

THE ROLE OF GOVERNMENT IN THE SETTING OF TAXI  
FARES - PRACTICAL CONSIDERATIONS DERIVED FROM THE  
SETTING OF A NEW FARE LEVEL FOR DARWIN

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**ABSTRACT:** *There is a growing question of the role to be played by Government in taxi regulation. There is little assistance from past research regarding theoretical implications of regulation for this major form of para-transit service and even less information is available linking theory with practical application. Consideration of issues for smaller population centres such as Darwin is virtually non-existent.*

*This paper examines the rate setting procedure with respect to the Northern Territory situation and more specifically the recent establishment of a new fare level for Darwin. Industry data illustrating the operation of the Darwin taxi industry is presented and used to identify major difficulties facing Government in determining fare levels. The methodology followed in assessing rate increases is discussed, including some comment on practices in other States.*

*Whilst approval to publish this paper has been obtained from the Department of Transport and Works, NT, the views expressed are not necessarily those of the Department.*

INTRODUCTION

The regulation of the taxi industry in Australia has not changed significantly in many areas since the days of the horse and buggy. Restrictions on the numbers of cabs in the industry, regulated fare levels and determination of hours of operation have been applied in varying combinations at various times but the pattern of regulation has remained largely unchanged. There is a real need to identify the operational supply and demand characteristics of taxis so that more informed decisions can be made on expanding the role played by the industry in the passenger transport task and to promote successful integration with other public transport modes. Importantly, a broader range of taxi regulatory options needs to be developed for smaller populated areas such as Darwin as smaller centres can only support, and are correspondingly reliant on a limited number of public transport modes. Consideration of the economics of operation is fundamental to development of options and it is in this light that rate setting is discussed.

The Northern Territory is an example of an area that has adopted traditional means of regulation in the past but is now actively investigating options as part of an attempt to develop an improved and more flexible public transport mix. Surveys of taxi operations and service levels were conducted during late April and early May 1982 in Darwin. This was part of a review of fare levels and provided an opportunity to assess objectively the role performed by the taxi industry and to identify problems of existing practices in fare setting and associated regulatory techniques.

This paper seeks to examine a number of problems associated with Government regulation of fare levels. Operational data describing the functioning of the industry in Darwin is presented followed by an explanation of the fare increase methodology employed to assess applications. Included is comment on how this practice compares to those followed in other areas. Lastly, the theoretical problems impinging upon present fare increase methodologies are discussed.

The purpose of this paper is not to focus on the broad regulation versus deregulation debate but rather to discuss the practical difficulties associated with the setting of fare levels

In a regulated industry the Government determines the appropriate fleet size and largely because of this, fare levels. Government's role is to ensure that a reasonable standard of service is provided to the public



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at a minimum cost commensurate with the economic viability of the industry. Given that the demand for taxis is relatively inelastic Governments generally see a need to ensure that fare rises are warranted and not excessive.

For this reason it appears advisable for Government to examine both cost and revenue components in consideration of any fare increase applications as to consider cost movements only is to run the risk of imposing unwarranted cost burdens on the public through the granting of excessive fare increases. There are problems with this approach as will be outlined but it seems an improved attempt at equitable rate setting compared to purely cost increase based methods.

Many of the problems experienced by transport planning practitioners in seeking to examine the need for, or appropriateness of, regulations affecting taxis have been due to the absence of sufficiently reliable data.

In this paper survey information is presented covering 53% of the Darwin taxi fleet's operations (trips, kilometres travelled etc) for a one month period combined with an analysis of service levels to the public (waiting, journey time etc) revealed by an analysis of 20% of the taxi fleet's trips for one week. This provision of information relating to operating patterns overcomes to a significant degree the usually poor availability of industry operating and cost data commented upon in past studies of the industry (Williams, 1977 p.5). Although the Darwin taxi fleet consisted of 59 vehicles at the time of the survey the local industry exhibits similar characteristics to those of much larger fleets.

It is acknowledged that the survey results contain bias. In the first instance this is due to the type of operator providing the information. In the second, it is due to information provided by grossly uneconomic operators being excluded. The need for the regulator to accept bias is tied in with the essential nature of a fare review which is to compensate a reasonable taxi operator for altered cost and revenue conditions, not merely to compensate operators for uneconomic operations.

### BACKGROUND AND TASK PERFORMED

Darwin is a city of some 56,500 persons (ABS, 1981). Its age distribution is skewed towards the young with 80% of the population aged under 40 years compared to a national statistic of 66% (ABS, 1981). Similarly, only 2.5% of the population are aged 65 years and over compared to the national level of 9.5%. The population growth rate is the highest of any capital city in Australia, being 5.4% between the 1976 and 1981 censuses. Population

TABLE 1  
CAPITAL CITY COMPARISON OF RATES\*

CAPITAL CITY	FLAGFALL	TARIFF 1 (Cents per km)	TARIFF 2 (Cents per km)	TARIFF 2 HOURS (Mon-Fri)	SURCHARGE (cents)	PER HOUR Waiting Time (Special Journeys)
DARWIN						
May 1982	\$0.70	38.0	45.0	9pm-6am	-	\$11.50
July 1982	\$0.85	44.0	52.0	9pm-6am	-	\$11.50
ADELAIDE	\$1.00	45.45	Tarrif 1 plus 50 cents surcharge	7pm-6am	\$0.50	\$10.00
BRISBANE	\$0.80	40.0	Tariff 1 plus surcharge PLUS 30 cents radio fee	6pm-10pm 10pm-6am	\$0.20 \$0.70	\$9.00
CANBERRA	\$0.75	40.0	45.0	7pm-7am	\$0.30 radio fee	\$9.00
HOBART	\$0.80	48.0	60.0	8pm-6am	\$0.30 booking charge	\$12.60
MELBOURNE	\$1.00	41.67	52.08	9pm-6am	\$0.30 radio fee	\$12.00
PERTH	\$1.00	41.67	Tariff 1 plus 40 cents surcharge	6pm-6am	\$0.40	\$8.00
SYDNEY	\$0.70	45.0	-	-	\$0.50 radio fee	\$11.40

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\* Current as at 21/6/82

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turnover is also high (57% on the electoral roll for one electorate, Millner, between an election in 1980 and a by-election 18 months later).

The large number of young families in the population represents a good market for taxi services, particularly as until the most recent fare increase Darwin taxis were among the most inexpensive to hire in Australia (Table 1).

A further impetus to the taxi industry in Darwin is the propensity of Aborigines to use taxis. Aborigines comprise seven per cent of Darwin's population compared to a national level of 1%. Car ownership is comparatively low and significant use is made of taxis.

Public transport services consist of the Territory Government operated Darwin Bus Service and the privately operated taxi co-operative, Darwin Radio Taxis Pty Ltd. The bus service operates over twelve routes in Darwin plus a longer country route. A flat fare system is used in Darwin with a charge of 30 cents for a single journey. By comparison, a taxi fare from the Northern suburbs (approx 14 km) costs in the order of \$7.00.

There may be some substitution of bus for taxi trips, particularly during the peaks due to the low cost of the bus, but it is unlikely that any future bus fare increase would be sufficiently high to achieve anything other than purely marginal modal switching.

An overall impression of the importance of achieving an efficient and integrated public transport mix can be gained by examining the spatial extent of the city (refer map). The historical growth of Darwin from the inner suburbs skirting the aerodrome, then to the north, has resulted in what can best be described as an urban default rather than urban design, one in which trip lengths resemble much larger populated centres. For example the average trip length in Darwin by taxi is 6.0 kilometres compared to approximately 6.7 km in Melbourne and 6.0 km in Perth, this latter city having a population almost sixteen times Darwin's level.

The volume of public transport journeys handled by the taxi service is significant. Survey results indicate that some 3,500 persons are moved on an average weekday by taxis. This compares favourably with the Darwin Bus Service movement of approximately 7000 per day using a peak requirement of nineteen buses. Clearly, taxis are unable to match the peak period transport capacities of the buses but with the bus service requiring a direct subsidy of \$2.4 million (1981/82) the benefits to the public purse are clear for Government attempting to expand the public transport role undertaken by taxis.

TABLE 2

## PERCENTAGE OF DARWIN TAXI FLEET

## ON ROAD BY THE HOUR\*

TIME ZONE	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY	SUNDAY
12.01 - 1.00am	28	10	4	4	4	12	30
1.01 - 2.00	22	5	4	4	4	4	30
2.01 - 3.00	17	5	4	4	4	4	10
3.01 - 4.00	6	4	4	4	4	4	5
4.01 - 5.00	6	4	4	4	4	4	5
5.01 - 6.00	10	15	15	1	19	10	6
6.01 - 7.00	25	65	59	56	46	25	11
7.01 - 8.00	40	85	87	89	77	45	28
8.01 - 9.00	50	85	93	96	89	80	50
9.01 - 10.00	50	92	96	96	92	85	61
10.01 - 11.00	60	96	96	96	100	85	61
11.01 - 12.00	75	100	96	100	100	90	67
12.01 - 1.00pm	80	100	96	100	100	90	67
1.01 - 2.00	80	100	96	100	100	85	67
2.01 - 3.00	75	100	96	100	100	85	67
3.01 - 4.00	75	100	93	100	100	90	78
4.01 - 5.00	75	96	81	89	89	90	72
5.01 - 6.00	65	73	59	70	73	75	78
6.01 - 7.00	45	50	44	48	58	60	72
7.01 - 8.00	40	42	26	37	42	55	72
8.01 - 9.00	35	31	19	22	31	50	61
9.01 - 10.00	30	19	15	11	27	45	50
10.01 - 11.00	15	19	11	11	23	35	39
11.01 - 12.00	10	8	7	7	19	35	39

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\* Based on survey return by 31 vehicles:

Monday 26th April to Sunday 2nd May 1982

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The importance of taxis in more highly populated centres having a greater variety of public transport modes has also been noted. Williams (1978, p36) compared the passenger volumes carried by taxis to that of trams, buses and rail in Victoria based on 1974 statistics. In total, taxi patronage amounted to 85% of that on tram, 81% of that on rail and surpassed bus patronage by 19%.

It has also been shown that taxis are not simply the preserve of higher income groups but are significant providers of service to lower income earning groups as well. Williams and Scorgie (1981, p.21) note that based on Queensland data approximately 41% of taxi journeys are made by non-income earning groups such as housewives, students and the unemployed. This is particularly significant for Darwin due to the large separation between home and major work/entertainment locations.

Unfortunately, it is not possible to present taxi user characteristics for Darwin at this stage, that information being outside the fare assessment level requirements that prompted the initial surveys of operations and service levels. Assessment of the characteristics of taxi operations is, however, fundamental to the ability to assess the adequacy of existing fare levels.

### OPERATIONS

Darwin taxi services are theoretically available 24 hours a day seven days a week, to supply adequate service whenever and where ever required. What in fact happens is that the industry tailors its operation very closely to expressed demand such that some delays can occur whenever unforeseen peaks in demand arise. Table 2 shows the percentage of the taxi fleet on the road by the hour for an average week.

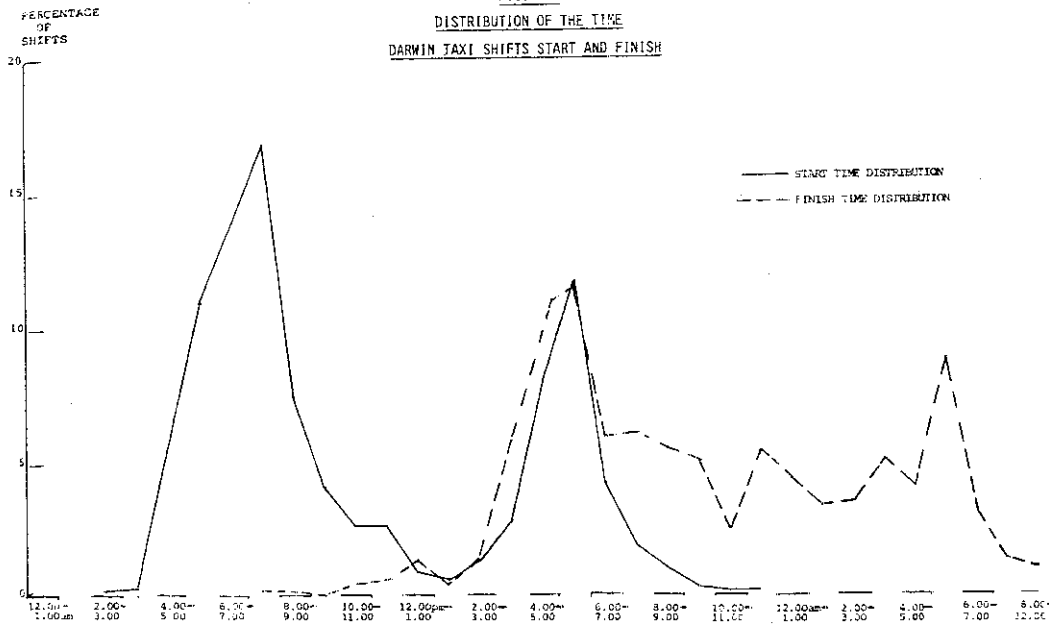
Fleet utilisation falls as low as 4% during the midnight to 6am period but increases markedly thereafter, particularly between 6am and 7am on Tuesdays, Wednesdays and Thursdays. Mondays and Sundays (from 4am onwards) tend to be low serviced days while Fridays, Saturdays and early Sunday mornings evidence the most prolonged availability. An average taxi owner's operating pattern would be to commence operations between 7am and 8am going through until between 7 and 8 pm or much later into the evening.

It is interesting to note that the peak availability of cabs and hence expressed demand occurs at times when alternate forms of transport could be used. That taxis are used in this situation attests to the continued attraction of the speed and comfort of the service offered.



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FIGURE 1  
DISTRIBUTION OF THE TIME  
DARWIN TAXI SHIFTS START AND FINISH



The pattern of operation is illustrated in Figure 1 which details the starting and finishing times of shifts. It is interesting to note that starting times illustrate a highly peaked distribution, particularly for the morning and afternoon shift starting times while shift finishing times tend to be more dispersed. Results indicate that the normal shift length is just over 11 hours although some 25% of shifts exceed 13 hours. Some 57% of shifts are operated by contract drivers, the remainder by owner drivers.

Further, individual taxi operators tend to operate on a consistent manning basis in that almost all shifts in the weekly roster for individual taxis are driven by the owner or a contract driver. Only one quarter of the taxi fleet is operated on a shared basis between owner and contractor driver. It can be inferred from the above that while some owners employ contract drivers to drive in the evenings, the majority of operators either stay at the wheel to complete quite long shifts or have contract drivers undertaking virtually all of the cab's operations.

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In evaluating these statistics the issue of rest periods needs to be considered. Despite long hours, taxi drivers generally take regular breaks, business permitting. Thus, practices which appear ill-advised may be well handled by the industry. This is an area which requires more detailed research than can be covered by the information presented in this paper.

The overall pattern presented in these figures could quite easily be that for a much larger urban centre, except that due to the absence of congestion and delays in Darwin the shift starting and finishing times are more likely to be closer to the actual occurrence of peak demand.

The survey revealed that 59% of total kilometres were paid running. This can be expected to vary marginally on a seasonal basis due to tourist movements associated with the wet and dry seasons.

The average trip length is 6.0 km with an average taxi undertaking some 40 trips over an approximately 15 hour day (one and a half standard length shifts) per day. This gives a mean of 2.7 trips per hour which is marginally above the rate expected. Industry representatives indicated that demand was higher at the time of the surveys than usual at that time. The occupancy rate per trip was 1.6 persons.

Service levels provided to the public are generally good. Waiting times for calls are considered to be low with 75% of hirers being collected within four minutes of making a call. Only 2% of callers wait for more than 10 minutes prior to being picked up. In spite of the above some delays can occur late in the evening when, as has been shown, cab availability is at its lowest and also at special times of the year, for example at Christmas, when above average demand levels occur.

Assessment of survey information relating to revenue characteristics is considered essential to the accurate evaluation of the need for a fare increase. It provides a bench mark against which a fare increase can be seen to be equitable. The other part of the equation relates to identification of costs.

### SETTING THE FARE

*Profit?*

The fare assessment method used is a straight forward procedure which provides a logical framework for the compilation of a normal operator's costs. The determination of the need for a fare increase and if proved, an appropriate level, involves comparing revenue with costs. A shortfall or equality indicates no fare increase is warranted while the degree of excess of cost over revenue indicates the magnitude of any fare increase.

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The methodology was recommended to the Government by a Melbourne based consultant, Mr J Ripplin, who based his considerations largely on the Victorian practice. The N.T. Government accepted the approach and directed that the provisions of the methodology be fulfilled before any consideration of a fare increase occurred.

It should be noted that the methods used by the states to assess fare increase applications can vary significantly. These differences are commented upon in the following section.

The cost assessment framework followed in the N.T. involves separating costs into variable and fixed types. Variable costs comprise:

- . Fuel
- . Service, Maintenance and Repairs
- . Tyres, tubes and repairs
- . Driver's Share of Earnings

Fixed Costs comprise:

- . Registration
- . Comprehensive Insurance
- . Radio Subscriptions
- . Depot fees
- . Allowance for depreciation of vehicle
- . Allowance for depreciation of equipment
- . Return on Investment in vehicle (currently 20%)
- . Administration and Incidental Costs

The calculation of most of these costs is straightforward and comprehensible. The allowances for depreciation and return on investment are worthy of comment as these differ from state to state. Depreciation of the vehicle is taken at 20%, although legislatively, there is no requirement for an operator to dispose of a vehicle after the five year period. In fact, 23% of Darwin's taxi fleet is aged in excess of 5 years\*. Depreciation on equipment is taken at 12.5%.

The estimation of driver's wages differs from that practised in other locations, for example Victoria, where the taxi owner absorbs the full cost of any fuel used. In the Territory the allowance for driver's wages is based on half the total fare revenue minus 50% of the cost of the fuel used. This transfer of half the fuel cost used to the contract driver may be a significant factor in the current difficulty of obtaining good contract drivers, in that late night service would be less rewarding than in other locations, this of course being dependent upon the amount of cruising undertaken.

\* Taxi roadworthiness inspections are conducted on a biannual basis at Motor Vehicle Registry.

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Alternatively, the practice of the contract driver being responsible for half the cost of the fuel used can be viewed as an incentive for owners to use contract drivers although the point is made by those in the industry that such benefits may be marginal only and easily discounted by damage to the vehicle or increased wear caused by the poor quality of a number of contract drivers.

Using this framework discussions occurred with Depot management to develop a representative and reasonable schedule of costs. This compilation was based on the average annual distance travelled by a Darwin taxi of 122,000km as revealed by an investigation into taxi inspection details at Motor Vehicle Registry. All up costs amounted to \$38,592. This included a \$14,041 allowance for drivers wages and resulted in a total distance based cost of 31.633 cents per kilometre.

Having ascertained costs, the next step in the approach is to establish annual revenue. This can be calculated by taking into consideration the average paid trip length (6.0 km) and percentage paid kilometres (59%). This resulted in a total revenue figure of \$36,080 or a \$2512 shortfall of revenue below costs, this indicating that a fare increase of 13.9% was warranted on the basis of the formula applied. This was subsequently increased to 15% due to the need to account for the electronic meter not crediting the last 5 cent drop until the complete drop distance had been covered. The calculation of the increased fares in terms of apportioning the increase between Tariffs 1 and 2\* and waiting time was undertaken using operational data and in consultation with the industry. The average trip length is used as a basis for applying the increase so that inherently trips of less than 6km effectively pay a higher percentage increase per kilometre while trips in excess of the average pay a lower percentage rate, this being due to the effects of the flagfall. Increased fares came into effect on 30 July and are detailed in Table 1.

The use of the cost model is a useful approach to the issue of rate setting but does not resolve all problems. A chief difficulty is that fare adjustments are calculated at one point in time only. This can be overcome to a large degree by monitoring seasonal data from the industry but a certain risk remains. Further, the industry complains that fare increases do not compensate for the past erosion of purchasing power due to inflation and that an increase using this method merely 'cleans the slate' at one point in time. This criticism is considered valid but in the absence of a better method, given continued regulation, more frequent fare reviews may be the most equitable approach that can be used.

\* Refer Table 1 for Tariff hours of operation.

The model also adopts a 'standard' approach to the itemisation of taxi costs such as the depreciation allowance. In smaller, and particularly more isolated centres, costs can be appreciably higher than in Southern Capitals. Operations on outback roads, a mix of clients with varying states of cleanliness and climatic extremes can impose comparatively high cost structures on operators. The unquestioning acceptance of allowances in the model can result in operators being compelled to keep vehicles beyond their economic life, with a consequent decline in the standard of service. The need to include an allowance for airconditioning in the tropical climate is a good example of a localised requirement and one of a number which are presently under examination.

Once having arrived at an appropriate level of fare increase no technique is recommended as to how the increase is best apportioned between flagfall tariffs and waiting times. One approach is to account for fixed costs by the flagfall and variable costs by the Tariffs but this is not followed in the N.T.

The fare assessment method does not go further than being purely an arithmetic procedure. It enables a calculation to be made but any logic for allocation of the increase between one tariff and the other and waiting times is untouched. It also requires further development to account for local differences.

Notwithstanding the above criticisms the approach does contribute successfully towards satisfaction of the equity principle in rate setting. Fares can be seen to be set taking into account a reasonably close estimate of operators revenue and costs. Regional variations can be considered in the method and allowances made for higher cost centres.

#### INTERSTATE COMPARISONS AND ECONOMIC CONSIDERATIONS

The taxi fare setting assessment techniques practiced by the States and the Australian Capital Territory (A.C.T.) can be considered as following three broad methodologies. The approaches may be described in terms of assessment of generalised costs, operational costs and break even of cost and revenue.

The generalised cost approach is followed by South Australia and Tasmania. South Australia bases taxi fare increase assessments primarily on movements in the Consumer Price Index, although additional allowances are made to account for large increases in fuel costs. Tasmania adopts a similar stance, assessing the need for a fare rise by reference to increases in the consumer price index plus increases in major cost items borne by the operator.

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The second approach is that related to operational costs as practised by Western Australia and New South Wales which assess the need for a fare increase based on increases in a taxi operating cost index. Returns to labour and capital are built into this index.

The last approach is that followed by the A.C.T., Victoria and the Territory in which a comparison is made of costs and revenue with returns to labour and capital being included in a representative operator's cost structure.

Interestingly, the A.C.T. calculates its break even point on a 40 hour week basis, an operator working extra hours effectively needing to cover variable costs only before making a profit. It should be noted that the method previously used by the N.T. was basically that currently followed in the A.C.T. except that a 'standard week' was judged to be 50 hours. This was considered not sufficiently effective in encouraging service in the off peak so the new approach was introduced. The A.C.T. approach in limiting hours may have positive benefits but the applicability of the 40 hour principle to smaller centres such as Darwin in the provision of off peak service is open to question.

There appears to be a general tendency for many taxi operators in Darwin to cease providing transport once a certain amount of income has been gained. Actual hours of operation are dependent upon income received. In such a situation, assessment of fare levels based on a 40 hour week may produce the opposite effect to that desired in that operators may not see it in their interest to provide more service than is presently provided in the off-peak, particularly given the trend for taxi service levels to closely reflect demand.

The calculation of costs by accounting for hours of operation is the essential difference between the approaches adopted by the N.T. and A.C.T. In the Northern Territory and Victoria operator's hours of work are effectively disregarded. If demand decreases then it is likely driver's hours will increase so as to maintain income. If demand increases then it is likely that hours of operation will decline. The assumptions underlying the two approaches are very different in that in the A.C.T. encouragement for provision of service beyond 40 hours per week is based on the premise that operators will seek to maximise their incomes. In the Territory fare levels, and hence revenues, are set irrespective of the hours required to earn a living and inherently, no distinction is made between demand in the off peak compared to the peak.

Thus, in times of decreased demand operators are expected to work much longer hours than existing in the community generally, if they wish to maintain incomes. In times of depressed demand this can produce significant amounts of unrest in the industry. The fare setting procedure does provide a useful tool as it is a means of assessing the effect of any change in the supply of taxis on operators' revenue.

The allocation of costs in the fare pricing strategy for the peak and off peak is of importance once overall costs have been ascertained.

Williams (1977, p14) has argued the benefits of adopting a peak load pricing policy in that tariffs are set according to the marginal cost of providing service at particular times.

This may be an option in larger centres such as Melbourne where congestion and delays were major factors in operators withdrawing their taxis from service in the peaks until the introduction of controlling legislation (Williams 1977, p11) but in smaller centres such as Darwin differences per kilometre would be marginal, particularly given the 122,000km average travelled by Darwin taxis. Any extra return during the peak may serve only to further reduce availability in the off peak when demand is low. This situation is exacerbated in Darwin in that contract driver's wages are adjusted by owners to account for a share of the fuel used.

Thus, it appears that for smaller centres a tariff structure that gives incentive to operators to provide service out of hours is a reasonable approach rather than providing a discount for off peak use. The regulatory emphasis then, is one of encouraging operators to provide service rather than giving price incentives to users, this suggested approach being based on the above combined with the general inelasticity of taxi fares (Williams 1978, p91).

This is not to say that peak load pricing should not be considered but that it would be best associated with de-regulation of the numbers in the industry.

One significant factor missing from the fare assessment methodologies followed in all states is any effort made to adjust costs to account for the taxation component. A taxi owner has significant taxation deductions available to him due to use of an office at home for administration purposes plus deductions relating to the vehicle.

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It is evident that any fare setting approach taking into account taxation advantages would result in fare levels lower than those derived using the approaches discussed in this paper. This is a grey area in that operators could argue that this is part of normal business practice and accounting for taxation benefits would produce marginal effects on rates but would serve to decrease the overall profitability of the industry, given as has been noted, the generally inelastic nature of demand.

In pursuing the need for more accurate rate setting planners have, to a great extent, lost sight of the original goal of the taxi service which is to provide a more personalised form of transport to the community, certainly a goal not directly addressed in fare assessment methodologies.

In summary, the fare assessment technique used in the N.T. only goes so far in assisting with fare regulation of the industry. It is similar to the procedure followed in some other states yet a significant variety of approaches exist throughout Australia.

### CONCLUSION

The operations of the taxi industry in Darwin exhibits general characteristics representative of much larger centres. The role played by the industry is comparatively more important in that smaller centres such as Darwin do not have the same range of public transport services available as do larger cities.

A fare assessment approach has been discussed which, although doing the job, is basically an arithmetic procedure only it does not account for regional peculiarities and offers no guide as to the best method of adjusting Tariffs commensurate with any fare increase. The latter step is usually undertaken in consultation with the industry. Fare assessment methodologies used in other states are presented for comparative purposes.

The chief findings of the paper are that fare assessment methodologies vary from state to state according to the underlying assumptions concerning industry operations and that arguments for pricing strategy change based on purely economic grounds may be found inapplicable to an industry in which operator attitudes play such an important role. Further, that rate setting techniques not accounting for actual revenue characteristics may result in excessive fare increases being granted in a growth situation.



The issue of the completeness of fare assessment approaches has been raised with no regulatory body taking into account taxation advantages. This may be of marginal benefit only depending on kilometres travelled but could be part of useful changes to the approach. It may also include some form of peak/off peak rate setting if, upon investigation of period specific demand, some consumer pricing advantage can be obtained.

There is a need for regulations not to lose sight of the overall goal of setting fares in that the aim is to provide efficient, equitable service to the public. Given continued regulation the need to set fares will remain but should be undertaken with a view to maximising service levels and minimising cost penalties to the public. Associated with this is the trade off to ensure operators receive a reasonable level of compensation and operate in a way commensurate with public safety.

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