



Fare Monitoring Report

2018-19

COMMERCIAL
PASSENGER
VEHICLES
VICTORIA

Published by Commercial Passenger Vehicles Victoria
1 Spring Street Melbourne, Victoria 3000
Telephone 1800 638 802

June 2020

© Copyright State Government of Victoria 2020. This publication is copyright. No part may be reproduced by any process except in accordance with provisions of the Copyright Act 1968.

Authorised by the Victorian Government, Melbourne.

Except for any logos, emblems, trademarks, artwork and photography this document is made available under the terms of the Creative Commons Attribution 3.0 Australia licence.

Accessibility

This document is also available in PDF and accessible Word format at www.cpv.vic.gov.au

FOREWORD

On 2 July 2018, the final industry reforms under the *Commercial Passenger Vehicle Industry Act 2017* commenced. The reforms introduced low barriers to entry to the commercial passenger vehicle market, presenting greater opportunities for new business models to emerge and more transport solutions for a growing population.

Since that time, Victoria has seen substantial growth in the industry. Major international rideshare providers have entered the Victorian market along with large numbers of local providers. Diverse and specialist service providers have also entered the market. Now more than ever, Victorians have a large range of services to choose from.

Fare deregulation has also resulted in benefits for consumers, including fare certainty, discounts, promotions and loyalty programs.

This report represents the beginning of a journey to monitor fare and market trends in the commercial passenger vehicle industry. As Commercial Passenger Vehicles Victoria (CPVV) data sets build over the coming years, our capacity to identify and analyse trends within the market will increase, enhancing the information available to consumers and Government regarding the economic performance of the industry.

One of the key fare monitoring challenges identified by CPVV during 2018-19 was booking service providers (BSPs) collecting and providing trip records required to be kept under schedule 1 of the *Commercial Passenger Vehicle Industry Regulations 2018*. This is most prevalent with smaller BSPs that use manual booking systems.

Record keeping by BSPs is important for several reasons. Trip records build a picture of what is happening and changing across the commercial passenger vehicle (CPV) sector, providing critical information for Government when setting policy or considering regulatory changes. Trip records also identify when and where a CPV provider may be misusing their market power and give consumers confidence that BSPs will have the necessary information about trips and fares to investigate any disputes that might arise.

CPVV recognises that for some small BSPs electronic record keeping may not be a viable option. Nevertheless, we will continue to work with industry to improve record keeping and provide richer information on fares to the community.

Aaron de Rozario, CEO
Commercial Passenger Vehicles Victoria



CEO, Aaron de Rozario

A CHANGING INDUSTRY

The commercial passenger vehicle industry underwent significant changes in 2018 with the introduction of the *Commercial Passenger Vehicle Industry Act 2017* (CPVI Act).

As part of the change, CPVV was tasked to monitor fares for commercial passenger vehicle services with a view to keeping Victorian consumers and the Government informed about the economic performance of the commercial passenger vehicle industry, trends in fares and potential areas of misuse of market power.

The reforms included:

- Deregulating fares for all booked services across Victoria and for unbooked services outside the metropolitan, urban and large regional areas.
- Regulating maximum fares for unbooked services in the metropolitan, urban and large regional areas and maximum surcharges for non-cash payments.
- A new CPV services levy for each commercial passenger vehicle service transaction (currently \$1) payable by the service provider.
- Replacing the vehicle licensing regime with a vehicle registration system.
- Removing restrictions regarding where commercial passenger vehicles can operate.

This report provides an overview of the changes in the commercial passenger vehicle market and fares during the first 12 months following the reform of the industry.

The report draws on publicly available information and data collected by CPVV in its role as industry regulator and through its administration of the Multi Purpose Taxi Program (MPTP) – a Government program providing subsidised commercial passenger vehicle fares for Victorians with severe and permanent disability who require the use of a wheelchair or experience financial hardship.

It speaks to the challenges facing the industry and CPVV as the regulator to understand fares within the changed operational environment. It also commits to a number of initiatives aimed at better understanding the market's fare environment and how both industry and CPVV can work together to realise this goal.

THE YEAR IN FOCUS 2018-2019

- Fare regulation made dependent on the specific service being provided.
- CPV service levy set at \$1 for every trip (this cost can be passed on to consumers).
- Use of pre-agreed fares and promotional fare opportunities.
- Dynamic fare pricing in accordance with consumer demand.
- Increased payment options provided consumers with greater flexibility and reduce some safety and fare evasion risks for drivers.
- Over 60 million trips, up 131% from 2017/2018.
- MPTP trips increased by 8% for program members using conventional vehicles and 18% for those using wheelchair accessible vehicles (WAVs).
- More choice for MPTP data collection services.
- Almost 60,000 additional registered commercial passenger vehicles.
- Almost 36,000 new accredited drivers.
- Tailored service offerings to suit consumer needs across diverse demographics.



COMMERCIAL PASSENGER VEHICLE MARKET

The market has undergone significant change since the implementation of reforms in 2018. The reforms have driven unprecedented growth in the market and diversification of service providers, offering more choice to consumers across Victoria.

Service provider growth

There are now more cars and drivers on the road and more choices for travel. The low costs of entry, introduced through the reforms, and online vehicle registration and driver accreditation introduced by CPVV, have made it easier for new participants to enter the market.

The number of booking service providers also doubled during the period, to just over 200. This includes some major international providers as well as a number of local and Australian operators.

The increase in booking service providers has resulted in greater choice for drivers. It is now easier than ever before for drivers to move between different platforms, and many large booking service providers have introduced loyalty and reward programs to attract drivers to their platform.

While the strongest growth has been in metropolitan Melbourne, regional Victorians are also benefiting from the reforms through more choice and lower business costs. Large booking service providers that previously operated exclusively within the metropolitan region, major international providers and local speciality services have expanded services to urban and regional areas.

Market growth

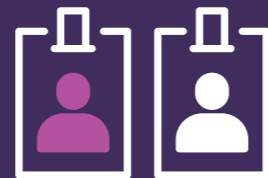
The demand for commercial passenger vehicle services grew substantially in 2018/19.

- Consumers took over 60 million trips, representing an increase of 131% from the previous financial year.
- The demand for commercial passenger vehicle services among consumers with disability or mobility impairment also grew in 2018/19 - MPTP trips increased by 8% for program members using conventional vehicles and 18% for those using wheelchair accessible vehicles.

As at June 2019



just over **68,600** registered commercial passenger vehicles – an increase of almost **60,000** vehicles since October 2017, when low cost commercial passenger vehicle registrations first became available



approximately **98,000** drivers holding current driver accreditation – an increase of almost **36,000** new drivers since September 2017

Service offerings

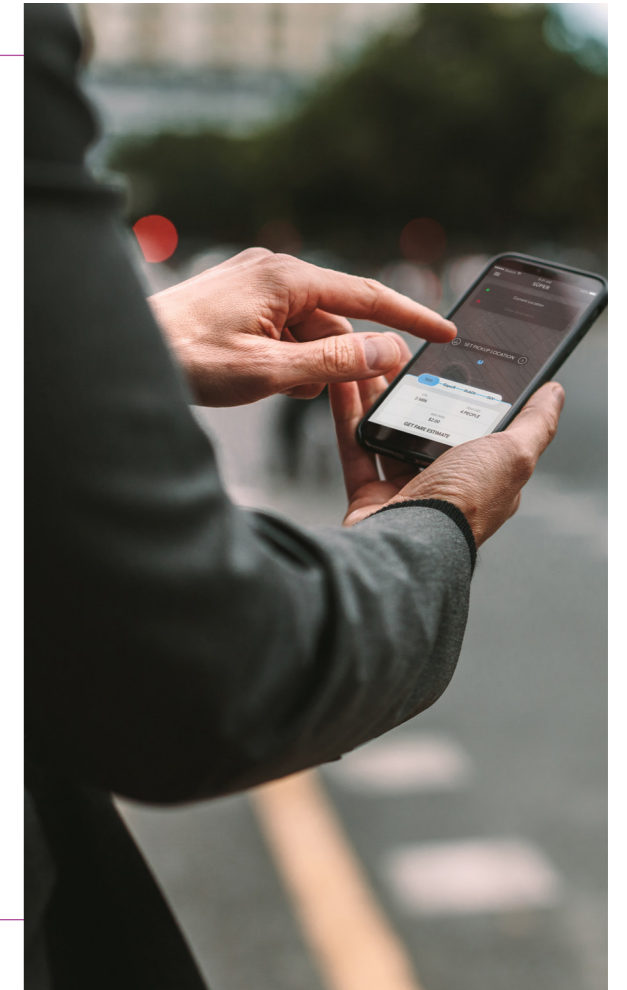
The industry growth has encouraged innovation and diversity in the service offerings within the market.

Industry investment in technology means it is easier than ever to book a commercial passenger vehicle online or through an app, and CPVV has seen a general trend toward booked services (away from unbooked – rank and hail – services).

Booking service providers have also diversified their service offerings, allowing consumers to select the service that best suits their service expectations and budget – low cost and premium services, and services offering a specific vehicle type or driver have become increasingly common.

Booking service providers are also tailoring their business to specific consumer markets, including services for women, children and transgender persons or working exclusively to meet the needs of people with disability.

There is now a greater focus on customer experience, with many industry participants encouraging passengers to ‘rate’ their driver and experience. Driver ratings may then be used to target driver training or to identify drivers for speciality services offered by the booking service provider.



Multi Purpose Taxi Program services

As part of the reforms, the Government committed to expanding the MPTP beyond ‘taxis’ to all commercial passenger vehicles to facilitate better consumer outcomes, by way of increased choice and competition. As part of this expansion, CPVV has worked with industry participants offering more innovative ways to support MPTP trips. A new data collection service provider commenced in 2018 and another trial commenced with a major rideshare company in late 2019. We also have several other large industry participants showing interest in becoming data collection providers.

A COMPETITIVE AND CUSTOMER-FOCUSED INDUSTRY

Drivers



285% increase in driver applications
from 2015 - 2016

1,911 average per month
in 2018 - 2019

Industry Participants



202 Current Booking Service Providers
112% increase in the number of drivers
from 2015 - 2016

Vehicles



↑3,082%
57,558 Registrations Booked

↑102%
10,143 Registrations Unbooked

↑49%
943 Registered WAVs

Figures as of 2015 - 16 and 2018 - 19

Safety and Compliance



Over 40,000 vehicle inspections with records
in 2018 - 19

Total Trips

60,000,000+ in 2018 - 2019

↑131%

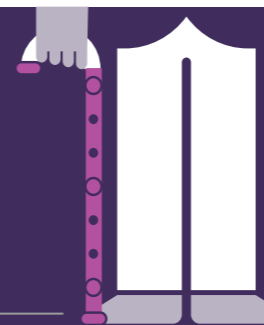


Multi Purpose Taxi Program

220,000+ MPTP members

75% OF ACTIVE MEMBERS are over the age of 75

PEOPLE AGED **18 - 34** are the highest CPV users



MORE THAN **50%** of members use a mobility aid

Customer Service

28% increase in call centre contact

Total calls 115,647 2015 - 16
Total calls 148,340 2018 - 19

Over 5M trips in 2018/19



Over 4,400 WAV endorsed drivers

OVER **\$56M** paid in MPTP fare subsidies in 2018/19

44% OF MEMBERS have taken a subsidised trip in the last 12 months

Customer Satisfaction with CPV services

64.4% metropolitan Melbourne

78.8% regional Victoria



834 Active WAVs
30 June 2019

↑21%
30 June 2018

↑8% MPTP Conventional Trips

↑18% MPTP Wheelchair Trips

COMMERCIAL PASSENGER VEHICLE FARES

Fare deregulation

The reforms introduced in July 2018 changed the regulation of commercial passenger vehicle fares. Fare regulation now depends on the specific service being provided - while providers can set their own fares for all commercial passenger vehicle services, some services are subject to a maximum prescribed rate.

There are no fare restrictions for:

- booked commercial passenger vehicle services; and
- unbooked commercial passenger vehicle services where the journey begins in regional and country areas.

Maximum fare rates determined by the Essential Services Commission (ESC) apply to unbooked commercial passenger vehicle services in the Melbourne metropolitan region and urban and large regional areas.



Commercial passenger vehicle service levy

From July 2018 a levy was placed on every commercial passenger vehicle trip. The levy was set at \$1 and is payable to the State Revenue Office by industry participants.

CPW data indicates that industry participants have passed the levy onto consumers, increasing the fare payable for a trip. A full pass through of the levy translates to a fare increase of \$1.10 where the service provider is registered for and collects GST. As with all extras and tolls, the levy must be itemised on the consumer's receipt if they request one.

Fare models

While fare models for unbooked services have remained largely static, the industry has implemented considerable innovation in fare models for booked services. Pre-agreed fares have been adopted widely across the industry, providing greater certainty to consumers regarding the cost of their travel.

Additionally, the increased competition in the market resulting from the growth in service providers has boosted activities to create brand awareness and loyalty through consumer offerings. Many large booking service providers offer a discount on a consumer's first trip, credits for referring a friend and discounts for frequent travellers. Promotions, competitions and rewards programs are also common.

We have also seen the introduction of dynamic fare pricing based on consumer demand - with pricing higher during peak demand periods and lower during periods of reduced demand.

Fare collection

Technological developments led by industry have increased payment options available to consumers for booked services.

Many booking service providers now offer consumers the option to pay directly to the booking service provider via an online application, removing the need for in-vehicle transactions. This provides consumers with greater flexibility, such as allowing parents to easily pay for their children's travel, as well as reducing safety and fare evasion risks for drivers when relying on in-vehicle payments.

Multi Purpose Taxi Program fares

Unfortunately, people with disability or mobility impairment that are members of the MPTP have not realised the benefits of innovation in fare models or fare collection.

Many service providers that offer MPTP trips apply the maximum fare for unbooked services set by the Essential Services Commission, which has remained unchanged since 2018, to both booked and unbooked trips. In large part, this is because doing so makes it administratively easier to claim the subsidy payments within the current program business rules. CPW is considering opportunities to simplify the rules, which will encourage more fare flexibility for MPTP passengers and simplify administration for industry.

CPVV PRIORITIES

Data collection

The new reform environment has presented a number of challenges in terms of the collection of fare data.

CPVV has dedicated significant resources to working with industry to facilitate the provision of trip data to inform its regulatory functions, including fare data.

We have engaged with more than 240 booking service providers across a spectrum of data management capabilities. This has involved educating both established and new industry participants on their record keeping obligations under new legislation as well as seeking to understand the specific challenges faced by smaller and medium-sized booking service providers in keeping and supplying data.

Specific issues faced by some smaller regional booking service providers, in relation to providing data in an electronic format, will have a significant impact on CPVV's ability to undertake long-term monitoring of regional fares. The approach being taken by CPVV to monitor regional fares is to engage with regional booking service providers about the challenges they experience collecting and submitting records. CPVV will also continue to engage directly with all affected booking service providers.

Creating a framework for fare data collection







A dedicated Data Analytics team has been established within CPVV, as part of a wider organisational redesign. Recruitment for this new team is ongoing and anticipated to be completed by mid-2020. In parallel, CPVV has been working to enhance and streamline its in-house systems to facilitate the collection, storage and analysis of fare data.

Activity to date includes:

- consulting with industry on the compliance costs of record keeping via the *Commercial Passenger Vehicle Regulations 2018* Regulatory Impact Statement (March 2018);
- corresponding with Network Service Providers that were due to transition to Booking Service Providers upon implementation of reform to notify them of their record-keeping obligations (July 2018);
- communicating with industry regarding their record-keeping obligations via the BSP bulletin (April 2019); and
- discussing record-keeping obligations with booking service providers and industry representatives at a consultative forum (May 2019).

CPVV has made substantial progress in collecting trip data, in particular from the large booking service providers that are now providing data monthly. This has put CPVV on track to provide more in depth analysis covering the 2019-20 period in our next report.

The following fare monitoring activities are planned over the next 12 months:

 <p>Using CPVV's power to direct the provision of records from booking service providers that have not yet provided records</p>	 <p>Continue engagement with industry to seek to resolve residual issues with collecting and/or submitting records</p>
 <p>Analyse 2019-20 fare-related data as it is received from booking service providers</p>	 <p>Develop further web content to include data specifications and invite smaller booking service providers to engage with CPVV to work towards electronic submission of records</p>
 <p>Review the utility of existing datasets, such as the Multi Purpose Taxi Program dataset, to contribute to the fare monitoring function</p>	 <p>Complete recruitment of the CPVV Data Analytics team</p>

Consumer protections

The commercial passenger vehicle industry has been given new freedoms in how it sets prices and delivers services. However, along with these freedoms are certain obligations for industry to ensure their consumers are properly informed and that pricing is transparent.

Ensuring that fare information is easy to access allows consumers to make an informed choice about the service they select. CPVV worked closely with booking service providers to ensure they understand the importance of providing accurate fare estimates to consumers, and with providers of unbooked services to ensure they understand their fare information obligations.

CPVV recognised that not all industry participants are using the most current technology and that there are fare calculation devices (taximeters) that do not provide enough information to produce a receipt that meets the legal requirements, or do not have the capability to meet future requirements for correctly calculating tolls. We continued to work with industry to phase out older equipment so that consumers benefit from fairer, more transparent pricing.

Consumer confidence

Consumer confidence is essential to market growth. By ensuring booking service providers have the right tools to listen to consumers and act based on consumer feedback, CPVV is enhancing the consumer experience and building trust in our industry.

On 2 July 2018, all booking service providers were required to implement a complaints management system and ensure consumers can easily access information on how to provide feedback to the booking service provider. We have provided education and support activities to assist booking service providers in meeting this requirement.

In March 2019, we undertook a range of auditing activities to assess booking service providers' performance with respect to consumer feedback. The results of these audits were positive with booking service providers generally having appropriate systems for responding to consumer feedback and complaints.

Additionally, surveys commissioned by CPVV have found that since the reforms took effect, consumer satisfaction with providers registered to provide unbooked services has increased from an average score of:

↑ **61 to 64.4** in metropolitan Melbourne

↑ **74.7 to 78.8** in regional Victoria

Those surveys also showed that consumer satisfaction is most influenced by:



the price of trips;



driver behaviour;



safety and comfort; and



ease and reliability of booking.

CPVV welcomes your feedback

Email us at communications@cpv.vic.gov.au



