RPS

PRICING, PAYMENTS AND LICENCES IN THE QUEENSLAND TAXI INDUSTRY

Technical Research Report prepared for TCQ






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Introduction

- RPS has been engaged by TCQ ("TCQ") to undertake comprehensive research on the Queensland Taxi Industry.
- This Technical Research Report includes research and analysis on the size, rate, characteristics and drivers of demand and need for taxi services in Queensland. This research forms the basis of TCQ's submission to the Opportunities for Personalised Transport Review ("OPT Review").
- This Research Report draws upon extensive information and evidence derived from consultation with industry across the State and representatives of international taxi jurisdictions in the US, UK and Singapore, data provided by Queensland Taxi TBCs ("TBCs"), market research and desktop research.

Taxi Fares in Queensland

- Affordability and lower fares are consistently cited in literature and in previous taxi industry reviews and reforms in Australia and around the world as a major motivation of the de-regulation of taxi industries.
- The Queensland Government regulates the fares for taxi services in the State. Section 74A of the Transport Operations (Passenger Transport) Act 1994 provides the authority for the Department of Transport and Main Roads ("TMR") to set a maximum fare for taxi services in the State, with separate schedules – or stickers – for South East Queensland, Regional Queensland and Exempt areas.
- In Queensland, regulated taxi fares is comprised of a series of broad components – Flagfall, Distance, Waiting Time, Booking, Tolls/charges and GST. Additionally, fares that are paid by electronic payment methods (EFTPOS, Credit Card, CabCharge) are subject to a non-cash payment processing fee of 10%+GST is charged. The Queensland Government regulates the amount of each of these components and the circumstances when they can be charged.
- Fares also have a tariff structure reflecting the time of day in which the taxi has been secured by the customer. The primary variation between tariffs is in size of the flagfall.
- The Tariffs imposed by the Queensland Government reflect a range of objectives and factors. For example, the additional flagfall under Tariffs 2 and 3 help to incentivise and compensate drivers for being on the road outside of weekdays.
- The fares charge to taxi passengers across the State vary based on their location. A premium is charged to passengers in regional areas and in exempt areas. These premiums are borne out in higher distance-related charges, with all other components of the regulated fare (such as flagfall and waiting time) identical across the State.
- A number of alternative options are available to better address this metropolitan-regional imbalance. The Government could impose a State-wide fare and tariff structure, which would see SEQ Service Areas cross subsidise regional areas. Alternatively, the Government paying regional companies a subsidy to compensate them for providing services at below cost in order to meet Community Service Obligations. This approach is already in place in Queensland in the Electricity Sector.
- The price and transparency of fares in Queensland is consistently identified by the community as the largest source of dissatisfaction in the State's taxi services. The results of recent surveys of Queenslanders by UMR found that 31% of Queenslanders were dissatisfied with the transparency of fares, while 49% (or almost one in every two Queenslanders) were dissatisfied about the price.
- There are major differences between Queensland and other Australian States in how taxi fares are applied, the composition of fares, and the value-proposition to passengers and the community.

- Overall fare levels are higher in NSW and Victoria than Queensland. The table below illustrates differences in the value of fare components, within metropolitan and urban service areas in each State.
- In comparison to Victoria, Queensland flag fall and booking fees charges are significantly lower though Victoria has lower distance and time charges. This highlights differences in each of the State's in the level of emphasis placed on different components of the taxi fare.
- In Queensland, the flagfall component of the fare varies between Tariffs. However, in Victoria flagfalls, distance and time rates all increase. This ramping effect adds further complexity to the overall fare structure, compared to Queensland where only the flagfall increases between Tariffs 1, 2 and 3. The Victorian approach further reduces the transparency of fares, which was identified as an issue in Queensland, despite a fare simpler approach being adopted.
- Waiting Time fares are not applied in other States in the same way as they are in Queensland. While the taxi vehicle must be stationary in order for waiting time charges to be applied, in Victoria, for example, they are applied when the travel speed falls below 21km per hour. In NSW the travel speed threshold is 26km per hour.
- This higher minimum speed threshold has the effect of shifting the risk of traffic congestion and time-based delay onto the customer. RPS believes that in a regulated taxi industry this risk should vest with the party that has the greatest potential to manage it.
- When distance and occupancy rates are taken into consideration, the value-proposition of taxi services in Queensland is far superior than in every other State in Australia and arguably around the world. A Queenslander can travel further and for longer in a taxi for a fare comparable with Victoria and more affordable than NSW.
- Overall, the regulated fare levels and structures in Queensland are best practice in the country. Queenslanders can travel longer and further for a similar fare to passengers other States. Queensland taxis also have a simpler and more balanced fare structure that is more consistent and transparent, regardless of the time of day or the day of the week.
- The primary way in which other jurisdictions in the past have sought to reduce fairs is to de-regulate supply in order to increase competition. This is in line with competition theory that increased competition in a market provides power to the consumer and forces competitors to reduce prices.
- However, the theorised outcome of the application of competition theory to the taxi industry have failed to be realised time and time again over the past 30 years.
- Increased competition through supply de-regulation does not lead to price and fare reductions as theorised. Instead, international examples from the past 30 years have consistently shown that fares increase.
- The business of drivers, no longer guaranteed by the regulations a consistent flow of passengers, move from a high volume, low margin business model to a low volume high margin business model. In order to maintain vehicle revenue to cover costs and make a living, drivers and operators must therefore increase fares.
- The assumption that power in a competitive market shifts to the consumer is predicated on the demand for taxis being entirely discretionary. As demonstrated in the RPS *Technical Report The Demand for Taxis in Queensland,* 66% or two in every three taxi passengers use taxis to travel to work or where there are no alternative options.
- The fact that non-discretionary users comprise the bulk to taxi users means that classifying taxis as a personalised transport market in Queensland is inappropriate. Instead, this demand profile is more akin to traditional forms of public transport, making the application of market-based competition theory irrelevant.
- It is therefore critical that consideration be given the actual characteristics of demand and supply in a taxi jurisdiction prior to any fare or supply de-regulation being undertaken. International experience is that the

outcomes of supply de-regulation are the market failure of taxi services; increases in fares, reductions in quality, reduced availability and accessibility and higher cost imposts on Government.

- Much of the recent commentary relating to the affordability of taxi services has been in response to claims by corporately-based illegal taxi service providers in Queensland that “ride sharing” is more affordable.
- However, there are a number of factors that make a direct price comparison unreliable. This includes the fact that uber is refusing to charge GST to customers and making their driver partners pay out of their earnings. Similarly, uber recent discounted prices in Queensland by 20% in an attempt to gain market share and increase demand. The current “ride sharing” fare structure in Queensland is not representative of the likely long-term standard pricing structure.
- Another differentiating factor in the pricing of “ride sharing” services is the use of surge pricing. While the concept of surge pricing has been supported by a number of economists and academics, RPS considers it a simplistic and in some ways economically naïve application of equilibrium pricing theory that lacks universal application and raises a range of serious economic and social issues in reality.
- “Ride sharing” proponents of surge pricing claim that the dynamic pricing structure is effective in inducing additional supply capacity into local markets with high levels of demand. This claim has been validated by some researchers in the US, though is also the subject of widespread criticisms.
- The ability of surge pricing to induce supply is contingent on having a sufficiently large stock of inactive drivers who are available at any one time to respond to a surge pricing event that typically lasts less than five (5) minutes. RPS considers these criteria to be very narrow. Given the size of the population in Queensland, its decentralised settlement pattern and improved employment conditions, it is questionable whether surge pricing would in fact function as intended in major Queensland cities.
- Instead, the likely outcome of surge pricing would be twofold:
  - » The redistribution of existing drivers, who are more able to respond at short notice, to periods of surge and/or
  - » The rationing of supply to those in the community with sufficient purchasing power.
- RPS has modelled in the impact of surge pricing on the relative affordability of “ride sharing” compared to taxis on a standard Tariff 1 from Brisbane to Chermside.
- Based on the pre-February 2016 fare structure, an uber ride was only 7.1% or approximately $2.50 less expensive than a Queensland taxi. When surge pricing is applied, “ride sharing” becomes significantly more expensive. Fares are 11.5% more expensive at a 1.5x multiplier, reaching over 360% higher under a 5x multiplier.

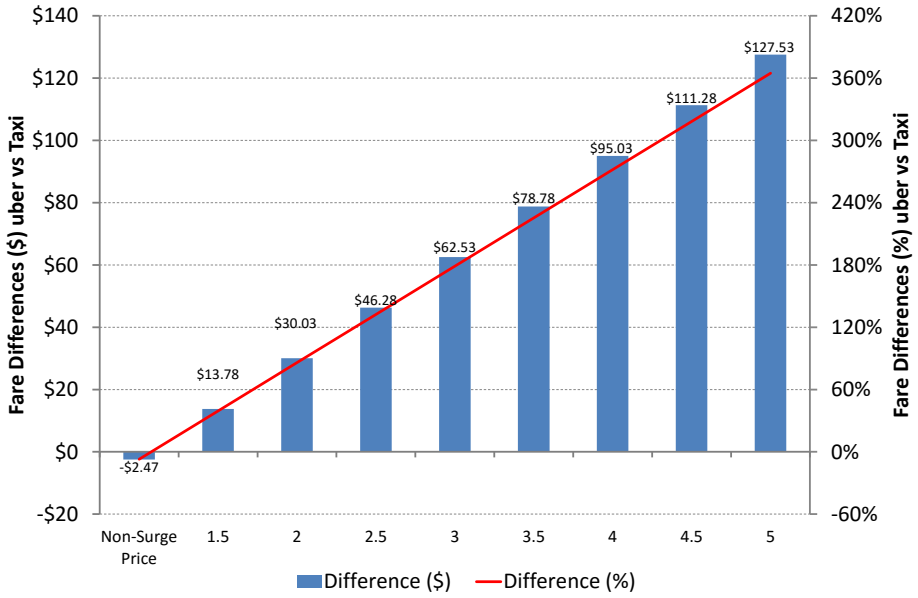


Figure 1 Fare Differences, uber vs Taxi, Brisbane to Chermside Tariff Fare, Pre-February 2016 Rates, by Surge Price Multiplier

- This lack of genuine affordability benefit to Queenslanders of "ride sharing" further highlights the fact that Queensland taxis are some of the most affordable in the world. However, there are opportunities in the current fare structure and components to further improve the relative affordability of taxi fares for the community.
- In terms of taxis, other States have reduced non-cash payment processing fees to a maximum of 5% including GST compared to 11% in Queensland. Similarly, if goCards were available within taxis, those passengers would not be subject to a processing fee, which would reduce the fare by 11%. This illustrates that fare reduction objectives can be achieved without any fundamental changes to the existing fare schedules.
- In contrast, uber is currently offering a 20-25% discount on fares, distorting long-term fare levels and comparable affordability. Therefore, applying the international standard fare structures used by uber, including those used in Sydney and other markets not current subject to this discounting, the cost to a passenger of a standard "ride sharing" fare is only 7% less expensive than an equivalent taxi fare.
- Further, uber currently does not charge GST to passengers, despite the recent ATO ruling. To ensure consistency across the personalised transport sector, such GST should be made chargeable. If this was enforced, then "ride sharing" in the State of Queensland would actually be, on average, marginally more expensive than catching a taxi.
- This represents the incredible opportunity for the Queensland Government to introduce reforms that will not only improve the affordability of taxi services in the State but will make Queensland taxis the only taxi service more affordable than "ride sharing" globally.

Service Sustainability

- Any short-term gain in the affordability of fares must be considered within the context of the long-term service sustainability. The TCFI is currently used by the Department to inform the rate of growth of fares based on the underlying cost structure of operating taxi services in the State. This recognises that if fares fall below the cost of operating a taxi, then the long-term sustainability of the service becomes highly questionable, to the detriment of the community.
- Equally, failure to ensure the continued operational sustainability of taxi services in the State will have substantial cost implications for the Queensland Government. International experience has shown that whenever a taxi industry becomes a market failure, the cost burden shifts from the industry to

Government and the community.

- Insurance represents a major cost impost for the taxi industry. Taxis are currently the only vehicle type within Class 3 of the Motor Accident Insurance Regulation 2004 for Compulsory Third Party ("CTP") Insurance. Based on the CTP Premium Calculator of the Motor Accident Investigation Commission, the average CTP premium for a Class 3 vehicle is calculated as 20 times higher than Class 1 (private motor vehicles).

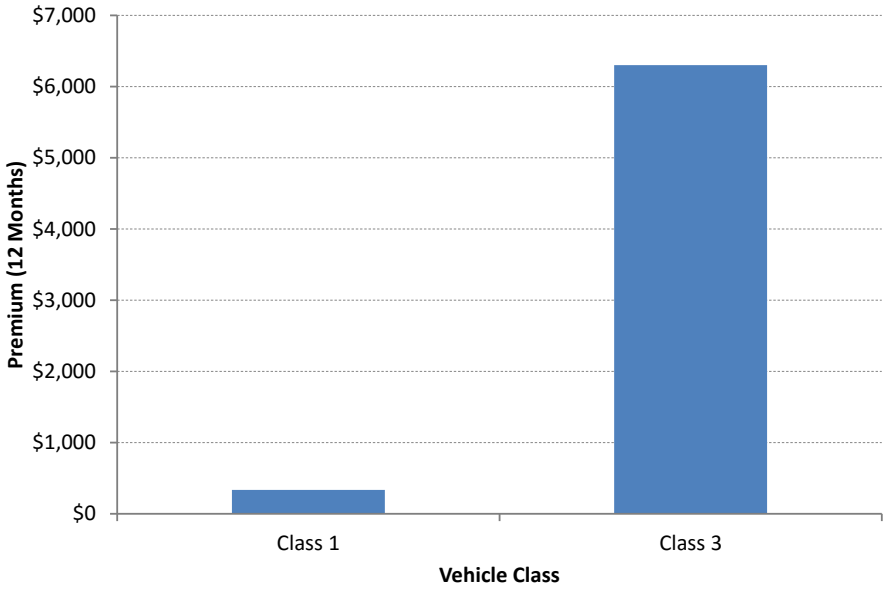


Figure 2 CTP Premiums, Classes 1 and 3, Queensland, as at April 2016

- However, opportunities exist to reduce this cost impost without placing the safety of the community at risk. This may include the use of technologies, such as outward facing cameras to provide greater certainty on who is "most at fault" in an accident.
- Considerable attention has been given to the issue of driver earnings in previous review of taxi industries in Australia and around the world. Commentary focuses on the comparatively low hourly rate taxi drivers earn and the long hours required to make a living.
- A number of factors need to be considered when analysing driver earnings including the proportion of a 12 hours shift actually spent actively seeking fares, whether the driver is full-time or part-time, whether it's a bailee driver or a driver/owner/operator and whether the driver drives during the day or at night.
- The earning capacity and hourly rate of a taxi driver is as much determined by their individual levels of productivity and business acumen as it is by external factors such as the number of jobs and shift time/day.
- RPS has undertaken an analysis of the earning potential of a taxi and "ride sharing" drivers based on a standard Brisbane to Chermside Tariff 1 fare.
- Overall, a taxi driver earns 40-45% more per taxi job than a "ride sharing" driver. While the direct deductions from a taxi fare are more (including non-cash payment processing fee, booking fees and bailment), "ride sharing" has higher costs relative to income.
- Worringly, this analysis demonstrates the impact that fare discounting by corporately-backed "ride sharing" can have on drivers. Based on the cost structure incurred by the "ride sharing" a 20% reduction in the fare reduces driver earnings on the job by 45%. This means that in order to earn the same income, a "ride sharing" driver must now complete 50% more jobs every hour – a substantial increase requiring drivers to work longer shifts.

Payment Options

- The transparency of fares in the Queensland Taxi Industry was identified as a major issue of dissatisfaction among Queenslanders in UMR's recent survey. The survey results found that 31% of Queenslanders were dissatisfied in the transparency of fares, though over 50% of respondent recorded positive satisfaction.
- Two factors primarily contribute to this high dissatisfaction rate - the multifaceted structure of taxi fares and additional fees and charges.
- A key factor in addressing these concerns relates to maximising the payment options available to the community. It should be the policy of the Queensland Government to ensure that the payment options available to the passenger are as accessible as the Queensland taxi fleet itself. By improving payment options, the ease of the payment process can help to assist concerns regarding transparency of fares.
- Data from TCQ indicates that almost 80% of taxi jobs are paid using electronic payment methods. This highlights the fact Queensland is a mature payment market, in which electronic payments are the norm, not the exception.
- The current non-cash processing fee in charged to Queensland taxi customers is 10% plus GST. Recent reforms in New South Wales and Victoria have capped this fee at 5% including GST.
- The Queensland Government has the stated objective of creating "A single integrated, safe, reliable and efficient transport system that is accessible to all". This must include the most flexible, universal and accessible form of public transport currently available in Queensland –taxis.
- The opportunity to expand the distribution of goCards into taxis is particularly significant. The results of the recent UMR survey found that Queenslander's strongly support the concept of goCards in taxis, with 70% of Queenslanders supporting the move and only 13% opposed.
- There are a range of benefits to the community, Government and the industry from the integration of goCards into taxis. These range from improved service accessibility, increase public transport patronage and opportunities for new business and service models.

Licence Values

- Significant consideration is often given to the appropriateness of taxi licence values during review and reform processes. The rationale normally given is that high licence values are a reflection of pent up demand in the local taxi market, indicating the need to increase taxi supplies and therefore reduce licence values.
- However, RPS disagrees with this rationale. Licence values are not always a measure of pent up demand or insufficient taxi supply, particularly in the Queensland market. Their values are more often a reflection of their status as a financial investment product and their unique risk and return profile compared to other assets.
- It is also a reflection of the underlying productivity and utilisation of the taxi service linked to the licence. Licence values that are higher because of artificial factors are not justified. However, licence values that are higher because they reflect a base asset that has a high utilisation and productivity rate (i.e. taxis serve more passengers) may be appropriate.
- RPS does not consider the maximisation of licence value as the appropriate objective of any Taxi Industry. Licence values of are product of the utilisation, efficiency and productivity of the underlying asset, the quality of the service and the satisfaction levels of the customer.
- The impact on licence values in Queensland of illegal taxi operations have been the most significant of any State in Australia. In 2015, NSW taxi licence values fell by 24%, while Victorian licences fell by 32%.

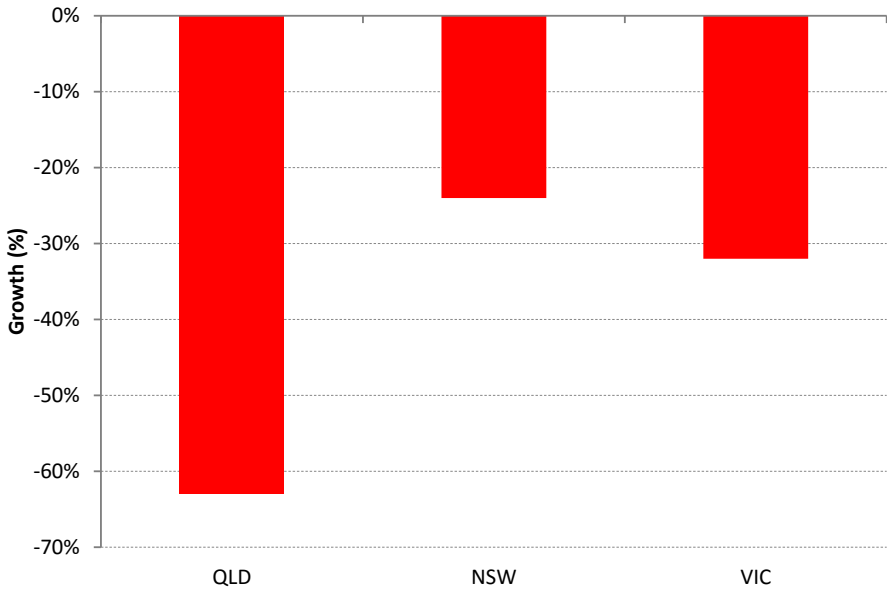


Figure 3 Licence Value Falls, QLD, NSW and VIC, 2015

- Prior to 2015, licence values in Queensland had been experiencing positive, albeit comparatively moderate growth. Analysis of licence values and taxi trip movements 2006 to 2014 suggest that licence values are moderately responsive to total demand for taxis. This is an appropriate relationship, considering the exclusive rights afforded to the licence owner to delivery.
- Analysis by RPS confirms that taxi licence values in Queensland's have not grown out of sync with the broader taxi market. Licence values remain linked to the fundamentals of the industry and are not representative of any structural undersupply of services in the State.
- Overall, taxi licences possess a range of characteristics that make them an attractive passive investment. While they lack liquidity, the cash flow intensity of the underlying business activity and the fixed nature returns at above the rate of bonds and term deposits, but below residential property and Australian shares, reinforces their attractiveness to passive investors with a low to moderate risk profile.

Conclusions

- Queensland has the most affordable, transparent and balanced fare structure in Australia. Queenslanders travel further and longer in a taxi than in other State's providing a genuine value-for-money service for the community. This includes broad comparability in cost with "ride sharing" services particularly when the distorting effects of temporary discounting and non-charging of GST are removed.
- Opportunities for reform include potential changes to the fees chargeable for non-cash payment processing as well as the introduction of goCards into taxis across the State. These changes would result in a windfall gain the community in the form of lower fares without compromising Queensland's best practice fare structure.
- Despite the high cost structure of the Queensland Taxi Industry, in terms of both capital and operating cost profiles, temptation to reduce these costs through the wholesale reduction in industry regulation should be avoided.
- Instead the focus should be on continuing to maximise the productivity and efficiency of the Queensland taxi fleet and grow the number of Queenslanders who have access to affordable high quality taxi services.
- While the demand for taxi services and the restricted supply of licences do influence values, the rate of growth of values over the past decade have remained broadly in line with underlying economic fundamentals of the industry. Instead, licence values in the State function as an investment product with a

unique set of risk and return characteristics that make it attractive to passive investors with a lower risk profile.

1.0 Introduction

1.1 Research Context

RPS has been engaged by TCQ to undertake comprehensive research on the Queensland Taxi Industry. This research forms the basis of TCQ's submission to the OPT Review.

It also represents the first comprehensive profiling and analysis of the Queensland Taxi Industry in 20 years and will form a key reference source of the characteristics, trends, challenges and opportunities facing the industry over the next several decades.

The research undertaken is comprised of a series of concise, interrelated technical research reports that cover all aspects of the Queensland Taxi Industry. Research topics covered by the reports include:

- **Demand –** analysing the characteristics and drivers of demand for taxi services in Queensland.
- **Supply –** profiling and analysing the supply of taxi services in Queensland, including the current characteristics and structure of the industry, comparisons with the way taxi services are delivered around Australia and overseas and opportunities for improvements in the way taxi supplies are regulated.
- **Pricing –** assessment of the way in which pricing and fares are regulated and set, the appropriateness of these settings based on both industry viability and community affordability concerns, the underlying cost structure of delivering taxi services and complying with regulations.
- **Innovation –** identifying and profiling recent and future innovations in the delivery of taxi services including digital and online dispatch services, in vehicle equipment and technology, business and service delivery models and in the regulations themselves.
- **Economic Analysis –** assessment of the economic contribution of the taxi industry to the Queensland economy including direct and indirect impacts and support provided to industry, the economy and wider community.

These reports include a series of practical recommendations and insights into future development and growth of the industry including business, service, technological and regulatory enhancements that would benefit all stakeholders in the industry and the wider community.

1.2 The OPT Review

In late 2015, the Queensland Government commissioned an independent review of taxi, limousine and ride share services in Queensland. The purpose of the review being:

"…ensure Queenslanders are provided with safe and efficient personalised transport services and with a sustainable industry to deliver the services."

The terms of reference for the OPT Review are broad in nature and cover all aspects of the personalised transport services sector. The scope includes:

- the safety of the community and drivers
- the delivery of a flexible legislative framework that supports competition and innovation for all participants
- customer opinions of ride share services
- steps undertaken by the taxi industry in adapting to changing customer needs and expectations
- supporting a sustainable industry that is forward-looking and fosters innovation

- competition in the sector including vertical integration, anti-competitive practices and incentives for innovation
- the provision of affordable and customer-focused services
- the needs of the community across Queensland, including those with disabilities or reduced mobility
- the current and potential role of taxis, limousines and ride share services in an integrated transport system, with a focus on the role of these services to foster social inclusion
- transitional arrangements from the current regulatory and service arrangements to the recommended model
- other models and new approaches to delivering personalised transport services both in Australia and overseas
- potential use of personalised transport services by participants of the National Disability Insurance Scheme ("NDIS")
- operational procedures and practices within the sector
- any other related matters

TCQ, supported by RPS, has prepared a submission to the Review.

1.3 Pricing Technical Research Paper Structure

This report compiles the results of technical research and analysis of the pricing and fare structures and regulations for taxi services in Queensland, as well as the operational cost structures of delivering taxi services, the cost savings delivered to Government by the current regulatory framework and the financial and investment characteristics and fundamentals of licences. This report comprises the following sections:

- **Taxi Fares in Queensland** – a review of the current structure and level of taxi fares in Queensland, comparison with fares in other States and analysis of their relative affordability. Also includes analysis of the outcomes for pricing and fares of de-regulation and a review of the TCFI.
- **Service Sustainability** – analysis of the capital and operational costs of taxi services in the State, the impact of taxi vehicle CTP insurance and driver earning potential.
- **Payment Options** – an assessment of non-cash payment processing fees and the opportunities for the community, Government and the industry from the potential incorporation of goCards into taxis.
- **Licence Values** – analysis of the drivers of licence value movements in Queensland over the past decade and nature of licences as an investment product.
- **Conclusion** – summary of findings.

1.4 Sources of Evidence

This Technical Report, and the broader Submission, relies upon an extensive base of both quantitative and qualitative information and evidence. The sources of this evidence can be broken into four broad categories.

1.4.1 Consultation

RPS, in partnership with TCQ, undertook a series of consultation workshops and interviews in Queensland and around the world.

Between December 2015 and February 2016, RPS facilitated workshops with industry stakeholders in the following locations:

- Brisbane Metro North
- Brisbane Metro South
- Ipswich
- Gold Coast
- Sunshine Coast
- Toowoomba
- Hervey Bay/Maryborough
- Gympie
- Cairns
- Townsville
- Mackay
- Rockhampton
- Gladstone
- Mount Isa

These workshops included representatives from the taxi industry – including drivers, licence owners, operators and Tax Booking Companies ("TBCs").

In March 2016 representatives of RPS, TCQ and the Australian Taxi Industry Association ("ATIA") travelled to a number of overseas taxi jurisdictions to gain an insight into the regulatory, operational and market characteristics of each location. The jurisdictions visited included:

- San Francisco
- New York
- London
- Singapore

In each location RPS met with representatives of local regulators, operators and politicians and gained an understanding of both the unique and shared attributes of the local taxi industry to understand the potential lessons that could be learnt for the Queensland context.

1.4.2 TBC Data and Other Statistics

TCQ facilitated the delivery of a comprehensive set of taxi industry performance and operational data to RPS from a number of major TBCs in the State. These statistics included a full profile of the number, duration, cost, frequency and distribution of taxi jobs and trips, as well as information on the operational costs of delivery taxi services and the level of utilisation of the Taxi Subsidy Scheme ("TSS").

Data sets and other information was also made available to RPS by those overseas taxi jurisdictions with which RPS and TCQ consulted in March 2016. The nature and scope of this information varied depending on the jurisdiction and their capacity to collect, collate and analyse data.

In addition to this information, RPS drew on statistics information from a range of publicly available sources. This included the Australian Bureau of Statistics ("ABS"), Queensland Government Statistics Office ("QGSO"), ATIA and individual reports, surveys and other publicly available data sets from desktop research.

1.4.3 Market Research

TCQ engaged the public opinion and strategic market research firm, UMR, to undertake qualitative and quantitative market research on issues and attitudes affecting the Queensland Taxi Industry.

Research included a combination of facilitated workshops and interviews (via online survey) with representative samples of the Queensland population aged 18+.The surveys were conducted in late February and early March 2016 and covered a range of topics including:

- classification of taxis as public transport and the level of integration of taxis into the Queensland public

transport network

- attitudes towards taxis and public understanding of the industry
- service satisfaction levels and key areas of impacting satisfaction both positively and negatively
- frequency of use of taxis
- level of discretionary and non-discretionary usage
- the degree to which taxis provide a benefit to the community
- the role of Government regulation in the taxi industry
- the level of support for passengers with disabilities and the TSS
- level of familiarity with usage of and attitudes towards uber
- socio-economic and demographic characteristics of uber supporters
- classification of “ride sharing” as taxis
- level and type of regulation of “ride sharing” services
- attitudes towards a range of specific potential changes to the regulation of the Queensland Taxi Industry

1.4.4 Desktop Research

RPS has also undertaken desktop research on the issue of taxi industry regulation to complement other sources of information and evidence outlined above. The focus of the desktop research has been on gaining further appreciation of national and international taxi jurisdictions recent and past experiences with regulatory reforms. RPS has also undertaken extensive research on the role of “ride sharing” in overseas markets as well as the economic theory and practice around the causes and regulation of informal economic activity.

Research has been comprehensively cited throughout the Report.

1.5 Author Profile

1.5.1 RPS

RPS is an international consultancy providing world-class local solutions in infrastructure, urban growth, energy, mining and natural resource management.

RPS employs some 5,000 people in the UK, Ireland, the Netherlands, the United States, Canada, Brazil, Africa, the Middle East, Australia and Asia and undertake projects in many other parts of the world. In the Australia and Asia Pacific region our 1,000 professional and technical staff work from offices in 26 locations, including metropolitan and regional centres in high growth areas.

The geographic spread and experience in these strategic locations means our on-the-ground staff have a strong understanding of the local environment and can be mobilised quickly to respond to client’s needs. RPS has a reputation for meeting the challenges posed by large, complex projects and for conducting business in an open and responsible manner.

1.5.2 Mark Wallace

Mark Wallace is the Regional Technical Director and head of Economics Advisory Services for RPS in Australia Asia Pacific.

He is one of Australia's leading economics consultants and strategic advisor, providing market research, project evaluation, policy development and reform and detailed economic analysis for a wide range of public and private sector clients across Australia.

His career has included time with the Queensland Government, Brisbane City Council, the employment and training sector and economic consultancies.

Over the past decade as an economic consultant, Mark has developed nationally recognised expertise in a range of areas including:

- innovation policy and implementation
- regulatory reform in major public utilities
- property development economics
- major project evaluation and cost benefit analysis
- health economics
- regional and local economic development

Mark is the principal author of the submission by TCQ to the OPT Review and associated Technical Research Reports.

1.6 Glossary and Abbreviations

ABS	Australian Bureau of Statistics
ATIA	Australian Taxi Industry Association
CARRS-Q	The Centre for Accident Research & Road Safety
CAV	Connected and autonomous vehicles
DSAPT	Disability Standards for Accessible Public Transport 2002
DDA	Discrimination Act 1992 (Cth)
QGSO	Queensland Government Statistical Office
IPNRC	Infrastructure, Planning and Natural Resources Committee
ITS	Intelligent Transport Systems
KMS	Kilometres
MSL	Minimum Service Levels
OPT Review	Opportunities for Personalised Transport Review
SEQ	South East Queensland
TBC	Taxi Booking Company
TCFI	Taxi Cost Fare Index
TCQ	Taxi Council Queensland
TNC	Transport Network Company
TMR	Department of Transport and Main Roads

WAT	Wheelchair Accessible Taxi
USO	Universal Service Obligations

2.0 Taxi Fares in Queensland

Affordability and lower fares are consistently cited in literature and in previous taxi industry reviews and reforms in Australia and around the world as a major motivation of the de-regulation of taxi industries. This includes the Terms of Reference of the OPT Review, which specifically refers to *"the provision of affordable and customer-focused services"* as a matter of consideration in the Review.

This section examines the structure of regulated fares in Queensland, their current cost and affordability compared to national and international jurisdictions and their rate of growth in recent years. It also includes consideration of the impact of fare cost on driver earnings as well as a review of the current Taxi Cost Fare Index ("TCFI") Model.

2.1 Regulated Fares

The Queensland Government regulates the fares for taxi services in the State. Section 74A of the Transport Operations (Passenger Transport) Act 1994 provides the authority for the Department of Transport and Main Roads ("TMR") to set a maximum fare for taxi services in the State, with separate schedules – or stickers – for South East Queensland, Regional Queensland and Exempt areas[1].

2.1.1 Fare Components

In Queensland, regulated taxi fares is comprised of a series of broad components:

- Flagfall – a fixed fee charged at the start of a taxi journey. The term originated from old taxicabs which used flags to indicate their availability with the "flag falling" when it became occupied.
- Distance – a variable fee charged per kilometre of travel, comprises the majority of the fare.
- Waiting Time – a fee charged whenever the taxi is idle while occupied. Accounts for the time cost of the vehicle. Distance and Waiting Time charges are mutually exclusive.
- Booking – a set $1.50 fee for booking a taxi
- Tolls/charges – all tolls or charges incurred during the hire are payable by the passenger.
- GST – all fares include GST.

Additionally, fares that are paid by electronic payment methods (EFTPOS, Credit Card, CabCharge) are subject to a non-cash payment processing fee of 10%+GST is charged[2].

The Queensland Government regulates the amount of each of these components and the circumstances when they can be charged. For example, the flagfall in Queensland includes the distance charge for the first 102.7m (or part thereof) in therefore provides a base fee for very short fares[3]. Similarly, waiting time charges are applied when the vehicle is stationary; either during the hire or when held by the passenger.

[1] DTMR (2015) Taxi Fares, Service Areas and Maps accessed at http://www.tmr.qld.gov.au/Travel-and-transport/Taxis/Taxi-fares-service-areas-and-maps.aspx
[2] DTMR (2015) Taxi Fares, Service Areas and Maps accessed at http://www.tmr.qld.gov.au/Travel-and-transport/Taxis/Taxi-fares-service-areas-and-maps.aspx
[3] DTMR (2015) Government Gazette Notice – Maximum Fares Notice (No.1) 2014 under the Transport Operations (Passenger Transport) Act 1994, Department of Transport and Main Roads, Queensland

2.1.2 Tariffs

Fares also have a tariff structure reflecting the time of day in which the taxi has been secured by the customer. The primary variation between tariffs is in size of the flagfall. These tariffs include:

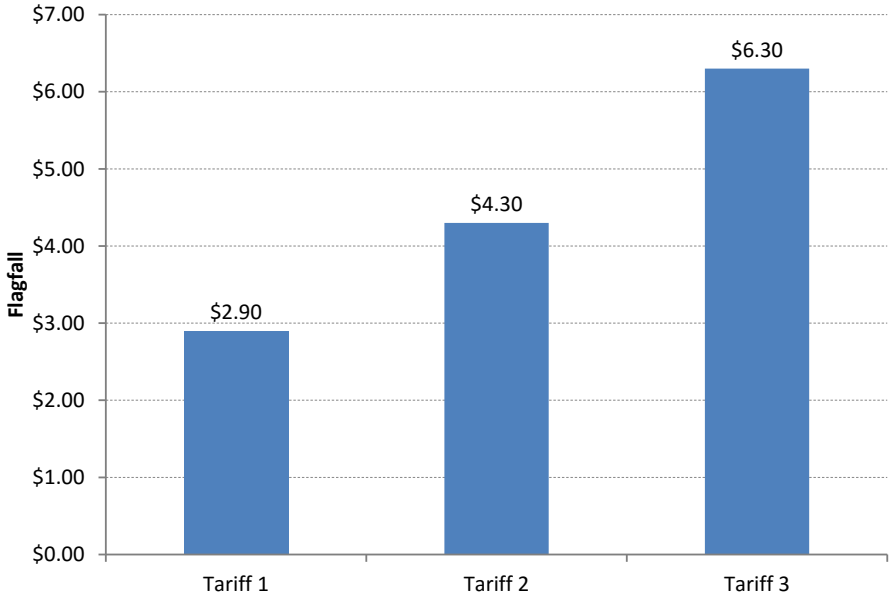


Figure 4 Flagfall Charges, Tariff 1, by Location, Queensland, as at September 2014

There are also separate tariffs covering multiple hirings (Tariffs 4-6), prebooking a people mover/maxi taxi/luxury taxi (Tariff 7-9).

The Tariffs imposed by the Queensland Government reflect a range of objectives and factors. For example, the additional flagfall under Tariffs 2 and 3 help to incentivise and compensate drivers for being on the road outside of weekdays. This is an important feature as it assists Taxi Booking Companies (TBCs) to meet Universal Service Obligations and achieve Minimum Service Levels outside of core periods of demand during the workday. It also provides customers with a cost and price trigger that may influence their travel behaviour, providing similar affects to that of surge pricing by “ride sharing” companies.

2.1.3 Regional Variations

The fares charge to taxi passengers across the State vary based on their location. A premium is charged to passengers in regional areas and in exempt areas. These premiums are borne out in higher distance-related charges, with all other components of the regulated fare (such as flagfall and waiting time) identical across the State.

Figure 5 Distance Charges, by Part of Queensland, September 2014

The justification for this variation appears to be issues of service viability. Longer travel distances per trip and the comparatively small size of fleets in regional Service Areas (and therefore difficulties in capturing efficiencies of scale). This reflects an attempt to balance service affordability with long-term sustainability of service delivery. However, this approach does have the effect of disadvantaging people living in regional Queensland. Considering the economic importance of regional Queensland to the State economy – through agriculture, mining and tourism –and the high share of population in Queensland living outside of SEQ, RPS questions whether such a fare premium is an appropriate social outcome.

This is further reinforced by the fact that public transport services in Regional Queensland lack the availability and accessibility of services delivered by the Government in SEQ, placing greater community reliance on taxis to ensure their continued mobility and economic and social participation.

A number of alternative options are however available and already in place in other regulated industries to address this metropolitan-regional imbalance. Firstly, the Government could impose a State-wide fare and tariff structure, in which all Queenslanders pay the same fare regardless of location. This would invariably see fares in SEQ Service Areas rise, while those in Regional and Exempt Areas would fall. This premium in SEQ would then be payable by the Booking Companies to the State for use to subsidise services within Regional Areas. This approach however has its issues, as it does not take into consideration impacts of changing economic conditions on overall TBC and Operator viability and would effectively represent a tax, albeit a minor one, on taxi users in South East Queensland

Alternatively, standard fares could be imposed with the Government paying regional companies a subsidy to compensate them for providing services at below cost in order to meet Community Service Obligations. This approach is already in place in Queensland in the Electricity Sector, with the Government paying Ergon Energy as the regulated electricity provider in Regional Queensland a Community Service Obligation

payment under its Uniform Tariff Policy[4]. In the 2015/16 State Budget, this Community Service Obligation subsidy was $438.2 million[5].

The role of taxis in providing public transport services in regional and remote areas of that are under serviced by traditional public transport, means the Queensland Taxi Industry and regional taxi passengers currently fully fund the delivery of transport services that would otherwise be funded by Government. In 2015/16 the average public transport trip subsidy, paid by Government in Regional Queensland was $3.22[6]. A similar subsidy for taxi passengers in regional and exempt areas would likely be more than sufficient to allow the Government to introduce Uniform Taxi Fares across the State.

2.2 Comparison with Other States

2.2.1 Transparency and Cost of Fares

The price and transparency of fares in Queensland is consistently identified by the community as the largest source of dissatisfaction in the State's taxi services. The results of recent surveys of Queenslanders by UMR found that 31% of Queenslanders were dissatisfied with the transparency of fares, while 49% (or almost one in every two Queenslanders) were dissatisfied about the price[7].

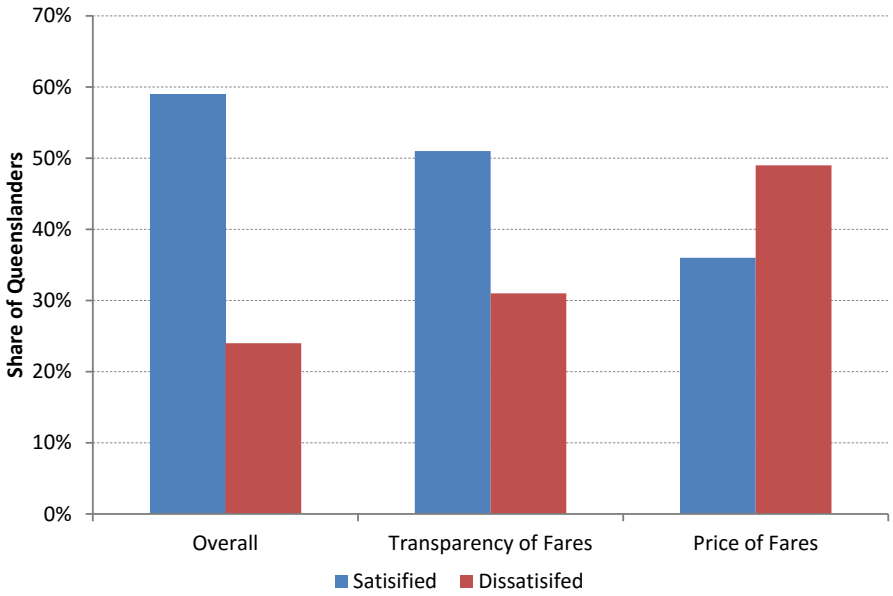


Figure 6 Satisfaction in Taxi Services, by Attribute, Queensland, February 2016

This confirmed in the Department of Transport and Main Road's Service Delivery Statement in the 2015/16 State Budget, in which it was acknowledge that:

[4] QCA (2016) Queensland Competition Authority – Electiricty accessed at http://www.qca.org.au/Electricity
[5] QTT (2015) State Budget 2015/16 Service Delivery Statement Department of Energy and Water accessed at http://www.budget.qld.gov.au/budget-papers/documents/bp5-dews-2015-16.pdf
[6] QTT (2015) Queensland Budget 2015/16, Service Delivery Statement, Department of Transport and Main Roads accessed at http://www.budget.qld.gov.au/budget-papers/documents/bp5-tmr-2015-16.pdf
[7] UMR (2016), TCQ - Issues affecting the taxi industry, UMR Strategic Research, Sydney

"Customer satisfaction ratings for taxis remain stable. Satisfaction with affordability and information continue to remain comparatively low and impact overall satisfaction"[8].

It is important therefore for future regulatory reform to consider the issues of fare affordability and price to respond to community concerns. However, local communities almost universally regard their taxi services as too expensive. This is despite significant variations in the cost of taxis around the world and the affordability of fares relative to local incomes. This view is influenced by a combination of factors including the perceived lack of choice in taxi services and the role of Government in setting and regulating fares.

2.2.2 Review of Fare Structures of Other States

RPS has reviewed the fare levels and structures of Queensland with major eastern seaboard States.

The fare structure in Queensland is broadly comparable with most Australian States and those used in international jurisdictions. This reflects the fact that taxi services are a mature and established industry and characteristics such as fare structures and tariffs have become universally adopted. This is illustrated in the fact that the fare structures of corporately-based illegal taxi operations in Queensland follow a similar fare structure, involving combinations of fixed fee and variable distance and time components.

However, there are major differences in how taxi fares are applied, the composition of fares, and the value-proposition to passengers and the community.

Firstly, overall fare levels are higher in NSW and Victoria than Queensland. The table below illustrates differences in the value of fare components, within metropolitan and urban service areas in each State.

Figure 7 Fare Components, Tariff 1, Metropolitan Areas, Queensland and Select States, as at March 2016[9]

Fare Components	QLD	NSW	VIC
Flagfall/Hiring Charge	$2.90	$3.60	$4.20
Distance ($/KM)	$2.17	$2.19	$1.62
Time ($/Min)	$0.82	$0.94	$0.52
Booking Fee	$1.50	$2.50	$2.00
Non-Cash Payment Processing Fee	11%	5%	5%

All fare components in Queensland are less than that of NSW. In comparison to Victoria, Queensland flag fall and booking fees charges are significantly lower though Victoria has lower distance and time charges. This highlights differences in each of the State's in the level of emphasis placed on different components of the taxi fare. Victoria has a higher proportion of their fares fixed, which Queensland and NSW have a more balanced fare structure.

[8] QTT (2015) Queensland Budget 2015/16, Service Delivery Statement, Department of Transport and Main Roads accessed at http://www.budget.qld.gov.au/budget-papers/documents/bp5-tmr-2015-16.pdf
[9] Collated from formal fare data from the Victorian Taxi Services Commission, Transport for NSW and the Queensland Department of Transport and Main Road

Secondly, in Queensland, the flagfall component of the fare varies between Tariffs. However, in Victoria flagfalls, distance and time rates all increase. The differences in the fare structure in Victoria under different tariffs is illustrated below:

Figure 8 Fare Components, Day and Overnight Fares, Metropolitan Victoria, as at March 2016[10]

Fare Components	Day	Overnight	Peak
Flag fall/Hiring Charge	$4.20	$5.20	$6.20
Distance ($/KM)	$1.622	$1.804	$1.986
Time ($/Min)	$0.568	$0.631	$0.695

This ramping effect adds further complexity to the overall fare structure, compared to Queensland where only the flagfall increases between Tariffs 1, 2 and 3. The Victorian approach further reduces the transparency of fares, which was identified as an issue in Queensland, despite a fare simpler approach being adopted.

Thirdly, Waiting Time fares are not applied in other States in the same way as they are in Queensland. While the taxi vehicle must be stationary in order for waiting time charges to be applied, in Victoria, for example, they are applied when the travel speed falls below 21km per hour[11]. In NSW the travel speed threshold is 26km per hour.[12]

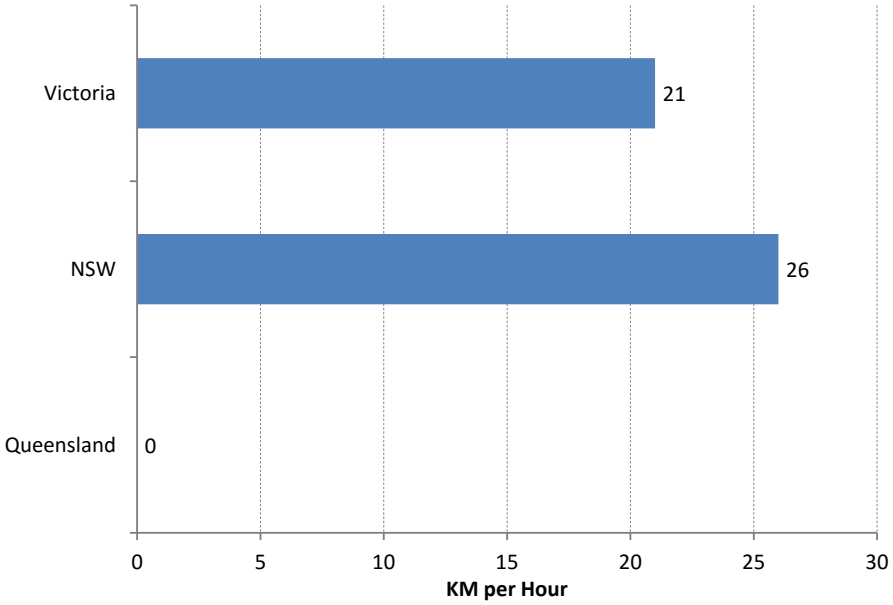


Figure 9 Speed (KM per Hour) at which Waiting Time Charges Apply, Queensland, Victoria and NSW

This higher minimum speed threshold has the effect of shifting the risk of traffic congestion and time-based delay onto the customer.

[10] Taxi Services Commission (2016) Victorian Taxi Fares accessed at http://taxi.vic.gov.au/__data/assets/pdf_file/0014/21920/Victorian-Taxi-Fares.PDF
[11] Taxi Services Commission (2016) Victorian Taxi Fares accessed at http://taxi.vic.gov.au/__data/assets/pdf_file/0014/21920/Victorian-Taxi-Fares.PDF
[12] Transport for NSW (2016) Maximum Taxi Fares and Charges – Schedule 1 accessed at http://www.transport.nsw.gov.au/customers/taxis/maximum-taxi-fares-and-charges#Schedule%201

2.2.3 Impact of Different Fare Structures

The effect of these differences in fare rates, structures and thresholds is that taxi passengers in each State pay different fares for taxi services.

A preliminary review of average fares in select Australian States suggests that the cost of taxi services in Queensland are broadly comparable with other States, averaging $24.16[13]. This is less than New South Wales ($24.75) but more than Victoria ($23.50) and South Australia ($21.50).

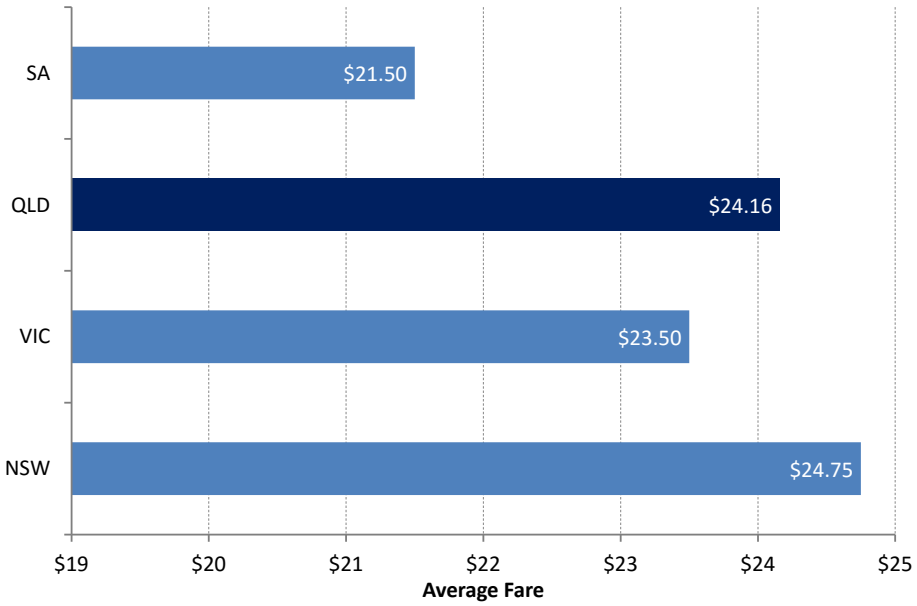


Figure 10 Average Fare, Queensland and Select States, 2014

However, this does not take into account different usage patterns by Queenslanders. Passengers in Queensland generally travel further in taxis than in other States. In 2014, the average travel distance per taxi job in metropolitan Queensland was 11.5kms, longer than Metro Victoria (9.7kms) and Metro New South Wales (7.0kms)[14]. This reflects the more decentralised and lower density population settlement patterns in Queensland, particularly compared with NSW and Victoria.

Further, the number of passengers per taxi job[15] in Queensland is significantly higher than other States, averaging 2.2 per job. In contrast, NSW had an average of 1.8 passengers per taxi job while Victoria had an average of only 1.2[16].

[13] ATIA (2015) Taxi Industry Statistics, 2014 accessed at http://www.atia.org.au/taxi-statistics
[14] ATIA (2015) Taxi Industry Statistics, 2014 accessed at http://www.atia.org.au/taxi-statistics
[15] The number of taxi jobs is on measured by the number of taxi meter activations
[16] ATIA (2015) Taxi Industry Statistics, 2014 accessed at http://www.atia.org.au/taxi-statistics

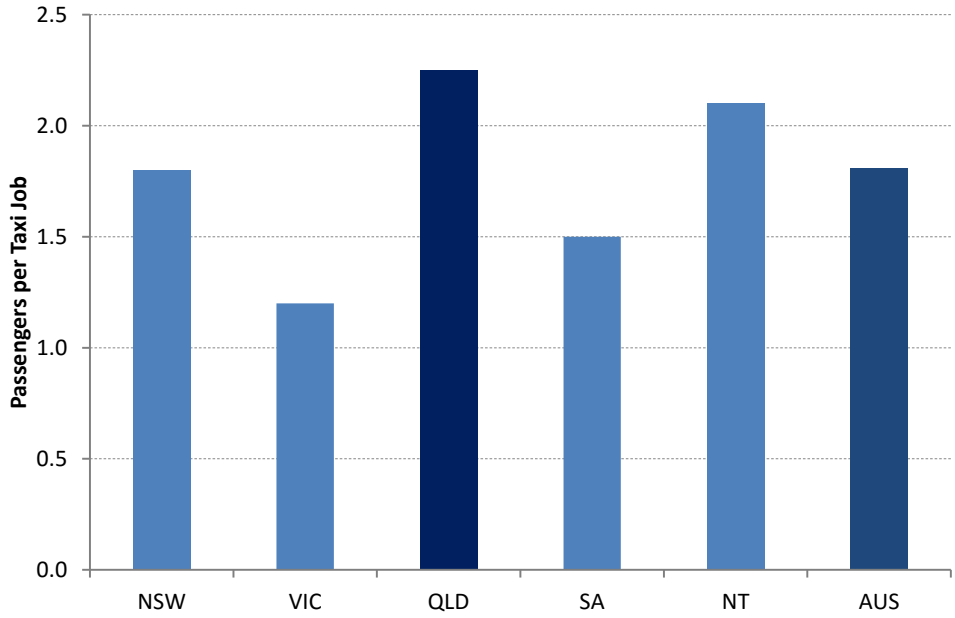


Figure 11 Taxi Occupancy Rate, Average Number of Passengers per Metered Job, 2014/15

When distance and occupancy rates are taken into consideration, the value-proposition of taxi services in Queensland is far superior than in every other State in Australia and arguably around the world. In Queensland, the average fare per passenger per kilometre travelled was only $0.93 in 2014, less than half the rates in NSW ($1.96), Victoria ($2.02) and South Australia ($1.84).

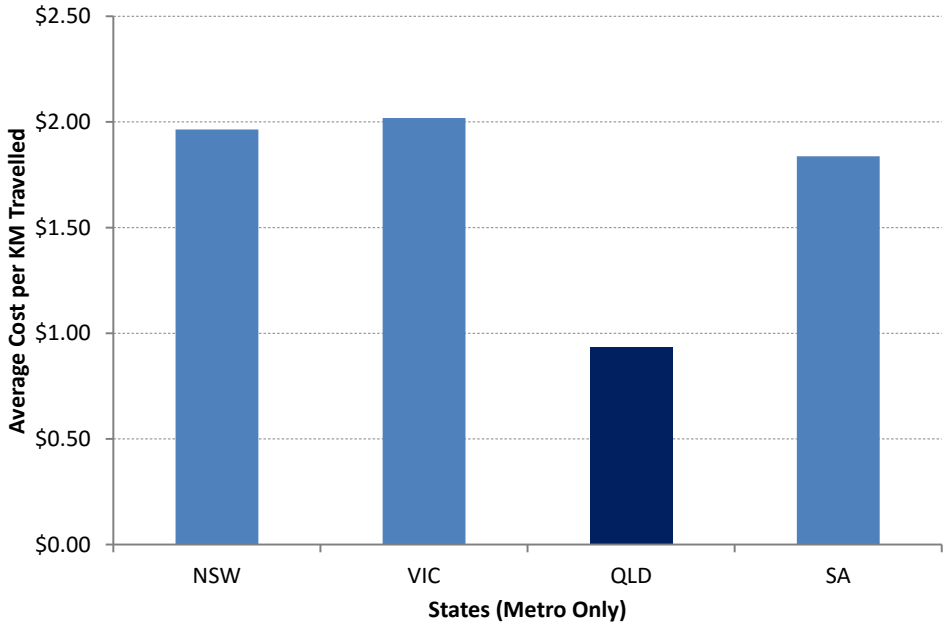


Figure 12 Average Cost per KM Travelled by Taxi Trips, 2014[17]

[17] Estimates derived by RPS from ATIA (2015) Taxi Industry Statistics, 2014, ATIA, Sydney

Overall, the regulated fare levels and structures in Queensland are best practice in the country. Queenslanders can travel longer and further for a similar fare to passengers other States. Queensland taxis also have a simpler and more balanced fare structure that is more consistent and transparent, regardless of the time of day or the day of the week.

2.3 Outcomes of Supply De-Regulation

The primary way in which other jurisdictions in the past have sought to reduce fairs is to de-regulate supply in order to increase competition. This is in line with competition theory that increased competition in a market provides power to the consumer and forces competitors to reduce prices.

However, the theorised outcome of the application of competition theory to the taxi industry have failed to be realised time and time again over the past 30 years. This reflects the fact there are a range of issues that have not afforded proper consideration when the de-regulation of taxi industry supply and fares have been progressed by other jurisdictions.

These issues include:

- Taxis have regulated quality and equipment requirements, age restrictions and other factors that mean that taxi businesses – including drivers, operators and TBCs – do not have full control over their cost base. This means that costs cannot be greatly reduced, even through improved efficiencies or innovations, without being found non-compliant with regulations.
- The delivery of taxi services is both a capital and labour intensive business, similar in many ways to the tertiary health sector. This capital intensity is particularly important as it means that capital equipment depreciation (and replacement) represents a major cost for the industry. Commercial passenger vehicles traditionally fully depreciate over a 5-year period (based on a prime cost approach)[18]. This is particularly relevant in Queensland where regulation mandate a maximum age of a conventional taxi of six (6) years[19].

In light of these factors, increased competition through supply de-regulation does not lead to price and fare reductions as theorised. Instead, international examples from the past 30 years have consistently shown that fares increase.

This reflects the reality of how taxi drivers and operators respond to supply de-regulation.

Firstly, the business of drivers, no longer guaranteed by the regulations a consistent flow of passengers, move from a high volume, low margin business model to a low volume high margin business model. This reflects the fact that supply increases disproportionately to any increase in demand (latent or natural) as a result of the de-regulation, meaning the size of the market for individual drivers/licence owners can shrink by up to 75%. In order to maintain vehicle revenue to cover costs and make a living, drivers and operators must therefore increase fares.

[18] ATO (2016), GST and Motor Vehicles, accessed at https://www.ato.gov.au/Business/GST/In-detail/Your-industry/Motor-vehicle-and-transport/GST-and-motor-vehicles/

[19]

Supply De-Regulation – The Irish Experience

In Ireland, the de-regulation of taxi supply in 2000 led to an increase in taxi numbers of 541% over the subsequent eight (8) years. During this time taxi demand only increased by 6%. This increase in supply led to a substantial reduction in wait times, particularly at key ranks and locations in Dublin and was initially viewed as a success. However, deterioration in taxi industry productivity and incomes raised concerns regarding long-term sustainability of the current environment. This was borne out post 2008, when economic recession in Ireland saw taxi demand fall dramatically. However, supply was broadly unresponsive to this change in economic conditions and led to an oversupply of taxis in the market. In 2010, Ireland imposed a moratorium of the introduction of new licences and the transfer of existing licences. Consultation with the Irish public in the lead up to the re-regulation of supply also raised series concerns regarding price gouging, fraud and extortion[20].

Secondly, the assumption that power in a competitive market shifts to the consumer is predicated on the fact that demand for taxis is entirely discretionary. As demonstrated in the RPS Technical Report *The Need for Taxis in Queensland* non-discretionary use represent a large number of the groups in the community who are regular users of taxi services. This includes people travelling for employment and education, health, minors and the disabled. This was confirmed by the results of the UMR survey of Queenslanders, which found that 66% or two in every three taxi passengers use taxis to travel to work or where there are no alternative options[21].

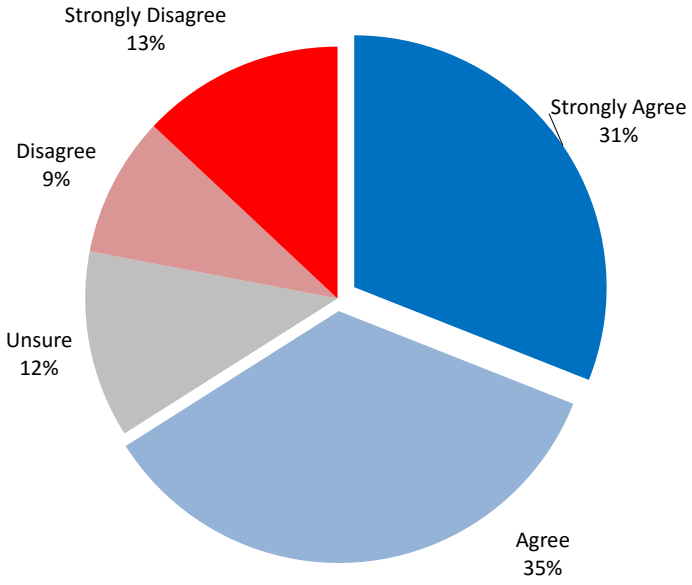


Figure 13 Share of Queenslanders Who Use Taxis for Work or Where They Have No Other Option, February 2016

The fact that non-discretionary users comprise the bulk to taxi users means that classifying taxis as a personalised transport market in Queensland is inappropriate. Instead, this demand profile is more akin to traditional forms of public transport, making the application of market-based competition theory irrelevant.

[20] Summarised from Nichols, D, (2012) Competition and Regulation Revisited – Current Trends in the Taxi Industry, ANU, Canberra
[21] UMR (2016), Taxi Council Queensland - Issues affecting the taxi industry, UMR Strategic Research, Sydney

The impacts of failing to recognise the central importance of non-discretionary demand results in market failure in the delivery of taxi services in a de-regulated environment. Poor service accessibility and high cost invariably require Government intervention, either in the form of the reimposition of taxi supply regulation, enhance quality regulations (with associated high compliance and enforcement costs to Government) or direct Government procurement of taxi services for the community.

Supply De-Regulation – The Swedish Experience

In Sweden, the Government, de-regulated taxi supply and fares in 1990, making it one of the earliest modern taxi markets to be de-regulated. A major reason for deregulation was that the taxi industry was believed to be inefficient due to a mismatch of supply and demand and a lack of price competition. The immediate impact of deregulation was turmoil, some of which can be attributed to the introduction of a value-added-tax ("VAT") for taxi trips at the same time as deregulation. The removal of dedicated Service Areas saw supply increase and concentrate in urban areas, which saw regional taxi accessibility and affordability decline markedly. It also required the Government to intervene in the market and purchase taxi services for more than half of the population and in some regional areas, this share reached over 90%. Since that time, much of the market has been re-regulated, particularly in terms of quality, though the cost to Government of purchasing services remains a major budgetary impost[22].

It is therefore critical that consideration be given the actual characteristics of demand and supply in a taxi jurisdiction prior to any fare or supply de-regulation being undertaken. International experience is that the outcomes of supply de-regulation are the market failure of taxi services; increases in fares, reductions in quality, reduced availability and accessibility and higher cost imposts on Government (in the form of additional quality regulation compliance and enforcement or direct service procurement).

2.4 Fare Comparison with "Ride Sharing"

Much of the recent commentary relating to the affordability of taxi services has been in response to claims by corporately-based illegal taxi service providers in Queensland that "ride sharing" is more affordable. On the face of it, this claim appears to be valid. Modelling by RPS of the average fare for a standard weekday trip from the Brisbane CBD and the suburb of Chermside suggests the total out of pocket expense for a taxi trip is 26.6% higher (at $34.97 including non-cash payment processing fee and booking fee) than the mid-point estimate for a "ride sharing' service using the uber app ($26)[23].

2.4.1 Factors Influencing Comparison

However, there are a number of factors that make a direct price comparison unreliable.

Firstly, taxi fares currently charge GST to the passenger. In contrast, uber, the largest corporately-based illegal taxi service provider in the State, does not. This is despite the ruling that uber drivers are providing a taxi services and therefore are required to pay GST from the first dollar earnt[24].

The failure of uber to on-charge GST in Australia means that the company has shifted the tax obligations of the service to the driver, forcing the driver to make the GST payments from their earnings.

[22] Summarised from Nichols, D, (2012) Competition and Regulation Revisited – Current Trends in the Taxi Industry, ANU, Canberra
[23] Independent modelling by RPS. Taxi expense includes base fare, non-cash payment processing fee of 10% and the booking fee.
[24] ATO (2015) https://www.ato.gov.au/Business/GST/In-detail/Managing-GST-in-your-business/General-guides/Providing-taxi-travel-services-through-ride-sourcing-and-your-tax-obligations/

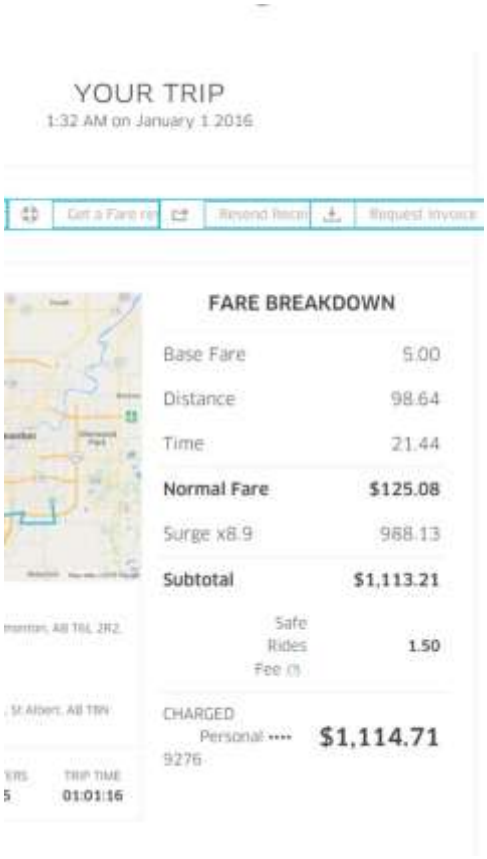


Figure 14 Example Uber Fare – No GST Charged

Secondly, uber recently cut prices in Queensland by 20%[25]. This is in line with other price cuts in other jurisdictions around the world. However, these prices cuts are not regarded as permanent and instead are designed to capture greater market share of the personalised transport sector and increase ridership. Therefore, any trip fare estimates based on current pricing are not representative of the likely long-term standard pricing structure that is still in place in Sydney.

Figure 15 uber Pricing, Pre and Post February 2016[26]

Fare Components	Pre- February 2016	Post-February 2016
Base Fare	$2.50	$2.00
Per Minute	$0.43	$0.35
Per Distance	$1.25	$1.00

2.4.2 Assessment of Surge Pricing

Another differentiating factor in the pricing of “ride sharing” services is the use of surge pricing. Surge pricing proponents claim that the ramped approach to pricing incentivises additional supply capacity onto the road at

[25] Brisbane Times (19 February 2016) Drivers Threaten Strike Over Uber Price Cuts accessed at http://www.brisbanetimes.com.au/queensland/drivers-threaten-to-strike-over-uber-price-cuts-20160219-gmygve.html
[26] uber (2016) Uber Brisbane accessed at https://www.uber.com/cities/sydney/

times when demand is higher[27]. While the concept of surge pricing has been supported by a number of economists and academics, RPS considers it a simplistic and in some ways economically naïve application of equilibrium pricing theory that lacks universal application and raises a range of serious economic and social issues in reality.

"Ride sharing" proponents of surge pricing claim that the dynamic pricing structure is effective in inducing additional supply capacity into local markets with high levels of demand. This claim has been validated by some researchers in the US[28], though is also the subject of widespread criticisms.

A review by RPS of the literature supporting the claim surge pricing induced demand suggests that this response in contingent on a number of exogenous factors:

- **Driver Pool Size** – in order for there to be an inducement of supply into the market there must be a stock of drivers that are, at any one time, not active on the app-based booking and dispatch platform. If the stock of inactive drivers is small, either due to a large proportion being active or a small size of the market, then the capacity for surge pricing to induce additional supply is highly constrained. Examples of where it has induced supply have been almost exclusively from major US cities with metropolitan areas of over five (5) million people.
- **Reliance on Soft Labour Market Conditions** – similarly those areas where labour market conditions are soft and unemployment are high appear to be the principal locations where "ride sharing" providers sources drivers. This is acknowledged by uber, which promotes the fact that over half of their London driver partners come from high unemployment parts of Metropolitan London.
- **Specific Circumstances –** the initial test of surge pricing by uber in Boston were undertaken during 12-1am time periods during peak times in 2012. These tests confirmed that not only were passengers willing to absorb the increased cost but that it did in fact increase driver supply. Similarly, analysis supporting the impacts of surge pricing on supply assessed the response of drivers to surge pricing periods after major sporting and entertainments and during New Year's Eve celebrations[29]. In each case, RPS argues that the effectiveness of surge inducing demand reflects the existing expectations of drivers to surge pricing during these times of day or after specific events and therefore a higher level of responsiveness. RPS questions whether the same level of responsiveness is apparent during weekdays or early mornings.
- **Supplementing Incomes –** during the hearing on the GST ruling by the ATO, uber acknowledged that the majority of its driver partners' only drive an average of 20 hours per week. This reflects the fact that "ride sharing" and the sharing economy generally is a modern manifestation of the informal economy and represents the use of private assets to deliver commercial services to supplement household incomes during depressed economic conditions[30]. This driver motivation raises questions regarding the level of responsiveness of drivers to surge pricing during week day business hours, when they are likely engaged in some form of employment activity. Considering the majority of taxi patronage in Queensland occurs during business hours, RPS questions whether surge pricing would indeed induce demand.
- **Short Period of Surge –** analysis by the Washington Post confirmed that the time period of surge pricing is typically very small – averaging less than five (5) minutes[31]. Additionally, the analysis confirmed the

[27] Uber Estimator (2016) uber Surge Pricing accessed at http://uberestimator.com/uber-surge-pricing
[28] Hall, J, Kendrick, C and Nosko, C (2015) The Effects of Uber's Surge Pricing: A Case Study, accessed at http://faculty.chicagobooth.edu/chris.nosko/research/effects_of_uber's_surge_pricing.pdf
[29] Hall, J, Kendrick, C and Nosko, C (2015) The Effects of Uber's Surge Pricing: A Case Study, accessed at http://faculty.chicagobooth.edu/chris.nosko/research/effects_of_uber's_surge_pricing.pdf
[30] RPS (2016) Innovation in the Queensland Taxi Industry - Taxi Council Queensland - Response to OPT Innovation Paper
[31] Washington Post (17/04/2015), How uber Surge Pricing Really Works? Accessed at https://www.washingtonpost.com/news/wonk/wp/2015/04/17/how-uber-surge-pricing-really-works/

price varied rapidly, up to 20 times an hour. This variability and volatility has two effective on the "ride sharing" market. Firstly, it encourages passengers to delay their travel and wait out the surge. Considering the short period of time that surge's last, the ability of a driver to be alerted to the surge and then respond by entering their vehicle and driving to the areas of the surge is limited[32]. Secondly, it encourages current drivers to log out from the app, in order to create a false undersupply scenario, only to then log back in and take adavatnage of the resulting surge[33].

In summary, the ability of surge pricing to induce supply is contingent on having a sufficiently large stock of inactive drivers who are available at any one time to respond to a surge pricing event that typically lasts less than five (5) minutes. RPS considers these criteria to be very narrow. Given the size of the population in Queensland, its decentralised settlement pattern and improved employment conditions, it is questionable whether surge pricing would in fact function as intended in major Queensland cities.

Instead, the likely outcome of surge pricing would be twofold:

- The redistribution of existing drivers, who are more able to respond at short notice, to periods of surge and/or
- The rationing of supply to those in the community with sufficient purchasing power.

Both of these outcomes raise serious concerns regarding the availability and accessibility of "ride sharing" services in the community under a surge pricing-based fare structure.

Considering the underlying objective of the current regulatory framework is to maximise the availability and accessibility of personalised transport for all Queenslanders, RPS considers surge pricing to be regressive and contrary to the welfare of the Queensland community.

2.4.3 Impact of Surge Pricing

RPS has modelled in the impact of surge pricing on the relative affordability of "ride sharing" compared to taxis on a standard Tariff 1 from Brisbane to Chermside. This modelling uses the same inputs as the fare comparison undertaken in section 2.4.

With no surge pricing, the "ride sharing" fare is 26.6% cheaper than the regulated fares of a taxi. However, this relative affordability changes substantially when surge pricing kicks in. When surge pricing reaches a 1.5 x multiple, then "ride sharing" becomes 10% more expensive than taxis. After this threshold, "ride sharing" fare affordability worsens substantially reaching over 270% of the taxi fare at a 5 x multiplier.

[32] BetaBoston (2015) Auditing uber Northereastern Researchers Test ubers Surge Pricing accessed at http://www.betaboston.com/news/2015/10/29/auditing-uber-northeastern-researchers-test-ubers-surge-pricing/
[33] Uberpeople.net (February 21 2016) Smart Drivers Create Surge accessed at http://uberpeople.net/threads/smart-drivers-create-surges.62448/

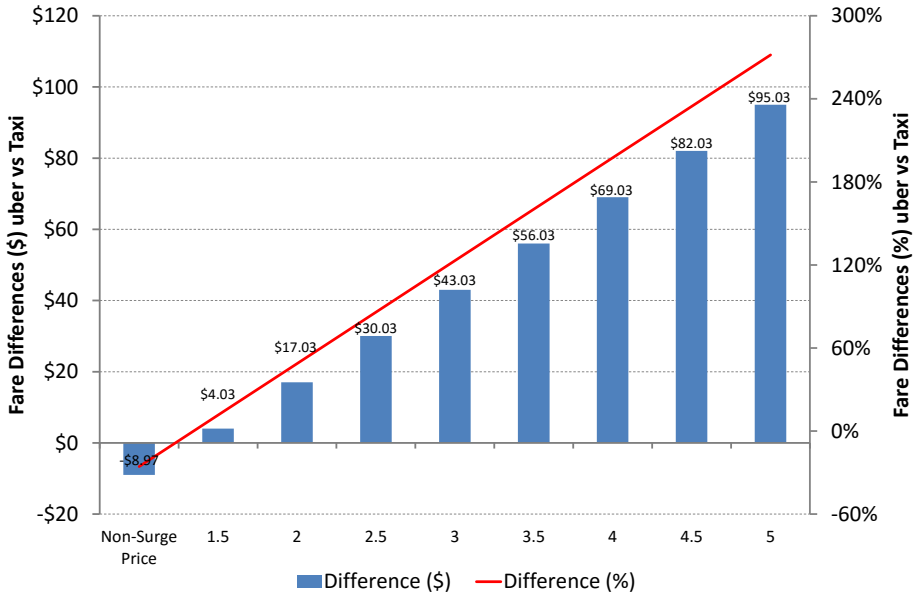


Figure 16 Fare Differences, uber vs Taxi, Brisbane to Chermside Tariff Fare, Discounted uber Rates, by Surge Price Multiplier

Note that this analysis is based on the current discounted fare being offered by uber in Brisbane. When the same analysis is done based on the most recent fare structure, the relative affordability of "ride sharing" is further questioned.

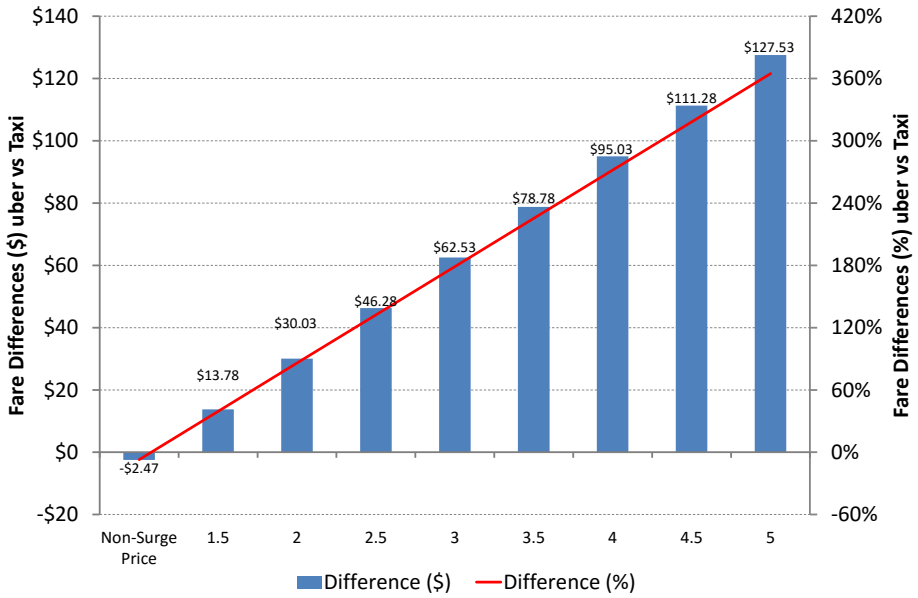


Figure 17 Fare Differences, uber vs Taxi, Brisbane to Chermside Tariff Fare, Pre-February 2016 Rates, by Surge Price Multiplier

Based on the pre-February 2016 fare structure, an uber ride was only 7.1% or approximately $2.50 less expensive than a Queensland taxi. When surge pricing is applied, "ride sharing" becomes significantly more expensive. Fares are 11.5% more expensive at a 1.5x multiplier, reaching over 360% higher under a 5x multiplier.

2.4.4 Fare Price Scenario Testing

This analysis demonstrates the importance of understanding both the impact that current temporary discounts, and surging pricing fare structures, have on the practical affordability of "ride sharing". Up until February 2016, the practical cost of "ride sharing" was marginally lower than a Queensland taxi. The recent discount by uber has accentuated this price difference but it is not representative of the longer term fare structures and levels implemented by uber internationally.

This lack of genuine affordability benefit to Queenslanders of "ride sharing" further highlights the fact that Queensland taxis are some of the most affordable in the world. However, there are opportunities in the current fare structure and components to further improve the relative affordability of taxi fares for the community.

RPS has modelled the potential impact on the standard Brisbane to Chermside Tariff 1 fare used in this report of changes in cost structures. This has focused on changes in the size of the non-cash payment processing fee or the introduction of goCards. Scenarios include:

- Current fare estimate
- Introduction of goCards (with no payment processing fee)

For the purpose of comparisons, RPS has also analysed the impact on "ride sharing" fees of:

- Reversion to pre-February 2016 rates
- Application of the GST to pre-February 2016 "ride sharing" fares.

The results of this analysis is below.

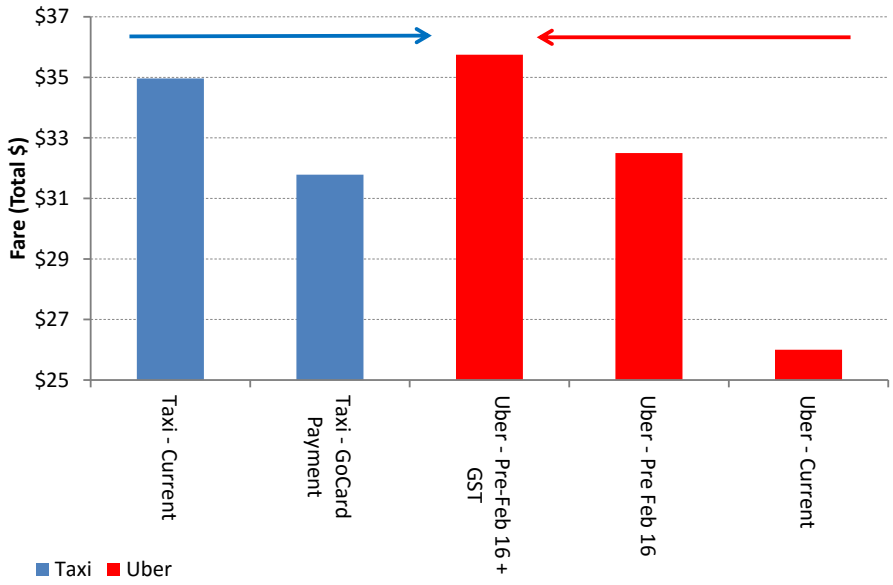


Figure 18 Fare Scenarios, Taxis and "ride sharing", Brisbane to Chermside Tariff 1 Fare, April 2016

In terms of taxis, the introduction of goCards would improve the affordability of fares as payments are traditionally processed with no associated fee. This would mean users of goCards in taxis would receive an 11% reduction in fares, without any fundamental changes to the existing fare schedules.

In contrast, uber is currently offering a 20% discount on fares. Therefore, applying the international standard fare structures used by uber, including those used in Sydney and other markets not current subject to this

discounting, the cost to a passenger of a standard “ride sharing” fare would be 20% higher or only 7% lower than an equivalent taxi fare.

Further, uber currently does not charge GST to passengers, despite the recent ATO ruling. To ensure consistency across the personalised transport sector, such GST should be made chargeable. If this was enforced, then “ride sharing” in the State of Queensland would actually be, on average, marginally more expensive than catching a taxi.

2.5 Review of TCFI

Taxi Fares in Queensland are set by TMR by Government Gazette based on the outcomes of the TCFI Model. The TCFI Model was developed by TMR in 2007 as a tool to assess the cost of operating a taxi in Queensland and therefore the appropriate fare level required to ensure continued service delivery sustainability. In 2010 it was adjusted and updated for TMR by PwC, who undertook a further revision of the Model in November 2013[34]

The reason for this revision was the acknowledgement that the rapid shift in the Queensland taxi fleet to hybrid vehicles had an impact on the cost structure components within the TCFI. This included adjustments in the weighting of costs in the model.

The PwC report included estimates of the cost of operating a taxi (excluding lease fees and labour costs). The estimates for 2007 and 2013 are illustrated below:

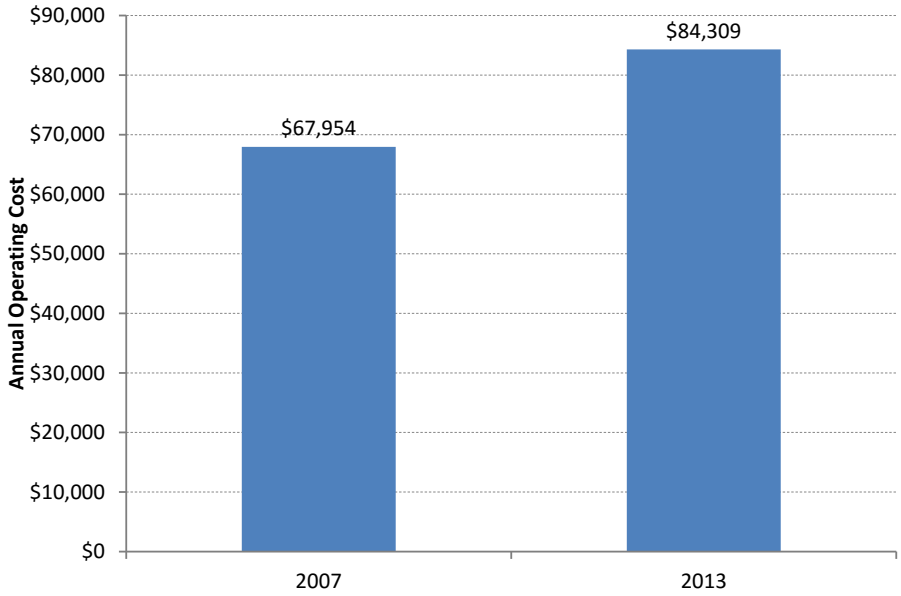


Figure 19 Annual Median Operating Cost, Excluding Labour and Leasing Costs, Queensland Tax, 2007 and 2013[35]

In 2007, the median annual operating cost of a taxi in Queensland was $67,954. This increased to $84,309 in 2013. The largest factor in this growth was the higher capital and repair costs for Toyota Camry Hybrids,

[34] PWC (2013) Review of the Taxi Cost Fare Index Model: Taxi Fleet Mix Change, PWC, Brisbane
[35] PWC (2013) Review of the Taxi Cost Fare Index Model: Taxi Fleet Mix Change, PWC, Brisbane

compared to a conventional unleaded petrol and LPG fuelled vehicles. This was partly offset by 5% reduction in the contribution of fuel to the operating costs of the vehicle.

This represents growth in operating costs of taxi vehicles in the State of 3.66% per annum in nominal terms.

The TCFI represents a comprehensive and sophisticated approach to determining the appropriate rate of growth of fares in the community. However, it is also very complex to administer, which raises concerns regarding the sustainability of the use of the model in periods of increased economic and cost volatility.

Instead, consideration should be given to the use of existing measures of transport cost growth in determining fare growth. RPS has undertaken a review of transport-related expenditure items in the Consumer Price Index data for Greater Brisbane[36]. There are a number of transport-related items that may provide a more timely and simpler measure of the rate of growth in the cost of taxi services. These expenditure items include:

- Transport – Total
- Private Motoring
- Motor Vehicles
- Spare Parts and Accessories
- Automotive Fuel
- Maintenance and Repair of Motor Vehicles
- Other services in respect of motor vehicles
- Urban transport fares

RPS has calculated the annual nominal growth in Brisbane prices under each of these expenditure categories and compared them with the rate of growth between 2007 and 2013 under the TCFI. The results are illustrated in the following figure:

[36] ABS (2016) Consumer Price Index, Cat No 6401.0 Australian Bureau of Statistics, Canberra

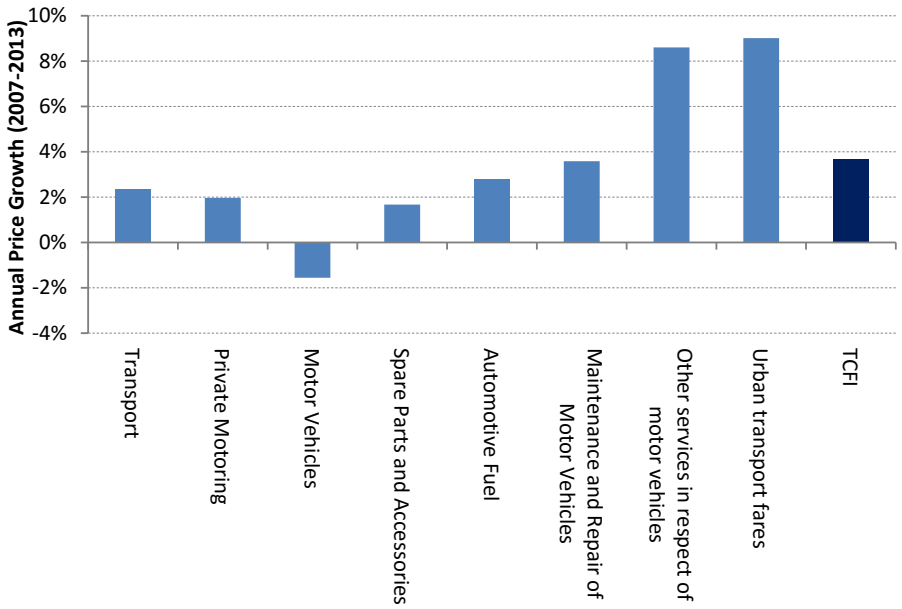


Figure 20 Annual Price Growth (Nominal), Transport-Related Expenditure Categories and TCFI, 2007 to 2013

Over the six (6) years between 2007 and 2013, the price of goods and services related to the Maintenance and Repair of Motor Vehicles (3.6% per annum) grew at the closest rate to that of the TCFI (3.66%) per annum. The was followed by Automotive Fuel costs (2.8% per annum) and prices in the broader Transport expenditure category (2.4%). Interestingly, during this same time, the cost of urban transport fares (public transport) in Brisbane increased by almost 9% per annum.

The alignment of the TCFI with the Maintenance and Repair of Motor Vehicle sub-category is not surprising. Data provided by TBCs and Operators to TCQ to inform this Technical Report identified vehicle maintenance as the single largest operating expense (after licence leasing costs).

Therefore, RPS recommends that consideration be given to the use of one or more of the transport-related expenditure sub-categories as the basis for future taxi fare increases, rather than the use of the TCFI.

2.6 Summary of Findings

The transparency and price of taxi fares in Queensland have the largest levels of negative satisfaction among Queenslanders of any aspect of the taxi services. Fares in Queensland are regulated by the Government, linked to the operational cost of taxi vehicles to ensure ongoing service viability and long-term sustainability.

Despite the views of the community, taxi services in Queensland are some of the most affordable in Australia. The current fare structure is well balanced between flag fall and distance and time rates, is comparatively simple and transparent and the difference in fares between metropolitan and regional areas is the lowest of any State.

There are lessons to be learnt from international experience of the perverse and negative impacts of supply and fare de-regulation. Instead of competition placing downward pressure on prices, the shift in the taxi industry from a high volume low margin to low volume high margin forces drivers and operators to charge higher fares and reduce vehicle operating and capital costs to maintain a living. This invariably creates a market failure situation requiring Government intervention either in the form of increased regulatory compliance and enforcement or the direct procurement of taxi services from the market for large sections of the community.

The desire to respond to the community's negative satisfaction towards the price of fares has been a motivation in some jurisdictions for legalising "ride sharing" services. A high level of examination of taxi fares, relative to "ride sharing" would suggest that a windfall gain could be secured by the community by legalising "ride sharing".

However, a more comprehensive examination of fares indicates a lack of direct comparability. "Ride sharing" fares currently do not include GST and are presently heavily discounted in Brisbane compared to international standards. When these factors are taken into consideration, "ride sharing" services only offer a 7% saving to individual passengers.

There are a number of opportunities for taxi fares to be made more affordable for the community while maintaining Queensland's best practice fare structure. The reduction in the non-cash payment processing fee to 5% would be a direct gain for customers and is in line with recent decisions in NSW and Victoria. Similarly, the incorporation of goCards into taxis would eliminate such processing fees entirely, seeing an 11% reduction in fees while maintaining the current fare structure.

Such a move would place Queensland in the enviable position globally of have a high quality, accessible and available Taxi Industry that meets MSLs and USOs, that is potentially more affordable to the community than "ride sharing". Such an achievement would place the Queensland economy and community in a highly competitive position for the future.

3.0 Service Sustainability

Any short-term gain in the affordability of fares must be considered within the context of the long-term service sustainability. The TCFI is currently used by the Department to inform the rate of growth of fares based on the underlying cost structure of operating taxi services in the State. This recognises that if fares fall below the cost of operating a taxi, then the long-term sustainability of the service becomes highly questionable, to the detriment of the community. This includes when the viability of any of the core stakeholders, particularly Operators and Drivers, comes into question.

Equally, failure to ensure the continued operational sustainability of taxi services in the State will have substantial cost implications for the Queensland Government. International experience has shown that whenever a taxi industry becomes a market failure, the cost burden shifts from the industry to Government and the community. This may include increased costs for compliance and enforcement activities or the cost of procuring or delivery taxi services to the community.

This section examines the factors that influence the underlying capital and operational costs of taxi services in the State and the budget savings and benefits provided to the Government from the current best practice regulatory environment.

3.1 Capital and Operational Costs of Taxi Services

The delivery of taxi services is both capital and labour intensive. This is analogous in many ways with the delivery of tertiary health services, where both capital equipment requirements and suitably skilled and trained workers are required to deliver high quality services.

In Queensland, the current regulatory framework imposes a high capital and operational cost burden on the Queensland Taxi Industry. Requirements for vehicle fitout and equipment add substantially to the capital cost of purchasing a compliant taxi vehicle, while a range of insurance, fees, leases and maintenance costs can impact the viability of service delivery.

3.1.1 Capital Costs

Data from TBCs and Operators, provided to RPS from TCQ outlined the cost of purchasing and “fitting out” a compliant taxi in Queensland. Costs vary slightly across the State and between TBCs and Operators, based on different procurement and supply contracts. However, RPS has collated this data to provide a broad estimate of the capital cost of a taxi in the State.

The capital cost of a conventional taxi is approximately $50,000, with all estimates provided within +/- $2,500 of this estimate. As expected, the capital cost of a WAT is higher than that of a conventional taxi, with an additional investment of $35,000 required for vehicle purchase, fuel conversion, lift installation and general fitout.

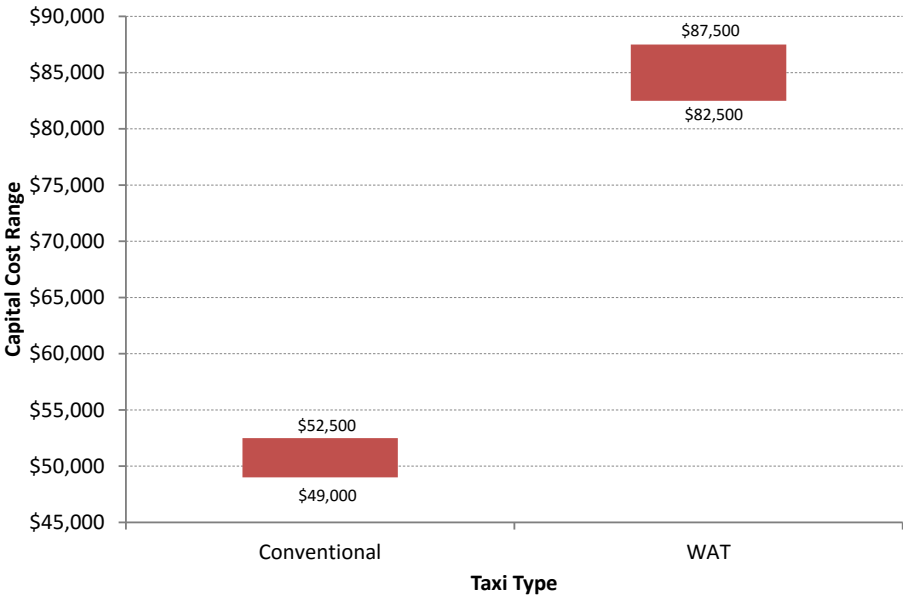


Figure 21 Average Capital Cost of a Taxi in Queensland[37]

Then composition of this capital cost varies between conventional taxis and WATs, in large part due to the large size of the vehicle and the additional equipment required to make the taxi compliant as a WAT.

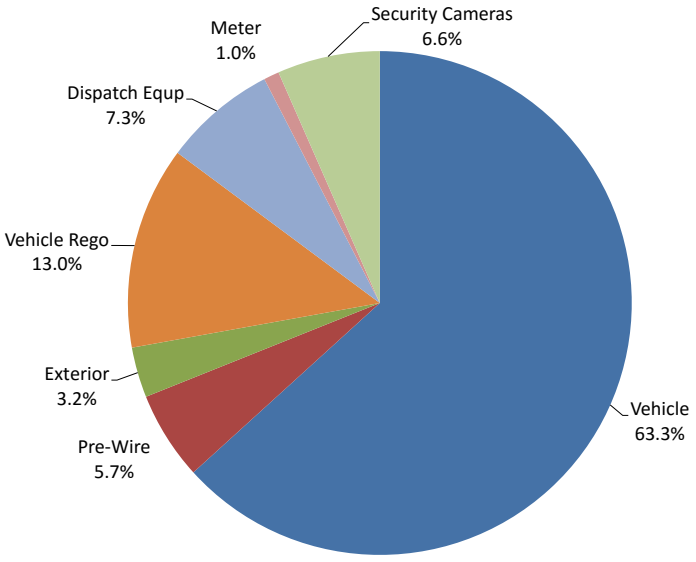


Figure 22 Composition of Capital Costs of a Conventional Taxi in Queensland[38]

The vehicle is the largest capital cost item for both conventional taxis and WATs and accounts for the majority of the capital cost (ranging between 57.5% for a WAT and 63.3% for a conventional taxi). Vehicle registration also figures prominently s a cost item for conventional taxis while the cost of fitout of a WAT, particularly the hoist, is a substantial contributor to the total capital cost.

[37] TCQ (2016) Unpublished Data Taxi Council Queensland, Stones Corner
[38] TCQ (2016) Unpublished Data Taxi Council Queensland, Stones Corner

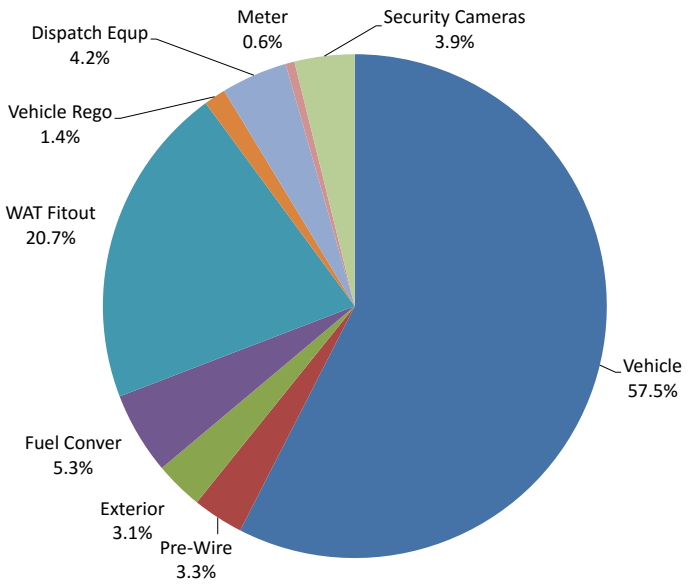


Figure 23 Composition of Capital Costs of a WAT in Queensland[39]

3.1.2 Operating Costs

In addition to capital costs, operating costs are also significant for a Queensland taxi. The largest cost burden vests with the Operator who is responsible for owning, maintaining and meeting regulatory requirements of taxi vehicles in the State. Based on data provided to TCQ from TBCs and Operators in the State, RPS estimates that the costs of operating a taxi vehicle in the State ranges between $80,000 and $85,000 per year. This is comprised of a large number of direct and indirect cost items[40].

Figure 24 Operating Cost Items, Queensland Taxi, Annual Cost, As At 2015

Operating Cost Item	Share of Costs
Licence Lease Fees	32.7%
Repairs and Maintenance	14.6%
Vehicle Insurance and Registration	11.9%
Fuel	10.9%
TBC Fees	10.2%
Depreciation	9.9%
Operator Wages	6.4%
Operator Admin	2.8%
Tolls and Charges	0.5%
Licence Fees	0.2%

The Licence Lease Fee represents the single largest cost to an Operator. This is followed by Repair and Maintenance Costs (14.6%). Vehicle Insurance and Registration is also significant as well as Fuel and TBC Fees.

[39] TCQ (2016) Unpublished Data Taxi Council Queensland, Stones Corner
[40] TCQ (2016) Unpublished Data Taxi Council Queensland, Stones Corner

3.1.3 Taxi Vehicle CTP

Insurance represents a major cost impost for the taxi industry. Taxis are currently the only vehicle type within Class 3 of the Motor Accident Insurance Regulation 2004 for Compulsory Third Party ("CTP") Insurance. Based on the CTP Premium Calculator of the Motor Accident Investigation Commission, the average CTP premium for a Class 3 vehicle is calculated as 20 times higher than Class 1 (private motor vehicles).

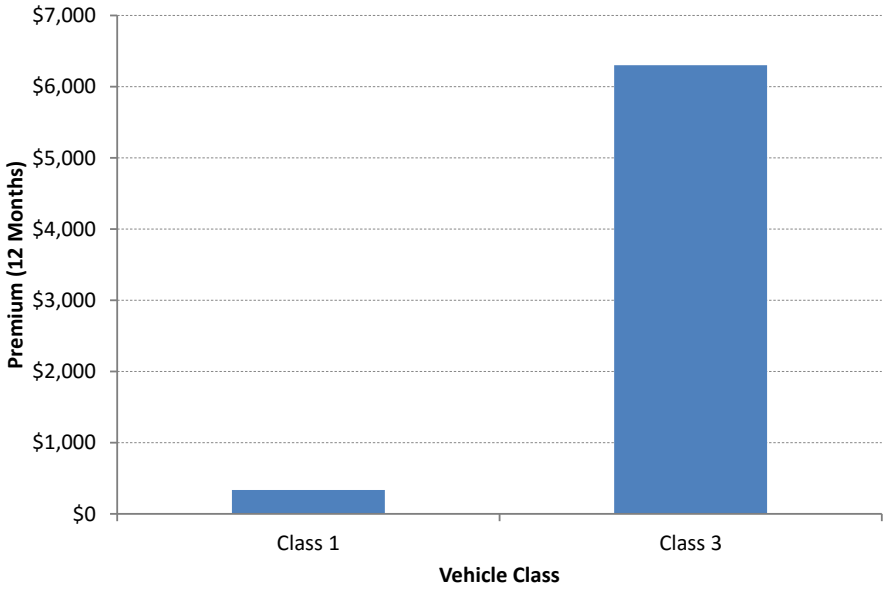


Figure 25 CTP Premiums, Classes 1 and 3, Queensland, as at April 2016

The original justification for this differential was the fact that taxi vehicles are the subject of more motor vehicle accidents than Class 1 vehicles. The small size of the Class 3 vehicle pool, combined with a historically higher accident rate, meant CTP premiums have always been extremely high.

However, opportunities exist to reduce this cost impost without placing the safety of the community at risk. This may include the use of technologies, such as outward facing cameras to provide greater certainty on who is "most at fault" in an accident. This is important, as taxis involved in accidents are only "most at fault" 56.7% of the time[41].

Alternatively, the role of taxis in providing public transport in the State means that the cost of CTP for a taxi should not be borne by the taxi Operator alone. Instead, by abolishing Class 3 and moving all taxi vehicles into Class 1, the higher accident risk of this essential form of public transport can be spread across the community. This would involve a $7.65 increase in CTP premiums for all Class 1 Vehicles, though the larger size of the vehicle pool in which taxis would sit means that this cost could actually be far lower. Further, the inclusion of taxis into Class 1 potentially provides the Government the opportunity to reduce taxi fares, further reinforcing the affordability of taxi services in Queensland.

Finally, there is also the option of expanding the vehicles in Class 3 to include all personalised transport services that provide services to Queensland. This may include "ride sharing" as well as courtesy buses and hire cars. This would have the effect of ensuring a level playing field for all service providers and not placing

[41] CARRS-Q (2016) Reducing the crash involvement of taxis in Queensland, CARRS-Q, Brisbane

Queenslanders who select one type of personalised transport over another at greater risk. It will also help to increase the pool of vehicles covered under Class 3, which will assist to distribute and better manage accident risk profiles of the fleet and help to reduce CTP premiums for this class.

RPS estimates that the implementation of technological and Class 3 expansion solutions could see CTP insurance premiums fall to as low as $1,500-$2,000 per year, so long as they are applied equally across all personalised transport types.

3.2 Driver Earnings

3.2.1 Factors Influencing Driver Earnings

Considerable attention has been given to the issue of driver earnings in previous review of taxi industries in Australia and around the world. Commentary focuses on the comparatively low hourly rate taxi drivers earn and the long hours required to make a living.

This again reflects a simplistic understanding of the nature of the taxi industry and the diversity of motivations of taxi drivers.

A number of factors need to be considered when analysing driver earnings:

- ***Shift Length vs Actual Active Time*** – as an independent business, a taxi driver has relative freedom as to how long and often they wish to work. Discussions by RPS with taxi drivers indicates a wide variety of motivations for becoming a taxi driver, with the high degree of flexibility commonly cited as a motivation for working in the industry. While a driver bails the taxi from an operator for a 12-hour shift (generally), there is no requirement for that driver to work all of that time. The level of time actual spent driving therefore varies dramatically between drivers, depending on their motivations and point in their career lifecycle.
- ***Full-Time vs Part-Time Drivers*** – There are currently 13,158 drivers working in the Queensland Taxi Industry. Based on two 12 hours shift, 365 days a year and 3,261 licences, there is approximately 2.37 million shifts in Queensland each year. This represents 180 shifts per year or 3.46 shifts per week. This is almost half the maximum number of shifts that a taxi driver can work during a week, suggesting a high degree of variability in how many shifts drivers in Queensland actually perform. The industry is recognised for a large number of career, full-time drivers. However, there are also a large number of drivers who drive on a part-time basis only and work 1-2 shifts a week, potentially to supplement other income (referred to as “driving to budget”).
- ***Bailee Driver or Driver/Owner/Operator*** – for many taxi drivers, driving is a career that offers significant upward mobility and business growth. Many of the career drivers with whom RPS has had discussions either are or are progressing towards becoming Driver/Operators or Driver/Owner/Operators. This ability to take on an expanded and multi-faceted role in the taxi industry provides opportunities for more substantial incomes, with both Operator and Owner margins and associated efficiencies helping to drive higher earnings.
- ***Day or Night Drivers*** – the time of day during which a taxi driver operates also significantly influences their earning capacity. Data provided by TCQ from Operators and TBCs indicates an average per shift earnings for a driver is between $200 and $250. However, this can vary from a low of $75 during the Monday AM shift to a high of almost $400 during Friday PM shift. The earning capacity of a driver is therefore dependent to an extent on what shifts they work.

Based on average shift earnings of $225 and a 12-hour Shift, the average Queensland taxi driver earns $18.75 per Shift Hour. However, as highlighted above, a Shift Hour is not necessarily the same as the number of hours spent on the road.

Figure 26 Hourly Rate

Actual Driving Hours per Shift	Hourly Rate
12	$18.75
10	$22.50
8	$28.12
6	$37.50
4	$56.50

Therefore, the earning capacity and hourly rate of a taxi driver is as much determined by their individual levels of productivity and business acumen as it is by external factors such as the number of jobs and shift time/day.

3.2.2 Comparisons with "Ride-Sharing" Drivers

RPS has undertaken an analysis of the earning potential of a taxi and "ride sharing" drivers based on a standard Brisbane to Chermside Tariff 1 fare. This analysis takes into consideration the costs of delivery a taxi services, as well as the direct and indirect costs incurred by "ride sharing" drivers.

A breakdown of revenue and cost items for this example fare is outlined in the table below.

Figure 27 Takings and Costs, Taxi and "Ride Sharing" Drivers, Brisbane-Chermside Tariff 1 Fare[42]

Cost Item	Taxi Driver
Income	**$34.97**
Fare	$34.97
Costs	**-$21.27**
Bailment	-$13.70
GST (Included in Fare)	-$3.18
Non-Cash Payment Fee	-$2.89
Booking Fee	-$1.50
Driver Earnings	**$13.70**
Earnings per KM	**$1.10**

Cost Item	Uber Driver
Income	**$26.00**
Fare	$26.0
Costs	**-$16.49**
Uber Licence Fee (20%)	-$5.20
Depreciation	-$3.70
GST (Paid by Driver)	-$2.60
Other Costs (Insurance, registration, licencing)	-$1.60
Fuel Costs (Job)	-$1.26
Interest on Loan	-$0.85
Service and Repair	-$0.73
Fuel Costs (To Job)	-$0.37
Tyres	-$0.19
Driver Earnings	**$9.51**
Earnings per KM	**$0.77**

Overall, a taxi driver earns 40-45% more per taxi job than a "ride sharing" driver. While the direct deductions from a taxi fare are more (including non-cash payment processing fee, booking fees and bailment), "ride sharing" has higher costs relative to income. While the bailment fee paid to Operators covers all operational

[42] Fares are based on those calculated in section 2.4. Motor vehicle cost data from RACQ based on Private Vehicle Expense based on a Toyota Camry Altara. An 7.5% cost weighting is applied to private motor vehicle used for commercial passenger purposes based on an average 1.5 passenger occupancy rate per job (at 5% cost weighting per passenger).

costs for the vehicle, “ride share” drivers have to cover all direct and indirect costs themselves. This includes paying GST which is currently not being charged by uber despite the ATO GST ruling and guidance. It also includes direct fuel costs, tyres, service and repair as well as proportions of indirect costs such as asset depreciation, interest on loans, insurance and registration.

Worringly, this analysis demonstrates the impact that fare discounting by corporately-backed “ride sharing” can have on drivers. Based on the cost structure incurred by the “ride sharing” a 20% reduction in the fare reduces driver earnings on the job by 45%. This means that in order to earn the same income, a “ride sharing” driver must now complete 50% more jobs every hour – a substantial increase requiring drivers to work longer shifts.

3.3 Summary of Findings

The traditional response by regulatory and Government’s around the world to pressures from the community to reduce fares has been to de-regulate the taxi industry to reduce compliance costs. This approach has proven to cause significant negative outcomes for the community and required the reimposition of quality-related regulations, often with higher compliance cost burdens to Government.

Instead, efforts to reduce the cost burden of regulatory compliance on the Taxi Industry should focus on reducing insurance and payment processing costs through targeted reforms. This approach can yield positive cost savings benefits to the Queensland Taxi Industry and provide greater capacity for fare reductions to be absorbed without long-term service sustainability, quality or accessibility being compromised.

However, the greatest factor in maintaining and improving fare affordability is maximising vehicle utilisation. The sunk capital costs of taxi vehicles are substantial and this is exacerbated by tight age restrictions, which require regular vehicle turnover. Maximising the utilisation of taxis allows this sunk cost to be distributed across a wider stock of jobs, allowing for capital costs to be better managed and taxi fares increases to be minimised.

Reform efforts should therefore focus on maximising the efficiency and productivity of the Queensland taxi fleet. This may include enhancing the integration of taxis into Queensland’s public transport network, including through better integrated infrastructure, payment options and information availability to the community.

4.0 Payment Options

The transparency of fares in the Queensland Taxi Industry was identified as a major issue of dissatisfaction among Queenslanders in UMR's recent survey. The survey results found that 31% of Queenslanders were dissatisfied in the transparency of fares, though over 50% of respondent recorded positive satisfaction[43].

Two factors primarily contribute to this high dissatisfaction rate:

- ***The multifaceted structure of taxi fares*** – despite Queensland's fare structure being simpler and more transparent than other Australian States, the combination of variable flagfall and distance and time rates can be confusing
- ***Additional fees and charges*** – While the base fare itself might be transparent, customers are sometimes surprised by additional fees and charges. Common examples include booking fees, airport charges, road tolls and non-cash payment processing fees. In fact, the Queensland Taxi Industry is a major collector of taxes and fees for the Government and other organisations, which come off the top of the taxi fare before the industry receives any revenue.

A key factor in addressing these concerns relates to maximising the payment options available to the community. It should be the policy of the Queensland Government to ensure that the payment options available to the passenger are as accessible as the Queensland taxi fleet itself. By improving payment options, the ease of the payment process can help to assist concerns regarding transparency of fares.

This section examines the current impact of non-cash payment process fees on the cost and affordability of taxi services in the State, as well as the opportunities to the community, Government and the taxi industry from the potential incorporation of goCards into Queensland's taxi fleet.

4.1 Non-Cash Payment Processing Fees

The 2005 Regulations established the requirement that all taxis must accept electronic forms of fare payment[44]. This follows the universal adoption of mobile EFTPOS technology in Queensland taxis over a decade earlier (1990).

Since this time, non-cash payments have become the preferred payment method of Queenslanders. Data from TCQ indicates that almost 80% of taxi jobs are paid using electronic payment methods[45]. This highlights the fact Queensland is a mature payment market, in which electronic payments are the norm, not the exception.

Currently, all non-cash payments are subject to a processing fee of 10% + GST. This includes all transactions processed through EFTPOS, Credit Card and CabCharge systems.

This processing payment has been an issue of contention in the community for a number of years. While it is acknowledged that payment processing should be able to charge a fee for the service provided, the current level of the fee raises a number of concerns:

[43] UMR (2016), TCQ - Issues affecting the taxi industry, UMR Strategic Research, Sydney
[44] S63B of the Transport Operations (Passenger Transport) Regulations 2005
[45] TCQ (2016) Unpublished Data, TCQ, 2016

- It creates confusion among passengers regarding the value of the total fare. The total value of the fare paid through a non-cash payment processing system is 11% higher than the fare on the meter. The fee is regarded as a “hidden cost” by consumer despite communication material in the taxi informing passengers of the fee.
- It has a distorting effect on the value of the fare, especially from an affordability perspective. The base fare for a Tariff 1 Brisbane to Chermside taxi trip is $31.50, which is actually cheaper than the standard fare for an equivalent “ride sharing” services of ($32.50). However, the addition of the payment processing fee results in the taxi fare increasing to $34.97. This increase is beyond what is traditionally acceptable for a transaction fee as it is no longer incidental to the main fare.

Reforms on the processing payment fee have been implemented in both NSW and Victoria in recent years.

In February 2014, the Victorian Taxi Services Commission implemented the Victorian Government’s endorsed reforms of the taxi industry. This included the reduction of non-cash payment processing fees to 5% including GST[46]. A similar cap was introduced in December 2014 by the NSW Government[47]. This cap was introduced in an effort to reduce fares for customers.

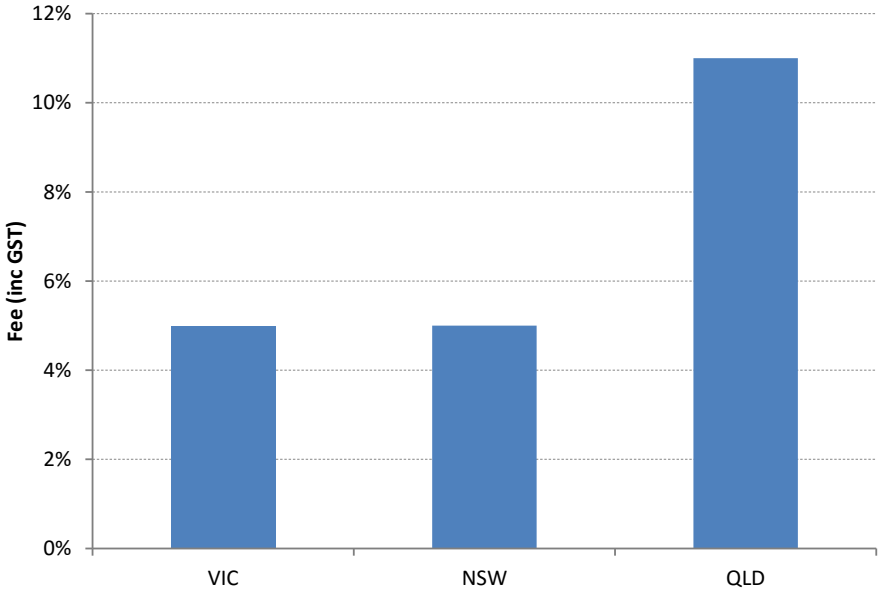


Figure 28 Non-Cash Payment Processing Fees, as at April 2014

[46] VTSC (2014) Electronic Payment Surcharge Reduction February 2014, accessed at http://taxi.vic.gov.au/__data/assets/pdf_file/0014/20552/Electronic-Payment-Surcharge-Reduction-Flyer-Drivers.pdf
[47] Transport for NSW (2014) Cheaper taxi fares: NSW Government halves credit card surcharge for taxi customers, accessed at http://www.transport.nsw.gov.au/media-releases/cheaper-taxi-fares-nsw-government-halves-credit-card-surcharge-taxi-customers

4.2 Opportunity for goCards

4.2.1 Integrating Taxis into the Public Transport Network

The Queensland Government has the stated objective of creating:

"A single integrated, safe, reliable and efficient transport system that is accessible to all.[48]"

This must include the most flexible, universal and accessible form of public transport currently available in Queensland –taxis.

There are a range of reforms that can be implemented to improve the integration of taxis with traditional forms of public transport to help driver service efficiency, accessibility and flexibility in the whole network. These may include:

- better integration of taxis at major public transport nodes
- improved consideration of taxis in the movement of people from major events (e.g. sports, community)
- investment and strategic planning by Local Government in improved taxi ranks, with an emphasis on enhancing accessibility for people with disabilities
- incorporating of real time taxi information into public transport apps and web portals
- providing Queenslanders with the ability to use goCards in taxis.

[48] DTMR (2014) Transport and Main Roads Strategic Plan 2014–2018, Department of Transport and Main Roads, Brisbane

The opportunity to expand the distribution of goCards into taxis is particularly significant. The results of the recent UMR survey found that Queenslander's strongly support the concept of goCards in taxis, with 70% of Queenslanders supporting the move and only 13% opposed[49].

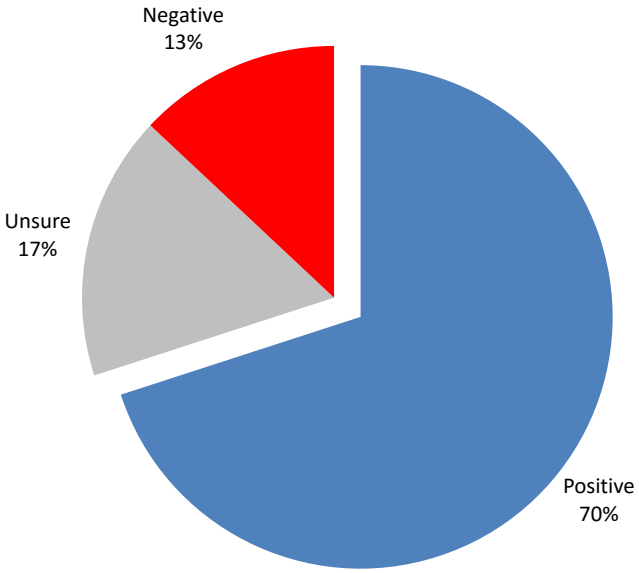


Figure 29 Support for goCards in Taxis, Queenslanders 18+, February 2016

Such a move would be in line with the recommended goal of maximising the number and form of payment methods available to all members of the community.

EzLink in Taxis

During our recent study tour, RPS examined the integration of the Singapore public transport card, EZ-Link, into taxi services.

EZ-Link was established by the Singapore Land Transport Authority ("LTA") in 2002. It is a wholly owned subsidiary responsible for managing Singapore's single largest contactless Stored Value Smart Card System. It has been in use for payments on public buses and Singapore Mass Rapid Transit ("SMRT") for 13 years[50].

EZ-Link terminals started to be integrated into taxis in 2009/2010, with both SMRT and Taxicab companies however they are not mandated and are far from universal. They are also subject to processing fees, as high as 30%, in some companies, although these fees are often waived under agreement with the LTA or EZ-Link.

There are a range of benefits to the community, Government and the Taxi Industry from the introduction of goCards. These are explored in the section below.

4.2.2 Benefits to the Community

Key Benefits for the community of the integration of goCards into taxis are outlined in the table below.

[49] UMR (2016), TCQ - Issues affecting the taxi industry, UMR Strategic Research, Sydney
[50] EZ-Link (2016) Company Profile accessed at http://home.ezlink.com.sg/about-ez-link/company-profile

Figure 30 Potential Benefits to the Queensland Community of goCards in Taxis

Benefit	Description
Reduced Fares	goCards currently have no transaction or processing fee, meaning goCard users in taxis would receive an 11% reduction in their fare compared to current non-cash payment systems.
Seamless Public Transport Travel	Passengers of public transport services will be able to seamlessly transfer to from traditional public transport modes (buses and trains) to taxis using a single payment gateway.
Single Public Transport Payment Card for Tourist	The goCard system could facilitate a single transport payment product for tourists, maximising the ease of getting around the State.
Opportunities to Link NDIS/TSS	A centralised payment gateway for all forms of public transport, including taxis, would allow transport-related subsidies for people with disabilities (through NDIS or TSS) to be integrated into goCards for use across all public transport modes.
Improved Access to Traditional PT	Taxis will be able to extend the reach of the public transport network, by allowing passengers to travel to major public transport nodes and onto traditional public transport services using the same payment system.
Passenger Travel Information	Provides passengers with a record of all travel transactions, which can be used for household budgeting or travel planning. Empowers passengers to make the right travel and transport decisions to meet their needs.
"Step-in-Step-out" travel	Passengers will be able to realise the benefits of "Step-in-Step-out" travel without having to own a credit card or a smart phone or even have cash on their person.

4.2.3 Benefits to Government

Key Benefits for the Government of the integration of goCards into taxis are outlined in the table below.

Figure 31 Potential Benefits to the Queensland Community of goCards in Taxis

Benefit	Description
Increased Usage of Public Transport Network	Taxis will be able to move more people to and from major public transport nodes, increasing patronage on buses and trains.
Increase "Funds under Management" of the goCard System	Queenslanders' currently spend over $1b in taxi fares each year[51]. If a large portion of these funds were transacted through goCard, the funds under management of the Government would potentially be significant. This could provide additional revenue streams to Government for funding public transport services.
Provide Access to "Big Data"	The trip data captured by the goCard system would be richer and more comprehensive with the addition of over 100 million passenger trips. This would provide enhanced opportunities to inform public transprot network planning, while preventing the inappropriate commercialisation of "big data".
Support roll out of goCard across the State.	Taxis already provide public transport services across the State. The integration of goCard into taxis could be used by the Government as a mechanism for rolling out the goCard system to regional areas.
Use of Taxis as an Early Phase Public Transport Service	Many public transport route lack viability in the early phases. The integration of goCards into taxis will provide the Government to contract taxis to deliver deviated or fixed route services to test viability for a more traditional public transport mode at a later date.
Council Cabs	Council Cab services could be streamlined by using the goCard system as the primary payment gateway.

[51] Estimated by RPS from ATIA (2016) Taxi Statistics accessed at http://atia.com.au/taxistatisics

4.2.4 Opportunities for the Taxi Industry

Key Benefits for the Taxi Industry of the integration of goCards into taxis are outlined in the table below.

Figure 32 Potential Benefits to the Queensland Community of goCards in Taxis

Benefit	Description
New Business and Service Models	GoCards would provide opportunities for new business and service models, including improved flexibility in multiple hiring , shared taxis, deviated fixed route services and larger taxis.
Fare Pre-Payment	The fact passengers swipe onto the taxi when entering will provide the driver with confirmation that the passenger can in fact pay for the taxi trip, reducing chances of fare evasion.
Increased Patronage	Linking taxi services directly with public transport will likely increase taxi patronage by increasing its attractiveness relative to personal motor vehicle ownership.
New Fare Structures	Taxi fare structures could move away from variable rates to fixed zone rates in certain locations.

4.3 Summary of Findings

Queenslanders are mature and experienced users of non-cash payment processes in taxis, having had universal access to EFTPOS systems in taxis since as early as 1990. This contrasts with many jurisdictions were electronic payment options are still limited and even when they are available, their use is actively discouraged by the driver. The recognition of the importance of providing access to the maximum number of payment options, such as electronic payments, in the current regulatory framework, and the requirement for drivers to accept all electronic payments (where able) is a genuine innovation in the current framework.

The current level of the non-cash payment processing fees in Queensland taxis appears to be having a distorting and confusing effect on customers. The fee level is above that which can be regarded as an incidental transaction fee and genuinely undermines the affordability of fares in the State. There is therefore a need to reform the level of this fee, either by adopting a similar approach to that of NSW and Victoria or setting a fixed dollar fee, similar to the booking fee under the current fare structure.

Taxis can be further integrated into the Queensland public transport system by the incorporation of goCards into all taxis. This will provide a range of benefits to the community, Government and the industry and maximise the payment options available to all members of the community.

5.0 Licence Values

Significant consideration is often given to the appropriateness of taxi licence values during review and reform processes. The rationale normally given is that high licence values are a reflection of pent up demand in the local taxi market, indicating the need to increase taxi supplies and therefore reduce licence values.

However, RPS disagrees with this rationale. Licence values are not always a measure of pent up demand or insufficient taxi supply, particularly in the Queensland market. Their values are more often a reflection of their status as a financial investment product and their unique risk and return profile compared to other assets.

It is also a reflection of the underlying productivity and utilisation of the taxi service linked to the licence. Licence values that are higher because of artificial factors are not justified. However, licence values that are higher because they reflect a base asset that has a high utilisation and productivity rate (i.e. taxis serve more passengers) may be appropriate.

RPS does not consider the maximisation of licence value as the appropriate objective of any Taxi Industry. Licence values of are product of the utilisation, efficiency and productivity of the underlying asset, the quality of the service and the satisfaction levels of the customer. This approach is enshrined in the objectives of TCQ, *"…to increase the market for taxi services…"*, and is in direct contrast with the objectives of other taxi industry associations around Australia – to maintain licence values.

This section briefly examines the issue of taxi licence values in Queensland, the underlying productivity of the linked taxi services and the investment characteristics of taxi licences compared to other financial assets.

5.1 Taxi Licence Values

Taxi licence values are set by two separate markets:

- Government tendering processes for new licences
- the secondary market for licences transfers between individuals and organisations

In recent years, the number of new licences issues in Queensland has been negligible in response to the evidence provided to TMR by the Taxi Licence Model. This has meant that licence values have been primarily determined by secondary market transfers.

Between 2005 and 2014, the value of taxi licences in Queensland appreciated by 48%, from $360,000 to a high of $534,000. However, in 2015, licence values decreased sharply by 63% to $199,000[52]. This corresponded with the first full year of operation of corporately-based illegal taxi operation and the increasingly diminished compliance and enforcement capabilities of TMR.

[52] Derived from ATIA and TCQ data sets.

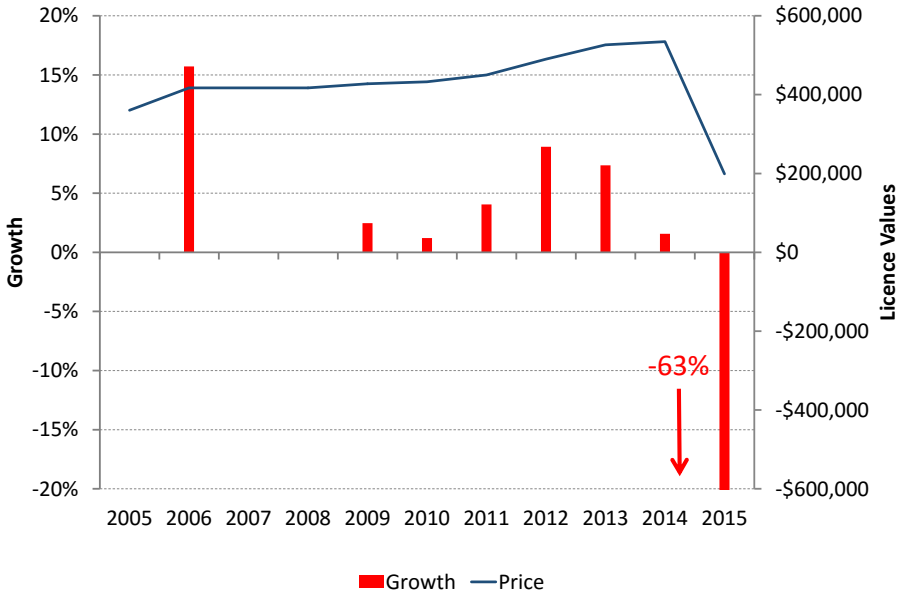


Figure 33 Taxi Licence Values and Growth, Queensland, 2005 to 2015

The impact on licence values in Queensland of illegal taxi operations have been the most significant of any State in Australia. In 2015, NSW taxi licence values fell by 24%, while Victorian licences fell by 32%.

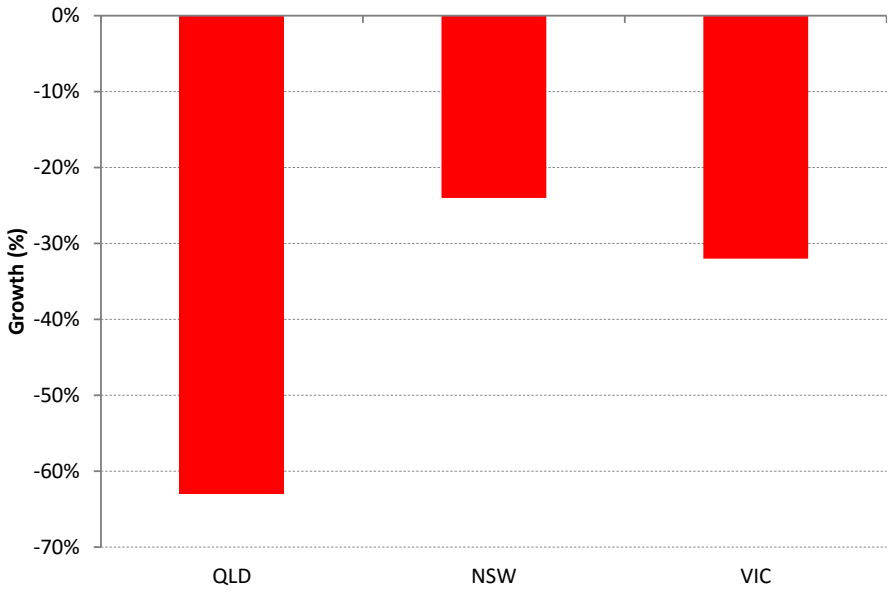


Figure 34 Licence Value Falls, QLD, NSW and VIC, 2015[53]

Part of the reason for this is that reform measures in NSW and Victoria had previously undermined licence values by:

- creating complex combinations of perpetual, fixed term and annual licencing systems

[53] Derived from ATIA and TCQ data sets.

- prohibiting or constraining the transfer of licences
- the Government directly owning the licences and effectively "nationalising" taxi licence systems in the State

In short, the integrity of the Queensland taxi regulatory framework and its international best practice approach meant that the failure of Government to enforce the laws of the State against corporately-based illegal taxi providers had a disproportionately large impact on licence values.

5.2 Factors Influencing Licence Values

Prior to 2015, licence values in Queensland had been experiencing positive, albeit comparatively moderate growth. This value and its growth over time is influenced by both the demand for taxi services in the jurisdiction and the supply of taxi licences in a market restricted environment.

5.2.1 Trip Volumes

Firstly, taxi licence values have generally tracked in line with the growth of taxi trips. An examination of the growth profile of values and trips confirms this broad relationship.

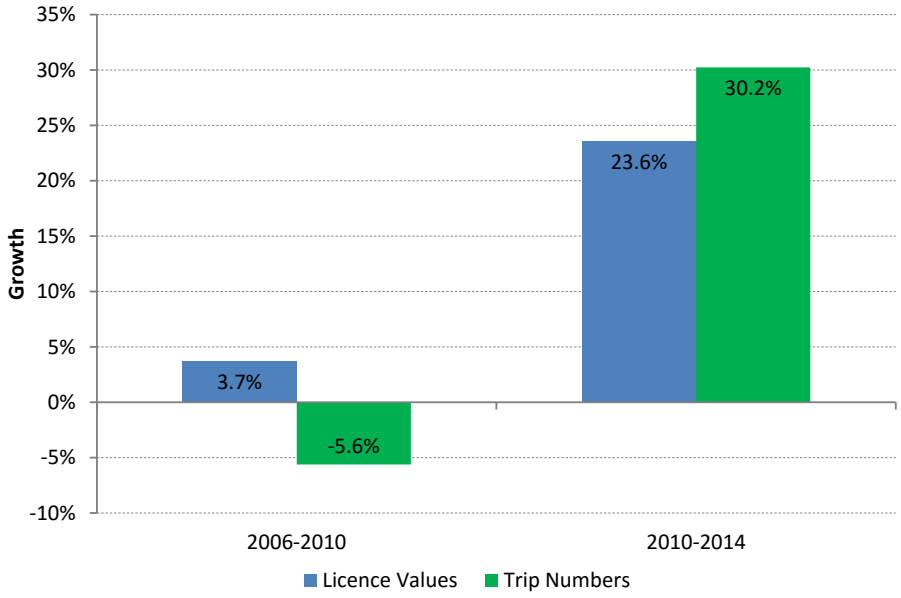


Figure 35 Licence Value and Taxi Trip Growth, 2006-2010 and 2010-2014

Between 2006 and 2010, licence values only increased by 3.7%, or less than inflation over the same period. In contrast, taxi trip numbers fell by 5.6%, suggesting licence values fell marginally in real terms in response to softer taxi demand.

In recent years (pre-2015) licence values have appreciated more strongly, but at a slower growth rate than taxi demand. Between 2010 and 2014, licence values increased by 23.6% while trip numbers increased by over 30%.

These movements suggest that licence values are moderately responsive to total demand for taxis. This is an appropriate relationship, considering the exclusive rights afforded to the licence owner to delivery.

The exception to this rule however was the fall in 2015. Licence values fell by 63% despite a 4-5% fall in trip numbers, most of which was due to economic climate. This is the first time in recent years that licence values have decoupled from total taxi demand and instead reflects a sudden shift in the perceived risk profile of taxi

licences in response recent reforms in other State's and the Government's increasing inability to enforce the current laws of the State relating to illegal taxi services.

5.2.2 Taxi Licence Supply

Taxi licence supply also plays a factor. As a regulated sector with market restrictions, licence supply does play a factor in overall licence values. However, again, analysis of the movement of licences numbers and values do not appear to indicate a fundamental valuation issue.

Since 2005, the total number of taxi licences in the State increased by 10.5% to 3,264 in 2014. In contrast, taxi licence values increased by 48%. Factoring the growth in the demand for taxi services over this time (refer to section 5.2.1) the growth in licence values was not substantially decoupled from underlying supply conditions. This is evident when the growth profile is considered.

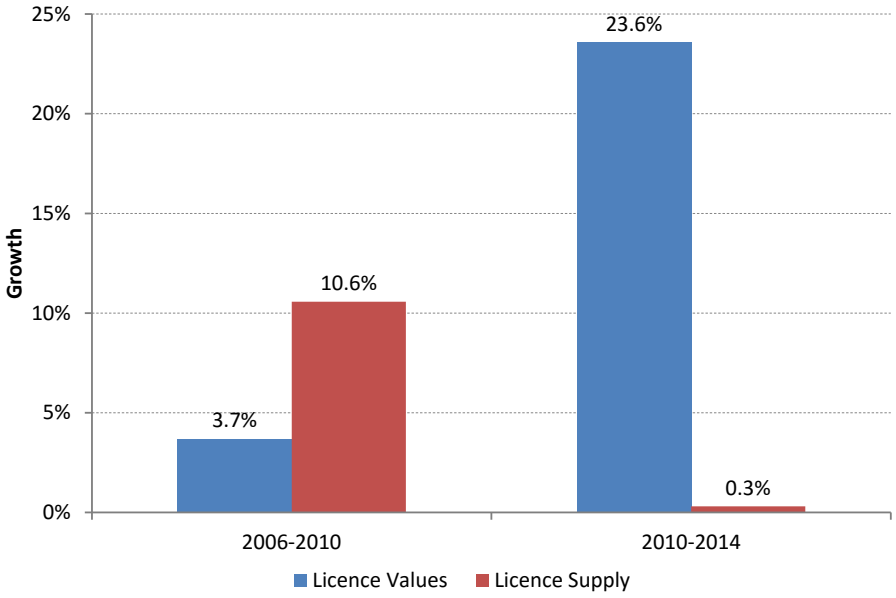


Figure 36 Licence Values and Supply Growth, 2006-2010 and 2010-2014

Between 2006 and 2010, licence values grew at a slower rate than supply. This reflected the impact of supply coming onto the market at a time when demand was moderating and economic conditions were deteriorating. In recent years, supply growth has been limited and licence values have grown more robustly. However, this is likely a response to accelerated demand.

While there is clearly an inverse relationship between licence supply and values, RPS argues that the degree of responsiveness of values to supply is only moderate. A lack of additional licence supply in recent years has not resulted in the licence value accelerate beyond demand. This reflects the fact that while the current taxi fleet is operating at a higher level of utilisation that in other State, idle time and MSL indicates suggested continued capacity for greater productivity and efficiency in the fleet.

5.3 The Investment Characteristics of Licence Values

This analysis confirms that taxi licence values in Queensland's have not grown out of sync with the broader taxi market. Licence values remain linked to the fundamentals of the industry and are not representative of any structural undersupply of services in the State.

Instead, licence values change over time similar to the movements of other financial and investment products.

5.3.1 Investment Characteristics

Taxi service licences have a number of investment characteristics that also influence their value in the secondary market. These are summarised in the table below.

Characteristics	Description	Similar Investment Products	Impact on Attractiveness
Fixed Return	Taxi licences operate as a fixed return financial asset, in which the licence owner receives a fixed return (6-7%) over a 2-4 year period.	Bonds Managed funds Term deposits	**Positive**
Underlying Business Activity	A Taxi licence is linked to an underlying business that generate revenue. This means that even passive investors have exposure to the underlying performance of taxi operators.	Australian Shares REITs	**Positive.**
Perception of Risk	The regulated nature of the sector and market entry restrictions provide the perception of a low risk profile. This perception has however been undermined in recent years due to illegal taxi operations.	Bonds Term Deposits	**Pre 2015 Positive** / **2015 Negative**
Lack of Market Liquidity	The trade in licences in the secondary market is small and lacks liquidity. This means that it is more challenging for licence owners to realise the value of their investment.	Business Sales High End Residential Property	**Negative**
Cash Flow Intensive Business	The taxi industry has a high cash flow intensity, meaning the liquidity of the underlying business and its ability to generate and distribute a return to investors is strong.	Retail Businesses	**Positive**

Overall, taxi licences possess a range of characteristics that make them an attractive passive investment. While they lack liquidity, the cash flow intensity of the underlying business activity and the fixed nature returns at above the rate of bonds and term deposits, but below residential property and Australian shares, reinforces their attractiveness to passive investors with a low to moderate risk profile.

5.3.2 Impact of Perception

The biggest contributor to the fall in taxi licence values in 2015 was not the impact on demand for taxi services by illegal taxi operators (estimated at 1%) but instead a fundamental change in the perceived risk profile of taxi licences. While such licences were previously viewed as having a very low risk profile (akin to bonds) due to their “backing” by the State Government, the emergence of illegal taxi operations and the uncertainty caused by the OPT Review and changes in other States has seen this perceived risk profile change fundamentally.

RPS expects that the resolution of the Review, coupled with renewed compliance and enforcement activities by the State Government will assist to once again rebalance the perceived risk profile of the licence in the short-to-medium term.

5.4 Summary of Findings

Licence values in Queensland are not representative of structural imbalances between the supply and demand for taxis. While these factors have a major influence over the rate of growth of licence values, growth rates have not decoupled from the economic fundamentals of the industry. Queensland taxi licences

are worth more than in other States because they are more productive, efficient and provide a better service. Despite this they continue to operate with underutilised capacity, broadly achieving MSLs while exhibiting long idle times.

Instead, licence values are an investment product, with a unique set of risk and return characteristics that form the foundation of their valuation in the secondary market. The nature of licences as an investment product does however raise questions as to the appropriate treatment of this asset by the industry. Investment products in Australia must be brokered by a holder of an Australian Financial Services Licence ("AFSL"), with associated high degrees of transparency. Consideration should be given in future reforms to acknowledging taxi licences as an investment product and ensuring that all brokerage activity is undertaken by suitably qualified and licenced parties.

6.0 Conclusion

Queensland has the most affordable, transparent and balanced fare structure in Australia. Queenslanders travel further and longer in a taxi than in other State's providing a genuine value-for-money service for the community. This includes broad comparability in cost with "ride sharing" services particularly when the distorting effects of temporary discounting and non-charging of GST are removed.

Opportunities for reform include potential changes to the fees chargeable for non-cash payment processing as well as the introduction of goCards into taxis across the State. These changes would result in a windfall gain the community in the form of lower fares without compromising Queensland's best practice fare structure.

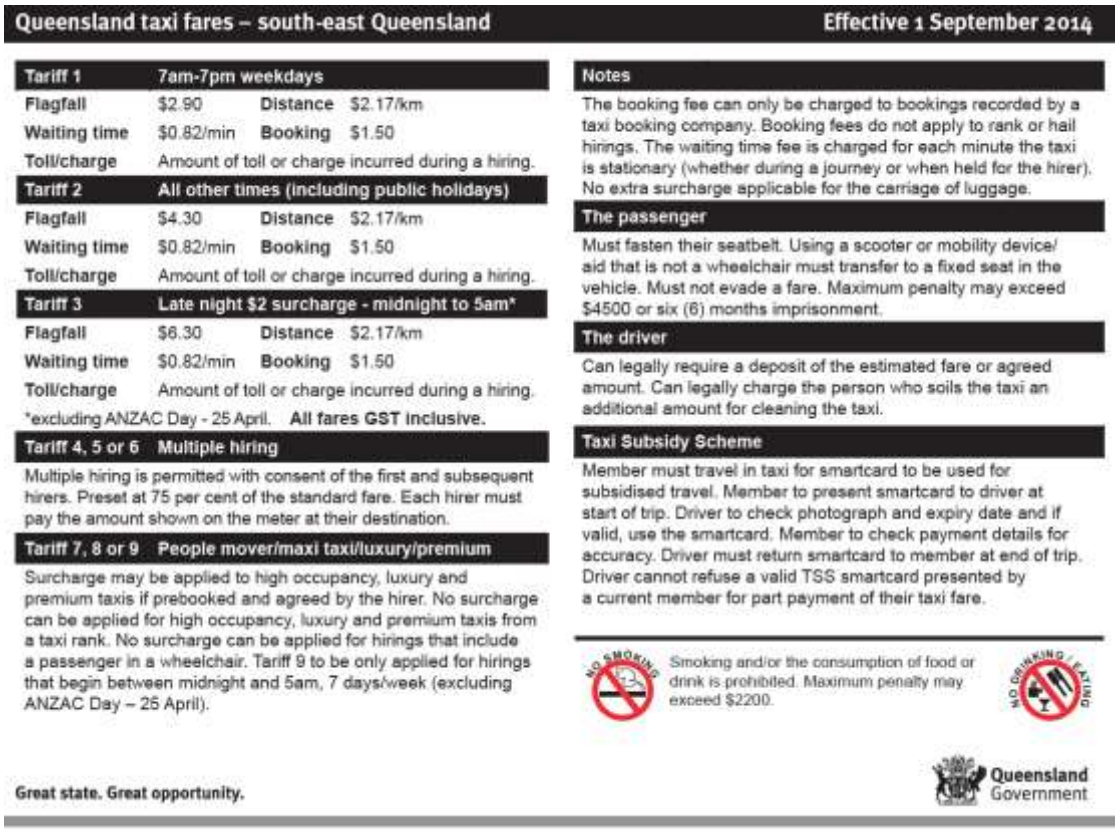
Despite the high cost structure of the Queensland Taxi Industry, in terms of both capital and operating cost profiles, temptation to reduce these costs through the wholesale reduction in industry regulation should be avoided. The end result of such changes are inevitably reduced service quality, accessibility and availability for the community and greater compliance, enforcement and service delivery and procurement costs for Government.

Instead the focus should be on continuing to maximise the productivity and efficiency of the Queensland taxi fleet and grow the number of Queenslanders who have access to affordable high quality taxi services. This will assist to reduce the capital cost burdens on Operators by allowing such costs to be amortised across the larger passenger base.

In terms of licence values, prevailing views that high licence values are representative of structural imbalances in the supply and demand of taxi services are incorrect, particularly in the Queensland context. While the demand for taxi services and the restricted supply of licences do influence values, the rate of growth of values over the past decade have remained broadly in line with underlying economic fundamentals of the industry. Instead, licence values in the State function as an investment product with a unique set of risk and return characteristics that make it attractive to passive investors with a lower risk profile. However, the perception of risk of licences as an investment product were significantly impacted in 2015 by the apparent successes of corporately-based illegal taxi operators evading enforcement and compliance efforts of the State Government.

Appendix 1 – Taxi Fare Stickers, Queensland September 2014

This is a copy of the current maximum fare taxi stickers for South East Queensland



Queensland taxi fares – south-east Queensland — **Effective 1 September 2014**

Tariff 1	**7am-7pm weekdays**		
Flagfall	$2.90	Distance	$2.17/km
Waiting time	$0.82/min	Booking	$1.50
Toll/charge	Amount of toll or charge incurred during a hiring.		
Tariff 2	**All other times (including public holidays)**		
Flagfall	$4.30	Distance	$2.17/km
Waiting time	$0.82/min	Booking	$1.50
Toll/charge	Amount of toll or charge incurred during a hiring.		
Tariff 3	**Late night $2 surcharge - midnight to 5am***		
Flagfall	$6.30	Distance	$2.17/km
Waiting time	$0.82/min	Booking	$1.50
Toll/charge	Amount of toll or charge incurred during a hiring.		

*excluding ANZAC Day - 25 April. **All fares GST inclusive.**

Tariff 4, 5 or 6 Multiple hiring

Multiple hiring is permitted with consent of the first and subsequent hirers. Preset at 75 per cent of the standard fare. Each hirer must pay the amount shown on the meter at their destination.

Tariff 7, 8 or 9 People mover/maxi taxi/luxury/premium

Surcharge may be applied to high occupancy, luxury and premium taxis if prebooked and agreed by the hirer. No surcharge can be applied for high occupancy, luxury and premium taxis from a taxi rank. No surcharge can be applied for hirings that include a passenger in a wheelchair. Tariff 9 to be only applied for hirings that begin between midnight and 5am, 7 days/week (excluding ANZAC Day – 25 April).

Notes

The booking fee can only be charged to bookings recorded by a taxi booking company. Booking fees do not apply to rank or hail hirings. The waiting time fee is charged for each minute the taxi is stationary (whether during a journey or when held for the hirer). No extra surcharge applicable for the carriage of luggage.

The passenger

Must fasten their seatbelt. Using a scooter or mobility device/ aid that is not a wheelchair must transfer to a fixed seat in the vehicle. Must not evade a fare. Maximum penalty may exceed $4500 or six (6) months imprisonment.

The driver

Can legally require a deposit of the estimated fare or agreed amount. Can legally charge the person who soils the taxi an additional amount for cleaning the taxi.

Taxi Subsidy Scheme

Member must travel in taxi for smartcard to be used for subsidised travel. Member to present smartcard to driver at start of trip. Driver to check photograph and expiry date and if valid, use the smartcard. Member to check payment details for accuracy. Driver must return smartcard to member at end of trip. Driver cannot refuse a valid TSS smartcard presented by a current member for part payment of their taxi fare.

NO SMOKING

Smoking and/or the consumption of food or drink is prohibited. Maximum penalty may exceed $2200.

NO DRINKING / EATING

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Queensland Government

Queensland taxi fares – regional Queensland — Effective 1 September 2014

Tariff 1	7am-7pm weekdays		
Flagfall	$2.90	Distance	$2.26/km
Waiting time	$0.82/min	Booking	$1.50
Toll/charge	Amount of toll or charge incurred during a hiring.		
Tariff 2	**All other times (including public holidays)**		
Flagfall	$4.30	Distance	$2.26/km
Waiting time	$0.82/min	Booking	$1.50
Toll/charge	Amount of toll or charge incurred during a hiring.		
Tariff 3	**Late night $2 surcharge - midnight to 5am***		
Flagfall	$6.30	Distance	$2.26/km
Waiting time	$0.82/min	Booking	$1.50
Toll/charge	Amount of toll or charge incurred during a hiring.		

*excluding ANZAC Day - 25 April. **All fares GST inclusive.**

Tariff 4, 5 or 6 Multiple hiring

Multiple hiring is permitted with consent of the first and subsequent hirers. Preset at 75 per cent of the standard fare. Each hirer must pay the amount shown on the meter at their destination.

Tariff 7, 8 or 9 People mover/maxi taxi/luxury/premium

Surcharge may be applied to high occupancy, luxury and premium taxis if prebooked and agreed by the hirer. No surcharge can be applied for high occupancy, luxury and premium taxis from a taxi rank. No surcharge can be applied for hirings that include a passenger in a wheelchair. Tariff 9 to be only applied for hirings that begin between midnight and 5am, 7 days/week (excluding ANZAC Day – 25 April).

Notes

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The passenger

Must fasten their seatbelt. Using a scooter or mobility device/ aid that is not a wheelchair must transfer to a fixed seat in the vehicle. Must not evade a fare. Maximum penalty may exceed $4500 or six (6) months imprisonment.

The driver

Can legally require a deposit of the estimated fare or agreed amount. Can legally charge the person who soils the taxi an additional amount for cleaning the taxi.

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Smoking and/or the consumption of food or drink is prohibited. Maximum penalty may exceed $2200.

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Queensland Government

Queensland taxi fares – exempted Queensland — Effective 1 September 2014

Tariff 1	7am-7pm weekdays		
Flagfall	$2.90	Distance	$3.68/km
Waiting time	$0.82/min	Booking	$1.50
Toll/charge	Amount of toll or charge incurred during a hiring.		
Tariff 2	**All other times (including public holidays)**		
Flagfall	$4.30	Distance	$3.68/km
Waiting time	$0.82/min	Booking	$1.50
Toll/charge	Amount of toll or charge incurred during a hiring.		
Tariff 3	**Late night $2 surcharge - midnight to 5am***		
Flagfall	$6.30	Distance	$3.68/km
Waiting time	$0.82/min	Booking	$1.50
Toll/charge	Amount of toll or charge incurred during a hiring.		

*excluding ANZAC Day - 25 April. **All fares GST inclusive.**

Tariff 4, 5 or 6 Multiple hiring

Multiple hiring is permitted with consent of the first and subsequent hirers. Preset at 75 per cent of the standard fare. Each hirer must pay the amount shown on the meter at their destination.

Tariff 7, 8 or 9 People mover/maxi taxi/luxury/premium

Surcharge may be applied to high occupancy, luxury and premium taxis if prebooked and agreed by the hirer. No surcharge can be applied for high occupancy, luxury and premium taxis from a taxi rank. No surcharge can be applied for hirings that include a passenger in a wheelchair. Tariff 9 to be only applied for hirings that begin between midnight and 5am, 7 days/week (excluding ANZAC Day – 25 April).

Notes

The booking fee can only be charged to bookings recorded by a taxi booking company. Booking fees do not apply to rank or hail hirings. The waiting time fee is charged for each minute the taxi is stationary (whether during a journey or when held for the hirer). No extra surcharge applicable for the carriage of luggage.

The passenger

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The driver

Can legally require a deposit of the estimated fare or agreed amount. Can legally charge the person who soils the taxi an additional amount for cleaning the taxi.

Taxi Subsidy Scheme

Member must travel in taxi for smartcard to be used for subsidised travel. Member to present smartcard to driver at start of trip. Driver to check photograph and expiry date and if valid, use the smartcard. Member to check payment details for accuracy. Driver must return smartcard to member at end of trip. Driver cannot refuse a valid TSS smartcard presented by a current member for part payment of their taxi fare.

Smoking and/or the consumption of food or drink is prohibited. Maximum penalty may exceed $2200.

Great state. Great opportunity.

Queensland Government

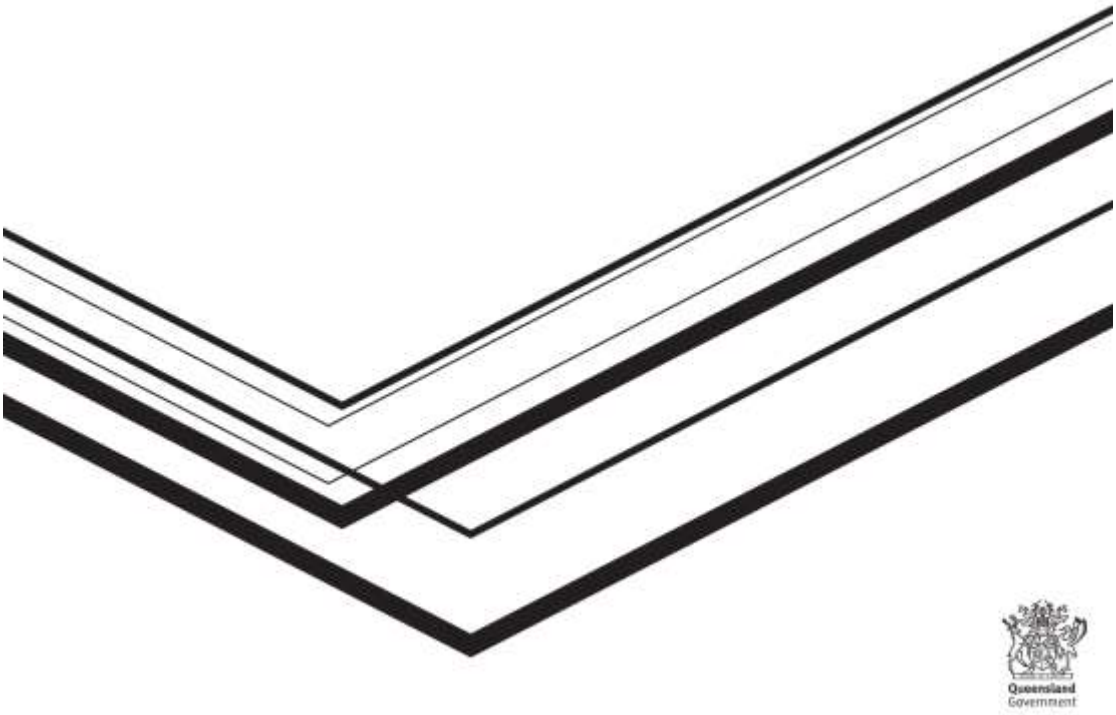
Appendix 2 – Budget 2015/16 Service Delivery Statement Department of Energy and Water

Select pages from the Service Delivery Statement of the Department of Energy and Water in the 2015/16 Queensland State Budget.

Queensland Budget 2015-16

Service Delivery Statements

Department of Energy and Water Supply



Administered items

Administered activities are those undertaken by departments on behalf of the Queensland Government.

DEWS administers funds on behalf of the State which include:

Community Service Obligation Payments

- The Government's uniform tariff policy ensures that all Queensland non-market electricity customers of a similar type pay the same price for electricity, regardless of where they live. As these prices do not reflect the full cost of electricity supply for most remote and regional Queenslanders, the Government provides funding to Ergon Energy Queensland Pty Ltd to cover the difference between the costs of supply allowed for in the regulated tariffs and the costs in the Ergon Energy area (largely due to differences in network costs).
- Through an appropriation administered by the department, the Government provides Community Service Obligation (CSO) payments to Ergon Energy Queensland Pty Ltd, the electricity retailer responsible for supplying the majority of non-market customers in regional Queensland.
- In addition, Origin Energy retails electricity to approximately 5,700 Queensland non-market customers in the Goondiwindi, Texas and Inglewood areas who are supplied electricity through the New South Wales distribution network. In the absence of the CSO, these customers would pay the full cost of supplying electricity. The Government provides a rebate to these customers, via Origin Energy, to ensure that they pay no more for electricity than other similar customers in Queensland.
- It is estimated that electricity related CSO payments in 2015-16 will total $438.2 million.
- The department also provides CSO payments to SunWater and Seqwater estimated to be $12.2 million in 2015–16. These payments are made to Seqwater for the provision of rural irrigation services and to SunWater in relation to the provision of rural irrigation services and the Cloncurry water pipeline.

Non-Commercial Water Assets

- DEWS is responsible for 22 non-commercial assets including water supply dams and weirs. These structures provide a range of services and public values including recreation and water supply for mining, irrigation and construction. DEWS also currently maintains a series of agricultural levee banks along the Mary River. The operational function includes a total capital spend of $2.053 million and recurrent spending of $3.62 million as well as $500,000 for current grants.
- Financial statements and variance explanations in relation to administered items appear in the departmental financial statements.

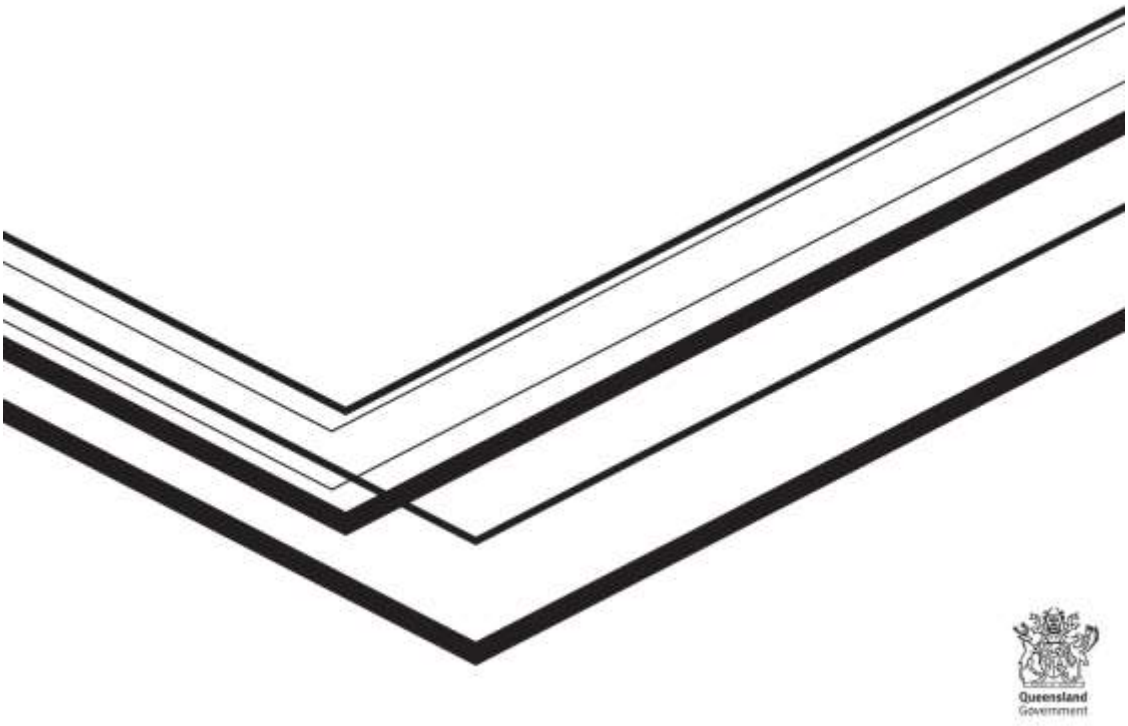
Appendix 3 - Budget 2015/16 Service Delivery Statement Department of Transport and Main Roads

Select pages from the Service Delivery Statement of the Department of Transport and Main Roads in the 2015/16 Queensland State Budget.

Queensland Budget 2015-16

Service Delivery Statements

Department of Transport and Main Roads



Customer Experience

Service area objective

To deliver and improve the experience for customers who access TMR products, services and infrastructure including licensing and registration, public transport and roads.

Service area description

Products and services are delivered to the community via self-service and assisted channels. TMR is delivering services with a 'customers first' approach, engaging with customers to better understand their needs and behaviours with regard to:

- licensing services
- registration services
- passenger transport services
- roads usage
- maritime safety information.

2015-16 service area highlights

The department will build on its 2014-15 achievements and continue its focus on delivering the Government's commitments for the people of Queensland, with 2015-16 highlights under this service area to include:

- embedding the customer experience approach within all departmental activities
- introducing additional online customer services such as:
  - a direct debit registration renewal scheme that allows customers to pay their registration renewals by regular direct debit in smaller more manageable amounts
  - eTicketing for a range of infringements and registration transfers online
  - an electronic logbook for learner drivers and electronic notifications to customers.

Department of Transport and Main Roads	Notes	2014-15 Target/Est.	2014-15 Est. Actual	2015-16 Target/Est.
Service area: Customer Experience	1			
Service standards *Effectiveness measures*				
Average wait time in Customer Service Centres (minutes)	T,2	8	7	8
Percentage of call centre calls answered within three minutes	T,2,3	80	59	80
Overall customer satisfaction with transactional services (on a scale of 1 to 10)	T,2,4	8	8.3	8
Customer satisfaction ratings of public transport by service type (using a 0 - 100 index – 100 being excellent)	T,5,6			
Whole of Queensland Taxi	7	≥69	65	≥69
South-east Queensland Bus		≥70	70	≥70
Rail		≥70	70	≥70

Passenger Transport Services

Service area objective

To lead and shape Queensland's passenger transport system, by providing an integrated transport network, safe and accessible to all.

Service area description

This service area facilitates passenger transport systems across the State and aims to provide a single integrated transport system allowing fair access to everyone. Key passenger transport activities managed by this service area include:

- providing funding for fair access to public transport to deliver economic, social and community benefits for Queenslanders
- effectively managing and regulating the passenger transport industry
- enhancing customer experience by improving service integration, passenger information and ticketing products
- driving efficiencies through network optimisation and next generation service contracts
- supporting public transport patronage increases by maximising our service offering, extending the network and delivering innovative ticketing products
- overseeing and funding the School Transport Assistance Scheme.

2015-16 service area highlights

The department will build on its 2014-15 achievements and continue its focus on delivering the Government's commitments for the people of Queensland, with 2015-16 highlights under this service area to include:

- undertaking a fare review of passenger transport services on the TransLink network in south-east Queensland
- providing accessible passenger transport to local residents by implementing the Cape York and Gulf fare scheme
- commencing rail passenger services between Petrie and Kippa-Ring station on the Moreton Bay Rail Link
- continuing the New Generation Rolling Stock project to deliver 75 new six car train sets for south-east Queensland
- delivering additional public transport infrastructure including Deception Bay – Bay Avenue Bus Station, Warrigal Road Green Link, Kawana Bus Station (stage 2) and Mains Road transit way stops.

Department of Transport and Main Roads	Notes	2014-15 Target/Est.	2014-15 Est. Actual	2015-16 Target/Est.
Service area: Passenger Transport Services				
Service standards *Effectiveness measures*				
Wheelchair accessible taxi response times compared to conventional taxi fleet response times	T			
Peak Percentage within 18 minutes - Conventional		85	95	85
- Wheelchair		85	85	85
Percentage within 30 minutes - Conventional		95	97	95
- Wheelchair		95	94	95
Off peak Percentage within 10 minutes		85	88	85

2015-16 Queensland State Budget – Service Delivery Statements – Department of Transport and Main Roads 14

Department of Transport and Main Roads	Notes	2014-15 Target/Est.	2014-15 Est. Actual	2015-16 Target/Est.
- Conventional				
- Wheelchair	1	85	75	85
Percentage within 20 minutes - Conventional		95	97	95
- Wheelchair		95	90	95
Patronage on Government contracted services (millions)	T			
South-east Queensland		180.48	176.27	179.74
Bus	2	117.69	113.62	115.81
Rail		49.52	50.19	51.10
Light rail		5.70	6.18	6.81
Ferry	3	7.57	6.28	6.02
Rest of Queensland		12.35	12.29	12.09
Regional air	4	0.40	0.42	0.27
Long distance bus	5	0.12	0.08	0.06
Regional urban bus		11.45	11.45	11.45
TravelTrain	6,7	0.37	0.34	0.31
Average on-time running performance in peak times – CityTrain	T	95%	98%	95%
Percentage of scheduled services delivered – CityTrain	T	99.87	99.80	99.50
Efficiency measures				
Average subsidy per trip provided through the Taxi Subsidy Scheme	T	$7.88	$7.88	$8.05
Average subsidy per passenger on Government contracted services	T			
Regional air	8	$22.74	$21.85	$18.30
Long distance bus	9	$38.38	$51.28	$78.77
Regional urban bus		$3.36	$3.23	$3.22
TravelTrain	10	$462.77	$505.27	$ 541.28
Average cost of subsidy per passenger trip in SEQ – bus, rail, light rail and ferry	T	$7.10	$6.78	$6.82

Notes:

T. Denotes service standards for which accountability rests with the Deputy Premier, Minister for Transport, Minister for Infrastructure, Local Government and Planning and Minister for Trade.

1. Response times for wheelchair accessible jobs are longer than response times for conventional taxis. This may be due to drivers not prioritising wheelchair work or because they are engaged in providing other services under a contract with other entities such as Department of Veterans' Affairs.
2. The decrease in bus patronage is due to the mode shift from bus services to G:Link light rail services which commenced in July 2014.
3. The decrease in ferry patronage is due to timetable changes and ferry terminal closures/works.
4. The 2015-16 regional air patronage target/estimate has decreased due to a reduction in government contracted routes. New regional air contracts commenced on 1 January 2015 for seven contracted routes. Three routes were deregulated.
5. The decrease in long distance bus patronage is due to increased competition from other long distance bus and air operators, and a drop off in resource sector activity in some parts of regional Queensland.
6. The decrease in TravelTrain patronage is due to changes to the Westlander and Inlander service offering. Competition with other transport modes is maintaining downward pressure for TravelTrain services and reflects a continuation of historical trends of decreasing patronage.

7. The 2015-16 patronage Target/Estimate has decreased as electric tilt trains will be out-of-service for scheduled maintenance. The replacement diesel trains have lower seating capacity and will add additional time to the customer's journey.
8. New regional air contracts commenced on 1 January 2015. The new contracts operate under a risk/revenue-sharing funding model which has resulted in a change to the calculation methodology to include operator revenue in this service standard. The 2015-16 Target/Estimate has been adjusted accordingly.
9. New long distance bus contracts commenced on 1 January 2015. The new contracts operate under a risk/revenue-sharing funding model which has resulted in a change to the calculation methodology to include operator revenue in this service standard. Increasing average subsidy on long distance bus services can be attributed to an additional four contracted routes and declining patronage.
10. Increasing average subsidy on TravelTrain services is due to declining patronage and indexation on cost of service.

Appendix 4 –ATO Guidance on GST Requirements of Providers of "Ride Sharing" Services

Summary of the ruling by the ATO in December 2015 of the requirement for ride-sharing drivers to pay GST.

Providing taxi travel services through ride-sourcing and your tax obligations

For GST purposes, the word taxi means a car (vehicle) made available for public hire that is used to transport passengers for fares.

State and territory laws regulating transportation of passengers contain specific definitions of the term taxi. It is possible for a vehicle to be a taxi for GST purposes, but not for state and territory regulatory purposes.

This information clarifies how the tax laws we administer apply to ride-sourcing.

We express no view about whether ride-sourcing vehicles are taxis within the state and territory specific definitions, or on the legality of ride-sourcing arrangements.

What is ride-sourcing?

Ride-sourcing is an ongoing arrangement where:

- you (a driver) make a car available for public hire
- a passenger uses, for example, a website or smart phone app provided by a third party (facilitator) to request a ride
- you use the car to transport the passenger for payment (a fare) with a view to profit.

Ride-sourcing arrangements can be enabled by a technology platform maintained by a third-party facilitator. Typically, a website or mobile device application is used to facilitate a transaction between a driver and a passenger.

Ride-sourcing is one example of collaborative consumption in the sharing economy.

This guidance does not apply in some situations This guidance does not apply to:

- non-commercial car-pooling arrangements where passengers contribute petrol money or other arrangements where there is no view to profit
- car sharing arrangements where multiple users have access to a car which they use to drive themselves from one location to another
- arrangements that use vehicles other than cars, for example motorised tricycles
- arrangements where a car is used only to transport passengers for a particular purpose, for example a wedding or a funeral procession, and which is not made available more generally to transport members of the public from one place to another.

This guidance focuses on the tax implications for drivers providing ride-sourcing services, as they are the most affected.

GST consequences in providing ride-sourcing services

If you provide ride-sourcing services, you are providing taxi travel services. This is because you make a car available for public hire and use it to transport passengers for a fare.

Under GST law, if you carry on an enterprise and provide taxi travel services in that enterprise, you are required to be registered for GST regardless of your turnover.

Are you carrying on an enterprise?

An enterprise is an activity done in the form of a business.

If you provide ride-sourcing services to the public you are likely to be carrying on an enterprise. This is particularly the case if you operate in a business-like manner where, for example, you provide invoices to your customers.

If you operate infrequently or your activities are not commercial, you may not be carrying on an enterprise.

Example 1: GST calculated on full fare

If you are registered or required to be registered, GST must be calculated on the full fare, not the net amount you receive after deducting any fees or commissions.

For example, if a passenger pays $55 and the facilitator pays you $44 (after deducting an $11 commission) the GST payable is $5 (not $4).

Example 2: GST credits on business purchases

GST credits on your business purchases can be claimed, but must be apportioned between your business and private use.

For example, if you use your car 10% for ride-sourcing and 90% for private purposes, and you:

- *buy a new car to use for your ride-sourcing activity for $33,000 (including $3,000 GST) - you may claim a GST credit of $300*
- *pay $110 for fuel (including $10 GST) - you may claim a GST credit of $1*
- *pay $220 for a service (including $20 GST) - you may claim a GST credit of $2.*

You may be able to claim a proportion of GST credits for other business purchases you make.

What you need to do

If you do not have an Australian business number (ABN) and are not registered for GST, you must get an ABN and register for GST as soon as possible. You can get an ABN and register for GST at the same time if you register online. You will receive your ABN immediately if you provide all the information we require. We will notify you in writing of your GST registration details, including the date your registration is effective.

You should advise your facilitator that you are registered for GST. Your facilitator may issue a tax invoice for you or assist you with your GST and income tax obligations.

If a passenger requests a tax invoice, not just an invoice, for a fare over $82.50 (including GST) you **must** provide one. If the facilitator cannot do this on your behalf, use a tax invoice book with your ABN on it.

You are required to lodge business activity statements (BAS) and pay any GST by the due date.

Note: You may be subject to penalties if you do not comply with any of the above GST obligations and requirements.

Income tax consequences in providing ride-sourcing services

If you provide ride-sourcing services you are likely to be running a business, as you are providing your services:

- for a commercial reason
- with an intention of making a profit
- in a regular and repeated manner
- in a business-like manner including, for example, by issuing invoices to customers or engaging a facilitator to issue invoices on your behalf.

However, if you operate infrequently or your activities are otherwise non-commercial, you may not be running a business.

The income you earn or have earned from your ride-sourcing business is assessable income and must be reported in your income tax return. You can also claim deductions for expenses that you incur in relation to providing ride-sourcing services.

This applies even if you run your ride-sourcing business on a casual basis to supplement your income from another job or other business activities.

There are a few different business structures under which you can run your business. These include:

- sole-trader
- partnership
- company
- trust.

Unless you have made other formal arrangements in relation to your business structure you will be a sole trader, ie providing ride-sourcing services.

As a sole trader the operation and provision of your services are under your control. This is the case even when you source your business through a technology platform maintained by a third-party facilitator.

As a sole trader you use your tax file number (TFN) when lodging your income tax return and you pay tax at the same income tax rates for individual taxpayers.

How to avoid large bills for income tax

If you are earning regular income from your ride-sourcing business you may want to enter our pay as you go instalment system. This will allow you to pay small amounts throughout the year, which will be offset against any income tax you need to pay once you have lodged your return.

Deductions

Expenses you incur in running the ride-sourcing business will also be deductible. This may include expenses that relate to holding, maintaining or operating any assets used to provide the ride-sourcing services.

If you are able to claim a GST credit for the GST you paid on an expense, you can only claim the remaining amount (the total cost less GST) as an income tax deduction.

If you incur an expense that is both related to your business and is private or domestic in nature, you can only claim a deduction for the work-related proportion of the expense. Any expense claimed must not be private or domestic in nature.

For example, if you buy a meal to eat while on a break from providing ride-sourcing services it is not a business deduction; it is a private expense and cannot be claimed as an expense. If you use a mobile phone for personal use as well as to be notified of ride-sourcing work, you will be able to claim a proportion of the expenses for the mobile phone as a deduction against your business income, but only the amount that relates to its business use.

Calculating and proving how much of an expense is business-related

When you claim a portion of the expense as a business deduction you need to be able to show how you calculated the apportionment.

Common methods of showing how you apportioned expenses include:

- keeping diary entries of specific usage throughout the year
- keeping a diary of all use, separated into business and personal use, for a 12-week period to establish a pattern of use which can be used to calculate a percentage for the whole year
- claiming expenses from an itemised bill.

Records can be kept in hard copy or electronically. All records need to be kept for five years following the lodgement of your tax return.

Claiming car expenses

We anticipate that most ride-sourcing drivers will use their car for both personal and business use. This means you will need to apportion any car expenses deductions between personal and business use.

To be able to claim a deduction on car expenses, you must own or be named as the lease or hire purchaser of the vehicle. If your spouse or de-facto partner is the owner of the car we will accept that the car is a joint asset and will allow you to claim deductions for the car in those circumstances.

If you are operating as a sole trader or in a partnership there are two different methods available to you for claiming car expenses. These include either:

- cents per kilometres travelled
- keeping a logbook to calculate a proportion of car expenses claimed.

The cents-per-kilometre method is only available to you if are claiming less than 5,000 kilometres for the year. The rate that you are paid per kilometre will cover claims for all the general running costs of your car including petrol and oil, insurance, servicing and maintenance costs and depreciation. You don't need to show written evidence of how you calculated the number of kilometres that you are claiming less than 5,000 kilometres, but we can still ask how you calculated the kilometres you have claimed.

If you are claiming for more than 5,000 kilometres you must keep a logbook for a 12-week period to calculate the proportion of business expenses that you can claim in relation to your car expenses. You must keep a

logbook for a 12-week period in the first year of business, recording all trips taken, kilometres travelled (odometer readings) and details of whether the trip was for personal or business reasons.

Regardless of which method you use to claim car expenses, when calculating kilometres travelled for a journey you need to remember that you cannot claim kilometres that are for personal or domestic travel. You can only claim for the kilometres travelled that are related to providing ride-sourcing services and earning that income.

Simply turning on the ride-sourcing technology platform or application while driving to places for a personal or domestic purpose does not mean that you will be able to claim all the kilometres travelled in those journeys.

Example 3: personal travel combined with providing ride-sourcing services

Gina has a job in the city and has recently signed up to be a ride-sourcing driver to earn extra income.

Gina turns on her application every morning when she drives to work. Some days Gina is notified of jobs and collects passengers and drops them off before driving to work. Other days Gina does not get notified of any jobs or she rejects jobs because she does not have time to complete the job and get to work in time.

On the days that Gina does not get jobs, or gets notified of jobs and rejects them, she cannot claim the kilometres travelled even though the application was turned on. The main purpose of the travel is for Gina to get to her main job which is for a private purpose.

On the days that Gina is notified of a job and decides to accept it, she needs to take an odometer reading at the time of accepting a job and at the time her ride-sourcing job has been completed. This is because Gina can only claim the kilometres where she was driving to collect a client and the trip for the client as they are the only kilometres associated with providing the ride-sourcing service and earning income.

Gina cannot claim the kilometres from where she dropped off the client and travelled to her main job because she is not travelling between workplaces and the main purpose of that trip is to travel to her job which is private expense.

Example 4: travel for income producing purpose turning into a personal trip

It is a Saturday night and Gina has heard that ride-sourcing drivers get a lot of work if they are available. Gina turns on the application as soon as she leaves her house and drives in and around the city for three hours and then drives home. Because Gina's only intention of the trip was for producing ride-sourcing income she can claim all the kilometres from leaving her home up until the point she gets home three hours later.

If at some point when Gina was out looking for work she decided that business was slow and decides to go meet her friends, Gina must take an odometer reading noting the end of the business kilometres travelled at the time she decides to go meet her friends. This is because at that point the purpose of the travel changed from an income producing purpose to a personal trip.

Bridge and road tolls and parking fees

You can only claim a deduction for a bridge and road toll where you have incurred the expense while producing ride-sourcing income. You will need to be able to allocate the claim for a bridge or road toll to driving for a ride-sourcing purpose. You can do this by keeping a diary entry noting the charge and allocating it to a specific ride-sourcing service, which may include driving to pick up a ride-sourcing job.

You can only claim a deduction for parking fees where you incur the expense while doing ride-sourcing activities.

Car expenses that cannot be claimed.

There are some car expenses that cannot be claimed as car or business expenses because they are personal expenses or not allowed under the law. This includes things like:

- cost of getting and maintaining a driver licence
- any fines, for example speeding or parking fines.

Example 5: claiming parking fees

Whilst running errands, Gina parks her car and incurs parking fees. As the main purpose of the trip is private she cannot claim the parking fees, even if she had the ride-sourcing application turned on and may be notified of jobs that she may accept in the course of running her errands.

Gina finishes her errands and decides that she may try and find some ride-sourcing work so she drives to the beach in the hope she may pick up a fare in the area. To save on fuel Gina parks the car in the beach parking lot and pays for one hour parking at a cost of $5. Gina sits in the car with the application on and in 30 minutes is notified and accepts a ride-sourcing job. Because the only reason Gina drove to the beach was with the intent of getting ride-sourcing work and earning income she can claim the $5 parking fee paid at the beach parking lot as a business deduction.

Non-commercial losses

In limited circumstances, sole traders can offset a business loss against other income they earn, like salary and wages.

To be eligible to do this you must meet the income requirement and pass one of four tests. If you do not meet these conditions then you cannot offset your business losses against your other income. Instead you carry forward your business loss to the next year to be offset against your business income from the same or a similar business activity.

What the community is asking us

The community has raised some questions regarding the tax implications of providing ride-sourcing services. The following are some of the questions passengers and drivers are asking us.

Passengers

Are ride-sourcing, ride-hailing or ride-sharing services taxable?

- Yes. A driver providing taxi travel via a ride-sourcing or similar enterprise is making a taxable supply under GST legislation.

As a passenger, do I need to do anything differently?

- If you do not run or work for a GST-registered business, then you do not need to do anything differently.
- If the travel was part of running your GST-registered business or the business you work for then you may need to ask for a tax invoice. See the questions that follow for more detail.

Can I claim a GST credit for a fare charged to me or my employee by a ride-sourcing driver?

- If you are registered for GST and the travel was part of running your enterprise, you can generally claim a GST credit for the fare charged to you. You can also generally claim a GST credit if you reimburse your employee for fares charged to them that directly relate to their employment.
- For fares over $82.50, you must hold a tax invoice in order to claim a GST credit.

How much is the GST component that I can claim a GST credit?

- The GST component is one-eleventh of the fare.

Will the driver give me a tax invoice?

- If the fare is more than $82.50, the driver must give you a tax invoice if you request one.
- You may get a tax invoice on behalf of the driver from the business that runs the ride-sourcing app (facilitator) and it might be delivered directly to your mobile phone. If it has the necessary information the driver does not need to give you a separate tax invoice in this situation.
- If the fare is $82.50 or less, the driver is not required to provide you with a tax invoice, but they may do so.
- If the driver does not give you a tax invoice, they might provide a receipt which you may retain as proof of your purchase. The receipt might be sent to you electronically by the business that runs the ride-sourcing app rather than the driver.

What if I don't get a tax invoice and I need to claim a GST credit?

- As a passenger, you only need a tax invoice for fares over $82.50. If you do not receive a tax invoice for fares of over $82.50 immediately, the driver has 28 days to give you the tax invoice.
- If the driver does not give you a valid tax invoice within the 28-day period or gives you an incomplete tax invoice and you want to claim a GST credit, contact us for advice. In many instances your credit card statement details will be sufficient. It would be ideal if you capture the details of the car number plate and report a concern to us.

Can I claim GST credits for past rides already taken but not yet claimed?

- Yes, if you are entitled to claim a GST credit for a past ride, but you have not yet claimed it, you can do so on your next activity statement. This is provided you lodge it within four years of the due date for lodging your activity statement for the tax period in which you took the ride. If the fare is more than $82.50 you need a tax invoice to be entitled to claim the credit. If the fare is $82.50 or less, an invoice or receipt is sufficient.

Drivers

Why did the ATO only issue this advice recently?

- We are aware of some uncertainty about how tax applies to various sharing economy models. Through consultation with relevant stakeholders, we have issued guidance to assist ride-sourcing providers to comply with their taxation obligations and assist with the uncertainty.
- **The ATO's view does not involve new law or policy. Our advice is about how the existing tax law applies to ride-sourcing.**

The ATO advice is being challenged in court. Does the challenge change anything we expect drivers should do?

- Taxpayers often challenge the Commissioner's view but this does not affect our continued administration of the GST law. Similarly, current legal proceedings do also not change the Commissioner's view on our

published guidance. Therefore we will continue to support and advise impacted drivers on how to demonstrate their compliance with the law and the ATO position.

There are conflicting views about ride-sourcing drivers being taxi drivers. Who is correct?

- Our role is to interpret the tax law and to provide advice to the community. Our advice is that drivers providing ride-sourcing services are providing taxi travel under GST law. We are administering the law on that basis.
- Our view is only about how Australian Government tax laws apply and whether a particular activity is taxi travel for GST purposes. The various states and territories have different laws about what a taxi is for their own regulatory purposes and the ATO view of the tax law does not affect the interpretation of what is a taxi for state regulation purposes or for other Australian Government law purposes.

Does this advice apply to other forms of transport?

- We have previously issued some interpretative decisions dealing with other forms of transport and whether or not they involve taxi travel. In summary, rickshaws and motorised tricycles are not cars which we consider a vehicle must be in order to be a taxi.
- We also consider that wedding and funeral cars can be distinguished from taxis. These vehicles are not considered to be used in providing taxi travel because they are not available for public hire for general transportation from point A to B. Instead, while a wedding or funeral car is booked by a member of the public, it is available only for special occasions, and is not available to be hailed or pre-booked by the public for general transportation.
- In some instances, these other businesses will have turnover of at least $75,000 and so they are required to be registered for GST under the normal rules in the GST law.

How does GST apply to fares?

- The fare that is calculated by your facilitator is the full fare including GST. The GST you pay to us, less any GST on your inputs such as fuel, is one-eleventh of the total amount charged to the passenger.

Example 6: GST on fares

During the week Monday 10 August to Sunday 16 August, John does the following jobs:

Day	***Amount $***
Monday	*153*
Tuesday	*220*
Wednesday	*Day off*
Thursday	*256*
Friday	*768*
Saturday	*812*
Sunday	*345*
TOTAL	*2554*
GST (2554/11)	*232.18*

The GST on the week's work is $232.18. John will be able to claim GST credits (input tax credits) on the fuel and other expenses he incurred. The facilitator will charge a commission on the full amount of $2,554.

If the facilitator takes a commission this may be a business expense for the driver and means he can claim the commission as an income tax deduction.

As a ride-sourcing driver, what category do I register my ABN?

- You can use 46239 Road Passenger Transport or 46231 which covers Taxi Services.
- This class consists of units mainly engaged in operating vehicles with drivers for the transportation of passengers.
- We recommend you use 'ride-sourcing' or 'ride sharing' as your business description.

Can I also use the same ABN for earning other income in a different industry?

- If you are already registered for GST as an individual, for example an IT contractor, you must use the same GST registration for your ride-sourcing activities.
- However, if you have a GST-registered company, you need two separate GST registrations - one for you and one for the company. A company is a separate legal entity and it must report its GST separately.

Are ride-sourcing drivers employees or independent contractors?

- Based on our knowledge of the ride-sourcing industry, we consider drivers to be independent contractors instead of employees.
- To be classed as an employee will depend on a number of factors such as whether you supply your own vehicle and whether you are free to choose your own hours.

Are ride-sourcing drivers eligible for all small business concessions and what deductions can be claimed?

- It is likely that ride-sourcing drivers are carrying on a business.
- If you are carrying on a business and you bought an asset for less than $20,000 excluding GST on or after 1 July 2015, you would be entitled to claim an immediate deduction for the asset in your 2015–16 tax return.
- If your purchase is used for both business and private use, you can only claim a GST credit or an income tax deduction for the part of the purchase relating to your business use. For example if you use your car 50% for your business, you can claim 50% of the GST on the fuel and other car-related expenses and 50% of the GST-exclusive cost as an income tax deduction.
- You need to keep records of the income and expenses and how you apportioned for private use.

If a ride-sourcing driver borrows a car, can the driver claim depreciation on the car?

- You can only claim depreciation for assets that you own. You need to be able to prove ownership, for example that the car is registered in your name.

As a driver, do I have to issue a tax invoice?

- If a passenger requests a tax invoice (not just an invoice) for a fare over $82.50 (including GST) you **must** provide one. If the facilitator cannot do this on your behalf, use a tax invoice book with your ABN on it.
- The tax invoice must contain the driver's details such as ABN. If the facilitator will issue tax invoices on your behalf, you should contact the facilitator and advise them of your GST registration status.

Can facilitators issue tax invoices on behalf of drivers?

- A facilitator can issue a tax invoice to the passenger on behalf of the driver if their system allows this.

As a passenger, what can I do if I don't receive a tax invoice?

- As a passenger in ride-sourcing, you only need a tax invoice for fares over $82.50. If you do not receive a tax invoice for fares of over $82.50 immediately when you ask the ride-sourcing driver for a tax invoice, the driver has 28 days to give you the tax invoice.
- If the driver does not give you a valid tax invoice within the 28-day period or gives you an incomplete tax invoice, you can ask us for permission to claim the GST credit.
- To request permission to claim the credit, you can:

  email us at GSTmail@ato.gov.au

  write to us at
  Australian Taxation Office
  PO Box 3524
  ALBURY NSW 2640

What records do ride-sourcing drivers need to keep?

- Records may include logbooks of odometer readings and electronic records from your facilitator.

What is the ATO's compliance approach to ride-sourcing?

- We do not want to stand in the way of people carrying on their business and we want to make it as easy as possible for you to comply.
- We recognise that many drivers under ride-sourcing arrangements may not have realised they were required to be registered for GST because the business model and technology platform is new. We provided clear advice and gave drivers extra time until 1 August 2015 to get registered.
- Even though our interpretation of the GST law is relevant for earlier periods, we do not plan to apply compliance measures to ride-sourcing for periods before 1 August 2015 unless there is evidence of fraud or other serious matters.
- From 1 August 2015 we expect that all drivers involved in providing ride-sourcing services are registered for GST and meeting their GST obligations like any other taxpayer.

Is GST payable on a toll charge passed on to a passenger?

- Yes, GST is payable on the toll passed on to the passenger, but you (the driver) are entitled to claim a GST credit for the GST included in the price of the toll charged by the tollway owner for the journey.

Example 7: GST on a toll charge

A driver transports a passenger and pays a toll of $2.20 including 20c GST. The driver claims a GST credit of 20c.

The fare is, say, $22.00 including $2.00 GST. The total charge including tolls is $24.20.

The driver's GST liability on the fare is $2.20, including 20c relating to the toll.

The driver's GST liability on the 20c toll is exactly offset by their 20c GST credit.

End of example

What is the GST treatment of bonus and top-up payments?

- GST is a tax on consumption in Australia only. If you receive a bonus or top-up payment from an overseas facilitator the service you are providing is not consumed in Australia and is GST-free.
- These GST-free services may include:
  - » marketing and promoting the facilitator to potential customers for which you may receive bonus payment from the facilitator, for example when a new customer quotes your reference code or other identifier
  - » operating during certain times, such as peak hours for which you receive a top-up payment from the facilitator - the top-up payment is not part of the fare and is in addition to the fare paid by the passenger.

What are the GST consequences of delivering goods through a ride-sourcing arrangement?

- If a customer orders delivered goods from an overseas facilitator, and a facilitator engages you as the driver to deliver the goods and pays you, your delivery service is consumed by a customer in Australia and is subject to GST, even though the facilitator is based overseas.

What is the GST treatment of cancellation or no show fees?

- Under ride-sourcing arrangements, the customer may be obliged to pay a fee when they do not show for a trip arranged through the app (a no show). In these cases, you may drive to the location and perform other tasks in preparation to transport the customer. These services are performed for the benefit of the customer in Australia and any cancellation fee that is charged to the customer will be subject to GST.

Appendix 5 – Annual Growth in Consumer Prices – Transport Related Groups, Brisbane

Change in the cost of transport-related consumer prices, in Greater Brisbane, based on the same quarter in the previous year. Data from the Australian Bureau of Statistics.

Quarter	Transport	Private Motoring	Motor Vehicles	Spare Parts and Accessories	Automotive Fuel	Maintenance and Repair of Motor Vehicles	Other services in respect of motor vehicles	Urban transport fares
Sep-1981	10.1%	10.0%	8.1%	5.4%	18.8%	6.1%	3.5%	3.9%
Dec-1981	14.3%	15.2%	10.8%	5.2%	18.9%	9.2%	48.7%	5.3%
Mar-1982	16.4%	17.2%	10.6%	3.4%	24.8%	8.6%	47.0%	8.4%
Jun-1982	8.5%	8.7%	9.6%	2.8%	-4.1%	14.7%	50.4%	7.6%
Sep-1982	14.7%	15.1%	8.9%	2.7%	14.1%	15.7%	51.3%	15.0%
Dec-1982	10.1%	9.6%	5.3%	3.6%	13.4%	12.4%	5.8%	22.5%
Mar-1983	9.4%	8.6%	8.1%	6.0%	8.2%	15.9%	4.7%	22.5%
Jun-1983	10.2%	9.3%	10.3%	7.9%	11.9%	10.1%	2.3%	22.5%
Sep-1983	9.0%	8.2%	10.1%	9.9%	4.9%	8.6%	1.7%	20.3%
Dec-1983	11.4%	11.1%	10.9%	7.6%	12.9%	8.8%	1.7%	11.2%
Mar-1984	8.6%	8.2%	6.7%	9.1%	9.0%	5.0%	2.8%	8.6%
Jun-1984	12.0%	12.1%	5.0%	9.3%	19.3%	6.1%	14.4%	8.6%
Sep-1984	8.2%	8.2%	3.9%	6.8%	12.1%	6.1%	19.7%	6.5%
Dec-1984	4.2%	4.1%	3.3%	8.8%	1.0%	4.2%	19.6%	6.9%
Mar-1985	5.9%	6.0%	6.2%	6.5%	4.3%	5.0%	18.9%	6.3%
Jun-1985	6.3%	6.3%	7.9%	5.2%	6.7%	3.8%	7.3%	8.5%
Sep-1985	9.0%	8.9%	10.3%	6.0%	12.4%	4.6%	1.8%	13.3%
Dec-1985	9.8%	9.6%	11.8%	3.5%	9.4%	7.2%	1.8%	11.9%
Mar-1986	10.7%	10.5%	13.2%	5.9%	7.0%	10.2%	3.2%	13.4%
Jun-1986	5.2%	4.4%	13.1%	3.3%	-11.6%	12.0%	2.7%	12.2%
Sep-1986	6.0%	5.7%	15.7%	2.1%	-11.0%	13.2%	2.7%	10.4%
Dec-1986	10.4%	10.5%	20.7%	4.4%	0.9%	12.3%	4.5%	8.9%
Mar-1987	10.6%	10.9%	19.1%	3.8%	2.7%	11.3%	4.4%	8.3%
Jun-1987	14.7%	15.1%	18.7%	5.7%	14.1%	10.0%	18.1%	9.6%
Sep-1987	11.3%	11.5%	15.5%	8.1%	7.6%	8.7%	20.1%	4.1%
Dec-1987	9.0%	9.2%	11.0%	6.0%	5.9%	7.6%	18.4%	4.9%
Mar-1988	6.5%	6.5%	10.1%	6.9%	1.7%	4.4%	18.1%	6.5%
Jun-1988	5.6%	5.7%	10.7%	9.1%	0.3%	5.9%	4.5%	7.1%
Sep-1988	5.9%	5.9%	10.6%	5.5%	1.8%	5.6%	2.9%	10.2%
Dec-1988	3.1%	2.8%	9.6%	7.2%	-8.9%	6.2%	11.9%	9.3%
Mar-1989	3.1%	2.9%	8.7%	5.3%	-8.5%	6.8%	11.1%	8.7%
Jun-1989	4.9%	4.5%	6.4%	2.2%	3.5%	4.1%	11.4%	7.8%
Sep-1989	5.2%	5.2%	5.6%	3.4%	3.5%	5.3%	17.3%	7.1%
Dec-1989	7.6%	7.5%	5.6%	1.0%	14.3%	5.8%	7.1%	7.1%
Mar-1990	9.5%	9.5%	5.2%	1.6%	23.5%	6.2%	6.8%	7.3%
Jun-1990	7.4%	7.2%	3.7%	3.1%	13.1%	9.2%	6.4%	10.0%

Quarter	Transport	Private Motoring	Motor Vehicles	Spare Parts and Accessories	Automotive Fuel	Maintenance and Repair of Motor Vehicles	Other services in respect of motor vehicles	Urban transport fares
Sep-1990	6.3%	5.8%	-0.4%	1.5%	15.4%	7.6%	6.3%	9.6%
Dec-1990	10.2%	10.3%	-0.9%	3.3%	31.9%	7.5%	6.6%	10.0%
Mar-1991	3.4%	3.1%	-1.3%	4.2%	4.3%	8.0%	6.6%	10.4%
Jun-1991	2.7%	2.6%	1.1%	0.8%	-1.5%	4.5%	6.9%	6.9%
Sep-1991	4.8%	4.8%	5.6%	0.2%	0.2%	4.9%	5.9%	7.6%
Dec-1991	-0.2%	-0.5%	7.8%	-1.1%	-17.1%	3.3%	6.2%	6.9%
Mar-1992	3.9%	3.9%	7.1%	-2.9%	-2.9%	2.9%	6.2%	4.7%
Jun-1992	3.5%	3.4%	3.3%	-0.1%	3.8%	2.0%	5.9%	3.5%
Sep-1992	2.4%	2.3%	2.2%	1.3%	3.2%	1.1%	1.9%	2.5%
Dec-1992	0.8%	0.5%	-0.9%	-0.6%	1.2%	0.7%	1.6%	2.8%
Mar-1993	1.3%	0.8%	2.1%	-0.2%	1.0%	-0.4%	1.6%	4.8%
Jun-1993	2.5%	2.1%	5.6%	-7.2%	1.5%	0.7%	1.6%	5.9%
Sep-1993	1.0%	0.6%	6.3%	-6.6%	-4.2%	1.1%	2.9%	4.1%
Dec-1993	2.0%	1.9%	5.1%	-3.6%	-1.0%	2.5%	2.9%	4.1%
Mar-1994	1.2%	1.0%	3.9%	-3.2%	-4.7%	3.2%	3.7%	4.0%
Jun-1994	2.1%	2.1%	2.4%	1.0%	-1.2%	3.5%	3.7%	4.3%
Sep-1994	3.6%	3.3%	3.1%	0.4%	0.2%	3.1%	6.9%	6.1%
Dec-1994	2.8%	2.4%	5.2%	-0.1%	-4.1%	2.2%	6.6%	6.1%
Mar-1995	4.3%	4.1%	3.5%	-1.2%	4.9%	1.9%	5.8%	3.9%
Jun-1995	3.2%	3.1%	5.0%	-2.3%	0.5%	0.5%	5.8%	3.3%
Sep-1995	3.7%	4.0%	4.5%	0.4%	5.6%	3.0%	0.0%	0.7%
Dec-1995	4.0%	4.3%	3.5%	-2.8%	6.3%	4.7%	4.1%	0.7%
Mar-1996	3.3%	3.4%	3.3%	-2.9%	2.9%	4.8%	4.1%	2.0%
Jun-1996	3.9%	3.8%	1.3%	0.3%	5.9%	5.2%	4.1%	5.9%
Sep-1996	1.8%	1.3%	-2.7%	-3.2%	-2.1%	3.1%	6.7%	5.9%
Dec-1996	2.8%	2.2%	-3.6%	0.4%	4.3%	0.8%	3.7%	6.9%
Mar-1997	3.2%	2.8%	-5.3%	0.4%	6.4%	0.6%	4.4%	9.5%
Jun-1997	1.4%	0.7%	-8.1%	0.7%	1.6%	1.4%	4.4%	5.8%
Sep-1997	1.2%	0.9%	-3.7%	-1.5%	2.6%	0.5%	3.6%	5.6%
Dec-1997	0.6%	0.1%	-6.8%	-2.6%	2.5%	0.8%	2.7%	4.8%
Mar-1998	-1.3%	-1.7%	-3.7%	-2.9%	-5.8%	0.6%	2.6%	1.6%
Jun-1998	-0.7%	-0.9%	-2.2%	-2.4%	-3.6%	0.9%	2.6%	0.7%
Sep-1998	-2.2%	-2.8%	-7.0%	-0.5%	-6.2%	2.8%	1.1%	2.9%
Dec-1998	-2.5%	-2.9%	-3.7%	0.8%	-9.1%	2.4%	1.5%	2.9%
Mar-1999	-1.8%	-2.2%	-4.7%	1.3%	-5.7%	3.0%	1.1%	3.5%
Jun-1999	-0.7%	-1.0%	-3.7%	-0.5%	-1.6%	1.9%	1.1%	3.9%
Sep-1999	3.8%	4.0%	-1.7%	0.8%	13.8%	1.7%	1.3%	1.7%
Dec-1999	3.2%	3.1%	-1.8%	-1.1%	12.7%	-0.9%	0.6%	2.6%
Mar-2000	6.6%	6.9%	-0.5%	-1.5%	24.7%	-0.9%	1.1%	2.8%
Jun-2000	7.1%	7.4%	-1.5%	-1.3%	24.9%	-0.9%	1.5%	2.3%
Sep-2000	7.2%	6.6%	-2.9%	-5.1%	25.1%	0.0%	5.1%	16.0%
Dec-2000	7.5%	6.8%	-3.1%	-3.1%	23.9%	3.0%	5.1%	18.0%
Mar-2001	4.6%	3.8%	-2.3%	-1.7%	10.9%	5.1%	4.4%	16.5%

Quarter	Transport	Private Motoring	Motor Vehicles	Spare Parts and Accessories	Automotive Fuel	Maintenance and Repair of Motor Vehicles	Other services in respect of motor vehicles	Urban transport fares
Jun-2001	5.2%	4.4%	1.0%	0.4%	10.0%	6.5%	4.0%	16.5%
Sep-2001	1.1%	0.7%	3.3%	3.6%	-7.8%	6.8%	2.6%	6.5%
Dec-2001	1.5%	1.4%	4.9%	4.2%	-8.9%	9.1%	2.8%	3.7%
Mar-2002	1.6%	1.5%	3.8%	4.7%	-6.2%	5.9%	2.8%	3.7%
Jun-2002	0.9%	0.8%	2.0%	1.9%	-5.1%	5.2%	3.4%	3.9%
Sep-2002	1.4%	1.5%	-0.6%	2.7%	2.1%	3.5%	3.7%	0.2%
Dec-2002	2.3%	2.5%	-0.8%	2.7%	7.1%	2.4%	3.5%	0.2%
Mar-2003	4.2%	4.5%	-2.4%	2.1%	17.5%	2.9%	3.5%	0.3%
Jun-2003	-0.9%	-1.0%	-3.1%	2.3%	-3.1%	3.3%	3.1%	0.2%
Sep-2003	1.1%	0.9%	-2.7%	2.8%	2.8%	3.6%	3.8%	1.2%
Dec-2003	-0.5%	-0.8%	-3.5%	0.7%	-1.1%	2.4%	4.2%	2.9%
Mar-2004	-1.4%	-1.8%	-4.5%	1.4%	-4.8%	3.5%	5.3%	2.7%
Jun-2004	3.8%	3.8%	-3.8%	0.4%	16.3%	3.5%	4.3%	2.9%
Sep-2004	2.9%	3.3%	-4.8%	0.9%	14.1%	4.2%	3.3%	-0.5%
Dec-2004	4.6%	5.1%	-3.8%	1.3%	17.6%	6.5%	3.8%	-0.8%
Mar-2005	2.9%	3.1%	-2.8%	0.8%	9.5%	6.1%	2.9%	-0.7%
Jun-2005	3.4%	3.6%	-3.8%	2.7%	10.9%	5.8%	4.7%	-0.8%
Sep-2005	5.9%	6.1%	-1.6%	2.1%	19.6%	3.5%	4.9%	3.7%
Dec-2005	4.4%	4.4%	-3.0%	2.5%	17.0%	2.0%	3.8%	5.3%
Mar-2006	6.3%	6.3%	-2.0%	-0.5%	23.9%	1.6%	4.4%	5.2%
Jun-2006	7.8%	7.9%	-0.4%	2.3%	26.3%	2.6%	3.3%	5.2%
Sep-2006	5.1%	4.9%	1.2%	1.5%	11.5%	4.0%	3.4%	7.0%
Dec-2006	1.7%	1.6%	2.2%	1.4%	-1.2%	4.1%	4.5%	4.0%
Mar-2007	1.1%	1.1%	1.9%	3.4%	-2.6%	2.8%	4.7%	4.0%
Jun-2007	0.6%	0.6%	1.7%	3.3%	-3.4%	1.7%	6.2%	4.0%
Sep-2007	-0.6%	-0.7%	0.4%	6.2%	-6.5%	2.1%	7.1%	3.0%
Dec-2007	5.4%	5.5%	0.2%	3.7%	14.0%	3.2%	7.9%	3.0%
Mar-2008	7.1%	7.1%	0.5%	6.0%	18.0%	4.6%	8.3%	6.1%
Jun-2008	7.8%	7.8%	0.5%	5.3%	18.8%	5.0%	9.3%	6.1%
Sep-2008	10.2%	10.3%	0.5%	4.3%	26.9%	6.0%	10.6%	6.1%
Dec-2008	0.3%	0.1%	-1.9%	7.1%	-3.9%	5.9%	9.4%	6.1%
Mar-2009	-3.3%	-3.7%	-1.4%	7.7%	-15.6%	5.2%	8.0%	6.5%
Jun-2009	-5.9%	-6.4%	-1.7%	7.3%	-21.3%	5.6%	5.5%	6.5%
Sep-2009	-3.2%	-3.3%	-0.7%	5.4%	-15.0%	3.8%	13.8%	3.3%
Dec-2009	2.9%	2.9%	1.1%	4.2%	2.1%	1.2%	13.8%	4.9%
Mar-2010	6.8%	6.2%	0.4%	1.2%	15.0%	2.0%	14.1%	15.5%
Jun-2010	7.5%	7.1%	1.9%	-0.6%	14.7%	2.0%	17.6%	15.5%
Sep-2010	2.5%	1.7%	0.6%	0.1%	0.2%	2.2%	9.9%	17.5%
Dec-2010	4.0%	3.3%	1.0%	0.5%	4.7%	2.2%	10.8%	15.8%
Mar-2011	4.2%	4.0%	-1.0%	1.1%	8.9%	1.0%	12.1%	8.9%
Jun-2011	4.1%	3.8%	-2.1%	0.6%	10.9%	0.1%	10.3%	11.2%
Sep-2011	4.8%	4.5%	-2.7%	-0.3%	13.6%	2.0%	7.9%	10.2%
Dec-2011	5.2%	4.9%	-1.5%	0.0%	13.1%	3.1%	7.5%	10.2%

Quarter	Transport	Private Motoring	Motor Vehicles	Spare Parts and Accessories	Automotive Fuel	Maintenance and Repair of Motor Vehicles	Other services in respect of motor vehicles	Urban transport fares
Mar-2012	3.9%	3.3%	-1.2%	-0.2%	6.3%	4.4%	7.4%	11.6%
Jun-2012	2.2%	1.7%	-3.1%	0.9%	3.3%	3.5%	6.7%	9.2%
Sep-2012	1.7%	1.1%	-2.1%	0.6%	1.0%	3.4%	5.7%	9.5%
Dec-2012	0.6%	0.0%	-4.5%	-0.7%	0.5%	2.9%	4.8%	9.5%
Mar-2013	0.2%	-0.2%	-4.1%	-0.6%	0.0%	3.0%	3.7%	5.9%
Jun-2013	-0.9%	-1.5%	-4.7%	-3.1%	-3.9%	5.4%	2.8%	5.9%
Sep-2013	1.7%	1.4%	-3.0%	-3.3%	6.5%	2.3%	1.0%	4.8%
Dec-2013	1.9%	1.7%	-2.2%	0.0%	4.7%	3.5%	0.9%	4.8%
Mar-2014	2.3%	2.1%	-1.1%	-0.9%	7.2%	-0.5%	1.5%	5.2%
Jun-2014	3.1%	2.9%	1.5%	3.0%	7.8%	-2.1%	1.5%	5.2%
Sep-2014	0.4%	0.0%	1.5%	4.2%	-2.2%	-1.3%	1.1%	5.6%
Dec-2014	-1.8%	-2.1%	-0.3%	1.1%	-7.0%	0.2%	1.1%	1.6%
Mar-2015	-6.6%	-6.9%	0.1%	2.3%	-22.1%	0.8%	1.2%	-3.5%
Jun-2015	-3.0%	-2.8%	-0.3%	0.9%	-9.8%	1.0%	1.2%	-3.5%
Sep-2015	-2.9%	-2.9%	-2.6%	2.0%	-9.2%	1.3%	3.0%	-4.0%
Dec-2015	-2.4%	-2.7%	-1.2%	4.8%	-10.6%	0.1%	3.3%	-0.2%

Appendix 6 – Private Motor Vehicle Operating Costs, RACQ

Data on the operating costs of Private Motor Vehicles produced by the RACQ in July 2015.

RACQ 13 1905

Private vehicle expenses 2015

Private ownership costs, new – 5 years @ 15,000km per year

Introduction

This Schedule is a guide to the average cost of owning and operating vehicles for private purposes. It is based on typical vehicles in various sizes available in Australia and provides an indication of the likely areas of expense. The tables provide costings for 113 vehicles. Models are generally chosen from the top selling vehicles in each class. This year we have again included six popular Prestige models from Audi, BMW and Mercedes-Benz from Medium Prestige and Small Prestige categories.

All costs used in these calculations were current as at 20th April 2015, unless otherwise noted.

We have again included Commodore and Falcon models running on petrol and also on LPG. A number of diesel and hybrid sedan and hatch models have also been included. Three vehicles using plug-in electric technology have been included.

Please note that standing costs are shown in the tables as dollars per week and running costs as cents per kilometre amounts. The totals are shown as cents per km and as total dollars per week, total dollars annually and total dollars over 5 years.

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CALCULATION PERIODS AND DISTANCES

Private Motoring

Calculations have been made for an annual distance of 15,000 km in line with Australian Bureau of Statistics surveys of Australian vehicle use. They are based on buying a new vehicle and operating it for 5 years.

Depreciation

Annual depreciation for private vehicles is calculated using the market rates for each manufacturer as taken from reputable pricing and vehicle data guides. On-road costs including statutory charges and average dealer delivery fee of $2375.00 are not included in the purchase price and are factored into the relevant indicated line of the standing costs.

The purchase price includes air conditioning and on cab chassis light commercial models, an optional tray from the manufacturer. #✪

Notes:

Purchase prices are list prices as at 16th May 2015.

✪Purchase prices include LPG equipment where shown. The Government $2000 gas rebate on purchase of new gas vehicles, phased out as at 30th June 2014 and therefore is no longer included in calculations.

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Interest

We have assumed 100% of the total cost (including statutory and other on-road costs) of the new vehicle has been financed. The loan through RACQ Finance is secured, has a 5-year term with monthly repayments and an assumed market-competitive fixed interest rate of 7.45%. A $294.00 loan application fee and $15.44 registration of interest and search fee have been included.

RACQ Finance details shown are indicative only; actual rates, terms, conditions and fees may vary.

Registration and Insurance

Registration costs, other statutory fees, and Compulsory Third Party insurance costs are current as at 1st July 2015. Calculations include CTP cover (Classes 1 and 6, private use) provided by RACQ Insurance. *See note† below.*

RACQ comprehensive insurance rates are based on the assumption that the driver is male, 35 years of age, carries a $600 basic excess, has an average no claims bonus, the car will be garaged at an average risk postcode, the vehicle is financially encumbered and that market value cover applies. Rates are for private use.

Registration fees - Queensland

Cylinders	3	4	5	6	8
Total $ Payable- *Class 1*† (as at 1/7/15)	615.05	677.00	846.10	846.10	1029.85
Total $ Payable- *Class 6*† (as at 1/7/15)	658.05	720.00	889.10	889.10	1072.85

Note: There is a plate charge for new registration of $27.25
Class 1 = Cars; Class 6 = Utilities

†Total fee includes CTP cover provided by RACQ Insurance. Total fee may vary slightly from those shown depending on CTP insurance provider actually chosen. Registration costs also include a traffic improvement fee.

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The average running costs shown in the' Private vehicle average running costs' table are developed from the averages for the combined vehicles in the respective categories as listed in this fact sheet's 'New to 5 years' ownership cost tables.

Private vehicle average running costs		
Vehicle Category	Cents /km	Average $ per week
Micro	40.3	$116.11
Light	50.1	$144.45
Small	60.8	$175.26
Medium	78.0	$225.08
Prestige Small	77.3	$223.08
Prestige Medium	104.2	$300.67
Large	84.4	$243.39
People Movers	83.5	$240.77
SUV Small	63.5	$183.04
SUV Medium	73.5	$211.88
SUV Large	83.6	$241.03
SUV All Terrain	115.4	$332.82
Lt. Commercial 4x2	77.5	$223.62
Lt. Commercial 4x4	90.8	$261.78

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Private Vehicle Reimbursement

Engine Capacity		Rate per kilometre
Ordinary Cars	Rotary engine cars	Cents per km
Up to 1600 cc (1.6 litre)	Up to 800 cc	63.0 cents
(1.60 litre - 2.6 litre)	*(0.8 litre or less)*	
1601 - 2600 cc	801 - 1300 cc	74.0 cents
(1.60 litre - 2.6 litre)	*(0.81 litre - 1.3 litre)*	
over 2600 cc	over 1300 cc	75.0 cents
(2.60 litre and over)	*(1.301 litre or over)*	

These rates are allowable for vehicles travelling less than 5,000 business km/yr and are the latest available at the time of publication. For distances greater than this, we recommend that you seek advice from your accountant or the Australian Tax Office.

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Shown above is a table of the rates allowed by the Australian Taxation Office (ATO) when claiming a deduction for the use of a private motor vehicle in conjunction with your employment. The rates shown are for the *previous* financial year (2013/2014) as the new rates for 2014/2015 financial year were not available at time of compilation.

For persons using their own car for business purposes, the actual amount reimbursed by their employer may be dependent on the particular award or other employment conditions under which they are employed.

Private Vehicle Reimbursement Rates

As of 1st July 2015 there will only be two methods for an individual to claim work-related car expenses:

- 66 cents per kilometre flat rate /or
- Log Book method – using odometer readings for the log book period.

These rates are allowable for vehicles travelling less than 5,000 business km/yr and are the latest available at the time of publication. For distances greater than this, we recommend that you seek advice from your accountant or the Australian Tax Office.

Roadside Assistance and Driver's Licence Fee

Club membership is based on basic RACQ Club Care at the fee applicable as at 1st July, 2015. The fee applicable as of 1st

July, 2015 for a 5-year Queensland Smartcard driver's licence has been used.

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Fuel

Fuel costs of 130.05 cents/litre (ULP), 141.12 cents/litre (PULP), 138.37 cents/litre (diesel) and 72.37 cents/litre (LPG) are based on the average price in Brisbane for the last six months prior to the time of calculation.

Fuel consumption data was based on the Australian Design Rule 81/01 standard fuel consumption test.

For the electric vehicles the domestic electricity tariff 11 of 27.92 cents/kWh has been used and official power consumption as provided by the manufacturer. In the case of the Holden Volt and Mitsubishi Outlander PHEV which combine electric and petrol engine technologies, the domestic electricity tariff and appropriate petrol costs and official fuel consumption have been used.

Tyres

We assume replacement of tyres on the following basis:-

- 4 tyres every 45,000 kms
- Plus 1 tyre during the 5 year period due to puncture damage beyond repair

Replacement costs include fitting and balancing and in conjunction with replacing the four tyres the cost of a wheel alignment. Costs are at retail pricing. Tyre selection is based on the most suitable replacement for the original equipment branded tyre or a tyre of equivalent specification of a different brand suitable for the vehicle.

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Service and repairs

Maintenance costs include servicing according to the manufacturer's schedule plus repairs and spare parts that are likely to be required for normal driving conditions and assumed annual distances. A labour rate of $151.04 per hour including GST has been used.

With the exception of Audi, BMW, Fiat, Jeep and Mercedes-Benz manufacturers offer capped price servicing and this has been factored into our costings. With BMW we use their service inclusive program which is a one-off payment that covers servicing for an elected period of time. Where a maker's capped price servicing arrangements expire earlier than our five-year calculation period, servicing reverts back to normal maker's schedule at appropriate rates

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Private Ownership Costs, New - 5 years @ 15,000km per year

			Standing Costs (avg $ per week)			Running Costs (avg cents per km)			Total Costs			
Vehicle	List Price	On Road Price (estimated)	Depreciation	Interest on Loan	Other Costs* *see note page 9*	Fuel	Tyres	Service / Repairs	Average cents per km	Avg $ per week	Annual cost	5 year cost
Micro Car Class												
Fiat 500 Pop 1.2L Ssp Manual 3dr hatch	$17,000	$17,000	$36.62	$12.54	$26.23	7.20	0.85	9.51	43.69	$126.03	$6,553.77	$32,768.86
Holden Barina Spark CD 1.2L Ssp Manual 5dr hatch	$12,890	$16,356	$31.98	$12.08	$37.12	6.76	0.88	5.02	40.80	$117.69	$6,119.92	$30,599.58
Mitsubishi Mirage ES 1.2L Ssp Manual 5dr hatch	$11,990	$15,367	$29.74	$11.36	$35.83	5.98	1.01	5.50	39.16	$112.96	$5,874.16	$29,370.78
Nissan Micra ST 1.2L Ssp Manual 5dr hatch	$13,490	$16,912	$34.50	$12.48	$36.45	7.67	0.74	5.68	43.01	$124.08	$6,451.92	$32,259.59
Suzuki Celerio 1.0L Ssp Manual 5dr hatch	$12,990	$12,990	$31.23	$9.65	$23.52	6.11	0.76	5.39	34.59	$99.77	$5,187.87	$25,939.36

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Private Ownership Costs, New - 5 years @ 15,000km per year

Vehicle	List Price	On Road Price (estimated)	Standing Costs (avg $ per week)			Running Costs (avg cents per km)			Total Costs			
			Depreciation	Interest on Loan	Other Costs* see note page 9	Fuel	Tyres	Service / Repairs	Average cents per km	Avg $ per week	Annual cost	5 year cost
Light Car Class												
Ford Fiesta Ambiente 1.5L 6sp Auto 5dr hatch	$17,825	$21,439	$41.13	$15.75	$39.35	7.54	1.18	5.64	47.72	$137.65	$7,157.95	$35,789.77
Holden Barina CD 1.6L 6sp Auto 5dr hatch	$17,590	$21,197	$42.96	$15.57	$39.07	8.71	1.04	6.05	49.64	$143.18	$7,445.49	$37,227.46
Honda Jazz VTi 1.5L CVT 5dr hatch	$16,990	$20,579	$35.94	$15.13	$38.75	7.54	1.34	7.59	47.61	$137.35	$7,142.23	$35,711.13
Hyundai i20 Active 1.4L 4sp Auto 5dr hatch	$18,590	$22,227	$45.40	$16.32	$43.53	7.67	0.81	5.19	50.16	$144.69	$7,524.33	$37,620.64
Kia Rio S 1.4L 4sp Auto 5dr hatch	$16,990	$22,639	$47.84	$16.62	$39.48	8.19	1.01	5.91	51.14	$147.53	$7,671.37	$38,356.83
Mazda2 Neo 1.5L 6sp Auto 5dr hatch	$16,990	$20,579	$37.25	$15.13	$39.51	7.15	1.01	7.97	47.98	$138.39	$7,196.48	$35,982.39
Renault Clio Expression 1.2L Turbo 6sp EDC Auto 5dr hatch	$20,290	$23,978	$48.77	$17.58	$41.83	7.34	1.72	6.06	52.63	$151.81	$7,893.96	$39,469.80
Suzuki Swift GL 1.4L 4sp Auto 5dr hatch	$17,990	$21,609	$38.06	$15.87	$39.62	8.06	1.22	5.52	47.24	$136.27	$7,086.12	$35,430.59
Toyota Prius-C Hybrid 1.5L CVT 5dr hatch	$22,990	$26,529	$54.38	$19.43	$40.96	5.50	1.06	9.45	55.80	$160.96	$8,369.94	$41,849.70
Toyota Yaris Ascent 1.3L 4sp Auto 5dr hatch	$16,490	$20,064	$40.27	$14.76	$39.71	8.19	0.95	8.07	50.05	$144.39	$7,508.11	$37,540.56
Volkswagen Polo 66 TSI Trendline 1.2L Turbo 7sp DSG 5dr hatch	$18,990	$22,639	$45.65	$16.62	$41.10	6.77	1.06	7.21	50.88	$146.76	$7,631.67	$38,158.37

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Private Ownership Costs, New - 5 years @ 15,000km per year

Vehicle	List Price	On Road Price (estimated)	Standing Costs (avg $ per week)			Running Costs (avg cents per km)			Total Costs			
			Depreciation	Interest on Loan	Other Costs* see note page 9	Fuel	Tyres	Service / Repairs	Average cents per km	Avg $ per week	Annual cost	5 year cost
Small Car Class												
Ford Focus LW Ambiente Mk2 1.6L 6sp Auto 5dr hatch	$22,590	$26,347	$52.13	$19.29	$41.51	8.45	1.42	6.60	55.62	$160.44	$8,342.98	$41,714.92
Holden Cruze Equipe 1.8L 6sp Auto 5dr hatch	$22,090	$25,832	$50.13	$18.92	$39.84	9.62	1.71	6.05	55.13	$159.03	$8,269.69	$41,348.45
Honda Civic DTi-S 1.6L T/diesel 6sp Manual 5dr hatch	$27,990	$31,909	$61.36	$23.31	$44.28	5.53	1.91	9.03	61.18	$176.47	$9,176.47	$45,882.34
Honda Civic VTi-S 1.8L 5sp Auto 5dr hatch	$24,450	$28,263	$54.54	$20.68	$42.31	9.31	1.01	7.74	58.80	$169.63	$8,820.69	$44,103.43
Hyundai Elantra Active (ver. 2) 1.8L 6sp Auto 4dr sedan	$23,290	$27,068	$57.78	$19.81	$40.50	9.23	1.04	5.75	56.96	$164.31	$8,544.36	$42,721.80
Hyundai i30 Active (ser. 2) 1.8L 6sp Auto 5dr hatch	$23,290	$27,068	$51.06	$19.81	$40.73	9.49	1.43	5.95	55.40	$159.79	$8,309.25	$41,546.25
Hyundai i30 Active (ser. 2) CRDi 1.6L T/diesel 7sp Dual Clutch Auto 5dr hatch	$25,890	$29,746	$55.76	$21.75	$41.89	6.76	1.43	6.37	55.97	$161.46	$8,395.93	$41,979.67
Kia Cerato S 1.8L 6sp Auto 5dr hatch	$22,290	$26,038	$51.44	$19.07	$40.92	9.23	1.43	6.99	56.28	$162.34	$8,441.85	$42,209.23
Mazda3 Neo Safety 2.0L 6sp Auto 5dr hatch	$23,990	$27,789	$54.44	$20.34	$41.96	7.54	1.17	8.01	57.20	$164.99	$8,579.58	$42,897.89

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Private Ownership Costs, New - 5 years @ 15,000km per year

Vehicle	List Price	On Road Price (estimated)	Standing Costs (avg $ per week)			Running Costs (avg cents per km)			Total Costs			
			Depreciation	Interest on Loan	Other Costs* see note page 9	Fuel	Tyres	Service / Repairs	Average cents per km	Avg $ per week	Annual cost	5 year cost
Small Car Class continue												
Mitsubishi Lancer ES Sport 2.0L CVT 4dr sedan	$20,990	$24,699	$48.44	$18.10	$40.77	9.36	1.08	5.68	53.31	$153.77	$7,995.80	$39,979.01
Nissan Pulsar ST (ser. 2) 1.8L CVT 5dr hatch	$22,240	$25,986	$52.61	$19.03	$40.64	8.71	1.20	5.77	54.60	$157.50	$8,189.92	$40,949.60
Subaru Impreza (AWD) 2.0L CVT 5dr hatch	$24,990	$28,819	$55.75	$21.08	$43.29	8.84	1.01	9.80	61.29	$176.79	$9,193.19	$45,965.95
Toyota Corolla Ascent 1.8L CVT 5dr hatch	$21,490	$25,214	$47.94	$18.48	$42.57	8.58	1.01	8.18	55.56	$160.26	$8,333.47	$41,667.34
Toyota Prius Hybrid 1.8L CVT 5dr hatch	$32,490	$36,219	$69.98	$26.42	$43.55	5.50	1.04	9.67	64.72	$186.70	$9,708.64	$48,543.19
Volkswagen Golf 90 TSI 1.4L Turbo 7sp DSG 5dr hatch	$24,290	$28,098	$53.25	$20.56	$43.53	7.62	1.04	7.17	56.51	$163.00	$8,475.90	$42,379.49
Volkswagen Jetta 118 TSI 1.4L Twin charger 7sp DSG 4dr sedan	$25,290	$29,128	$68.09	$21.30	$44.30	8.75	1.43	7.76	64.28	$185.43	$9,642.21	$48,211.03

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Private Ownership Costs, New - 5 years @ 15,000km per year

Vehicle	List Price	On Road Price (estimated)	Standing Costs (avg $ per week)			Running Costs (avg cents per km)			Total Costs			
			Depreciation	Interest on Loan	Other Costs* see note page 9	Fuel	Tyres	Service / Repairs	Average cents per km	Avg $ per week	Annual cost	5 year cost
Medium Car Class												
Ford Mondeo Ambiente 2.0L Turbo 6sp Auto 5dr hatch	$32,790	$36,859	$78.82	$26.88	$44.19	10.66	1.02	7.07	70.72	$204.00	$10,607.75	$53,038.73
Hyundai i40 Active 2.0L 6sp Auto 4dr sedan	$31,990	$36,029	$87.36	$26.29	$42.60	9.75	1.42	5.99	71.33	$205.75	$10,698.90	$53,494.49
Hyundai Sonata Active 2.4L 6sp Auto 4dr sedan	$29,990	$33,969	$79.01	$24.80	$42.08	10.79	1.50	6.10	68.97	$198.95	$10,345.61	$51,728.05
Mazda6 Sport Safety 2.5L 6sp Auto 4dr sedan	$33,770	$37,862	$75.33	$27.61	$44.62	8.58	1.44	7.25	68.43	$197.39	$10,264.27	$51,321.34
Mazda6 Touring Safety 2.2L T/diesel 6sp Auto 4dr sedan	$41,740	$46,071	$98.73	$33.54	$47.59	7.47	1.44	8.94	80.21	$231.36	$12,030.78	$60,153.88
Skoda Octavia 103 TSI Ambition Plus 1.4L Turbo 7sp DSG 5dr hatch	$26,790	$30,673	$70.58	$22.42	$45.15	7.34	1.62	6.80	63.65	$183.60	$9,547.26	$47,736.32
Subaru Liberty 2.5L CVT 4dr sedan	$29,990	$33,969	$66.90	$24.80	$44.84	9.49	1.93	9.93	68.69	$198.14	$10,303.30	$51,516.50
Toyota Camry Atara S 2.5L 6sp Auto 4dr sedan	$29,490	$31,990	$77.69	$23.37	$36.40	10.14	1.39	5.48	64.67	$186.54	$9,700.01	$48,500.03
Toyota Camry Atara S Hybrid 2.5L CVT 4dr sedan	$32,490	$34,990	$78.10	$25.54	$36.97	6.76	1.39	5.54	62.44	$180.10	$9,365.26	$46,826.30
Volkswagen Passat 118 TSI 1.8L Turbo 7sp DSG 4dr sedan	$38,990	$43,239	$101.22	$31.49	$47.64	10.16	1.51	8.39	82.59	$238.24	$12,388.23	$61,941.13

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Appendix 7 – CTP Vehicle Classes

This is from Schedule 1 of the Motor Accident Insurance Regulation 2004.

Vehicle class	Description of class
1	Cars and station wagons
2	Motorised homes, but not if the part of the motor vehicle designed for residence is detachable from the part that provides the motive power
3	***Taxis (cars and station wagons only)***
4	Hire vehicles that would otherwise fall into Class 1, 2 or 6
5	Motor vehicles, including cycles, for use only as vintage, veteran, historic or street rod motor vehicles
6	Trucks, utilities and vans, including panel vans, with a gross vehicle mass of 4.5t or less
7	Trucks, prime movers and vans with a gross vehicle mass of more than 4.5t
8	Buses that are - (a) exempt or partially exempt from payment of vehicle registration fees on the basis of use for charitable or community service; or (b) used only for driver tuition; or (c) not used for or in connection with a business or commercial purposes
9	Buses used substantially for transporting - (a) children, mature age students, teachers, other school employees and parents to or from school or school events; or (b) persons of any age to or from centres for therapy, rehabilitation, or remedial or other special education; (but a bus is not taken to be used substantially for transporting passengers of these classes if it carries a number of passengers of some other class or classes that is more than 10% of its adult passenger seating capacity)
10A	Buses that are - (a) used within 350km of their principle base of operations; and (b) not in class 8, 9, or 10B
10B	Buses operating under an integrated mass transit service contract, other than buses used only for a school service or a restricted school service
11	Buses that are not in class 8, 9, 10A or 10B
12	Motorcycles with 2 wheels or 3 wheels, including motorcycles for hire, with seating only for the driver
13	Motorcycles with 2 or 3 wheels, including motorcycles for hire, with either or both of the following - (a) seating for a pillion passenger; (b) a sidecar
14	Tractors, with or without attachment, that are conditionally registered with unrestricted access registration
15	(a) Self-propelled machinery, other than a vehicle of class 14, 19, 20 or 21; and (b) Fire engines, bush fire brigade vehicles, and other emergency vehicles other than ambulances
16	Ambulances
17	Motor vehicles used only for primary production, other than motor vehicles for which a lower premium is prescribed
19	Motor vehicles that are conditionally registered with limited access registration
20	Motor vehicles that are conditionally registered with zone access registration
21	Self-propelled machinery other than a vehicle of class 14, 15, 19 or 20, that is conditionally registered with unrestricted access registration
22	Motor vehicles, other than trailers, for which unregistered vehicle permits have been or are to be issued (base rate for the first day plus $1.10 per day for every additional day)
23	Motor vehicles, other than trailers, to be driven with a dealer's plate attached in the course of a business for which the dealer's plate is issued
24	Trailers registered under the Interstate Road Transport Act 1985 (Cwlth) or trailers with a GVM of more than 4.5 t for which a supplementary policy within the meaning of s31(5) of the Act is sought

Appendix 8 – Number of Vehicles by CTP Class

The Number of vehicles within each CTP Class from the Motor Accident Investigation Commission Statistical Information Report December 2015.

Insured vehicles by class

(Registrations as at 31 December 2015)

Class	Description	Vehicles	%
1	Cars and station wagons	2,682,781	66.83%
2	Motorised homes	15,109	0.38%
3	Taxis	2,699	0.07%
4	Hire vehicles	39,883	0.99%
5	Vintage, veteran, historic or street rods	25,696	0.64%
6	Trucks, utilities and vans with a GVM of 4.5t or less	811,452	20.21%
7	Trucks, prime movers and vans with a GVM > 4.5t	73,939	1.84%
8	Non-commercial buses	5,729	0.14%
9	Buses for school/health use	3,722	0.09%
10A	Buses not in class 8, 9 or 10B but used within 350 km of base	2,848	0.07%
10B	Buses operating under an integrated mass transit service contract, other than school service or restricted school service	2,147	0.05%
11	Buses not in class 8, 9, 10A or 10B	6,617	0.16%
12	Motorcycles with driver only	70,908	1.76%
13	Motorcycles with pillion passenger or side car	125,915	3.14%
14	Tractors	24,896	0.62%
15	Self-propelled machinery, fire engines	7,262	0.18%
16	Ambulances	1,087	0.03%
17	Motor vehicles used only for primary production	38,197	0.95%
19	Limited access registration	44,128	1.10%
20	Zone access registration	11,802	0.29%
21	Self-propelled machinery not in classes 14, 15, 19 or 20	8,873	0.22%
23	Dealer plates	5,998	0.15%
24	Trailers	2,843	0.07%
Total		**4,014,231**	**100.00%**

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