



ICRC

independent competition and regulatory commission

Issues paper

**Determination of taxi fares for the
period 1 July 2004 to 30 June 2007**

October 2003

The Independent Competition and Regulatory Commission (the commission) was established by the *Independent Competition and Regulatory Commission Act 1997* (ICRC Act) to determine prices for regulated industries, advise government about industry matters, advise on access to infrastructure and determine access disputes. The commission also has responsibilities under the Act for determining competitive neutrality complaints and providing advice about other government-regulated activities.

The commission has three commissioners:

Paul Baxter, Senior Commissioner
Robin Creyke, Commissioner
Peter McGhie, Commissioner.

Submissions, correspondence or other enquiries may be directed to the commission at the addresses below:

The Independent Competition and Regulatory Commission
PO Box 975
CIVIC SQUARE ACT 2608

Level 7 Eclipse House
197 London Circuit
CIVIC ACT

The secretariat may be contacted at the above addresses, by telephone on 6205 0799, or by fax on 6207 5887. The commission's website is at www.icrc.act.gov.au and its email address is icrc@act.gov.au or ian.primrose@act.gov.au.

For further information on this investigation or any other matters of concern to the commission please contact Ian Primrose, Chief Executive Officer, on 6205 0779.

Foreword

On 26 September 2003, the Minister for Urban Services, Bill Wood MLA, issued a reference to the commission for an inquiry to determine taxi fares for the three-year period from 1 July 2004 to 30 June 2007. The commission is to provide the final report of its inquiry to the Minister by 30 May 2004.

In its taxi price direction of June 2002, the commission adopted a weighted cost index model by which fare changes can be determined to reflect movements in costs. In this inquiry, without restricting the commission to using the weighted cost index, the commission is to consider the effectiveness of the index as a fare-setting tool and the need for any adjustment to it. In particular, the reference asks the commission to consider:

- the assembly of the index from its cost components
- the setting of the labour cost weighting
- the adjustments made to the previous year's costs to account for changes in the number of kilometres a typical taxi travels.

This issues paper summarises the issues the commission intends or is required to consider as part of its inquiry. Its purpose is to stimulate submissions from interested parties. These submissions will be taken into account in the preparation of a draft report outlining the commission's preliminary views on the fare-setting methodology and resulting fare changes. Written submissions will be sought on the draft report and a public hearing will be held for those who wish to make verbal submissions. Following consideration of these submissions, a final report incorporating the final price direction will be issued.

An indicative timetable for the inquiry is shown in Table 1.

Table 1 **Indicative timetable for the inquiry**

Event	Date
Submissions close on issues paper	28 November 2003
Draft report released	Late January 2004
Submissions close on draft report	Late February 2004
Public hearing	Early February 2004
Final report released	30 May 2004

I urge those who have an interest in taxi fares, whether as users or industry participants, to make submissions on this paper and to participate in each stage of the inquiry.

Paul Baxter
Senior Commissioner

31 October 2003

Contents

Foreword	iii
1 Introduction	1
1.1 The commission	1
1.2 Inquiry process	2
1.3 Making submissions	2
2 Regulatory history	5
2.1 Previous price directions	5
2.2 Current price direction	5
2.3 Other issues arising from previous inquiries	7
3 Other issues to be considered	11
3.1 Issues arising from the reference	11
3.2 Comparison of fares with other jurisdictions	12
3.3 Industry deregulation	14
3.4 Response times for passengers who use wheelchairs	15
3.5 Fare structure	16
3.6 Price path	17
3.7 Labour cost data	18
Appendix 1 Reference issued by the ACT Treasurer	19
Glossary and abbreviations	21

1 Introduction

1.1 The commission

The commission is a statutory body established by the *Independent Competition and Regulatory Commission Act 1997* (ICRC Act) to determine prices for regulated industries, advise government about industry matters, advise on access to infrastructure and determine access disputes. The commission also has responsibilities under the ICRC Act for determining competitive neutrality complaints and providing advice about other government-regulated activities.

The commission has the following objectives:

- promote effective competition in the interests of consumers
- facilitate an appropriate balance between efficiency and environmental and social considerations
- ensure non-discriminatory access to monopoly and near-monopoly infrastructure.

For price regulation inquiries, the commission must also consider the following:

- the protection of consumers from abuses of monopoly power
- service quality, reliability and safety
- the need for greater efficiency in the provision of the services, including considerations of demand management and least cost planning
- the cost of providing the service, including an appropriate rate of return on any investment, the borrowing, capital and cash flow requirements of the regulated entities and the need for the industry to renew or build assets
- ecologically sustainable development
- the social impacts of any decisions

- the effect on general price inflation over the medium term.

The commission operates in a way that is open to industry, members of the Legislative Assembly and the community at large. The commission's mandate is both to inquire into issues in a publicly accountable and transparent way, and to report its findings and advice publicly. To this end, the commission encourages public submissions to its inquiries.

1.2 Inquiry process

The Minister for Urban Services has issued the commission with an 'industry' reference under sections 15 and 16 of the ICRC Act (see Appendix 1). The reference directs the commission to conduct an inquiry into the determination of taxi fares within the Australian Capital Territory (ACT) for a period of three years from 1 July 2004.

As in all such inquiries, the first step is the release of an issues paper (this document) outlining a range of issues that the commission considers should be examined and on which it seeks the views of interested parties. The commission will also consider views on issues that are relevant to the inquiry but not raised in the issues paper.

The ICRC Act requires the commission to issue a draft report which outlines the commission's intended decisions, and to give interested parties 20 business days to make submissions on the inquiry. The ICRC Act also requires a public hearing to be held for price regulation inquiries. The indicative timetable for the inquiry schedules the release of the draft report in late January 2004 and of the final report on 30 May 2004.

1.3 Making submissions

Interested parties are invited to make submissions on any issues raised by this paper, or on any other issue they believe is relevant to the reference. Submissions can be made in writing to PO Box 975, Civic Square, ACT, 2608, or by email to icrc@act.gov.au. Submissions close on 28 November 2003. While the commission tries to take all views into account, time constraints may prevent submissions made after the due date being reflected in the draft report.

Submissions to the commission's inquiries are public documents and will be made available on the commission's website where possible. Submissions may also be viewed during business hours at the commission's offices. People making submissions that contain information they consider confidential may apply to the commission to protect that information. The commission will consider all applications on their merits. To discuss the confidentiality obligations in the ICRC Act, contact Ian Primrose, Chief Executive Officer, on (02) 6205 0779.

As outlined above, a further opportunity to make submissions, including verbal submissions at a public hearing, will be available following the release of the draft report.

2 Regulatory history

2.1 Previous price directions

Historically, taxi fares in the ACT were set using a taxi cost index initially developed in 1989 by the Taxi Industry Advisory Council, an advisory body to the ACT Government. While the index comprised a number of cost items associated with taxi operation, it was not intended to provide an estimate of the actual cost of operating a taxi. Instead, it attempted to measure the movement in operating costs over time.

The commission was concerned that because the taxi cost index only measured the cost movement of inputs, it did not account for efficiencies possible within the taxi industry, such as those arising through better radio and vehicle location technology. Further, the cost structure behind the index had become significantly outdated. As a result, for its price direction for the 2001–02 financial year, the commission developed a cost build-up pricing model that sought to provide an estimated ‘profit and loss statement’ for a typical taxi operation in the ACT, from the perspective of the taxi owner.

2.2 Current price direction

The commission’s current price direction was released in June 2002 and covers the period 1 July 2002 to 30 June 2004. In it, the commission reverted to a cost index approach to setting taxi fares. While the commission’s concerns with a cost index approach remained, demand for taxi services, which had been falling gradually for at least five years, showed a particularly sharp fall in the 2001 calendar year. In an environment of falling demand, a cost build-up pricing model results in large fare increases in order to recover lost revenue from the fall in demand. In a market where demand is elastic to price changes, the result is likely to be a further fall in demand.

In other regulated industries,¹ this would likely result in some of the excess capacity in the industry being declared ‘stranded’ for regulatory purposes and therefore not entitled to earn a revenue stream. In the taxi industry this

¹ The commission also regulates prices for the public bus, electricity, gas, water and sewerage industries in the ACT.

can only be achieved by individual taxi operators leaving the industry, with a significant personal and social impact.

A second issue was that Canberra Cabs sought a fare increase of 15.9 per cent to ensure that drivers could be paid award wages and entitlements. One of the benefits of the cost build-up approach in other industries is that changes in individual cost components, such as labour, can be directly taken into account in the overall fare change. However, given the nature of the industry and the way in which bailee drivers are paid², this benefit of the cost build-up approach is lost. For example, if a fare increase is given on the basis of an increase in driver labour costs, only 50 per cent of that additional income flows to drivers, with the other 50 per cent being transferred to operators.

Rather than revert to the out-of-date cost index used before the 2001 price direction, the commission used detailed cost information provided by Canberra Cabs to develop a revised weighted cost index. The index is the weighted sum of changes in taxi operation costs in four categories: fixed costs; non-labour variable costs; an allowance for a return on an investment in a taxi plate (using the lease fee for an operator leasing a plate as a proxy for this return); and labour. To reflect the way bailee drivers are paid, labour cost is given a weighting of 50 per cent within the model, with the other cost categories weighted according to their share of the total costs of operating a taxi. The revised weighted cost index is current-period weighted to reflect relative changes in the costs of particular components.

The price direction included an overall fare increase of 3.0 per cent from 1 July 2002, calculated using the index. For the year from 1 July 2003, the direction applied a further iteration of the index to the kilometre rate only. The resulting fare increase was 7.14 per cent.

- The commission is interested in views on the costs and benefits of continuing to use a cost index approach, as opposed to a cost build-up model or some other approach.

² Drivers are typically paid 50 per cent of gross revenue, with the other 50 per cent accruing to the taxi operator.

- The commission seeks input on the effectiveness of the current weighted cost index methodology and how it could be improved. In particular, views are sought on the current approach to labour costs and the way the previous year's base cost components are adjusted to account for changes in average distances travelled by taxis.
- The commission seeks data from the taxi industry on the average number of hirings and kilometres travelled per year, and the typical costs of operating a taxi in the ACT.

2.3 Other issues arising from previous inquiries

A number of issues highlighted by the commission during previous taxi fare inquiries will need to be considered in setting taxi fares.

2.3.1 Falling demand

Evidence available during the previous inquiry showed that the number of taxi hirings fell for five of the six calendar years 1996 to 2001. Over the six years, total hirings fell by almost 15 per cent. More recent anecdotal evidence suggests that this decline in demand is continuing. During the previous inquiry, the taxi industry cited a range of reasons for falling demand, including elections, the Prime Minister spending less time in Canberra, the 2000 Sydney Olympics, September 11, the Ansett collapse and, in particular, the advent of the Goods and Services Tax. However, the commission was concerned that a key factor was a long-term structural shift from public transport to private car use. As a result, the commission is concerned about the impact taxi fare rises might have on demand in the longer term, and hence on the long-term viability of the industry.

- The commission seeks views and data on whether demand is still falling. If demand is declining, the commission seeks views on why this is so and how this should be reflected in the commission's price direction.

2.3.2 Network fees

The commission has previously expressed a concern at the level of the network fees operators are charged for being part of the Canberra Cabs network. In the current price direction, the commission noted that network fees in the ACT were significantly higher than in much of New South Wales. The commission took the view that significant efficiencies might be achieved in network fees. As a result, in the weighted cost index currently in use, the commission excluded any changes in network fees.

- The commission seeks views on how network fees should be treated in the price direction.
- The commission is interested in input on the potential sources of efficiency in network operation and the sizes of any efficiencies achievable.

2.3.3 Plate values

To operate a taxi in the ACT requires a taxi licence plate. Because the number of plates available is limited, plates have become significantly more valuable over time. The value of taxi licence plates affects the cost of operating a taxi in two ways: an operator can buy a plate, in which case a return on the investment in the plate is required; or an operator can lease a plate from a plate owner, in which case the lease fee must be recovered through fares.

Before the current price direction, the costs of plate ownership or plate leasing were not included when calculating fare changes. As mentioned in Section 2.2, the current price direction includes an allowance for plate costs. Based on evidence from the industry that annual plate lease fees were around \$26 000 at the time, a plate cost (referred to in the weighted cost index as ‘return on investment’) of \$26 000 was used for weighting purposes, with cost changes being assumed to reflect changes in long-term interest rates.

More recently, the government has announced that it proposes to release additional taxi plates on an annual basis, as discussed in Section 3.3. This is likely to have an impact on plate values.

- The commission seeks input on how best to account for plate ownership or leasing costs in its price direction.
- The commission seeks data on the current market price of taxi plates and current plate lease fees.

2.3.4 Lack of data

Data collection is more difficult for the taxi industry than for other industries regulated by the commission. Instead of one large organisation with audited accounts, the taxi industry is made up of many small businesses with varied sophistication of data collection. As a result, data on basic cost and revenue components such as average kilometres travelled is either unavailable or is based on only a limited sample of taxi operators. Comparisons between jurisdictions are difficult because all jurisdictions face similar problems. Moreover, the ACT taxi industry is affected by some demand factors, such as parliamentary cycles, that are not significant elsewhere.

The lack of reliable, detailed data has a range of impacts on the price regulation of the industry. For example, as discussed at 3.5, it is difficult to assess properly the appropriateness of the current fare structure without detailed data on the distribution of trip lengths, the number of multiple hirings and so on.

- The commission seeks views from the taxi industry on the best ways of collecting cost and revenue data from operators.

3 Other issues to be considered

3.1 Issues arising from the reference

The reference requires the commission to take into account the following matters in making its taxi price direction for 1 July 2004 to 30 June 2007:

- the weighted cost index model developed by the commission as set out in its June 2002 price direction
- the effectiveness of the weighted cost index model and the need for any adjustment or change to the index
- the assembly of the values of fixed costs, variable costs, return on investment and labour costs
- the setting of labour cost weighting
- the adjustment of the previous year's base cost components to take account of any change in the average number of kilometres travelled by taxis
- the summation of the individual components for the base year and the current year to determine the percentage change in these aggregates between the two years
- the matters referred to in section 20 of the ICRC Act.

With the exception of section 20 of the Act, these issues all relate to the composition and methodology of the weighted cost index, which is discussed in detail at 2.2 and 2.3.

Section 20 of the ICRC Act directs the commission to consider the following issues during a pricing inquiry process:

- the protection of consumers from abuses of monopoly power
- service quality, reliability and safety

- the need for greater efficiency in the provision of the services, including considerations of demand management and least cost planning
- the cost of providing the service, including an appropriate rate of return on any investment, the borrowing, capital and cash flow requirements of the regulated entities and the need for the industry to renew or build assets
- ecologically sustainable development
- the social impacts of any decisions
- the effect on general price inflation over the medium term.

- The commission seeks the views of interested parties on the issues raised by section 20 of the ICRC Act.

3.2 Comparison of fares with other jurisdictions

Table 2 compares regulated fares in other jurisdictions to those in the ACT. Although there is considerable variation in fares, those in the ACT are generally higher than those elsewhere. There may be genuine reasons for higher costs in the ACT than in other parts of Australia, such as economies of scale within network operations in larger cities. However, many of the costs of operating a taxi, for example the cost of buying a car, are similar in across jurisdictions. Information on which costs differ significantly between the ACT and other jurisdictions interests the commission, both in identifying where efficiencies may be achieved and in selecting statistical measures of cost changes for use in a cost index.

Table 2 Comparison of regulated taxi fares for ordinary hirings between jurisdictions

Jurisdiction	Flagfall	Distance rate per kilometre	Booking /radio fee	Waiting fee per minute
ACT	\$3.20	All days: \$1.409 All nights: \$1.62	\$0.80	\$0.50
New South Wales:				
urban	\$2.65	All days: \$1.53 All nights: \$1.84	\$1.00	\$0.67
country	\$3.15	All days: \$1.59 All nights: \$1.91	\$0.80	\$0.67
Victoria:				
urban	\$2.80 (+ \$2.20 midnight to 6 am surcharge)	\$1.37	\$1.10	\$0.45
metropolitan/outer suburban	\$2.80 (+ \$1.10 midnight to 6 am surcharge)	\$1.31	\$1.10	\$0.45
country	\$2.80 (+ \$2.20 midnight to 6 am surcharge)	\$1.40	\$1.10	\$0.45
South Australia:				
urban	Weekday days: \$2.40 All other times: \$4.40	Weekday days: \$1.22 All other times: \$1.30	Nil	\$0.475
country	Weekday days: \$2.40 All other times: \$4.40	\$0.82, but must also pay for the return journey at that rate	Nil	\$0.475
Western Australia	Weekday days: \$2.90 All other times: \$4.20	\$1.17	Nil	\$0.56
Queensland:				
metered areas	Weekday days, Saturday morning: \$2.50 All other times: \$3.70	\$1.25	\$1.00	Nil
exempted country areas	Weekday days, Saturday morning: \$2.50 All other times: \$3.70	\$2.10	\$1.00	Nil
Tasmania	\$2.70	Weekday days: \$1.43 All other times: \$1.72	Nil	\$0.45

- The commission seeks input on which components of the costs of operating a taxi in the ACT are significantly different from those in other jurisdictions.

3.3 Industry deregulation

The ACT is a party to the *Competition Principles Agreement*, which was signed in 1995 by the Council of Australian Governments. Under the agreement, Australian governments agreed to adopt the guiding legislative principle that regulation should not restrict competition unless it can be demonstrated that the benefits of the restriction to the community as a whole outweigh the costs, and the objectives of the legislation can only be achieved by restricting competition.

As a result of the agreement, the ACT Government was required to review regulation of the taxi and hire car industries. The government engaged the Freehills Regulatory Group (Freehills) to conduct the review and the final report was provided to the government in March 2000.³ Following the Freehills report, a number of other inquiries into aspects of taxi industry structure and regulation were conducted, including an inquiry by an ACT Legislative Assembly committee⁴ and two commission inquiries.⁵

In June 2003, the government announced its final decision on deregulation of the taxi industry. The main measure will be the auctioning each year, subject to a reserve price, of an additional five per cent of taxi licences. If demand is strong, up to a further five per cent will be auctioned that year. The reserve price will be set so as to protect existing plate owners from a sudden large loss of plate value. Most of the revenue from plate sales will be returned to existing plate owners as compensation for falling plate values.

A second measure was the introduction of a \$7.50 'lift fee' to compensate wheelchair accessible taxi (WAT) drivers for the time taken by passengers using wheelchairs to embark and disembark, in order to improve response times for those passengers. The issue of WAT response times is discussed in more detail in Section 3.4, below.

³ Freehills Regulatory Group, *National competition policy review of ACT taxi and hire care legislation*, final report, prepared for the ACT Department of Urban Services, March 2000.

⁴ Australian Capital Territory, Legislative Assembly, Standing Committee on Planning and Urban Services, *The national competition policy review of ACT taxi and hire car legislation*, report number 80, August 2001.

⁵ Independent Competition and Regulatory Commission, *An investigation into the competition implications of the provision of wheelchair accessible taxi services by a single network in the ACT*, final report, October 2001; and Independent Competition and Regulatory Commission, *Review of the future direction of the ACT taxi and hire car industry, and price direction for taxi services*, final report, June 2002.

This inquiry does not seek to revisit the issue of how deregulation should proceed. However, the government's announcements may have an impact on existing taxi operators' costs and revenues, which need to be accounted for in the commission's price direction.

- The commission seeks views on the impact on the costs and revenues associated with operating a taxi, of the government's announced approach to deregulation of the taxi industry.

3.4 Response times for passengers who use wheelchairs

The major service quality issue for the ACT taxi industry is response times. Response times have historically tended to be poorest during peak periods for all users and during all periods for passengers who require a WAT. In particular, there has been a high level of community concern for some years about response times for passengers who use wheelchairs. Attempts to solve the problem, including by micromanagement of WATs and the release of additional plates specifically for WATs, have had limited success.

One reason put forward for poorer response times for passengers who use wheelchairs is that drivers have been reluctant to accept these fares because the trips are typically shorter and involve a significant amount of driver time while the passenger embarks and disembarks. To overcome this, in its current price direction the commission recommended that if deregulation proceeded a WAT lift fee of \$5.00 be introduced to compensate drivers for the additional time taken. While not fully adopting the commission's recommendations on deregulation, from 1 July 2003 the government introduced a WAT lift fee of \$7.50, payable by the passenger who requires wheelchair access. Where the passenger is paying for the hiring with a government Taxi Subsidy Scheme voucher, the fee is paid directly to the taxi driver by the government.

- The commission seeks the views of interested parties on the degree to which the WAT lift fee has improved response times and other elements of service quality for passengers who require wheelchair access.

3.5 Fare structure

Table 3 illustrates the existing regulated fare structure for taxis in the ACT. Flagfall and distance rates are different for ordinary, multiple and maxi-cab hirings.⁶ Multiple hiring and maxi-cab fares are 75 per cent and 150 per cent respectively of ordinary rates. Distance rates are 15 per cent higher than the normal rate for each hiring type during the 9 pm to 6 am ‘night’ period.

Table 3 Taxi fares for 2001–02

Item	Rate
Flagfall	
Ordinary hiring	\$3.20
Multiple hiring	\$2.40
Maxi-cab hiring	\$4.80
Radio fee	\$0.80
Waiting time	\$0.50 per minute (\$30.00 per hour)
Distance rate	
Rate 1 (Ordinary hiring; 6am to 9pm)	\$1.409 per kilometre
Rate 2 (Ordinary hiring; 9pm to 6am)	\$1.620 per kilometre
Rate 3 (Multiple hiring; 6am to 9pm)	\$1.011 per kilometre
Rate 4 (Multiple hiring; 9pm to 6am)	\$1.164 per kilometre
Rate 5 (Maxi-cab hiring; 6am to 9pm)	\$2.201 per kilometre
Rate 6 (Maxi-cab hiring; 9pm to 6am)	\$2.531 per kilometre

The commission considers that the principal objective of a fare structure is to reward operators and drivers sufficiently to ensure that they offer their services, without unduly reducing demand. During the last two taxi fare

⁶ Multiple hirings are hirings of a taxi by more than one person or group at once. Typically, each person or group is going to a different, but nearby, location. Maxi-cab hirings are hirings of a high-occupancy taxi (for example, van or mini-bus) to one group of six people or more.

inquiries, the commission has reviewed the fare structure to ensure that each component is appropriate. However, there has been a lack of detailed, reliable data on such things as the distribution of trip lengths and the proportion of trips of various lengths that are either multiple or maxi-cab hirings. As a result, the commission has been unable to make a full assessment of the suitability of the current fare structure and has left it largely unchanged.

- The commission seeks input on the most appropriate fare structure for taxi services in the ACT. In particular, the commission seeks data and views on whether the current relationship between:
 - the flagfall and distance rate is appropriate to ensure that drivers are willing to accept both short and long trips
 - the ordinary and multiple hiring rate is appropriate to ensure that taxi users are suitably encouraged to use multiple hirings, which have environmental benefits and, by using the taxi fleet more efficiently, could improve response times at peak periods
 - the ordinary and maxi-cab hiring rate is encouraging plate owners to provide a suitable number of high-occupancy taxis.

3.6 Price path

For the taxi industry, the commission has in the past either made one-year price directions or, as for the current direction, provided a formula by which fares are changed at the end of each financial year. However, for the other industries it regulates, the commission provides in its price direction a price path adjusted using the consumer price index (CPI) over the period of the direction, for example CPI minus 1 per cent each year.

A price path approach provides certainty for the industry, allowing for better forward planning by the regulated businesses. It also encourages efficiency in the industry because the benefits of any cost reductions by operators are retained by them as additional profits until the next price direction.⁷

⁷ Under a formula approach, such cost reductions may be picked up as a cost decrease by the formula, and as a result will result in a lower fare rise in the next period.

However, a price path approach means that any unexpected cost changes that are not reflected in CPI, for example changes in LPG costs, have to be borne by the industry until the next price direction.

- The commission seeks views on whether a three-year price path is preferable to a formula by which fares are changed at the end of each financial year.

3.7 Labour cost data

In the current weighted cost index, the commission has used changes in the Australian Bureau of Statistics' full-time adult total earnings series as a proxy for labour cost changes in the taxi industry. As acknowledged by the Independent Pricing and Regulatory Tribunal of New South Wales,⁸ the bureau's wage cost index series may be a better proxy, as it avoids labour-type and productivity changes that are captured in the full-time adult total earnings series.

- The commission is interested in views on whether the Australian Bureau of Statistics' wage cost index series is a better proxy for taxi industry labour costs than the bureau's full-time adult total earnings series.

⁸ Independent Pricing and Regulatory Tribunal of New South Wales, *Review of fares for taxis in New South Wales in 2003 from 31 August 2003*, Report to the NSW Minister for Transport Services, August 2003, p. 17.

Appendix 1 Reference issued by the ACT Treasurer

Australian Capital Territory

Independent Competition and Regulatory Commission (Reference for Investigation) 2003 (No 3)*

Disallowable Instrument DI2003 – 271

made under the

Independent Competition and Regulatory Commission Act 1997, s 15 Nature of industry references and s 16 Terms of industry references

Pursuant to sub-section 15(1) of the Act, I direct the Independent Competition and Regulatory Commission (the ‘Commission’) to conduct an investigation into the determination of prices for Taxi services within the Territory from 1 July 2004 addressing the following:

1. To recommend maximum fares for regulated taxi services for a period of three years from 1 July 2004 having regard to the Weighted Cost Index model developed by the Commission as set out at Attachment 5, Final Report 2002 ‘Review of the future direction of the ACT taxi and hire car industry, and price direction for taxi services’.

Without restricting the Commission in reaching a determination on those matters listed in item 1 above or its use of the Weighted Cost Index model, the Commission is to take into account:

- a) the effectiveness of the Weighted Cost Index model and the need for any adjustment or change to the index;
- b) the assembly of the value of Fixed Costs, Variable Costs, Return on Investment and Labour Costs;
- c) the setting of labour Cost weighting;

- d) the adjustment of the previous year's base cost components to take account of any change in the number of kilometres travelled on average by taxis;
- e) the summation of the individual components for the base year and the current year to determine the percentage change in these aggregates between the two years; and
- f) the matters referred to in Section 20 of the Act.

Pursuant to sub-section 16(1) of the Act, I specify the following requirement in relation to the conduct of the investigation:

- The final report in relation to determined taxi fares for the period 1 July 2004 to 30 June 2005 is to be provided to the Minister of Urban Services by 30 May 2004.

BILL WOOD
Minister for Urban Services

26 September 2003

Glossary and abbreviations

ACT	Australian Capital Territory
bailee driver	taxi drivers who drive a taxi that they do not own, but are not employees, being recognised as small business operators in their own right
commission	Independent Competition and Regulatory Commission
high-occupancy taxi	a large taxi, such as a van or a mini-bus, that seats five or more adults excluding the driver
ICRC Act	<i>Independent Competition and Regulatory Commission Act 1997</i>
WAT	wheelchair accessible taxi
WAT lift fee	a fee payable by a passenger who requires wheelchair access to a taxi to compensate WAT drivers for the additional embarkation and disembarkation time required; where the passenger is paying for the hiring with a government Taxi Subsidy Scheme voucher, the fee is paid directly to the taxi driver by the government
weighted cost index	the cost index developed by the commission for its current price direction