



Fare Monitoring Report 2022-23

*Monitoring fares and market trends in the commercial
passenger vehicle industry*

SAFE TRANSPORT  VICTORIA

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Executive Summary

Safe Transport Victoria (ST Vic) is required by law to monitor and analyse trends in commercial passenger vehicle (CPV) fares and to identify potential areas for misuse of market power that warrant further investigation.

The 2022-23 Fare Monitoring Report (the Report) is the fifth report produced by ST Vic looking at fare trends across Victoria for booked trips. ST Vic compiled the Report using booked CPV trip records collected from booking service providers (BSPs).

BSPs must keep trip records as a condition of their registration. Providers of unbooked services must also keep records about unbooked trips, however to date, ST Vic has not requested these records. The analysis in this Report draws on approximately 53 million booked trip records across Victoria during 2022-23. While ST Vic was supplied a further 2 million trip records in 2022-23 by BSPs, the quality of the data did not allow for them to be included in the analysis. It should be noted that trip volumes in 2022-23 have substantially increased compared to the three previous financial years which were negatively impacted by the COVID-19 pandemic.

The Report provides analysis of the average cost per kilometre (km) and average cost per minute for CPV trips. In summary, while there was an increase in fares evident in the previous report (2021-22) prices appear to have stabilised both on a per kilometre and on a per minute basis in 2022-23. Based on the data available to ST Vic, there is no evidence of misuse of market power in the CPV industry during 2022-23.

Supporting CPV industry during COVID-19 pandemic

The CPV industry is considered an essential service and unlike some other industries, it was able to operate throughout the COVID-19 pandemic. While the CPV industry continued to provide safe services to the Victorian community throughout the pandemic, ST Vic acknowledges the industry was heavily impacted by COVID-19 which is evident in the reduction in trip volumes.

ST Vic suspended all recurring fees for driver accreditation, vehicle registration, and replacement Multi-Purpose Taxi Program (MPTP) member cards to support the industry in recovering from the impacts of the pandemic. ST Vic began issuing fees for driver accreditation again in April 2022.

Context

ST Vic's fare monitoring reports provide an analysis of fare trends for CPV services and identify potential areas of misuse of market power. Section 111 of the *Commercial Passenger Vehicle Industry Act 2017* (CPVI Act) requires ST Vic to keep Victorian consumers and the Government informed about the economic performance of the industry, trends in fares and potential areas of misuses of market power that warrant further investigation. To achieve this ST Vic publishes a fare monitoring report annually.

The introduction of the CPVI Act in 2017 meant significant changes for the CPV industry, including the deregulation of fares for booked services. The fare monitoring reports are a way to assess the impact of the reforms on fares.

The 2022-23 Fare Monitoring Report is the fifth year that ST Vic has assessed fares. The four previous reports included the:

- Fare Monitoring Report 2021-22
- Fare Monitoring Report 2020-21
- Fare Monitoring Report 2019-20
- Fare Monitoring Report 2018-19.

Fare Monitoring Report 2021-22

The 2021-22 report provided an overview of the CPV industry during the period when it was still being impacted by COVID-19 (the final lockdowns occurred in July and August 2021). As a result of these lockdowns, the number of CPV trips was still lower than seen in the final year prior to the pandemic (2019-20). Trip data for 2021-22 showed fare prices (both on a per km and per minute basis) increased. Compared to the 2020-21 financial year, the average cost of booked CPV services increased by 9.9 per cent on a per kilometre basis and by 9.2 per cent on a per minute basis. The most significant increase was observed in the second quarter of the year which coincided with the lifting of the last lockdown of the COVID-19 pandemic in October 2021.

The 2021-22 report noted that the precise factors behind the fare growth during 2021-22 financial year while complex was likely to have been impacted by the increase in fuel prices during that period and that the increases in fares appeared to align with the general inflation trends as indicated by the substantial rise in the Consumer Price Index (CPI).

Fare Monitoring Report 2020-21

The 2020-21 report provided an overview of the CPV industry during the period it was impacted by COVID-19. Due to the restriction on movement under public health directions, in an effort to reduce the spread and transmission of COVID-19, the number of CPV trips dropped significantly during 2020-21, compared to 2019-20. Despite this, trip data for 2020-21 showed that fares remained relatively consistent throughout the year for booked trips in Victoria – similar to findings of 2019-20.

Due to the impact of COVID-19 on the CPV industry, this report provided for the first time an analysis of CPV fares prior to and during the COVID-19 pandemic. Pre-COVID-19 was defined as July 2019 to February 2020 and, the 'pandemic period' was defined as July 2020 to February 2021. In the pre-COVID-19 period almost 47 million trips were reported, while in the pandemic period, 19 million trips were reported. This represented a decrease of 58 per cent (23 million trips) in trip volume during the pandemic period.

The report found there was no evidence of misuse of market power in the CPV industry during 2021-22.

Fare Monitoring Report 2019-20

The 2019-20 report provided an overview of the changes in the CPV market as the reforms were consolidated. ST Vic worked closely with industry to make gradual improvements in data collection and strengthened its data analysis capacity internally. The report provided a basis for analysis of the post-reform CPV market and fare trends, with 80 per cent of all booked trips reported to ST Vic during 2019-20 used in the analysis.

The report acknowledged that the COVID-19 pandemic had a significant impact on CPV trip volumes in the latter part of 2019-20. This was primarily due to the restriction on movement under public health directions in an effort to reduce the spread and transmission of COVID-19. Trip volumes dropped 57 per cent in the fourth quarter of 2019-20. While most industries had to stop operation for some time in 2019-20, the CPV industry was considered an essential service to the Victorian community and was able to continue to operate.

While the COVID-19 pandemic impacted the volume of trips able to be analysed for the 2019-20 report, the analysis found no misuse of market power and overall fares remained constant throughout the year.

Fare Monitoring Report 2018-19

The 2018-19 report was the beginning of monitoring fare and market trends in the CPV industry. It acknowledged that ST Vic's capacity to identify and analyse trends within the market would increase as the data available for analysis grew over time, enhancing the information available to consumers and Government regarding the economic performance of the industry.

The 2018-19 report provided an overview of the impact of the 2017 and 2018 reforms on the CPV market and compared fares before and after the implementation of the reforms. This highlighted the significant growth in the CPV market post-reform as well as the challenges that the industry must overcome in providing trip data for ST Vic to effectively monitor fares.

Commercial Passenger Vehicle Market

In 2022-23, 214 BSPs were registered with ST Vic, including 11 new registrations. The registered BSPs were a mix of rideshare and taxi providers, and were geographically distributed across Victoria. More service providers in the CPV industry means greater choice for passengers and competitive fares.

In 2022-23, there were 77,088 accredited drivers, which was a thirty-four per cent reduction in the total number of accredited drivers from the previous financial year. This was a result of the reintroduction of accreditation fees at the end of 2022 which resulted in many drivers choosing not to renew their accreditation.

The number of CPVs registered with ST Vic in 2022-23 rose to 104,165, which represents a twelve per cent increase from 2021-22. The reintroduction of registration fees in 2023-24 has since reduced the number of CPVs, with some vehicle owners electing not to register their vehicles for CPV services.

It is important to note that the number of accredited drivers and registered vehicles does not represent the number of active drivers and vehicles, which varies from month to month.

Demand for commercial passenger vehicle services

ST Vic's data collection program requires BSPs to provide trip data for all booked trips if requested. In 2022-23, ST Vic collected records from approximately 55 million booked trips, as compared to approximately 38 million during 2021-22. The month-on-month trip count in 2022-23 returned to pre-pandemic levels of stability with only mild seasonable fluctuation compared to the previous three financial years. On average, there were 4.6 million booked trips collected each month.

Impact of COVID-19

The Victorian Government deemed the CPV industry as a high-risk for the spread and transmission of COVID-19. As a result, the industry had a number of requirements under public health directions to ensure the safety of passengers and drivers. These included:

- requirement for drivers and passengers to wear face masks (unless a lawful exemption existed);

- requirement for vehicle owners to make available the Service Victoria QR code for passengers and drivers;
- requirement to provide hand sanitiser in CPVs; and
- cleaning requirements imposed for the CPV industry.

ST Vic ensured that the industry was updated with current public health directions and focused on supporting BSPs and CPV drivers as they implemented safety measures to keep themselves and their passengers safe.

Trip data provided by BSPs to ST Vic helped the Victorian Government understand the impact of COVID-19 on the CPV industry. The Victorian Government announced in July 2020 that \$22 million would be dedicated to supporting the CPV industry to ensure that drivers could continue to operate and provide an essential service to the community.

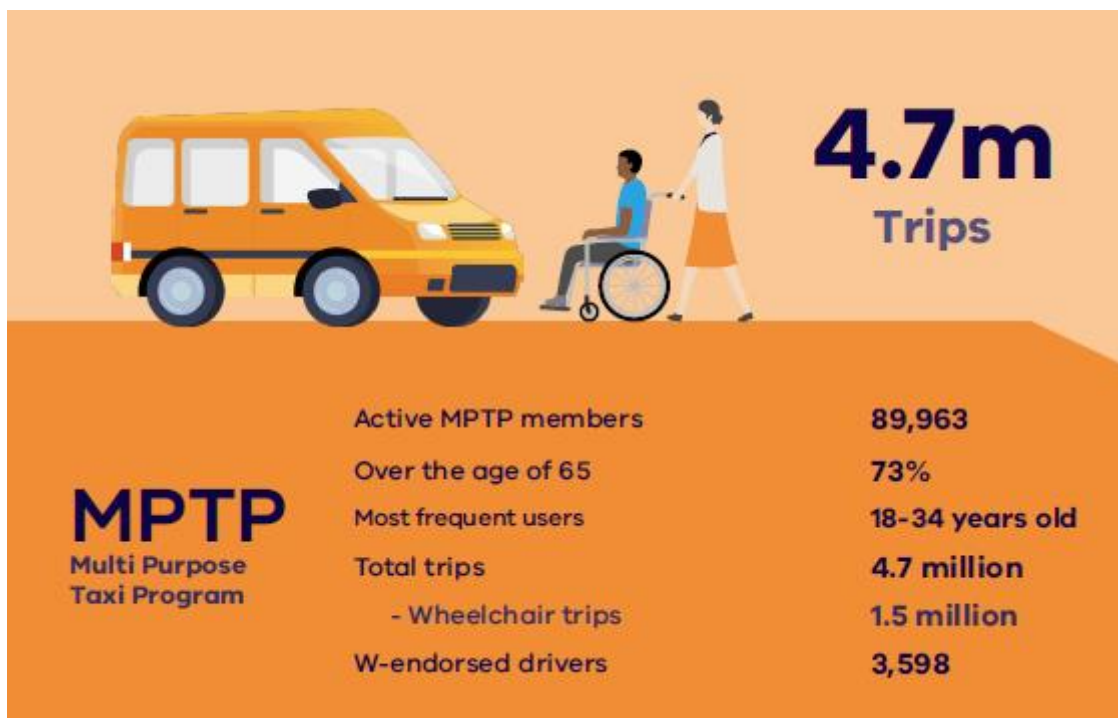
To support the industry in recovering from the impacts of the pandemic, ST Vic temporarily suspended all recurring fees for driver accreditation and vehicle registration, and replacement Multi Purpose Taxi Program (MPTP) member cards. These initiatives were vital in allowing the industry to continue to operate.

Accessible services

The CPV industry is an essential service. This reflects the importance of commercial passenger vehicle services to many members of the Victorian community, including those with accessibility and mobility needs such as MPTP members.

The MPTP assists with the travel needs of people with accessibility and mobility needs by offering subsidised CPV fares to members. Demand for MPTP services in 2022-23 increased when compared with previous years, with 89,963 active MPTP members, and around 4.7 million trips taken. Booked MPTP trips are included in the total trips analysed for this Report.

Figure 1 - MPTP trips 2022-23



Informing the fare monitoring report

Collection of trip data

As a condition of registration, BSPs must collect booked trip records as outlined in the *Commercial Passenger Vehicle Industry Regulations 2018*. BSPs must provide records of booked trips in the prescribed electronic format to ST Vic, if requested. The requirement to provide trip information was in place prior to the CPV reforms.

ST Vic uses the trip data from BSPs to monitor fares and inform its regulatory approach to the CPV industry. The trip data can be used to understand demand for services, driver shift patterns across BSPs, and trip pick-up and drop-off hot spots. It can also be used to verify the details of CPV trips in relation to investigations, complaints and notifiable incidents. During the COVID-19 pandemic it was used to understand the impact of the pandemic on the industry.

In line with Victorian Government requirements, ST Vic adheres to all obligations required under the privacy legislation and its data systems and process are designed, developed and maintained in line with the Victorian Protective Data Security Standards V2.0.

Discharge from requirement to provide electronic records

ST Vic requires trip data to be provided in an electronic format as the low cost of readily available technology generally makes electronic reporting simple. However, ST Vic recognises that for BSPs that complete few trips per year, there is minimal safety benefit in reporting the data electronically. For this reason, ST Vic considers any request to be discharged from the requirement to provide records in the prescribed electronic format against the:

- value of the BSP's records for enhancing industry safety;
- safety risk profile of the BSP; and
- reasons the BSP may not be able to provide records to ST Vic in the prescribed format.

If a BSP is discharged from the reporting requirement, it is still required to keep trip records and to submit them in hardcopy format if requested.

Approach to analysing fare trends

Using the data collected from BSPs in 2022-23, approximately 53 million of the 55 million booked trips provided to ST Vic were analysed for this Report. Analysis is provided of the average cost per km and the average cost per minute across each month. The findings are outlined below.

Calculations used

To calculate the average cost per km, the sum of the fare is divided by the trip distance. For the average cost per minute, the sum of the fare is divided by the trip duration (in minutes).

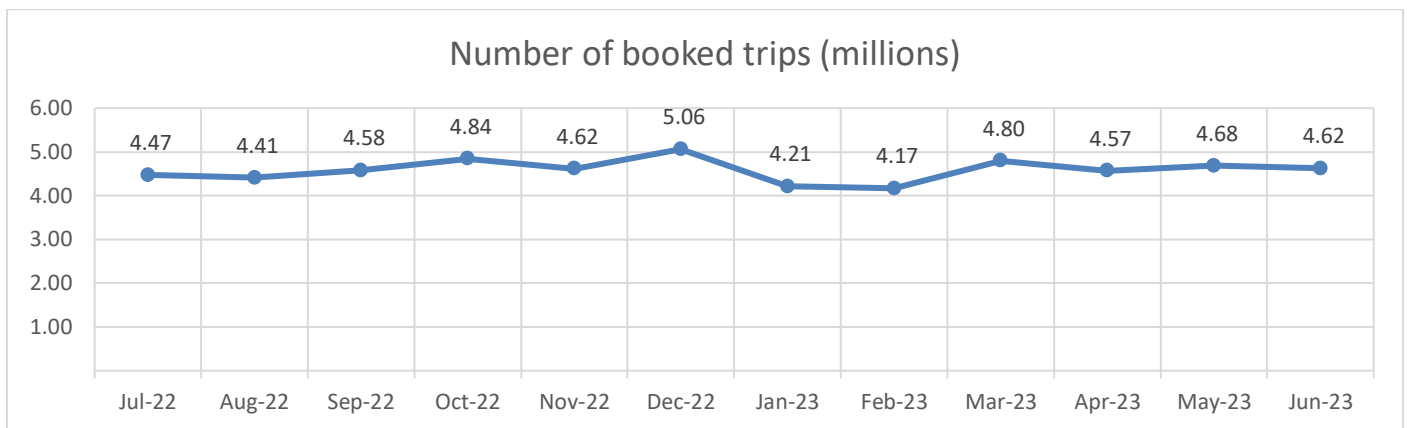
Due to the different fare structures used across the CPV industry, the booked fare may include a variety of fees and charges unique to each service provider. The data does not allow these fees and charges to be identified, or itemised.

Booked CPV fare trends 2022-2023

Demand for booked CPV services

Booked trip volumes were generally quite stable across 2022-23, with an average of 4.6 million trips per month. The typical seasonal fluctuations in December 2022 was also evident (see Figure 2).

Figure 2 - Number of all booked trips across Victoria



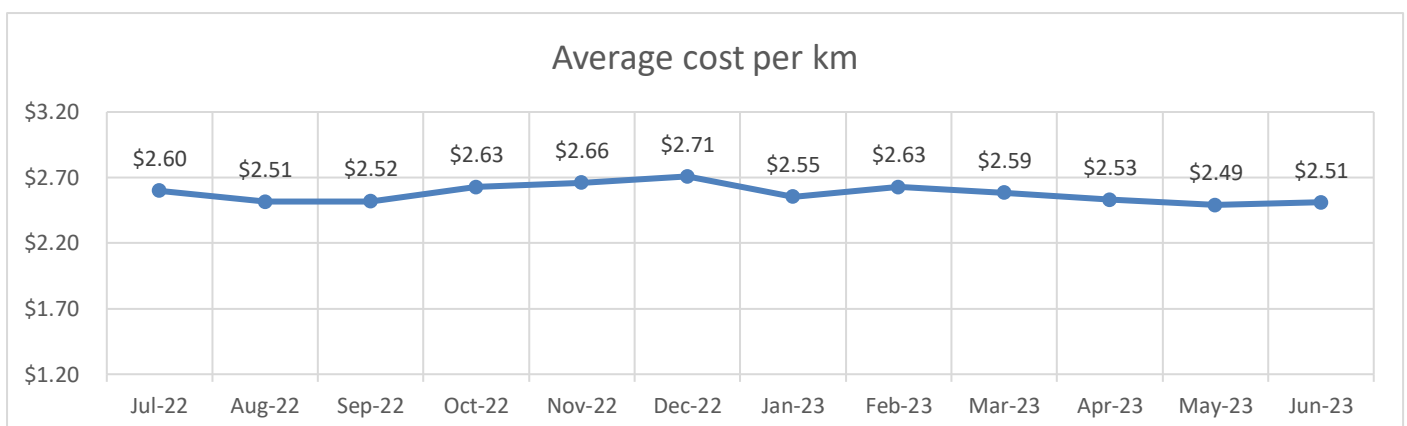
Average cost for trips across Victoria

Booked fares are deregulated and set by each BSP. This applies to BSPs that offer rideshare, taxi or hire car services. BSPs must provide passengers (if they request it) with a fare estimate or a fixed fare before the trip is booked.

The analysis of trip data from 2022-23 for booked trips across Victoria shows the fares remained relatively stable. This is true for the average cost per km and cost per minute (see Figures 3 and 4). Where marginal increases in fares were evident they appear to correlate with demand for CPV services, as shown in Figure 2.

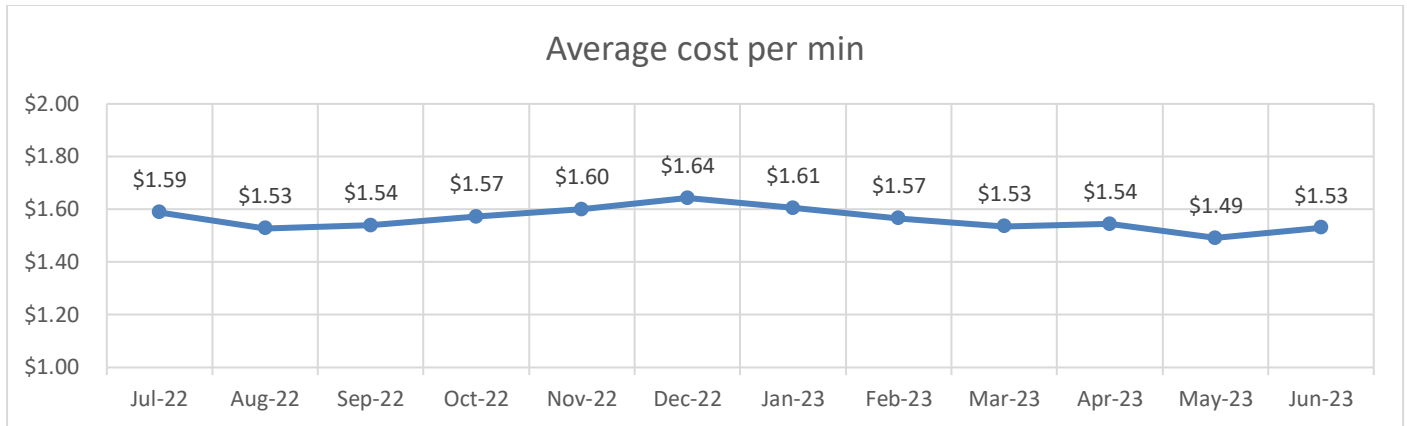
In 2022-23, the lowest average cost per km was \$2.49 in May 2023 and the highest was \$2.71 in December 2022 (see Figure 3).

Figure 3 Average cost per km – all trips across Victoria



On a per minute basis, the average fares ranged from \$1.49 per minute in May 2023 to \$1.64 per minute in December 2022 (see Figure 4).

Figure 4 Average CPV cost per minute

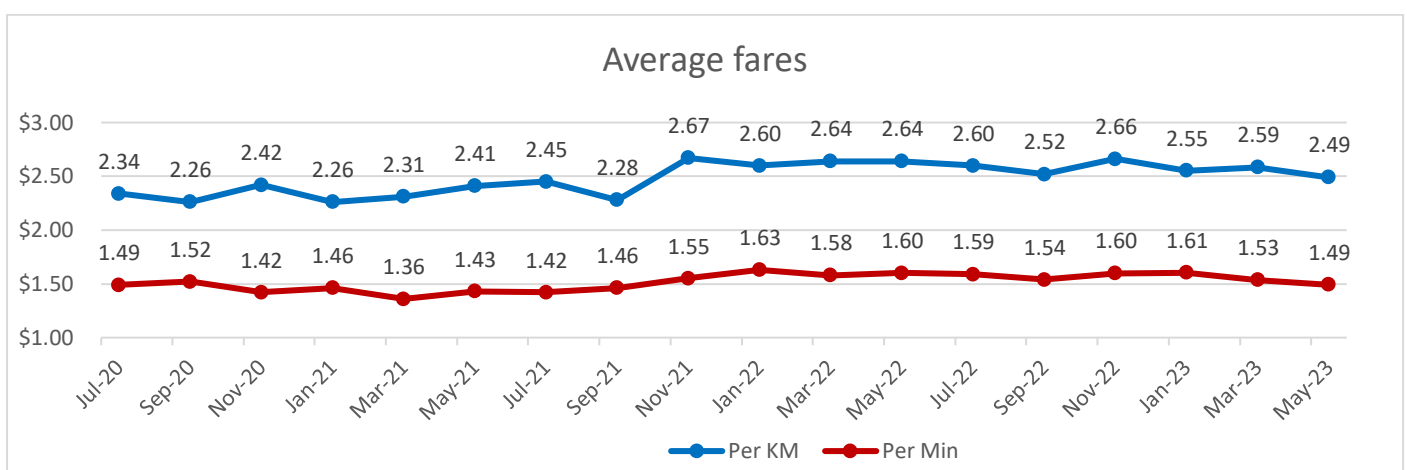


Analyses of fare trends in Victoria

Industry participants have the flexibility to set their own fares, which allows CPV fares to adjust in response to market forces. Consequently, fares can be influenced by a variety of factors, including demand for CPV services, the number of active drivers, operations costs such as fuel prices, and broader market conditions.

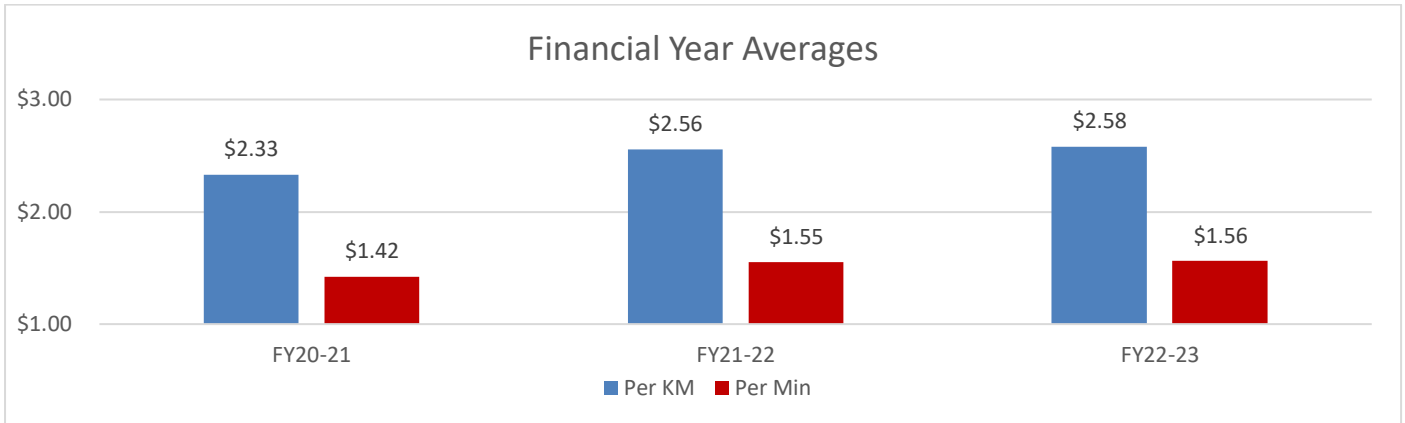
Analysis of trip data from July 2020 to June 2023 for booked trips across Victoria reveals a gradual increase in fares over the course of the first two years, both on a per km and per minute basis. This however, appears to have stabilised in 2022-23 (see Figure 5).

Figure 5 Average fares between July 2019 and June 2022



Compared to the 2021-22 financial year, the average cost of booked CPV remained very stable both on a per kilometre basis and on a per minute basis (see Figure 6).

Figure 6 Average yearly fares for FY 2020-21, FY 2021-22, and FY 2022-23



Glossary

Term / Acronym	Definition
Accredited driver	A driver approved by ST Vic to drive a commercial passenger vehicle to provide a commercial passenger vehicle service
Active CPV	A CPV that has been used for at least one trip in the specified timeframe
Active MPTP member	An active MPTP member is one who has taken an MPTP trip in the past 12 months.
Booked trip	A trip in a commercial passenger vehicle that is arranged through a booking service
Booking service	A service that receives requests for people to be provided with commercial passenger vehicle services and arranges or facilitates those requests by or on behalf of drivers of commercial passenger vehicles
CPV	Commercial passenger vehicle (means a motor vehicle that is registered as a commercial passenger vehicle under Part 3 of the CPVI Act)
CPVI Act	<i>Commercial Passenger Vehicle Industry Act 2017</i>
ST Vic	Safe Transport Victoria – the regulator for the purposes of the CPVI Act
MPTP	Multi Purpose Taxi Program
Unbooked trip	A trip in a commercial passenger vehicle that is not arranged through a booking service (also known as ‘rank and hail’ work)