focus identified by two metropolitan booking services that estimated that the closures reduced demand for taxi trips by 30-40 per cent. The majority of the interviews were conducted shortly following the announcement that WA's hard border would be lifted while Level 2 restrictions would be introduced on 3 March 2022. In the words of one metropolitan booking service, this announcement was received with 'glee and concern', particularly in terms of the potential impact to the number of drivers who are available to operate.

Regional booking services spoke to similar concerns associated with the number of available drivers, however regional concerns were often in terms of the broader labour market and the difficulty in attracting, and more importantly retaining, drivers in the industry. One regional booking service noted that the number of trips they were providing was down 40-50 per cent on the previous year due to the number of drivers who had left the industry. Unemployment was low in the region (below three per cent in September 2021) and the booking service noted that there was strong competition for drivers from other industries, including the resources, construction and transport sectors. Although the drivers who had left their service had not necessarily filled these roles, they felt that the tight labour market made it difficult to attract or retain taxi drivers, particularly under regulated fare prices which effectively capped driver earnings. Two other regional booking services indicated that demand had increased for them and they had either purchased or were looking to purchase an additional vehicle to cater for this additional demand.

2.2.5 Contract fares

Booked services

Pre-agreed or contract fares are not commonly used by the taxi industry in either the metropolitan area or regional WA, with contract fares representing just eight per cent and six per cent of all booked services respectively. When asked about pre-agreed contract fares, most regional booking services indicated that they were typically only used for out of town trips between regional cities, with all other trips done by the meter. One regional ODBS noted that this was done for simplicity as they felt that bookkeeping would become too complicated, and that if they wanted to use contract fares, they would move away from taxis and 'just run charter'.

Many regional booking services indicated that they still primarily receive bookings via telephone, in contrast with one metropolitan region ODBS that indicated almost all of their booked trips were online or via their app. Although online bookings theoretically provide greater opportunity for contract fares as a fare estimate can be easily provided as part of the booking process, all metropolitan booking services indicated that the pre-agreed fares they offer are based upon the maximum metered fare rates. One metropolitan ODBS indicated that this was due to a preference to not charge customers different rates for booked services compared with the same trip by a rank or hail service. While they strongly supported recent reforms to deregulate the booking market, they did not want to 'jump ahead of the process' through greater use of contract fares while rank or hail services were still regulated.

Rank or hail services

One metropolitan ODBS identified a desire for drivers at a taxi rank or when hailed to be able to accept a pre-agreed fare so as to be able to better compete with rideshare companies. The booking service noted that many passengers approach drivers at taxi ranks with a fare estimate from a rideshare company, asking the driver whether they can match or beat the price. This experience was seconded by another metropolitan ODBS, that indicated that drivers are currently being placed in a difficult position and 'may be forced to make a decision they may not want to', particularly if they have been sitting at the taxi rank for some time. Both booking services indicated that the only way for a driver to accept these fares would be to turn the meter off and face a penalty. It was noted that the Cabcharge FAREWAYplus meter cannot provide an upfront fare estimate, but alternative app based meters/dispatch systems would be able to.

2.3 Top industry priorities

To summarise discussion with industry participants, they were asked what they would change about the structure of the current regulated fares if they could. The responses to this question typically returned to previous items of discussion raised throughout the interviews and highlighted industry's top priorities with respect to regulated maximum fares.

The priorities outlined in Table 2b below are simply those identified by individual booking services and are not necessarily recommended for action as part of this review. Recommendations from the review are provided in Section 5.

Table 2b – Priorities identified by industry in interviews

Industry priority	Description	Report section for further discussion
Metropolitan		
Reduce flagfall and increase distance rate	Reduction of flagfall and increase the distance and detention rate to reduce the upfront cost to passengers on the meter.	Section 2.2.2 'Flagfall'
Tariff 3 eligibility expansion	Expansion of eligibility to charge Tariff 3 to instances where a higher occupancy vehicle is required based on a customer's needs, such as when they are carrying equipment.	Section 2.2.2 'Distance and duration rate'
Annual indexation of maximum fares	Annual indexation of maximum metered fares for rank or hail based on CPI, with provision for interim reviews to respond to significant changes in costs. Provision for more in-depth reviews every five years (or when costs change considerably) to ensure indexation has aligned with taxi industry cost movements state-wide.	Section 2.2.2 'Fare review frequency'
Permit pre-agreed fares for rank or hail trips	Permit drivers to be able to accept pre-agreed fares at a taxi rank where the fare estimate is at or less than the maximum metered rates.	Section 2.2.5 'Rank or hail services'
Regional		
Increase frequency of fare reviews	Multiple regional booking services identified the need for fare reviews to be undertaken more frequently, even for those who indicated they were comfortable with the current maximum fares.	Section 2.2.2 'Fare review frequency'
Increase maximum fares	Three regional booking services explicitly identified a preference to increase the fares by an amount spanning from 5 per cent to 20 per cent.	Section 2.2.2 'Regulation of maximum metered fares'
Introduce weeknight late night surcharge	Introduction of a 'late night' surcharge for all evenings commencing prior to midnight, noting the challenges of attracting drivers at this time. These challenges were likely unique to the region and were associated with regular vandalism of vehicles.	Section 2.2.2 'Ultra-peak surcharge'

3. Taxi fare model

3. Taxi fare model

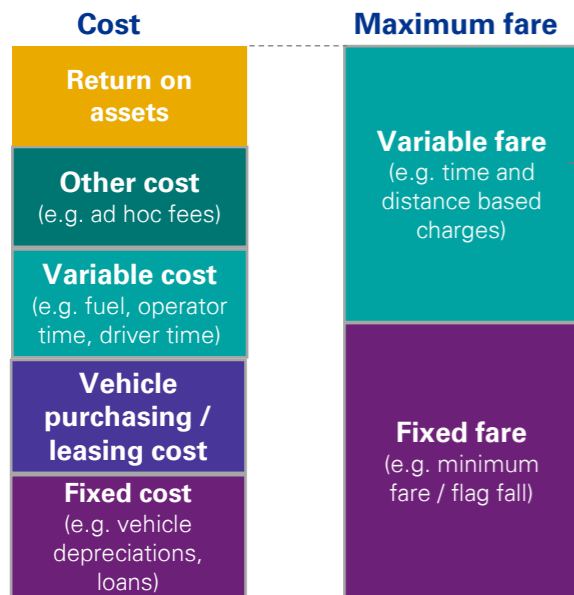
3.1 Model framework

A 'building block' model was developed to estimate the fare revenue required to recover the costs of providing taxi services. We consider this approach appropriate as it provides the transparency to analyse each cost component, and allows building in the fare recovery mechanism (of cost) in a flexible manner.

The building block framework is commonly applied across regulated industries in Australia, including energy, transport, postal services and urban utilities. In it, total revenue to be recovered is defined as the sum of underlying costs, or 'building blocks, including the return on capital, depreciation and operating expenditures.

The proportion of total revenue to be recovered through individual charges is then determined outside the model. The alignment between costs and revenues is illustrated in Figure 3a.

Figure 3a – Example alignment of taxi costs and fares



Return on assets is a regulatory economics concept, accounting for market risks faced by businesses operating in a competitive environment. It is an important factor to include when setting regulated prices.

Omission of it leads to under-estimation of the cost associated with market risk, and thus under-estimation of the true maximum fare.

Return on assets is included in all analysis in this chapter.

3.1.1 Taxi cost and travel data

Cost information were primarily obtained through the survey/consultations to selected individual booking services in WA, and validated against information supplied by rideshare providers, interstate jurisdictions and the Department of Transport. The consultation respondents provided estimates of annual costs (based on the 2020-21 financial year) and travel profiles, including:

Travel metrics	Capital costs & related metrics	Operating costs
<ul style="list-style-type: none"> Number of trips Kilometres travelled Proportion of travel time with passenger 	<ul style="list-style-type: none"> Number of vehicles Vehicle purchases and modifications Replacement timeframe Average cost of vehicles and asset life 	<ul style="list-style-type: none"> Equipment leasing Labour Fuel Insurance/roadside assistance Signs/livery Cameras

Eight consultation respondents (three metropolitan and five regional) provided information. A reasonable volume of information was received overall, with main gaps being in fuel costs, driver earnings and vehicle replacement timeframes. Missing information was prorated based on the number of vehicles, distance travelled or trips undertaken.

Travel metrics

Table 3b details the average annual travel undertaken by West Australian taxis. Metropolitan taxis generally undertake more trips per year than regional taxis, and these trips are generally longer in distance but slightly shorter in travel time. Regional trips are much slower on average. This is potentially due to the higher proportion of trips with wheelchair passengers, who may require additional time to enter and exit the vehicle.

Item	Western Australia	Metropolitan	Regional
Trips per vehicle per year	2,163	2,106	5,512
Total km per vehicle per year	60,655	61,164	30,611
Total distance per trip (km)	28.0	29.0	5.6
Average trip duration (minutes)	17.32	17.27	18.48

Source: Questionnaire respondents

3. Taxi fare model

Capital costs

Vehicle purchase costs are the largest capital cost incurred by taxi operators. Modification costs to accommodate wheelchairs were also considered, although only two questionnaire respondents – one metropolitan and one regional – provided this data. Other questionnaire respondents either did not modify their vehicles or were not aware of the costs to do so.

Capital costs provided by questionnaire respondents are detailed in Table 3b. As this data relates only to respondents, the actual WA fleet of taxi vehicles will be higher.

Table 3b – Vehicle fleet sizes, purchase cost and useful lives

Item (unit)	Western Australia	Metropolitan	Regional
Fleet size (counts)	1,680	1,652	28
Average vehicle cost (\$)	\$35,981	\$36,102	\$28,813
Useful life (years)	6.8	6.8	5.7

Source: Questionnaire respondents

Within the sample of firms, the majority (98 per cent) of vehicles operate in metropolitan regions. Metropolitan taxi operators generally invest slightly more in their vehicles (\$36,102 including wheelchair modification costs compared to \$28,813) and plan to operate them approximately one year longer.

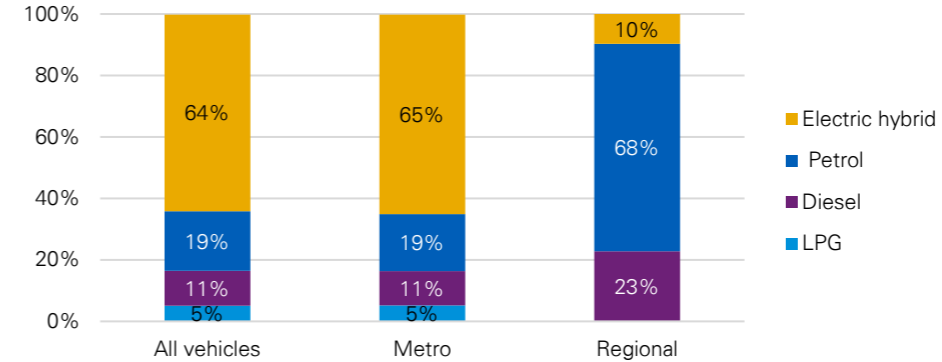
Differences in costs may partly be explained by the different fleets operating in metropolitan and regional areas. Figure 3b illustrates that a significantly higher share of metropolitan taxis are hybrid vehicles, which are generally more expensive than petrol/diesel/gas vehicles.

The total revenue to be recovered through the model-estimated taxi charges includes depreciation on the capital costs for vehicles and modifications, and a 9.7 per cent¹ (pre-tax) return on assets.

¹ Essential Services Commission (2020) Taxi Non-Cash Payment Surcharge review 2019



Figure 3b – Fleet fuel mixes



Source: KPMG analysis based on questionnaire data received

Operating costs

Figure 3c presents the weighted average operating cost per kilometre for metropolitan and regional taxis. These reflect the revenue required to be recovered through taxi fares in order to cover the operating costs of providing services.

Figure 3c – Operating cost recovery per km



Source: KPMG analysis based on questionnaire data received

3. Taxi fare model

Driver costs are the largest operating cost category, comprising more than half of total operating costs in both metropolitan and regional areas. Questionnaire respondents reported state-wide average driver earnings of \$59,000 per year, broadly consistent with publicly available estimates of national average taxi driver earnings (generally \$50,000-\$60,000 per year).^{2 3} This equates to approximately \$23 per hour (assuming 49 hour⁴ work weeks), greater than the 2020-21 minimum wage of \$20.33.⁵ Actual hours worked would affect the average earnings per hour.

Fuel costs comprise a more moderate share of total operating costs, approximately seven to ten per cent across metropolitan and regional areas. Significant increases in fuel prices therefore are anticipated to increase costs only marginally, with a 50 per cent increase in fuel prices required to increase the total cost per kilometre by less than four per cent. However, given the low margins, any prolonged increase in fuel prices may materially impact the economic viability of rank and hail taxi services.

The operating costs of metropolitan trips are generally higher than regional trips (\$38/trip compared to \$10/trip), reflecting that metropolitan trips are generally longer (29km compared to 6km).

3.1.2 Estimation of charges

In WA, taxi revenues are generated through a variety of charges – including the flagfall charge, distance rate and detention rate. Additional surcharges are imposed at specific times of the day or year, and fare rates vary by region across the state.

The building block model calculates the total revenue to be recovered through taxi services, but does not determine the individual fare rate itself. The proportion of each 'building block' which is to be recovered through the individual fares is determined separately, and set in such a way that estimated fare rates resemble actual rates as closely as possible.

² Glassdoor (2022) Taxi Driver Salaries in Australia https://www.glassdoor.com.au/Salaries/taxi-driver-salary-SRCH_KO0,11.htm

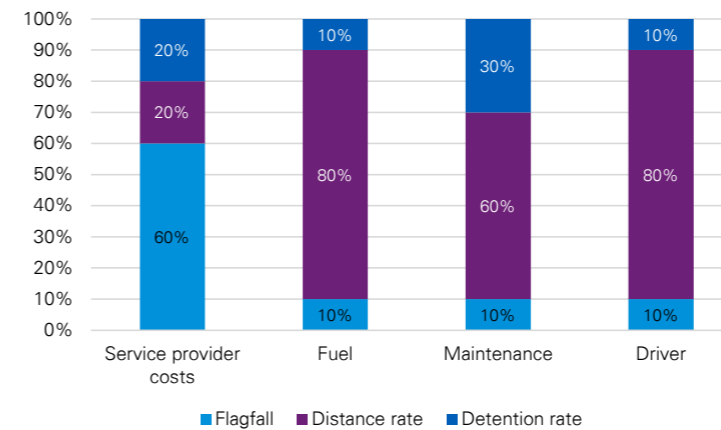
^{4 5} Joboutlook.gov.au (2022) Taxi Drivers <https://joboutlook.gov.au/occupations/taxi-drivers?occupationCode=731112>

⁶ Fairwork Ombudsman (2022) Minimum wages <https://www.fairwork.gov.au/pay-and-wages/minimum-wages>

An example allocation of cost items through individual charges is illustrated in Figure 3d. In the example, the flagfall charge is set to recover 60 per cent of service provider costs, 10 per cent of fuel costs and 10 per cent of maintenance costs. The actual allocations applied in the model are detailed in Table 3c.

The proportion of each cost category, or 'building block' to be recovered through each fare was calibrated to align the model results with actual fare rates. The allocations applied in the model are detailed overleaf in Table 3c for metropolitan areas and Table 3d for regional areas.

Figure 3d – Example allocation of cost items to charges



The proportion of each building block that is recovered through each fare was estimated through calibrating model-calculated rates to match actual rates. In general, capital costs were assumed to be recovered primarily through the flagfall charge, and operating costs primarily through the distance rate and detention rate. Differences between metropolitan and regional areas in the recovery of individual building blocks may reflect differences in cost structures and taxi journey profiles.

It is important to note that the calibration of the cost recovery proportions did not affect the total revenue required to be recovered (defined on page 35), only the extent to which it is recovered by each charge type.

3. Taxi fare model

Table 3c – Recovery of cost items through charges – metropolitan areas

Cost item	Flagfall	Distance rate	Detention rate
Capital items			
Return on capital	95.0%	5.0%	-
Depreciation	95.0%	5.0%	-
Operating cost items			
Service provider costs	5.9%	82.7%	11.4%
Fuel	5.9%	82.7%	11.4%
Maintenance	5.9%	82.7%	11.4%
Insurance/roadside assistance	5.9%	82.7%	11.4%
Signs/livery	5.9%	82.7%	11.4%
CSU	5.9%	82.7%	11.4%
Meter equipment	5.9%	82.7%	11.4%
Dispatch equipment	5.9%	82.7%	11.4%
Eftpos terminal	5.9%	82.7%	11.4%
Other operating cost	5.9%	82.7%	11.4%
Driver	5.9%	82.7%	11.4%

Source: KPMG analysis based on questionnaire data received

Table 3d – Recovery of cost items through charges – regional areas

Cost item	Flagfall	Distance rate	Detention rate
Capital items			
Return on capital	95.0%	5.0%	-
Depreciation	95.0%	5.0%	-
Operating cost items			
Service provider costs	25.0%	35.0%	40.0%
Fuel	25.0%	35.0%	40.0%
Maintenance	25.0%	35.0%	40.0%
Insurance/roadside assistance	25.0%	35.0%	40.0%
Signs/livery	25.0%	35.0%	40.0%
CSU	25.0%	35.0%	40.0%
Meter equipment	25.0%	35.0%	40.0%
Dispatch equipment	25.0%	35.0%	40.0%
Eftpos terminal	25.0%	35.0%	40.0%
Other operating cost	25.0%	35.0%	40.0%
Driver	25.0%	35.0%	40.0%

Source: KPMG analysis based on questionnaire data received

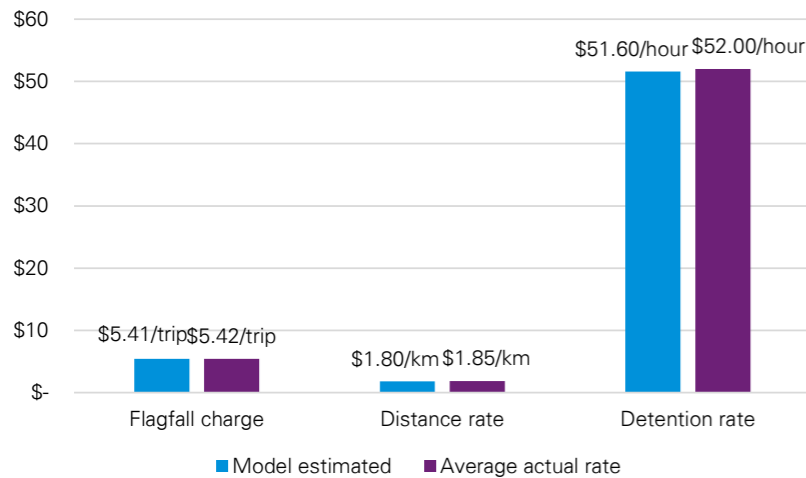
3. Taxi fare model

An important aspect of the modelling framework is the ability to vary individual charge rates in metropolitan and regional areas by varying the proportion of each cost item that they recover. Consultation attendees noted that higher flagfall charges may deter potential customers, as they are faced with a higher fare immediately on entering the vehicle. The current framework allows for individual charges to be varied, while keeping the total revenue constant.

3.2 Results

Metropolitan fare rates estimated through the building block model are compared to actual rates in Figure 3e. Actual rates are averaged based on the proportion of trips undertaken in weekday, weekend and ultrapeak periods (as reported by questionnaire respondents). Estimated rates closely match the current regulated rates. This confirms the current level of charging is reasonable if the maximum fare is to be retained, given current cost structures.

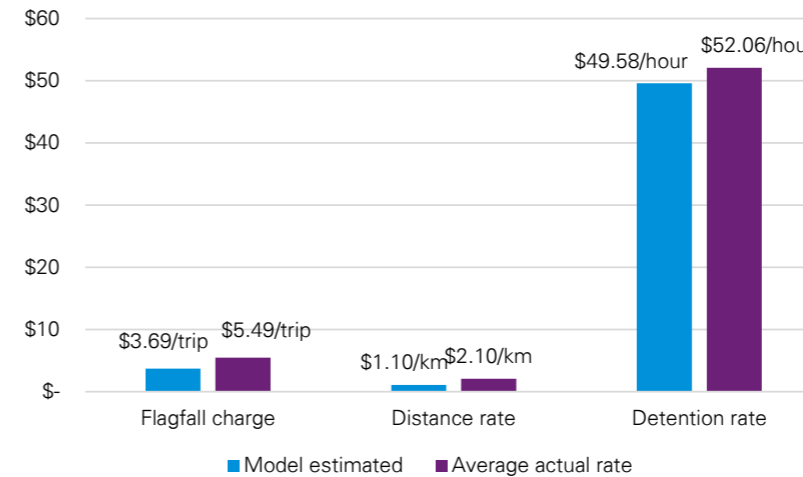
Figure 3e – Estimated metropolitan fare rates



Source: KPMG analysis based on questionnaire data received

Figure 3f compares model-estimated and actual fare rates for regional areas. Actual rates are averaged across the regions (Gascoyne, Kimberley, etc.) and weighted by the number of trips in each time period (weekday, weekend, ultrapeak). Model-estimated rates generally align with current actual regional fare rates.

Figure 3f – Estimated regional fare rates



Source: KPMG analysis based on questionnaire data received

3. Taxi fare model

Figure 3g compares model-estimated total cost per trip (including operating and capital cost building blocks) and estimated actual revenue per trip based on current taxi fare rates. The calculation of actual revenue per trip considers the proportion of trips undertaken in weekday, weekend and ultra-peak periods in metropolitan and regional areas (as reported by questionnaire respondents).

Costs and revenues per trip are generally aligned in both metropolitan and regional areas. While the model suggests that on average regional operators receive a slightly greater margin on a per trip basis, this is based on significantly fewer trips than metropolitan operators (approximately 150,000 trips are estimated to be undertaken per year in regional areas, compared to 3.5 million in metropolitan areas).

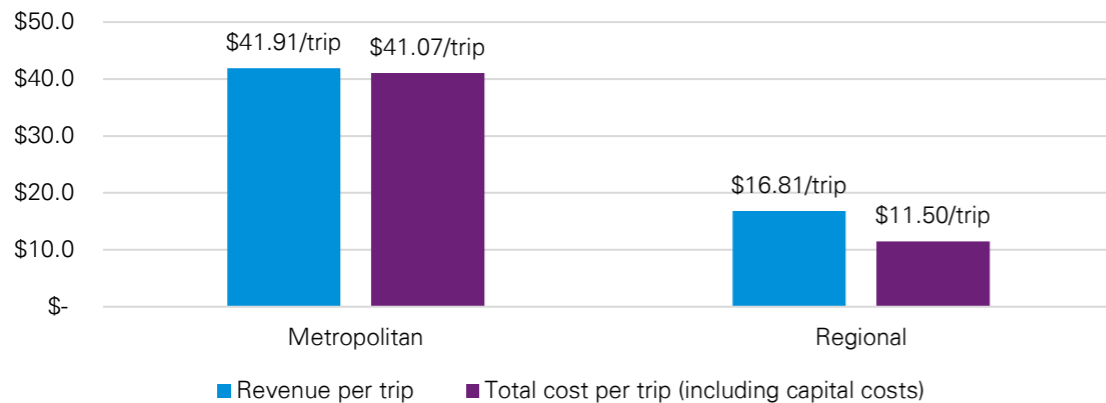
It should be noted that while the comparison presents costs and revenue on a per trip basis, metropolitan booking services typically implement a subscription or 'rank fee' revenue model, with drivers retaining all fare revenue, while regional booking services typically split fare revenue with drivers.

The alignment between costs and revenues per trip suggests that the fare structures generally align to the cost structures faced by operators, but may indicate the limited ability of operators to absorb future cost increases.

The model estimates the charges required to cover the capital and operating costs of providing taxi services. Given that the model-estimated results closely align with actual charge rates, there may be limited opportunity for taxi operators to compete on price with alternative ride share providers. Current rates recover the capital and operating costs of providing services, and a reduction in fares may mean revenue received is insufficient to cover costs if demand does not respond. Taxi operators may exit the industry as a result.

While a reduction in taxi charges may not currently be feasible, there may be opportunities to adjust individual charge rates or to deregulate fares. The model and results will be used to support the assessment of future fare management options detailed in the next section.

Figure 3g – Comparison of costs and revenues per trip



Source: KPMG analysis based on questionnaire data received



4. Options analysis

4. Options analysis

4.1 Options identification

This section identifies a range of potential options for rank or hail taxi fares, as well as analysis of these options and discussion of the likely impact on key factors such as consumer demand, price, driver earnings, ODBS revenue and the industry's labour force.

Table 4a below sets out the options that have been identified for analysis through industry consultation as well as analysis of regulatory reform by other jurisdictions.

Other fare policy issues for consideration are identified and discussed for each option in this section.

Table 4a – Fare options identified for analysis

Option Name	Description
1. Deregulate rank or hail fares	Maximum metered fares are removed for rank or hail trips, with On-Demand Booking Services (ODBSs) enabled to establish and set their own fare structure. There are three identified sub options to consider: <ul style="list-style-type: none">• 1a. Deregulate rank or hail fares across all of WA;• 1b. Deregulate metropolitan (Perth and Peel) fares only; and• 1c. Deregulate regional fares only
2. Retain maximum metered fares	Retain the current fare structure and index the fares annually using CPI data from the ABS. Option 2 may be used in conjunction with Options 1b or 1c to provide clarity on future increases for any fares which remain regulated.
3. Lift maximum fare ceiling	Increase the current maximum metered taxi fares (ceiling) by a significant amount to provide booking services greater capacity to compete on price, while retaining a fare ceiling safety net to continue to somewhat protect consumers. An approximate 50 per cent increase (equivalent to increasing Tariff 1 rates to Tariff 3 rates) is suggested as an appropriate increase under this option. This increase would then be maintained through a mechanism such as CPI indexation as suggested in option 2.

The options outlined above in Table 4a are analysed in detail in Section 4.2, with their likely impact on key issues, such as consumer demand, fare price in different regions of the state, as well as likely impact on labour force considerations such as driver availability and industry movements.

4.1.1 Deregulating rank or hail fares (Option 1)

Three of the options presented in Table 4a relate to deregulation of maximum metered taxi fares (Options 1a, 1b and 1c). This deregulation could be implemented in a number of different ways discussed below. This section only sets out to identify and discuss a number of key considerations in deregulating rank or hail fares, with full analysis of Option 1 presented in Section 4.2.

Price notification

One approach to deregulating maximum metered fares would be to move towards a 'price notification' system, with ODBSs that wish to alter their fares being required to provide their fare information to the Department of Transport who would publish this fare information on a public website. This approach was implemented in country VIC between 2014 and 2018, under the then 'Taxi Services Commission' (now Commercial Passenger Vehicles Victoria). Under this approach, fare information would be uploaded by each ODBS for each tariff, along with details of all other charges that would apply, with no limit to the number of times an ODBS could change their fares.

The use of a price notification system would provide consumers with upfront information about fares for rank or hail services to support them in making decisions about which rank or hail taxi to choose, and support the transition towards deregulated taxi fares more generally. A price notification system would also assist government in understanding the competitiveness of the market for on-demand booking services, and support the early identification of any areas where competition may not be sufficient to provide for effective consumer outcomes.

Depending upon whether advertising of fares would still be required on taxi vehicles under a deregulated scenario, a price notification system may be the only way for consumers to understand the potential fares for a rank or hail service, other than by asking drivers of each vehicle. It would also support price transparency, particularly at the early stages of transition to a deregulated market, by supporting competition and potentially acting as a disincentive for ODBSs to implement opportunistic pricing. The collection of this information would also support the Department in reporting on rank or hail fare prices across WA if required.

A price notification system could be an interim arrangement for a number of years following deregulation to enable the market to be monitored more easily, before transitioning into a fully deregulated market to provide greater flexibility in fare pricing.

Pre-agreed fares

An alternative approach to deregulating maximum metered fares is to not require ODBSs to notify the Department of fare prices. This is the approach that has been adopted in country VIC since 2018, following a four year period where price notification was required. Under this approach, ODBSs may choose to set standard fares and promote these on their websites and on vehicles, however there would be no formal requirement to do so. Rank or hail passengers would need to request a fare estimate upfront from their drivers, or via an app from their preferred ODBS. Alternatively, the requirement for drivers to provide customers with an upfront fare estimate, and potentially the option for a fixed pre-agreed fare, could be regulated.

New Zealand have similarly deregulated taxi fares, with the New Zealand Transport Agency (NZTA) providing advice to passengers to "agree the scale or basis of the fare before the trip starts (including additional charges and GST if charged). For example, agree to a total price or use an agreed distance or time rate" (NZTA, 2022). NZTA provide advice to consumers that issues relating to drivers or vehicles should be reported to the transport agency, however complaints relating to fares should be directed to Consumer Protection.

This approach would be a substantial change for both consumers and industry, particularly given the current culture of taking the first cab off the rank, and that pre-agreed fares are not currently permitted for rank or hail trips.

Regulate for specific trip contexts

Regulation of maximum metered taxi fares could be maintained in some geographic or policy contexts, even under a deregulated fare scenario. Maximum fares for TUSS trips, for instance, could continue to be regulated to protect TUSS participants and also maintain the integrity of the subsidy scheme. Under current regulations, TUSS can be used where a passenger agrees to a Contract Fare, however the amount agreed must not exceed the total fare that would otherwise have been payable for the hire of the taxi.

While maintaining a similar policy for TUSS fares would be simple to implement in a scenario where one of only regional or metropolitan fares are deregulated, it would be more challenging to implement if maximum taxi fares across the state were no longer regulated. A price notification system could support the continued regulation of maximum fares for TUSS trips as it would provide extensive industry price data from which to develop a regulated fare price.

Similarly, maximum fares for trips from specific locations, such as airports, could continue to be regulated. This would reflect the practice of passengers being assigned taxi bays at major airports, without the ability to choose which vehicle they take from the taxi rank. While existing rideshare practices at Perth Airport could be seen to set a precedent where dynamic fares are applied at a 'rank' style service, rideshare passengers have the ability to choose their ODBS based on a pre-agreed price via the app before booking a vehicle. The airport also reflects a unique context where a larger proportion of customers may be unfamiliar with WA's regulatory framework for taxi fares, and in the context of deregulated maximum fares, may not be aware they have the ability to ask for an upfront fare estimate or have the language skills to understand and negotiate fares.

4.1.2 Retain maximum metered fares (Option 2)

Indexation method

Option 2 involves the regular indexation of regulated maximum metered fares. This approach is similar to the approach undertaken by the Department prior to the pause on annual fare reviews in 2017. Between 2015 and 2017, the Department reviewed fares using a Regional Price Index (RPI) on a biennial basis, with interim years when the RPI was not produced using the Perth Taxi Cost Index (TCI). The Perth TCI is based on a basket of goods agreed to by the Taxi Industry Board in 2010, and was used for fare reviews on an annual basis until 2014. In 2021, the regulated maximum fares were increased by a CPI adjustment of 6.5 per cent, representing the percentage CPI changes since June 2014 in the Perth transportation basket of goods. The 2021 adjustment was made by CPI rather than the Perth TCI as the methodology used to develop the TCI required amendment following the reforms.

The use of three different indexation methods in the eight year period between 2014 and 2021 highlights a need to develop and agree on a preferred approach to indexation based on a reliable dataset that is regularly updated. In theory, the indexation method for each fare component should ideally reflect the cost type that each fare component is notionally recovering. For instance, the distance rate could be indexed by CPI for 'private motoring' in Perth, which considers costs for purchase of motor vehicles, fuel, spare parts and maintenance, while the detention rate could be indexed by the Wage Price Index as it reflects purely the driver's time.

In practice however, a simple, transparent approach to indexation should be adopted which is able to be easily communicated to, and understood by, industry. On this basis, Option 2 has been defined such that all regulated maximum metered fare components are indexed annually by CPI for the 'private motoring' sub-group in Perth. This approach closely resembles the approach taken to indexation in 2021, excluding only 'urban transport fares' from the basket of goods and services as this component is, in part, what is being determined through the fare reviews.

The outcomes of the Taxi Fare Modelling presented in Section 3 demonstrate that the current fare settings are appropriate and do not need to be recalibrated, beyond annual indexation. More in-depth fare reviews should be considered on approximately a five year basis to ensure that annual indexation aligns with taxi industry cost movements in each fare region across WA. This approach was identified as a preferred approach by one major metropolitan booking service as part of the industry consultations.

Pre-agreed fares for rank or hail

As noted in Section 2.2.6, one of the metropolitan booking services identified the introduction of pre-agreed fares for rank or hail trips as their top priority, with a separate metropolitan ODBS providing support to this concept, acknowledging the challenging position their drivers are often put in by passengers at taxi ranks asking if they can match or better a rideshare fare estimate.

There is the potential to permit pre-agreed fares being negotiated and accepted between drivers and passengers for rank or hail trips under the current regulated fare structure, where the pre-agreed fare does not exceed what the maximum fare would be. While upfront fare estimates are not currently able to be produced by some commonly used meters, there are a number of ways this barrier could be overcome, such as drivers using an app to provide an upfront fare estimate.

This change could also function as an important step in preparing both customers and the industry for a potential future where fares are deregulated, as passengers asking for an upfront fare estimate and agreeing to a basis for a fare with drivers would be commonplace if fares were to be deregulated. Introducing the ability for passengers to negotiate with drivers at a rank or hail now could help to establish and normalise this practice for consumers while under the protection of a regulated maximum fare.

Requirement to display fares

On-demand booking services are currently required to display the regulated maximum metered fares in a manner that is visible from the outside of the front passenger window, as well as to passengers in the vehicle, with a \$9,000 penalty to individuals and a \$30,000 penalty for a body corporate who do not comply with this requirement. This requirement was identified by one metropolitan booking service as a cost impediment to changing fares due to the time and cost to update the displays across the entire vehicle fleet.

Given that maximum fares are currently regulated and these rates have, in practice, been adopted by industry as the metered rates, the need for fares to be displayed on vehicles for price transparency appears to be limited. If fares were to be deregulated in the future, the requirement to display fares would act as a sizeable barrier to flexibility in pricing that is not borne by rideshare competitors. This was noted by Independent Pricing and Regulatory Tribunal (IPART) in their review of taxi fares in NSW in 2018, noting that there was no industry support for their draft recommendation 'that taxis be required to display their rank and hail fares on the outside of the vehicle to facilitate competition', with some responses calling it 'an unfair regulatory burden', and the NSW Taxi Council stating that it 'would make it difficult to change price and compete' (IPART, 2018). In their final report, IPART decided not to recommend fare notification on the exterior of taxis, and instead recommended the implementation of a price notification system with the Commissioner to be notified by service providers when fares were changed (IPART, 2018).

Removing the requirement to display fares could help to ease the regulatory costs associated with several of the options presented in Table 4a, including either regular annual indexation, temporary interim increases to respond to sudden changes in cost, or in the context of deregulated fares.

Out of cycle fare reviews

As indicated in Section 2.2.2 as part of the industry consultation, several booking services expressed support for the concept of having out of cycle fare reviews that could be triggered whenever there were substantial changes in costs, even if regular fare reviews were scheduled.

While Option 2 considers a scenario where fares are reviewed annually, there is merit in having the ability to respond to sudden changes in economic environment that impact the taxi industry between the cycle of fare reviews. These could be in the form of an interim set of rates that expire after a set duration if required, depending on the context they are aimed at addressing.

The merits of such interim fare increases are apparent from the case studies presented in Section 2.2.2, with other transport providers across Australia having the ability to respond promptly to increased fuel costs with additional fuel surcharges.

Similar to the discussion in the 'Requirement to display fares' section above, the requirement for booking services to display fare rates on their vehicles could be an impediment to the pricing flexibility that out of cycle fare reviews would be aimed at providing.

High occupancy tariff

As noted in Section 2.2.6, one of the metropolitan booking services identified expanding the conditions under which drivers are eligible to apply Tariff 3 as one of their top priorities. The reasoning for this was that higher occupancy vehicles have a different cost profile than regular taxis, yet can only charge Tariff 3 rates when there are five or more occupants in the vehicle, despite instances where the higher occupancy taxis are specifically required to meet a customer's transport needs, such as moving equipment or carrying luggage.

While consideration of this issue would be redundant under Option 1 (fare deregulation), it is pertinent to consider under Option 2 where regulated maximum fares are retained. While the current regulation of limiting use of Tariff 3 to when there are five or more occupants is the simplest approach to administer and regulate the use of the tariff, there is merit in expanding the eligibility for applying the tariff to instances where customers at a rank or hail explicitly require a higher occupancy vehicle. If the use of the tariff were to be expanded, the requirement for the use of such vehicles to carry wheelchairs should be clarified as an exemption in instances where these trips are taken by rank or hail.

It should be noted that for booked services, ODBSs already possess the ability to adopt a contract (pre-agreed) fare which is higher than the regulated maximum metered fares, and this approach could already be implemented to cover booked trips where a higher occupancy vehicle is specifically requested for other transport purposes.

Fare structure

Flagfall and distance rate

High flagfall was identified by one metropolitan ODBS as a priority to address due to the perception that a high upfront cost deterred customers. Perth's Tariff 2 flagfall rate is the equal highest across Australian capital cities for evening and weekend periods, with the ultra-peak surcharge applying in addition to this. In contrast, Perth's current maximum distance rate is the lowest in the nation.

Consideration could be given to freezing flagfall (or potentially reducing it) and increasing the distance rate to an approximately equivalent total revenue level. This concept was not progressed for further analysis for a number of reasons, including support from other ODBSs for retaining or increasing flagfall as it is seen as an effective minimum fare that rewards drivers for taking on short trips. Freezing flagfall would not significantly address concerns relating to existing high upfront costs; it would be unlikely to increase either demand or fare revenue, and reducing flagfall could be opposed by some in industry as undoing previous fare increases.

Replace detention rate with a whole of trip duration rate

Some charter service providers currently calculate fares by applying both a distance rate and time rate at the same time, and VIC currently provides the option for booking services to have choice in whether to adopt this approach or use a traditional distance and detention rate approach.

This concept was not progressed in the analysis as it does not fundamentally address any concerns expressed by industry, as the introduction of a time rate would be offset by the reduction of the distance rate with minimal impact on total fare revenue. The current application of the detention rate is well established in WA and there was minimal industry support to move away from this approach.

Number of fare regions

As discussed in Section 1.2.1, WA currently has the highest number of different fare regions of any jurisdiction. The current maximum fares are broadly grouped into three regional brackets with similar maximum fares, although each fare region has unique rates.

While consideration was given to the opportunity to simplify the number of fare regions to three to align with other jurisdictions, it was not progressed in the analysis as few ODBSs operate across multiple regions (Perth and Peel being an exception). Reducing the number of fare regions would not necessarily improve fare transparency for consumers as the regional boundaries are clear. It would also reduce the ability for government to respond to region specific issues in the future if maximum fares were to continue to be regulated in the long-term.

Regulated Minimum Fare

Some regional booking services spoke of a desire to implement a minimum fare to cover the costs of providing taxi services for short distance trips. This option was not progressed for further analysis as it did not receive broad industry support, with one metropolitan ODBS actively opposing the concept of a separate minimum fare.

WA's maximum regulated flagfall is higher than the national average for all time periods, and for Tariff 2 fares are currently the equal highest in the country. This higher flagfall and comparatively lower distance rate, in effect, acts as a minimum fare, with a 500m trip for instance costing metropolitan passengers \$5.42 during weekdays and \$7.42 during weeknights and weekends (excluding any detention rate).

4.1.3 Lift maximum fare ceiling (Option 3)

Option 3 represents a substantial increase to the maximum metered fare rate for rank or hail trips (well above cost recovery), as an alternate pathway to achieve similar outcomes as fare deregulation.

Scale of increase

There are two key considerations in setting a new 'fare ceiling' under this option; consumer protection and the need to ensure adequate flexibility for booking services to set fares to address any commercial challenges they face. Without the former, there is limited advantage to this option beyond potentially a simpler means of achieving Option 1 – Deregulation of rank or hail fares.

Currently, consumers in the Gascoyne and Pilbara regions already pay a distance rate that is 32 per cent higher than that for the Mid West Region. Based on the quantitative analysis undertaken in Section 4.2.1, it is highly unlikely that regional booking services would find advantage in setting fares higher than 50 per cent above the current Tariff 1 and 2 rates for the Mid West region as revenue from higher rates would be offset by a reduction in demand for services. On this basis, a 50 per cent fare increase has been adopted for this option, which is approximately the scale of difference between the current Tariff 1 and Tariff 3 rates in Perth. As per Option 1, consideration should be given to whether the fare ceiling is adequate in itself to protect consumers or whether additional measures are required, and whether specific trip types should continue to be regulated at the current rate.

Indexation

While the initial fare increase under this option would lift the fare ceiling well above cost recovery, regular fare reviews would be required to ensure that the same fare ceiling is retained in real terms. Given the challenges associated with communicating this option (see the subsequent discussion in the 'Communication' section), the regular indexation of fares could enhance the risk that this option presents to fuelling any consumer perceptions that the 'taxi industry is too expensive'.

Communication

While this option would utilise the regulatory mechanism of maximum metered fares to achieve the increased 'fare ceiling', consideration should be given to renaming this higher fare setting to mitigate any potential misunderstanding associated with the fare increase.

A metropolitan booking service identified this as a key risk to implementation of this option, citing the likelihood of media presenting the new ceiling as a 'huge fare hike for taxis', compounding existing consumer perceptions of the relative cost competitiveness of taxis compared with rideshare.

4.2 Options analysis

This section analyses the fare options presented in Table 4a using a combination of quantitative and qualitative methods.

Estimates for price elasticity of demand for taxi services have been used to analyse the potential impacts of fare changes on demand for taxi services and total revenue for each of the options. This quantitative analysis considers a range of scenarios based on a number of literature values for price elasticity of demand for taxi services in Australia.

Qualitative analysis will also be undertaken on each of the options, informed by practices and experiences in other jurisdictions, as well as insights from WA booking services sourced through the industry consultation.

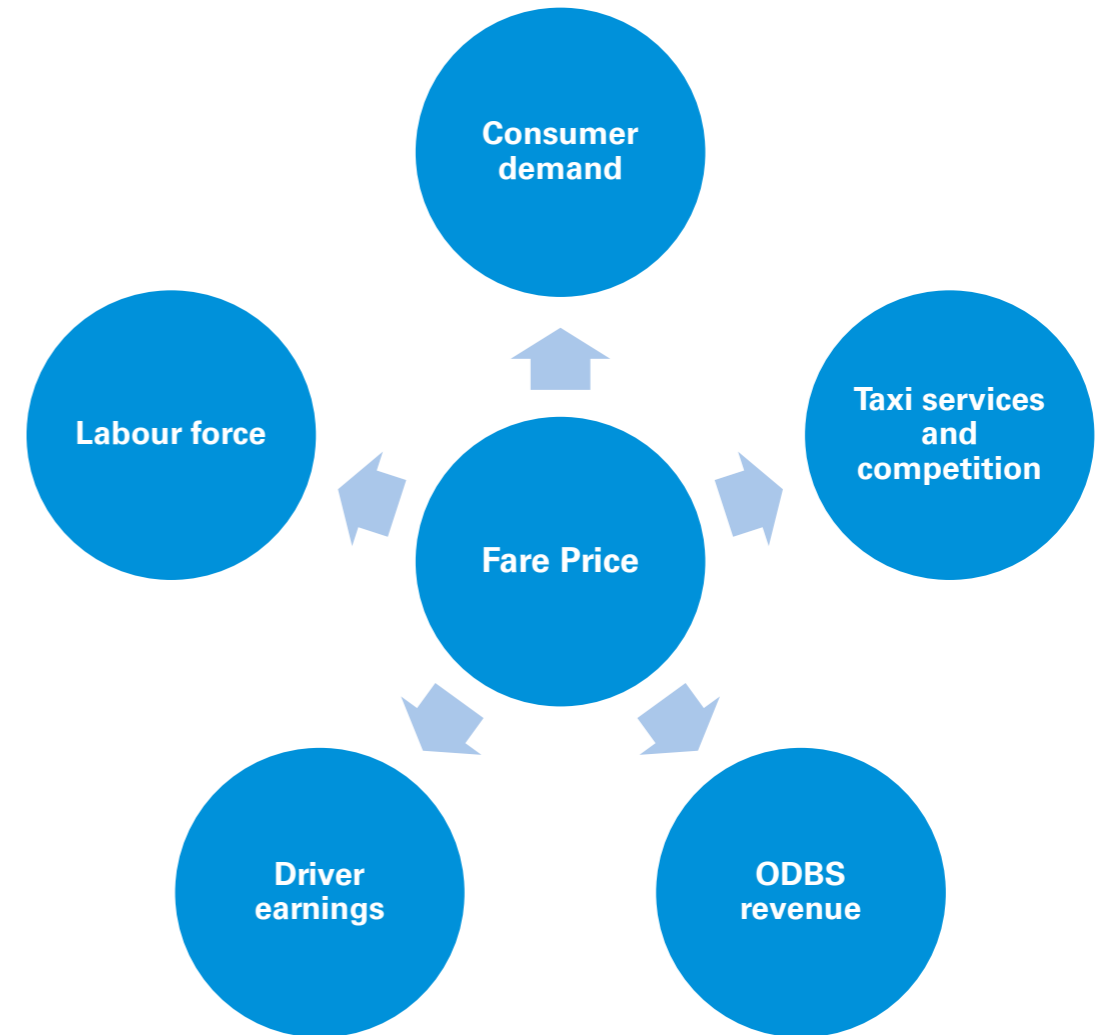
This analysis considers both metropolitan Perth as well as regional WA, and although the overall analysis has not been undertaken at the individual fare region level, the insights provided by booking services in specific regions have been considered where relevant.

Figure 4a highlights the range of potential impacts from changes to fare prices and regulation that have been considered as part of the options analysis. The analysis considers the likely impact each of the options will have on key factors, such as consumer demand, fare price, driver earnings, ODBS revenue and the industry's labour force.

The role for government in regulating fares following the on-demand transport reforms that have already been undertaken will also be discussed.

Based on the analysis presented in this section, recommendations are outlined in Section 5.

Figure 4a – Impact areas considered in options analysis



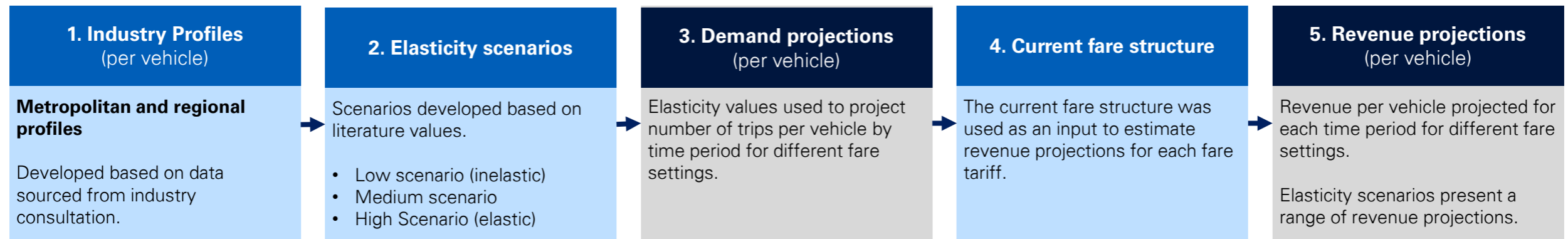
4.2.1 Quantitative analysis

This section explores how fare price changes may impact demand for taxi services and fare revenue for both metropolitan Perth as well as regional WA. A range of scenarios have been developed based on different 'price elasticities of demand', which are estimates of how sensitive demand for taxi services are to changes in fare price.

Method

An overview of the method used for the quantitative analysis is presented in Figure 4b below.

Figure 4b – Overview of method used to estimate impact of fare changes on demand for services and taxi revenue



Industry profiles

Industry profiles have been developed for both metropolitan Perth and regional WA based on data sourced through industry consultation. The industry profiles include the following parameters which are used as inputs to demand and revenue projections:

- Trips per vehicle per annum
- Passenger km per vehicle per annum
- Average distance per trip (with passenger)
- Average detention time per trip
- Proportion of trips by each fare period (Tariff 1 (weekdays), Tariff 2 (night time and weekends) and the ultra-peak period).

Tariff 3 was not included in the analysis based on a number of considerations, including lack of literature values for price elasticity for this trip type, the proportion of these trips that would be by rank or hail is unclear, and the proportion of high occupancy vehicles per fleet differed considerably across booking services.

Elasticity scenarios

Three elasticity scenarios have been developed, with a different value of price elasticity adopted for metropolitan Perth and regional WA. These scenarios have been developed based on a number of literature values for price elasticity of demand for taxi services in Australia. The values for price elasticity of demand adopted for these scenarios are presented in Table 4c.

Hensher and Rose undertook one of the most detailed studies of price elasticity of demand for taxi services in Australia, deriving values for different trip purposes based on stated choice data surveys undertaken in Melbourne (Rose & Hensher, 2013). This study was used as the basis for the 'low scenario' for metropolitan Perth, with the 'weighted average' adopted as well as the 'night time travel segment' for Tariff 2 and the ultra-peak period. The Tariff 1 value was calculated based on the 'weighted average' presented by Rose & Hensher.

The Rose & Hensher values were adopted as the 'low' metropolitan scenario as they were determined in 2013, prior to the emergence and increased market presence of rideshare companies which increased the range of urban mobility options for taxi users. Analysis undertaken by the Centre for International Economics (CIE) for the taxi industry in the ACT estimated that price elasticity of demand for taxi services increased from -0.8 to -1.2 following the introduction of ridesharing (CIE, 2015). This relativity (a 50 per cent increase) has been used to factor the Rose & Hensher price elasticities to a 'medium' metropolitan scenario that reflects the increased market presence of rideshare providers since the Rose & Hensher values were developed. A 'high' metropolitan scenario has been developed using this same 50 per cent increase, with the total aggregated price elasticity of demand for the metropolitan high scenario of -2.198 closely reflecting the value of -2.0 assumed by for rideshare services in other similar studies (Deloitte, 2016).

For regional WA, the Rose & Hensher values were adopted as the medium scenario as these values reflect the absence of rideshare providers in many towns and cities across regional WA. 'Low' and 'high' scenarios for regional WA have been developed by assuming the same ± 50 per cent factor as used for the metropolitan scenario, with the 'high' regional scenario reflecting a price elasticity of demand approximating that which may be observed if rideshare services were to expand their market presence across regional WA. The aggregate value adopted for the 'low' elasticity regional scenario of -0.489 closely aligns with a value of -0.5 estimated by 'Queensland Transport' for centres outside of South-East Queensland (BAH, 2003).

Table 4c – Price elasticity of demand assumptions for each scenario

Scenario	Metropolitan			Regional WA		
	Low	Medium	High	Low	Medium	High
Tariff 1	-0.933	-1.400	-2.100	-0.467	-0.933	-1.400
Tariff 2 and ultra-peak	-1.079	-1.619	-2.428	-0.540	-1.079	-1.619
Total (all trips)	-0.977	-1.466	-2.198	-0.489	-0.977	-1.466

Fare assumptions

The current fare structure was assumed, with all fare components adjusted equally when applying the price variations. The fare structure for the Mid West region was adopted as representative values for regional WA as this region includes a major regional city (Geraldton) and the fare rates for the Mid West closely resemble the fares for the Great Southern, Goldfields/Esperance, South West and Wheatbelt regions.

Results

The results of the quantitative analysis is presented here along with discussion in terms of the shortlisted options presented in Table 4a.

Figures 4c and 4d show the projected revenue (per vehicle per annum) based on a range of percentage fare price changes for metropolitan Perth and regional WA respectively. Projections for each of the three price elasticity scenarios are shown on the figures in different shades. The revenue per vehicle figures consider collective revenue and are not presented on a driver or ODBS basis, simply the total average fare revenue collected before fare splits or rank or subscription fees.

Figure 4c – Metropolitan revenue projections by percentage change in fare price

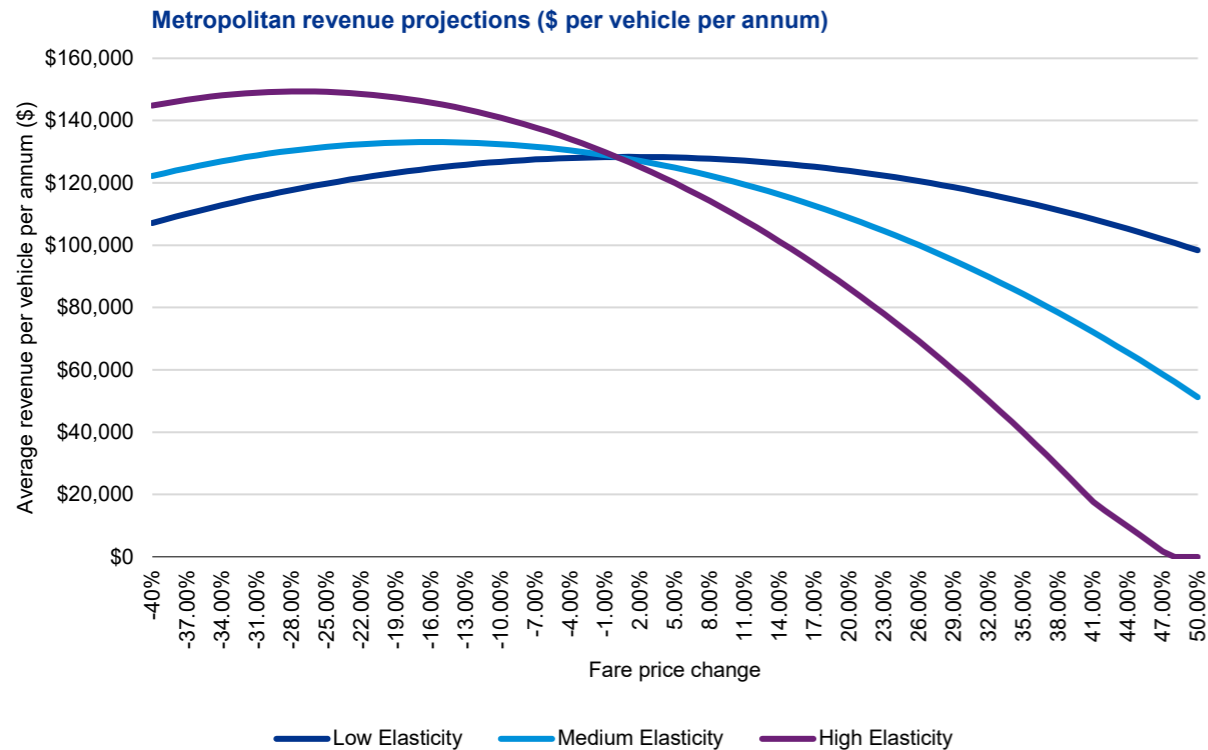
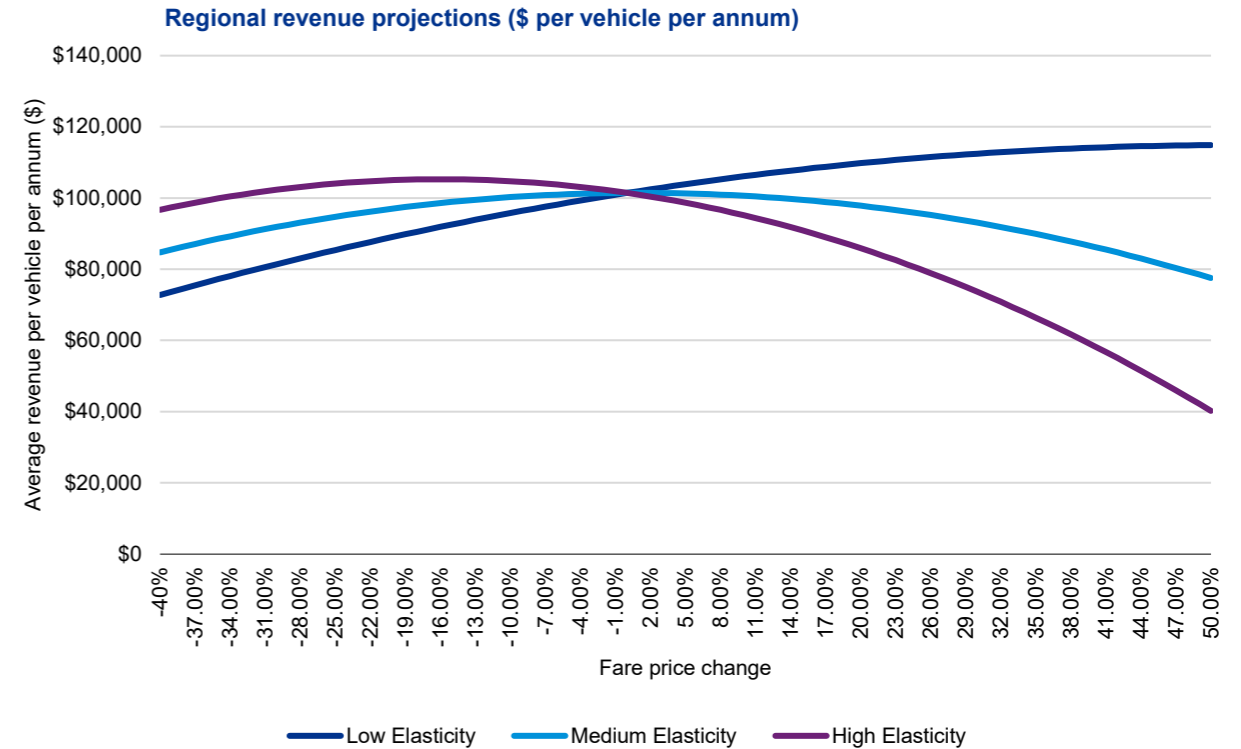


Figure 4d – Regional revenue projections by percentage change in fare price



Interpreting the results

The results are presented on an average 'per vehicle' basis, however it should be noted that changes in fare levels are likely to impact travel demand across different regions, suburbs, trip types and time periods to varying scales. While the method adopted aims to reflect some of these considerations with different price elasticity values adopted for different trip types and regions, in practice, changes to fare levels will have varying impacts depending on the context of the trip. For instance, trips in the Perth CBD are likely to have a greater proportion of trips for business purposes, where fares are paid via corporate credit card rather than by passengers directly, which will exhibit more inelastic travel behaviour than may be seen in other contexts. Similarly, trips where alternative mobility options are limited (based on time or location of travel) are likely to exhibit greater levels of price inelasticity than assumed in the analysis.

If an ODBS were to vary their fare prices independent of the broader taxi industry, the consumer response would likely be more elastic (price sensitive) than it would be if the entire industry were to vary prices by the same amount. In contrast, 'surge pricing' is likely to have a lower price elasticity value (depending on the duration that prices have increased for) as some passengers will have reduced options available to them if they have already committed to travelling by a certain mode.

Metropolitan analysis

The results for the metropolitan fare projections show that under the medium scenario, fare revenue would be maximised if fare rates were reduced by 16 per cent. Even under the 'low' elasticity scenario, average total fare revenue is projected to be close to the maximum value at the current fare rates, with fare revenue maximised with a one per cent increase in rates. Under the 'high' elasticity scenario (with the price elasticity of demand approximately that of rideshare services), revenue would be maximised under a 27 per cent fare rate reduction.

This reflects the concerns presented by several metropolitan booking services during industry consultations (see Section 2.2.2) that fare deregulation could result in a 'race to the bottom' on fare price. While the elasticity analysis suggests that revenue for metropolitan taxi services could be maximised through a fare reduction, a number of the ODBSs spoke to the preference of drivers to charge the maximum permitted fare rates. As noted in Section 2.2.2, one metropolitan ODBS had previously not intended to adopt the 2021 increase to the maximum metered fares, however pressure from drivers who threatened to switch to other booking services resulted in the higher fare rates being implemented. This experience was a significant factor in a separate ODBS suggesting that they would increase their fare rates if fares were to be deregulated, to attract drivers to their booking service.

This competition for drivers rather than for passengers is, in part, driven by the business model of the major metropolitan booking services, which is founded on receiving revenue from rank fees or subscriptions from drivers, as opposed to fare revenue, with drivers typically retaining 100 per cent of fare revenue. Unless this common business model were to change (such as to a fare revenue sharing model as is common in regional WA), it is unlikely that deregulation of maximum fares would result in a reduction of fares. This is evident in the fact that the maximum fares are universally applied in metropolitan Perth, despite there currently being no minimum fare regulated.

If maximum metered fares were to be retained and indexed against cost inflation, it is expected that this increase in maximum fare price would be adopted by all metropolitan booking services, as has been the case historically. If the maximum fare ceiling were to be lifted to a level approximating a 'safety net' rather than a traditional regulated fare, the initial response of booking services may be to increase fare prices in the short run to attract drivers and increase revenue, based on responses provided through the industry consultation. Similar to Option 1, in the long run the response from booking services is less clear, with a greater probability that some booking services may look to differentiate themselves from competitors on price through reduced fare rates. Based on the analysis undertaken for the medium scenario, this may lead to increased fare revenue for some drivers, depending on number of shifts and operating location, and potentially for the ODBS if business models were to shift away from a driver subscription model.

Table 4d below summarises discussion of the options based on the quantitative analysis undertaken for the metropolitan region.

Table 4d – Summary of quantitative options analysis for metropolitan region

Option name	Discussion based on price elasticity of demand analysis for the metropolitan region
1. Deregulate rank or hail fares	<p>Under the medium scenario, the optimum fare price to maximise revenue is projected as a 16 per cent reduction, with the 'low' elasticity scenario resulting in an optimum fare price of a one per cent increase. This is reflected in industry concern of a 'race to the bottom' on taxi fares if they were to be deregulated.</p> <p>Metropolitan ODBS revenue is not directly linked to fare revenue however, and instead is linked to the number of drivers operating for the booking service. In the short run, there may be pressure to increase fare prices to attract drivers rather than to maximise demand for services and fare revenue from passengers. In the long run, there is a greater probability that some booking services may look to differentiate themselves from competitors on price through reduced fare rates.</p>
2. Retain maximum metered fares	<p>Increasing the maximum fare price in line with cost inflation (such as via CPI component for private motoring for Perth) would, in effect, be holding the maximum fare constant in real terms, which should have minimal effect on demand for taxi services or revenue.</p>
3. Lift maximum fare ceiling	<p>This option is similar to Option 1 in a metropolitan context, in that total fare revenue may decrease if fares were to increase well above inflation. For the medium scenario, a 10 per cent increase in fare prices in real terms is projected to result in a six per cent reduction in fare revenue. For the 'low' scenario, a 10 per cent increase in fare prices in real terms is projected to result in a one per cent increase in fare revenue.</p> <p>While some booking services would likely increase fares to attract drivers, this could easily lead to increased demand for their competitors if customers are able to differentiate between booking services rather than perceiving them as a single 'taxi industry'.</p>

Regional analysis

Under the medium scenario for regional WA, fare revenue is close to maximised under the current fare settings, with the analysis showing that projected revenue would be maximised under a one per cent increase to fares in real terms. Under the 'low' elasticity scenario, which could be representative of areas with inelastic demand such as those with high dependence on a small number of existing services, fare revenue is projected to be optimised under a 52 per cent increase to fare rates. Under the 'high' elasticity scenario, which could represent larger regional towns where rideshare services are already well established, fare revenue is projected to be maximised through a 16 per cent reduction in fare rates.

This range of results for the regional quantitative analysis is reflective of the broad range of different commercial environments that taxi services operate in across regional WA.

The results of the quantitative analysis reflect the range of conversations undertaken with regional booking services as part of the industry consultation. As noted in Section 2.2.2, half of all regional booking services interviewed stated that they would likely increase fares if the regulated maximums were removed, with estimates spanning from a five per cent to a 20 per cent increase. Other booking services indicated that they were happy with the current fare rates and felt that increased fares could be a deterrent to passengers.

The span of results from the regional WA quantitative analysis highlights the challenges of regulating fares for regional areas given the commercial differences across regions. While WA has 10 different fare regions, enabling maximum fares to be varied uniquely across regions, in practice, historic fare increases have been applied uniformly across the state using either the Perth Taxi Price Index (2014 increase) or ABS CPI data for Perth (2021 increase). This uniform approach has drawbacks when considering the different commercial environments that booking services across the state are operating in, from larger regional centres where rideshare services are well established and ODBSs have access to a larger pool of supporting industries and potential employees, through to smaller regional towns with no rideshare presence and greater dependence on the taxi industry for mobility.

If maximum metered fares were to be retained and indexed against cost inflation, it is highly likely this increase in maximum fare price would be adopted by all regional booking services, as has been the case historically. If the maximum fare ceiling were to be lifted to a level approximating a ‘safety net’ rather than a traditional regulated fare, it is possible that some booking services may adopt the increased maximum fare level as their standard metered rate. This may be, in part, a result of the established industry practice of adopting the maximum fares as the metered rate, and also commercial considerations in a desire to maximise revenue. Under the ‘low’ elasticity scenario, fare revenue is projected to be maximised under a 52 per cent fare increase, which could approximate the ‘safety net’ fare ceiling implemented under Option 2. While not many regional booking services would be likely to adopt this scale of increase to the maximum rate, a number of ODBSs identified concerns relating to other (typically seasonal) booking services potentially exploiting passengers under a fare deregulation scenario.

Table 4e below summarises discussion of the options based on the quantitative analysis undertaken for regional WA.

Table 4e – Summary of quantitative options analysis for regional WA

Option name	Discussion based on price elasticity of demand analysis for regional WA
1. Deregulate rank or hail fares	<p>Under the medium scenario, total fare revenue is close to maximised under current fare rates, however there is a substantial difference between the results of the ‘low’ elasticity scenario where revenue is projected to be maximised under a 52 per cent increase to fares, and the ‘high’ (post-rideshare) scenario which sees fare revenue projected to be maximised through a 16 per cent reduction in fares.</p> <p>While booking services would be unlikely to implement a reduction in metered rates in the short run, the results of the analysis speak to the range of different commercial environments in which regional booking services operate. Based on the analysis undertaken, if rank or hail fares were to be deregulated, some regional ODBSs may increase their fare rates well above cost inflation, particularly in locations where there is limited existing competition from other taxi services or rideshare.</p> <p>This is supported by the findings of the industry consultation presented in Section 2 where half of regional booking services interviewed indicated they would likely increase their fares if the maximum metered fare were to be removed, with estimates ranging from 5 to 20 per cent increases.</p>

Table 4e (cont.) – Summary of quantitative options analysis for regional WA

Option name	Discussion based on price elasticity of demand analysis for regional WA
2. Retain maximum metered fares	Increasing the maximum fare price in line with cost inflation (such as via CPI component for private motoring) would, in effect be holding the maximum fare constant in real terms, which should have minimal effect on demand for taxi services or revenue. This approach may not meet the expectations of some booking services that seek a higher percentage increase, while others would be satisfied with this approach.
3. Lift maximum fare ceiling	This option differs from Option 1 in that the ‘maximum’ metered fare could be perceived as being retained under this option. This option may have an increased likelihood of regional booking services increasing their metered rates up to the new ceiling, or higher than would otherwise occur under Option 1. In areas with limited existing competition or alternative mobility options, and relatively inelastic demand for taxi services, some booking services may look to maximise total fare revenue by adopting the fare ceiling, of an approximate scale up to a 50 per cent fare increase. Changes in fare price of this scale would likely act as a catalyst for increased industry competition.

4.2.2 Qualitative analysis

This section explores how fare price changes are likely to impact a range of different considerations, including labour force impacts for booking services, ODBS revenue, driver earnings, taxi industry competition as well as implementation considerations for each option.

Option 1a – Deregulate rank or hail fares across all of WA

Summary of analysis

Deregulating rank or hail fares would be a substantial change for both industry and consumers and a sizeable challenge to implement, particularly for the metropolitan region. There are strong potential advantages to both the taxi industry and consumers through increased opportunities for booking services to compete on price, while enabling booking services to consider providing services at times or in areas where it may not currently be commercially viable to do so.

Deregulation of maximum fares would provide greater autonomy and flexibility for booking services to take action to respond to the commercial challenges facing their companies, including the ability to attract and retain drivers as well as to respond promptly and effectively to any sudden changes in operating costs.

Careful consideration must be given to ensuring adequate safeguards are established to protect consumers from price exploitation, particularly in instances where there is limited alternative mobility options.

There is currently limited evidence of industry support for fare deregulation, however the diverse range and scale of industry priorities for changes to rank or hail fares highlights the ongoing challenges to centrally regulating the fare structure, tariff periods and maximum permitted rates for each fare component.

Option 1a – Deregulate rank or hail fares (state-wide)

Industry support	Based on the industry consultation undertaken as part of this review, there is limited evidence that there is support for deregulation of rank or hail fares at the present time, with only one of the booking services interviewed supporting deregulation of maximum metered fares. Further policy development and industry engagement would be required to further develop this option if supported by government.
Implementation	<p>Deregulating rank or hail fares in both the metropolitan region and regional WA simultaneously would be a sizable challenge given the range of different industry considerations that would need to be addressed, and the different concerns that metropolitan and regional booking services would have. It would also forgo the potential policy experiences gained through staggering fare deregulation implementation and the ability to apply these learnings to a larger scale implementation.</p> <p>There are a number of important considerations that would require further development and industry engagement prior to implementation. One key consideration is determining whether a price notification system would be adopted, the governance of such a system, preparing the underlying administrative systems required to implement a price notification system, and the degree of flexibility of the system with respect to permitting varying fare structures. Determining whether some trip types remain regulated would be another consideration, such as trips from specific locations such as airports, or potentially TUSS trips as discussed in Section 4.1.1.</p> <p>Deregulating rank or hail fares could also present a sizeable change for customers based on the current culture of taking the first taxi at the rank as they are priced identically. Under Option 1, different booking services would be likely to charge different fare rates for rank or hail services, placing more responsibility on passengers to understand and clarify the basis for the fare or seek a fare estimate in advance of accepting a ride. Depending on how booking services choose to price rank or hail fares (whether it be centrally set fare rates by the ODBS or flexibility for drivers to adjust fares), passengers may develop a preference for recognised booking services that had greater price transparency.</p> <p>Given the current limited industry support for deregulating rank or hail fares, and the range of considerations and potential options associated with the implementation of fare deregulation, comprehensive industry engagement on deregulation would be essential. Similarly, an effective communications plan would need to be developed to communicate any changes in fare policy to the broader public to build support and understanding of the new policy, and where they can source fare information from depending on the implementation model.</p>
Labour force impacts	<p>The impacts that this option would have on the labour force with respect to retaining and recruiting drivers would differ substantially across the state. As part of the industry consultation, a number of regional booking services noted the difficulty of retaining and recruiting drivers based on the inability to compete on wages with other related industries. Providing booking services with greater flexibility to set their own fare rates would enable them to address these concerns directly.</p> <p>In a metropolitan context, discussion with respect to attracting and retaining drivers was focussed more on competition for drivers between competing ODBSs, rather than attracting and retaining drivers in the industry more broadly. As such, it is considered that deregulating rank or hail fares would only have a limited impact on the labour force in a metropolitan context.</p>

Option 1a – Deregulate rank or hail fares (state-wide) (cont).

Driver earnings

Deregulating rank or hail fares would provide booking services with greater flexibility to set their own fare rates to best suit their commercial context.

In a metropolitan context, based on the industry consultations, there may be an initial movement from some booking services to increase fares to attract drivers to operate for them. It is less clear what impact this fare movement would have on driver earnings, as the quantitative analysis presented in Section 4.2.1 resulted in total average fare revenue being maximised through a fare price reduction rather than an increase under several of the elasticity scenarios. Based on this analysis, if fares were to be deregulated in the long run, metropolitan booking services may trial a greater range of fare initiatives to compete on price. While this may result in increased average driver earnings, the impact it has to specific drivers would depend on how many shifts they complete, in what time periods and locations they provide services, and the specific fare structures implemented by booking services.

In a regional context, booking services may move to increase fare rates if they were deregulated based on the results of the industry consultation reported in Section 2.2.2. Half of all regional booking services interviewed indicated that they would likely increase fares, with responses ranging from a 5 to 20 per cent increase. In some instances, the impetus for this increase was indicated to be to increase driver earnings to make it easier to attract and retain drivers, with a number of booking services indicating that they had recently lost drivers to competing industries. Based on the quantitative analysis presented in Section 4.2.1, increases in fare rates in regional areas may result in increased revenue and hence driver earnings based on relatively inelastic demand.

ODBS revenue

Similar to the discussion on driver earnings above, deregulating rank or hail fares would provide booking services with greater flexibility to set fares to optimise their revenue while competing for passengers.

While many of the considerations are the same as those presented above, particularly for regional WA where booking services and drivers typically split fares on a close to 50-50 basis, metropolitan booking services would have slightly different considerations if fares were to be deregulated. The major metropolitan booking services generate revenue through rank fees or subscription fees from drivers, rather than through fare revenue directly. This results in a slight distortion in that booking services are not directly competing for passengers, but instead are competing for drivers.

As noted in Section 2.2.2, one metropolitan booking service previously did not intend to adopt the 2021 fare increase, however pressure from drivers led to them implementing the increased rates. Other metropolitan booking services reported that they attracted a number of new drivers to their service during this period as they had adopted the higher fare rates early, and indicated that if fares were to be deregulated, they would likely increase rates again to follow the same strategy. While this would likely be the short-term response, deregulation of fares could provide a commercial environment in which alternative business models (such as sharing fare revenue) may develop.

Option 1a – Deregulate rank or hail fares (state-wide) (cont).

Fare prices and consumer protection

The potential impact of Option 1 on fare prices for both the metropolitan region and regional WA were modelled as part of the quantitative analysis, with the results and discussion outlined in Tables 4d and 4e in Section 4.2.1.

In the metropolitan region, there would likely be pressure to increase fare prices to attract drivers in the short term. In the long run some booking services may look to differentiate themselves from competitors on price through reduced fare rates. Based on the analysis, average total fare revenue is projected to be maximised in the medium scenario through a 16 per cent reduction in fare rates.

In regional WA based on the industry consultation and quantitative analysis, if rank or hail fares were to be deregulated, some regional ODBSs may increase their fare rates well above cost inflation.

Consumer protection is an important consideration for Option 1 given that protection is currently provided through having regulated maximum fares. While in theory competition from service providers is an important factor in keeping fares down, in practice, there will always be instances where there is minimal competition for services in a rank or hail context. The current culture of taking the first cab off the rank limits effective competition as passengers are more likely to choose the first taxi rather than the most affordable taxi. There will also be instances such as in the early morning or when demand for services is extremely high that passengers may have limited choice in mobility options, exposing them to greater susceptibility to unreasonably high fares.

In the context of deregulated maximum fares, this could be managed in a number of different ways, depending on how Option 1 is implemented. A price notification system would help to alleviate this risk by requiring drivers to charge their booking service's publicly listed rates. Booking services themselves could help to manage this risk by setting clear fare policies and requiring that their drivers follow these. Drivers could be required through legislation or regulation to provide customers with an upfront estimate (whether agreed fixed price or agreed metered rates) as well as a receipt with a fare breakdown and driver details upon a passenger's request. There may be some upgrades to meter technology or use of additional apps to achieve this in practice, and industry engagement will be essential to ensure that a workable approach to consumer protection is developed.

Competition and services

One of the strengths of Option 1 is that it provides much greater flexibility to booking services to set fare rates which ensure that their service remains commercially viable. This could potentially see an expansion of services, either in new regional locations or at certain time periods when demand for services is low, where the current maximum metered rates are not sufficient to cover the costs of operating the service.

While the use of contract (pre-agreed) fares could arguably be used under the existing regulations to address some of these issues, in practice, there is limited evidence of use of contract fares by industry, with only six per cent of booked trips in regional WA being provided by a contract fare. This underlines the commercial importance of the maximum metered rank or hail rates to booking services.

Option 1b – Deregulate metropolitan (Perth and Peel) fares only

Option 1b is a subset of Option 1a and, as such, many of the considerations outlined above remain the same from a metropolitan context. This section presents analysis which is specific to Option 1b in terms of deregulation of metropolitan fares only.

The scale of booking services and the taxi industry market more broadly are considerably larger in metropolitan Perth than in regional WA. To some degree, metropolitan booking services may be better positioned to adapt and respond to a deregulated fare environment given the size of their commercial enterprise and well established technical and administrative capabilities.

Deregulating fares in the metropolitan region ahead of regional WA however, would be out of step with other jurisdictions, with VIC having deregulated country and regional fares since 2014, while retaining regulated maximum fares for major regional centres and Melbourne. Similarly, the IPART in NSW recommended deregulating maximum fares for rank and hail services in the 'country fare area' (IPART, 2018).

There are a number of key considerations which would support deregulating regional rank or hail fares ahead of metropolitan fares. From an implementation perspective, deregulating metropolitan fares would present a higher risk profile to government due to this market representing the vast majority of taxi trips in WA. The population in Greater Perth represents 80 per cent of the population of WA (ABS, 2022a). Implementing the deregulation of rank or hail fares in the metropolitan region would forgo any potential learning opportunities by implementing the policy at a smaller scale in regional WA.

It would also forgo the potential to enable regional booking services to have greater flexibility to address the range of commercial challenges that may exist across different regions, with the viability of regional booking services more likely to be dependent on the ability to increase fare rates to address sudden changes in cost, or to attract and retain drivers in areas with higher cost of living or a more constrained labour market.

Given the above factors, it is considered that there is minimal benefit or advantage to deregulating metropolitan rank or hail fares while retaining regulated maximum fares in regional WA.

Option 1c – Deregulate regional fares only

Option 1c is a subset of Option 1a and, as such, many of the considerations outlined above remain the same from a regional context. This section presents analysis which is specific to Option 1c in terms of deregulation of regional fares only.

One of the key challenges of deregulation of rank or hail fares is ensuring that consumers are adequately protected from price exploitation, particularly in circumstances when access to alternative mobility options is limited. While a range of potential administrative mitigation methods could be implemented by government to alleviate this risk, one of the key means through which to protect consumers is through market competition. Due to the comparatively small resident population of regional WA towns, the fleet size of booking services to cater for taxi demand in regional areas is at least an order of magnitude smaller than in metropolitan Perth. As such, the financial barriers to entry from competition to a scale which represents a meaningful market share is significantly smaller in regional WA than in the metropolitan area. For instance the purchase of two to three taxi vehicles would represent a meaningful market presence in many regional centres. This represents a substantial advantage to deregulating rank or hail fares in regional WA ahead of, or exclusive of, metropolitan Perth.

The smaller population base of regional WA compared with the metropolitan region also presents a lower risk profile in implementing fare deregulation, particularly as many booking services only operate within a single region and often a single town or city. Implementing fare deregulation in regional WA would present the ability to adapt any lessons learned from the process (such as initiating and operating a price notification system for instance) prior to any decision in which to expand deregulation to the larger metropolitan region.

Based on the results of the industry consultation in Section 2, as well as the quantitative analysis undertaken in Section 4.2.1, it is likely that there is a greater range of circumstances in which regional booking services may choose to charge above the current maximum metered fare for valid commercial reasons, such as attracting and retaining drivers and meeting the costs to provide services in locations with limited consumer demand. This is demonstrated in the results of the industry consultation in that half of regional ODBSs interviewed expressed a preference to increase the maximum metered rate by a range of five per cent to up to 20 per cent.

Given the above factors, it is considered that there are potential advantages to deregulating rank or hail fares in regional WA while retaining regulated maximum fares in the metropolitan region.

Option 2 – Retain maximum metered fares

Summary of analysis

Retaining the maximum metered fares would be the simplest of the options to implement as it essentially retains the status quo. While there is strong industry support for regular fare reviews, there are a large range of industry priorities that were identified through the consultations that could shape support for this option depending on how it is implemented.

As this option represents the status quo, the impact of this option on fare prices, the labour market, driver earning and ODBS revenue is limited. Based on established industry practice, it is highly likely that increases to the maximum metered rate would continue to be adopted as the standard rates for both rank or hail and booked services.

Protection for consumers in this option is embedded through the retention of the maximum metered fare rate. Based on the quantitative analysis undertaken in Section 4.2.1, fare prices are likely to be lower under this option for many towns across regional WA than they would be under deregulation of maximum metered fares. As a result, there is a low likelihood that additional regional services would be established under this option for areas where there is limited demand.

Due to the incremental nature of the fare increases and the established practice of adopting the maximum metered rate, in the long run, metropolitan fare prices may be higher under this option than they may otherwise be, with less flexibility for booking services to compete on price.

Option 2 – Retain maximum metered fares

Industry support	<p>As this option is the status-quo, there is unlikely to be opposition to the continued retention of maximum metered fares. It should be noted however, that this may not necessarily translate to broad industry support for this option depending on how it is implemented. The industry consultation outlined in Section 3, particularly Table 2b, highlights the range of different priorities that industry has for fare reform.</p> <p>There is strong support for more frequent fare reviews across both the metropolitan area and regional WA. Half of all regional booking services however identified an increase to the current maximum metered rates of between 5 to 20 per cent, with other booking services identifying reduced flagfall, new/expanded late night surcharges, and ability for drivers to accept pre-agreed fares at taxi ranks as priorities. Depending on how this option is implemented, it could potentially be seen as a 'missed opportunity' by some sections of industry.</p>
Implementation	<p>This option is the simplest to implement as it is essentially the status quo, with provision for more regular fare reviews and/or indexation.</p> <p>One of the common points of feedback from the industry consultation was that communication of fare review outcomes could be improved, particularly where the review does not result in an increase in the maximum fare rate.</p> <p>There are a number of fare policy considerations that could be implemented as part of this option, including the potential for more in-depth fare reviews approximately every five years, the ability to implement temporary increases to the maximum fare rate to respond to short-term changes in cost, as well as the potential for drivers to accept pre-agreed fare for rank or hail services. These opportunities are discussed in Section 4.1.2, and may require further, more specific industry engagement and communication with the public prior to any implementation.</p>
Labour force impacts	<p>This option is unlikely to have any significant labour force impacts as it retains the current approach to fare setting, albeit with the potential for more regular fare increases. The key labour force consideration expressed by industry was the ability to price fares appropriately to attract and retain drivers, particularly in regional WA. Under this option, the ability for industry to respond to these concerns directly is limited.</p>
Driver earnings	<p>This option would likely have limited impact on driver earnings as it retains the status quo, acknowledging that the next indexation would likely be larger than recent fare increases given the scale of the increase in the cost of the private motoring sub-group of CPI in the latest release by the ABS (12.4 per cent increase from June 2021 to March 2022) (ABS, 2022b).</p> <p>While over the long term CPI does not typically decrease, there is greater variability in price movement of sub-groups such as 'private motoring'. Given that maximum metered fares are unlikely to be decreased as part of an annual review, and given that it is common industry practice to adopt the maximum metered fare as the standard rate, there may be periods in which net driver earnings increase above rate changes.</p> <p>If rank or hail drivers are provided the opportunity to accept pre-agreed fares (such as to price match a quote from a rideshare service) up to the maximum metered rate, this could increase driver earnings by enabling them to take trips that would likely otherwise be declined.</p>

Option 2 – Retain maximum metered fares

ODBS revenue	<p>As the large metropolitan booking services currently receive revenue primarily from 'rank fees' or subscriptions from drivers, changes to the maximum metered fare price are unlikely to have a direct impact on their revenue.</p> <p>For regional booking services that typically split fare revenue with drivers, based on the quantitative analysis undertaken in Section 4.2.1, in the long run fare revenue may be less under a maximum metered rate than under a deregulation scenario. This would represent a minimal change from current revenue levels however, given the incremental nature of Option 2.</p>
Fare prices and consumer protection	<p>There is much greater certainty associated with fare prices as well as the mechanism for consumer protection under this option given that maximum fares remain regulated.</p> <p>Due to the incremental nature of increases to the maximum metered fare rates, and the current industry practice of adopting the maximum rate, it is less likely for metropolitan booking services to attempt to compete on price, with less flexibility provided under this option to trial alternative fares structures, such as reducing flagfall and increasing the distance rate.</p>
Competition and services	<p>As this option retains the status quo, there would be limited change to services in the short run. In the long run, this option may result in circumstances in which booking services, particularly those in regional WA, do not have the flexibility required to respond to changes in costs or the labour market to remain commercially viable.</p>

Option 3 – Lift maximum fare ceiling

Summary of analysis

This option shares a number of similarities with Option 1 in that it is an alternative approach to implementing deregulation of rank or hail fares. There a number of key challenges associated with the implementation of this option, primarily relating to the substantial increase to the maximum metered fare rates.

Given that it is established industry practice to adopt the maximum metered fare rates as the standard rate (typically for both rank or hail and booked trips), this option presents a risk that booking services may move to adopt the new maximum 'ceiling' with limited consideration of their ability to compete on price below the ceiling. Careful communication of this option would be essential to avoid this perception, with the potential to redefine the terminology (such as to reflect a 'safety net') to differentiate this option from existing regulatory practices.

This option presents a risk that consumers and industry may perceive the new fare ceiling as a substantial increase to the regulated maximum metered fares that have been endorsed by government, without apportioning responsibility for fare setting to operators. It is likely that additional mitigation methods would be required to protect consumers (such as a price notification system for instance), that would diminish one of the potential advantages of this option which is ease of implementation.

Option 3 – Lift maximum fare ceiling

Industry support	The level of industry support for this option is to be confirmed but expected to be similar to that of Option 1 given that each of these options are aimed at achieving deregulation, albeit through different policy approaches. Option 3 does, in part, address some of industry's concerns associated with consumer protection under fare deregulation by retaining a maximum ceiling to fare prices. The presence of this new maximum fare ceiling presents alternative risks however, with one metropolitan booking service stating that it could be easily misinterpreted as a large increase to fare price.
Implementation	<p>Mechanically, this option is comparatively simple to implement when compared with Option 1, as it would simply involve an increase to the maximum metered fares under the current regulations. There are a number of key policy and communication challenges associated with this option however that need to be considered.</p> <p>The current industry practice is to adopt the maximum metered fares as the standard rates. While this option would be to lift these rates by approximately 50 per cent, there remains the possibility that some booking services may choose to adopt this new ceiling as their standard rates. This is supported by the quantitative analysis presented in Section 4.2.1 that indicated that under the 'low' elasticity scenario (which reflected a lower bound of literature values for price elasticity of demand for taxi services in regional Australia), fare revenue could be maximised in this scenario by increasing fare rates by approximately 50 per cent.</p> <p>The specification by government of a maximum 'price ceiling' that is considered appropriate to protect consumers could potentially encourage booking services to charge higher fare rates than they otherwise would as it could be perceived that government has deemed the rates 'fair'. This option would also introduce new risks for government and the Department in that it could be seen by the public to have endorsed the new fare ceiling as 'fair' or adequate to protect consumers, and would have greater perceived ownership of any subsequent instances of price exploitation.</p> <p>The communication of this option would also be a substantial challenge for government given that it could easily be misinterpreted that it is 'increasing taxi fares by 50 per cent' or more, entrenching consumer perceptions that the taxi industry is more expensive than rideshare. That this option would be achieved through the existing regulation for maximum metered fares would compound this risk. This could potentially be mitigated through relabelling the maximum metered fare to another description, such as a 'safety net'. Other mitigation methods similar to Option 1 could also be considered, including the potential for a price notification system and potential for continued regulation of some specific trip types.</p>
Labour force impacts	The considerations of this option are similar to that of Option 1 as it provides greater flexibility for booking services to set fares to address any commercial challenges they may face. See discussion in Option 1a for further details.


















Option 3 – Lift maximum fare ceiling

Driver earnings	<p>The considerations of this option are similar to that of Option 1 as it provides greater flexibility for booking services to set fares. There is a greater likelihood that booking services would opt for higher fare prices under Option 3 due to the longstanding industry practice of adopting the maximum metered fare rate, and the potential perception that government has endorsed the new fare ceiling as 'fair'. See discussion in Option 1a for further details.</p>
ODBS revenue	<p>The considerations of this option are similar to that of Option 1 as it provides greater flexibility for booking services to set fares. There is a greater likelihood that booking services would opt for higher fare prices under Option 3 due to the longstanding industry practice of adopting the maximum metered fare rate, and the potential perception that government has endorsed the new fare ceiling as 'fair'. See discussion in Option 1a for further details.</p>
Fare prices and consumer protection	<p>Similar to Option 1, consumer protection is an important consideration for Option 3 given that protection is currently provided through having regulated maximum fares.</p> <p>Unlike Option 1 which would remove the regulated maximum metered fare, Option 3 increases the maximum metered fare rate to a significantly higher 'fare ceiling'. While in theory this would serve as additional protection for consumers that would not be present in Option 1, the overall level of protection would depend heavily on what other measures would be implemented in parallel with the new ceiling. Concepts such as a price notification system still have merit under Option 3 to improve price transparency for consumers, particularly in the interim period shortly after implementation.</p> <p>As noted above, the retention of a maximum fare rate under this option could lead to higher fare prices being implemented than in Option 1, due in part to the established industry practice of adopting the maximum fare rate, coupled with the potential that the new ceiling could be perceived as defining higher rates as 'fair' or adequate to protect consumers.</p> <p>See discussion in Option 1a for further details.</p>
Competition and services	<p>The considerations of this option are similar to that of Option 1 as it provides greater flexibility for booking services to set fares to address any commercial challenges they may face. See discussion in Option 1a for further details.</p>

Comparison of Options

Given the substantial challenges associated with effectively implementing Option 3 (lifting the maximum fare ceiling), it is not recommended to proceed with this option.

Table 4f – Comparison of Options 1 and 2 against key policy considerations

		Legend		
		 Clear policy advantage	 Minimal policy advantage	 Policy disadvantage compared with status quo
Key considerations	Option 1. Deregulate rank or hail fares	Option 2. Retain maximum metered fares		
Industry support	Minimal evidence of industry support for deregulation of maximum rank or hail fares at this point in time. Further policy development and industry engagement would be required to further develop this option if supported by government.		Strong support for more regular fare reviews. Overall support dependent on how Option 2 is implemented.	
Implementation	Extensive policy development and industry consultation would be required as part of a 'roadmap to deregulation' to develop and agree an implementation approach. An effective communications plan would also be required for the public given the scale of change.		As this option effectively represents the status quo, there are very few challenges associated with implementation.	
Labour force impacts	This option directly empowers booking services to set fares that enable them to increase/protect driver earnings to attract and retain drivers, or to respond effectively to sudden changes in operating costs.		The ability for booking services to set fare prices to respond to the commercial challenges they may face (such as price increases, a tight labour market or low demand for services) are limited under this option.	
Driver earnings	Based on the industry consultations and quantitative analysis, fares in regional WA may increase under this option, increasing driver earnings and ODBS revenue relative to the status quo.		While the maximum metered fare price will likely increase through regular indexation, the limited data available to index for regions means that any differences in cost increases between metropolitan and regional areas would not be apparent and accounted for until a larger review is undertaken, notionally every five years.	
ODBS revenue	In metropolitan Perth, some industry representatives consulted indicated that they may look to increase fares in the immediate term to try to attract drivers and increase revenue from rank fees / subscriptions. Alternatively a number of booking services expressed a concern that there may be a 'race to the bottom' on fare price. Overall this option provides greater flexibility for booking services to trial new fare structures and compete on price. It is expected that competition between booking services would see a price equilibrium reached between supply and demand.		The ability for booking services to trial alternate fare structures (such as reducing flagfall and increasing distance rate) to differentiate themselves and compete on price would be limited.	
Fare prices and consumer protection	Moving away from regulated fares for rank and hail services dispenses with the existing approach to protecting consumers. Developing appropriate measures to ensure consumers have price transparency will be vital. Recent on-demand transport reforms have removed barriers to competition.		There is much greater certainty associated with fare prices as well as the mechanism for consumer protection under this option given that maximum fares remain regulated. The incremental nature of fare increases and retention of regulation may lead to higher fares in the metropolitan area than may be seen under Option 1.	
Competition and services	This option has the potential to see increased services (either at certain times or in specific locations) in areas with low demand as the higher cost per trip to provide these services would be able to be recovered through higher fare rates.		Due to the incremental nature of this option, it is unlikely to have any substantial impact to services. Booking services that are currently operating at the margins would have limited ability to adjust to changes in costs outside of the fare review cycle.	

4.3 Regulatory role of government

Reform of the on-demand transport industry (including taxis) was recently undertaken in WA, which deregulated the passenger transport services industry with the aim of creating a level playing field and increasing competition. The successful implementation of these reforms has transformed the commercial environment for taxi services by providing increased pricing flexibility for industry through enabling and encouraging greater use of pre-agreed fares for booked services, and substantially reducing the barriers to competition in the taxi industry.

The On-Demand Transport Green Paper that was published by the Department in 2015 noted that “the Department of Transport would retain regulatory authority over maximum fares for the short-to-medium term to protect consumers and support pricing transparency” (DoT, 2015).

This need to retain regulated maximum fares in the short-to-medium term was based on an Economic Regulation Authority finding that “caps on maximum fares appear to be necessary when there is a restriction on the number of taxis operating to prevent the abuse of market power. The need for caps on fares would diminish if restrictions on the number of taxis were removed” (ERA, 2014).

Retaining a regulatory role beyond when market conditions deem it necessary can have detrimental effects for both consumers and industry, which were noted in both the Green Paper as well as the Regulatory Impact Statement (DoT, 2017). These papers highlighted problems associated with an overly prescriptive regulatory environment, including “a taxi industry that is too dependent on the regulator rather than responding proactively to changing market conditions, and has a tendency to turn to Government for strategic direction” (DoT, 2017).

This is evident from the industry consultation undertaken as part of this review, which found that a common reason cited by booking services in support of retaining regulated maximum fares was uncertainty in how fares would be set in the absence of regulated maximums. This common response was in contrast with the broad range of commercial challenges and contrasting priorities that booking services spoke to, and was evidenced by a desire for more frequent fare reviews and provision for out of cycle fare reviews by government to respond to changing market conditions, such as the higher operating costs associated with rising fuel prices.

The Regulatory Impact Statement noted that “to provide the best possible outcomes for both the industry and consumers, it is important that the regulatory environment encourages businesses to take responsibility for their services and be held accountable for those services” (DoT, 2017).

The on-demand transport reform in 2018 took significant steps to achieve this, and by reducing barriers to competition in the taxi industry, the ongoing need for government to regulate maximum metered taxi fares has been diminished.

4.4 Preferred option summary

Based on the analysis undertaken in Section 4.2, the comparison of Options 1 and 2 presented in Table 4f and the discussion on the regulatory role for government in Section 4.3, the findings of this review are that the preferred option for rank and hail fares is 'Option 1 – Deregulate rank or hail fares'.

This option best addresses the large range of often competing priorities that industry have identified through the industry consultation presented in Section 2, and provides booking services with greater flexibility and autonomy to set fare prices to respond to their specific economic environments and commercial challenges.

Following the reforms undertaken in 2018 which reduced barriers to competition, the ongoing need for regulated maximum metered fares has been diminished.

These reforms enabled increased flexibility in fare setting for pre-booked services in the form of 'contract fares'. While greater use of contract fares represents a sizeable opportunity for industry that has the potential to address many of their specified concerns, it is accepted that it is a well established practice to apply the maximum metered rank or hail fare rates to booked services. A reluctance to charge passengers different rates for otherwise identical trips depending on how that trip was booked was cited by a major metropolitan booking service as the reason for not adopting wider use of pre-agreed fares for booked services.

It is acknowledged that there are a number of key challenges associated with the implementation of Option 1 and that further development of the option is required, including comprehensive engagement with industry prior to implementation. Some of these considerations in developing a 'roadmap to deregulation' are outlined in Section 4.5 below.

Given that further policy development is required to progress the preferred Option 1, it is the finding of this review that 'Option 2 – Retain maximum metered fares' be implemented as an interim measure while Option 1 is being developed and progressed.

4.5 Considerations for a roadmap to deregulation

This report does not set out to define or develop a 'roadmap to deregulation' of rank or hail fares, and simply acknowledges the importance of the development of such a plan to address the existing barriers to implementation of the preferred option.

Based on the industry consultations and analysis undertaken as part of this review, some key considerations in developing a roadmap may include the following:

Short-term

- Consider the potential to permit drivers to accept pre-agreed 'contract' fares for rank or hail trips, provided the total fare does not exceed the amount if the maximum metered fare were applied. This will help to provide drivers greater flexibility to accept trips under a regulated environment, and also establish pre-agreeing fares as an accepted practice to ease the transition to a potential future deregulated fare environment.
- Consider easing the requirements to display the regulated maximum metered fares on vehicles to reduce the administrative costs associated with fare price changes. This could reduce the cost of annual indexation, and enable temporary fare increases to be implemented with minimal administrative burden on booking services.
- Consider expanding the eligibility to apply Tariff 3 rates to instances where fewer than five passengers request a higher occupancy vehicle for transporting equipment or luggage (excluding wheelchairs), or clarifying the ability to charge for 'carrying oversized or excess luggage'. While many of these instances would be through pre-booked services for which contract fares could be applied, it is a legitimate concern for booking services in recovering the higher operating costs of these vehicles and was identified as a priority by a major metropolitan booking service as part of the industry consultation.

Medium-term

- Develop an engagement strategy for the taxi industry with opportunities to provide meaningful input at relevant times to help shape the development of a preferred approach to implementing deregulation of maximum metered rank or hail fares, as well as a supporting communications plan for the broader public.
- Identify and analyse a range of potential deregulation options and determine a preferred approach to implementing deregulation of rank or hail fares in parallel with industry engagement. This should consider issues such as preferred approach to consumer protection (such as a price notification system or a requirement for drivers to provide upfront estimates), staging and timeframe of implementation, including potential to stage initial implementation in regional WA, and trip types/locations/time periods for which maximum fares may continue to be regulated. Key considerations in the development of a preferred approach will be to identify relevant legal, regulatory, technical and governance challenges and opportunities associated with fare deregulation.

5. Recommendations

5. Recommendations

- 1. Adopt the deregulation of rank or hail fares as the preferred approach in the medium to long term and develop a 'roadmap to deregulation' to progress the preferred approach.**
- 2. In the interim, until deregulation can be practically achieved, retain regulated maximum metered fares.**
- 3. Implement annual fare reviews based on indexation by the 'private motoring' sub-group of CPI published by the ABS.**
- 4. Consider establishing regular in-depth fare reviews on a five-yearly basis (or until deregulation can be practically achieved) to ensure annual indexation has aligned with changes to taxi industry costs for each region across Western Australia.**
- 5. Consider the potential for out of cycle fare reviews to enable temporary increases to be applied to maximum metered fares to respond to sudden, short term changes in cost.**

Reference list

Fare policies by jurisdiction:

Western Australia

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