



Review of the National Maximum Taxi Fare

Final Report

October 2008



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1 Background and Approach

In this section we provide background information with regard to the setting of the National Maximum Taxi Fare in Ireland. The objectives of this review are highlighted and the methodology deployed and work undertaken to meet these objectives is then discussed. Finally, we provide an outline of the structure of the remainder of the report.

1.1 The National Maximum Taxi Fare

The Commission for Taxi Regulation introduced the national maximum taxi fare structure in September 2006. It set a unified tariff structure for all taxis in Ireland, replacing the previous arrangement where 35 separate taximeter areas were in existence. With an overriding objective to establish a system that was simple and transparent, the price charged to customers is calculated and conveyed via the taximeter, based on the following components:

- Standard and Premium rates: with premium rates applicable for unsociable hours, i.e. between 20.00h and 08.00h and on Sundays and Bank Holidays;
- Initial Charges: a fixed fee which covers an initial distance or time period;
- Further travel tariffs: with three time and distance based tariffs (A – C) coming into operation on a graduated basis, dependent on a number of factors;
- Additional passenger charges: with fixed costs per additional passengers;
- Booking fee: a fixed fee, where relevant; and
- Soiling charge: a set fee applicable where passengers damage or dirty a vehicle resulting in loss of service or incurrence of costs for the driver.

The Commission set tariffs across each of these components in 2006, taking account of a number of considerations. It intended to ensure that the taxi industry was fairly rewarded for its work and that further supply was stimulated, that customers received value for money and that additional demand was created. The tariffs are set as a *maximum* charge, with drivers (individually or through cooperation with dispatch operators) free to offer discounts.

On setting these tariffs, the Commission committed to revising fares on an on-going basis, with a full review scheduled to take place no later than 2008.

1.2 Objectives of the Review

PA Consulting Group was commissioned in June 2008 to undertake two related pieces of work on behalf of the Commission: a study on the revision of the National Maximum Taxi Fare, and an evaluation of the setting of Hackney and Limousines fares by individual service providers. It is on the first of these tasks that this report will focus.

In this regard, the aim of the study was to examine the various elements that make up the National Maximum Taxi Fare, with a view to making a recommendation on a national maximum fare for taxis for the next two years. The review was to take developments in the market and economic conditions into consideration and focus on answering the following questions:

- Should the current National Maximum Taxi Fare increase / decrease / remain the same?
- Should any increase / decrease be reflected in the initial charge only at both standard rates and premium rates?
- In addition, should the current tariffs both at standard rates and premium rates increase / decrease / remain the same?
- Should the booking charge increase / decrease / remain the same?
- Should the fee for extra passengers increase / decrease / remain the same?
- Should the soiling charge increase / decrease / remain the same?

In answering these questions, the review was expected to take account of the main changes in taxi operators' cost drivers, the price sensitivity of demand, and the implementation costs of any proposed changes. The current definition of unsocial hours and public holidays was also to be reviewed.

1.3 Our Approach

A four-phase approach was adopted to undertake the review of the national maximum taxi fare as follows:

- Phase 1 - Project Initiation which involved:
 - an initial meeting with the Commission to clarify the objectives and parameters of the review, identify deliverables required, agree on stakeholders to be consulted and arrange for access to appropriate material to inform the undertaking of the assignment.
 - a review of the methodology for the establishment of fares in the SPSV sector, involving an examination of all relevant documentation in this regard and a follow-up meeting with the Commission, to ensure that a detailed understanding was obtained of the underlying assumptions behind the setting of the fare in 2006;
- Phase 2 - Investigating the Need for Change which involved:
 - a review of stakeholder responses to the Commission's call for submissions on this matter in order to understand and summarise the key messages emerging from this process.
 - consultation with relevant stakeholders to add to the insights gained from the review of submissions, highlight key concerns, tease out any issues, and get a greater sense of buy-in from industry by involving representatives at an early stage of the process.
 - comprehensive quantitative analysis to help determine whether a change in fares is warranted by examining trends in operating costs, other relevant economic variables and industry supply and demand since 2006, with consideration also given to how such factors are expected to change over the next two years.
- Phase 3: Options Evaluation which involved:

- identification of a number of options for the taxi fare revision, discussion with the Commission on the assumptions underlying each option and agreement on the appropriate options for further evaluation;
- evaluation of the impact of adopting a particular tariff change on both the supply and demand of taxis, resulting in a recommendation on the revision of the national maximum taxi fare.
- examination of implications for the tariff structure in terms of transparency for the consumer and the ease of implementation for industry.
- Phase 4: Reporting and Delivery which involved:
 - presentation of the findings of the review to the Advisory Council at two meetings on 28 August and 11 September 2008.
 - preparation of this draft report for consideration by the Commission, with comments to be taken on board and a final report produced.

1.4 Report Outline

The remainder of this report is structured as follows:

- Section 2 summarises the findings from the submissions made and consultations undertaken with regard to revision of the national maximum taxi fare.
- Section 3 sets out a taxi cost index to underpin the setting of a national maximum taxi fare and identifies changes in this index since the maximum fare was first established in 2006.
- Section 4 considers the options with regard to implementation of a revised national maximum taxi fare and proposes the most appropriate from an implementation perspective.
- Section 5 draws the main conclusions from the review and proposes a series of recommendations to assist in the process of setting the national maximum taxi fare in the future.



2 Submissions and Consultations

In this section we summarise the findings from submissions made and consultations undertaken with regard to the revision of the national maximum taxi fare. These are considered in terms of stakeholders representing the taxi industry and those representing users of taxi services.

2.1 Summary of Submissions

2.1.1 Overview

The Commission for Taxi Regulation issued a consultation document in April 2008, 'National Maximum Taxi Fare Revision' that invited responses from interested parties with regard to this subject. A total of 447 submissions were subsequently received, with 176 (39%) from the taxi industry (primarily individual drivers) and 217 (49%) from taxi users (mainly individual consumers).¹ Each of the four national unions, and a number of the regional unions, also made a submission on behalf of the drivers they represent. The respective views of each of these stakeholder groups are summarised below.

2.1.2 Industry viewpoint

Level of the national maximum taxi fare

The vast majority of submissions from industry (81%) called for an increase in the national maximum taxi fare. The two main reasons cited were an increase in operational costs (particularly fuel) and increased competition due to the number of licences being issued. A significant number of submissions also called for the reintroduction of separate luggage charges and/or an additional charge for airport jobs.

Almost one in five submissions from the taxi industry (18%) called for the fare to remain the same. This was primarily linked to concern that a significant increase in fares would have an adverse impact on demand, especially at a time when the level of supply in the industry was high.

Distribution across the existing fare structure

Under the areas for consideration identified in the consultation document, views were invited on how any revision of the maximum fare should be applied across the existing fare structure. A range of views were expressed about whether changes should be focused on the initial charge, the tariff, the additional passenger levy or the soiling charge, with the following trends apparent:

- Approximately three-quarters of submissions from the taxi industry called for an increase on the initial charge and/or the graduated tariff.

¹ The remaining 54 (12%) could not be categorised.

- Around one-half of these respondents expressed the view that any increase should be allocated to both fare components, with the remainder placing greater emphasis on increasing the initial charge only rather than the tariff.
- There was less support for an increase in the charge for additional passengers, with 70% supporting the status quo in this respect, and 29% recommending an increase.
- Over two-thirds (68%) felt that the booking fee should remain the same, with a quarter supporting an increase and 7% a reduction.
- There was considerable support for an increase in the soiling charge with 68% of submissions from industry recommending this move.

2.1.3 Consumer Viewpoint

The feedback in the submissions received from users of taxi services was unsurprisingly less supportive of an increase in the maximum fare. Although 17% of responses from consumers recognised that an increase in fares would be justified given increases in associated operating costs, almost one-half (47%) felt that the fare should be reduced as taxi services were already overly expensive. The remainder (36%) felt that fares should remain the same.

In addition to views on the fare itself, a consistent theme throughout the consumer submissions was the need for improvement in the quality of taxi vehicles and the standard of service being delivered.

2.2 Stakeholder Consultations

2.2.1 Overview

As part of this review, PA Consulting Group met with a broad range of stakeholders identified by the Commission, including industry representatives and consumer and business representative bodies. The consultation process had a number of objectives:

- The clarification of points made in submissions, where applicable;
- Obtaining a better understanding of the increasing costs faced by industry;
- Assessing any likely impact of a change in the fare on demand;
- Understanding any industry trends that needed to be taken into account when proposing any change to the fare.

A list of the stakeholders consulted is provided in Appendix A, together with a summary of the individual points raised during each discussion. The remainder of this section highlights the key themes emerging from this process.

2.2.2 Industry Stakeholders

The industry stakeholders consulted included national unions, regional and local drivers associations and taxi company owners' representatives. Feedback from these consultations is summarised in relation to views on the level of the national maximum taxi fare, the distribution of any increase across the fare structure and other issues arising.

Level of the national maximum taxi fare

There was unanimous agreement across all industry stakeholders consulted that an increase in the national maximum taxi fare was necessary. The four key national unions representing taxi drivers (NPHTA, ITDF, NTDU, SIPTU) supported significant increases in the maximum fare, with recommendations including an overall rise of at least 15% and a minimum charge of €5. Taxi company owners also acknowledged the need for an increase in the maximum fare.

While discussions with regional representatives of drivers produced consensus around the need for an increase in the maximum fare, there was a wide degree of disparity between what was deemed to be necessary in different areas. Representatives of drivers in Drogheda, for example, felt that an increase of 25% would be justified, while in Galway it was felt that a conservative increase should be applied in order not to adversely affect local demand for taxis. This reflects the different nature of the taxi market in different locations across Ireland and illustrates why it is important to consider the regional implications of any proposed change in the national fare.

In justifying an increase, the two main reasons cited by stakeholders surrounded the substantial increase in fuel costs since introduction of the original fare and the growth in supply of taxis that has resulted over this period. The former factor was identified as having a significant impact on the costs of running each taxi, while intense competition as a consequence of the latter reduced the number of fares that could be obtained by each driver. The perception existed that this increase in costs and contraction in income had reduced the return for labour within the taxi industry since 2006. Hence an increase in the fare was deemed necessary to address this balance.

In addition to these factors, a number of other changes in the circumstances faced by drivers since 2006 were identified by industry stakeholders to justify an increase in the maximum fare, including:

- An increase in car maintenance costs, including significant rises in the price of motor oil and spare parts.
- The increasing costs of radio rental and requirement by some dispatch operators to take out individual insurance on this equipment.
- The lack of space available on ranks meaning that taxis are seeking more trade from off the street, with the resultant 'cruising time' meaning that fewer taxi miles travelled are paid miles.
- The impact of increased congestion on reducing the level of income that can be earned by each taxi driver.
- The limited level of price competition between meter installers, making this taxi cost component overly expensive.
- The view that the reduction in costs of insurance is negated by reduced levels of cover provided, with insurance premiums perceived to now be increasing again.

In revising the fare, it was also emphasised that the cost implications of meeting new vehicle standards requirements be taken into account. For example, from 2009 drivers will be obligated to sit a vehicle suitability test, generating a direct cost and other knock-on expenditure depending on the outcome of the assessment. An increase in the fare was perceived as offering drivers the opportunity to invest in improving the quality of their vehicles to meet such obligations and to improve the service to users of taxis.

Distribution across the existing fare structure

While there was agreement from the taxi industry about the need to increase the national maximum taxi fare to take account of changes since 2006, there were differing views on how such a rise should be distributed across the components of the existing fare structure. The national unions were supportive of changes across the board in terms of the fare structure, recommending increases in the initial charge, tariff, additional passenger levy and booking fee.

At a regional level, views on the distribution of the tariff varied. In Cork, there was support for an increase in both the initial charge and the tariff, while in Drogheda the preference was for the entire fare increase to be applied via the tariff. In Galway the preference was for the increase to be applied via the initial charge only and a reluctance to use the tariff structure was flagged due to an 'over-saturation' of supply. It was noted that many drivers were operating in not too dissimilar fashion to hackneys, operating fixed price fares or delivering discounts (e.g. not charging the booking fee)..

From a taxi company owner perspective, it was felt that there should be no change in the initial charge, as consumers were perceived to be particularly price sensitive in this regard. There was also strong resistance to any change to the booking charge, as any increase was viewed as direct impacting upon the ability of dispatch companies to attract drivers into their business.

Other issues

Although the review was asked to focus solely on the distribution of any change in fare across the existing structure, issues were raised with regard to the charging of additional cost components as part of the fare. It is worth highlighting these views as they reflect factors that have an impact on the cost of operating taxis and hence should be taken into account in our own examination of changes in this regard since 2006.

There was consensus among the national unions that additional charges for airport pick-up and transport of luggage should be levied as part of the fare. It was noted that drivers using Dublin Airport were faced with a €440 charge per annum that was not then directly reflected in the fare charged to passengers hiring taxis from this location. A minimum charge was also supported for Cork Airport due to the time taken to travel out to this location. With regard to the luggage charge, it was felt that the time taken to assist in the loading of luggage into the vehicle and the wear and tear caused by luggage storage on the vehicle itself should be reflected in the price charged to the consumer. While the recommendation of additional charges of this kind are outside the parameters of the review, the issues have been taken into consideration in terms of how they have impacted on the driver's cost base. For example, the Dublin Airport charge has been incorporated in the development of the cost index, while we have also given consideration to the impact of carrying baggage on vehicle operating costs.

The application of additional charges for taxi services for Christmas Day, St. Stephens Day and New Year's Day was also discussed during the consultations. This would help to stimulate provision of taxi services at a time when demand outstrips supply. However it was also felt to be an essential step in order to offer taxi drivers a fair reward in line with the return received by workers in other industries, where income secured on these days is far in excess of that received for a normal working day. A case was also made that higher rates should be applied on Bank Holidays than was the case for Sundays.

A final point raised of relevance to the impact of the national maximum taxi fare on demand and supply in the taxi market concerns the lack of awareness by many of the new entrants to the industry of the actual cost operating a taxi and the long hours required to make an adequate return. It was felt that further information could be provided in this regard that would facilitate more informed decision-making on whether or not to enter the market.

2.2.3 Stakeholders representing taxi users

A number of stakeholders were consulted given their role in representing particular groups of users of taxi services. The individual stakeholders met are listed in Appendix A, alongside a summary of the points raised by each during the discussions.

While the prospect of an increase in taxi fares provoked concern from most user stakeholders, there was broad recognition that a reasonable increase in fares might be justified, as long as any increase remained in line with general price or income growth. The importance of maintaining a simple and transparent system for setting the fare was also flagged. In this regard the need was identified for a 'balanced' fare review that reflects increases in costs of operating taxis but also acknowledges that not all cost changes can be passed fully on to consumers. Concern was also expressed about the quality of taxi vehicles and the quality of service being provided, with an emphasis on ensuring that any increase in fares would also be reflected in improvement of these aspects of provision.

It was also noted that the undertaking of a review every two years meant that significant increases had to be applied to reflect changes over this period. This asked consumers to adjust to significant price hikes to which they were unaccustomed, with most other prices changing on a more graduated basis. It was proposed that more regular revisions of the fare, perhaps with reviews taking place on an annual basis, would make for less pronounced fare increases to higher prices from a consumer perspective

It was also emphasised that there was insufficient focus on the setting of the fare as a **maximum** charge. The perception among users of taxi services was that this fare was always applied and that the scope to offer discount from the maximum charge was never used. In this regard it was suggested that there could be more effective communication from the Commission of the fact that a user is free to negotiate a discount on the maximum fare before the journey takes place. Benefit was also seen in raising awareness among taxi drivers that the fare should only serve as a cap on the price of each journey and that service providers were free to adapt these prices to stimulate demand.

There was concern about the impact of the increase of the fare on vulnerable groups or those on fixed incomes, such as the elderly or people with disabilities. It was emphasised that particularly in rural areas, taxis can be the only form of public transport accessible to such groups, ensuring that they are disproportionately hit by an increase in prices in comparison to other people with access to other transport options. For people with disabilities, it was noted that there was insufficient supply of wheelchair accessible taxis and that further incentives should be provided to drivers to invest in these vehicles. It was also suggested that consideration be given to introduction of a system where those who already qualify for free public transport can also obtain discounted or free use of taxis (e.g. through the implementation of a voucher scheme).

Building on this theme, it was noted that developments in the taxi industry need to be consistent with a more integrated and coherent approach to public transport provision in Ireland. As well as a process of revising the fare, there was a desire to see the Commission also focus on the implementation of that fare, particularly in relation to the development of additional charging systems. It was proposed, for example, that the taxi industry should be looking at potential use of SMART card technology moving forward in tandem with other transport modes. Such an approach could facilitate subsidised travel for particular groups without any onus on the service provider to charge reduced fares. It would also help to move towards a non cash-based 'journey charge' system based on unit costs where the user is charged for a whole journey that might involve taxi, bus, rail and luas transport. This would make for a much more customer-focused system of transport provision in the future.



3 Changes in the Taxi Cost Index

The key driver of the revision of the maximum taxi fare should be the changes that are apparent in the costs of operating a vehicle since the original fare was established. To examine this issue, we have constructed a taxi cost index. In this section we detail the key assumptions underpinning the formulation of this index, the key changes in operating and labour costs between 2006 and 2008 and the overall change in the cost index that should inform the revision of the national maximum fare.

3.1 The Taxi Cost Index

3.1.1 Development of the taxi cost index

The setting of the initial national maximum taxi fare was informed by a review of taxi, hackney and limousine services² in 2005 and of taxi fares and taxi fare structures³ in 2006 by Goodbody Economic Consultants. The former exercise examined the annual operating costs involved in running a taxi in Ireland, drawing on a survey of taxi drivers in 2005. The latter review considered the implications of how such costs could be reflected in the setting and structure of the fare. It recommended that "a bespoke taxi cost index be used as the basis for fare revisions in Ireland. The taxi cost index should include a labour cost element."

In considering the revision of the national maximum taxi fare, the terms of reference require a review of operating costs since the national maximum taxi fare was set in September 2006. Although the Goodbody reports noted above informed the setting of this fare, they stopped short of establishing a cost index and examined cost data from 2005 only. In order to examine the changes in costs since 2006, PA Consulting had to therefore develop an index that would show the costs at this point in time and examine trends in these costs since that time.

Although informed by the earlier work on operating costs, PA Consulting felt that an accurate taxi cost index had to be driven by a fresh identification and understanding of the various fixed costs and running costs faced by a driver on an annual basis. This was achieved by drawing on a number of sources:

- Consultations with taxi unions which identified and confirmed individual cost components and assisted in the validation of assumptions underpinning the taxi cost index;
- A national survey of taxi drivers which examined revenue generated and costs incurred on an annual basis and fed into the assumptions used to develop the index;

² 'Services: National Review of Taxi, Hackney and Limousine Services', Goodbody Economic Consultants, Institute of Transport Economics Norway, Millward Brown IMS, 2005.

³ 'Review of Taxi Fares and Taxi Fare Structures', Goodbody Economic Consultants, March 2006.

- Analysis of relevant externally held data, drawing on sources including National Car Testing Services Ltd, Central Statistics Office and the Commission for Taxi Regulation.

Drawing on these sources, we were able to develop a cost model that accurately reflected the current costs involved in operating a taxi in Ireland, including consideration of the return that should be expected by the driver in terms of income generated. In the following section we outline the key principles underlying the development of the index.

3.1.2 Assumptions underpinning the taxi cost index

In establishing the structure and level of an industry tariff three key principles should be taken into account:

- **Geared to cost:** tariffs, and changes in tariffs, must reflect changes in the cost faced in providing the service. Tariffs that do not reflect changes in cost will negatively impact on supply, or reduce the quality of service supplied.
- **Fair return:** industry must be allowed to make a return over costs that is reflective of the effort required to provide a service to the standards set by the Commission. Failure to offer a fair return will result in SPSV employees moving to other sectors, thus reducing supply.
- **Affordability:** tariffs must be related to customers' ability and willingness to pay. Affordable tariffs will stimulate demand.

In setting a fare it is also important to recognise that individual taxi drivers have their own unique cost structure. The absolute costs of operating a taxi can vary widely, depending on factors such as whether an individual driver is affiliated to a dispatch company (thus facing a radio rental charge). The cost index developed must reflect the changes in costs faced by a significant base of the industry and hence account must be taken by such additional costs incurred. Thus in specifying the individual cost components of the index, the following guiding principles were considered:

- **Representative:** where possible the assumptions reflect the practice of the majority of drivers. For example, our analysis found that the most popular model of vehicle deployed as a taxi was the Toyota Avensis (used by almost one-in-four drivers), while the majority were found to drive diesel cars. Therefore these two assumptions were used in the establishment of the costs in the index;
- **Best practice:** our assumptions are based on a driver following taxi industry best practice, ensuring, for example, that the vehicle is comprehensively insured, regularly cleaned and serviced frequently.
- **Changing characteristics:** our assumptions took account of any changing characteristics in the taxi industry, such as the introduction of any additional charges since the initial fare was set (e.g. the new airport charges faced by drivers) or any differences in the way that costs were determined (e.g. the reduction in insurance costs as a result of a move from a single to a multi provider model).

With these guiding principles in mind, the individual cost components have been defined, the assumptions set and the changes analysed between September 2006 and August 2008. The resultant taxi cost index produced is detailed in the next section.

3.2 Cost Increases from 2006 to 2008

3.2.1 Some Key Assumptions

Each of the cost components that comprise the taxi cost index are derived via a range of assumptions that are considered to best represent the existing situation within the taxi industry. A detailed explanation of how each of the cost figures is calculated is provided within the Technical Appendix at the back of this report. There are however a number of key assumptions that have driven a number of the costings including:

- Car model:** assumed to be the Toyota Avensis, with data held by the Commission for Taxi Regulation showing this to be the most popular SPSV model (23% of vehicles). To estimate the exact associated costs, it has been further assumed to be a 2005 Saloon 5-door model with 2.0 litre engine.
- Fuel Type:** assumed to be diesel, with the two primary sources of data confirming this to be the preferred type of fuel across the taxi industry. Of 702 SPSVs reporting to NCT centres in July 2008, 55% had diesel engines, while the national survey of taxi drivers also showed that the majority of operators drove diesel powered cars.
- Mileage:** based on average annual mileage figures (approximately 33,000 per annum) from NCT data of SPSVs attending test centres, with the national survey of taxi drivers confirming similar annual mileage levels.
- Labour costs:** assumed that in order to offer a fair return to industry above costs, the labour cost element should be increased in line with non-agricultural industrial wages.

With these assumptions driving the development of the taxi cost index, the changes in this index from 2006 to 2008 are examined in the sections below.

3.2.2 Setting and weighting of individual cost components

The costs of operating a taxi in Ireland can be split into those that vary in line with the level of usage of the vehicle and those that are fixed and are accrued at regular intervals regardless of the extent of use. An allowance must also be made for a fair return for the driver of the SPSV, which can be termed the labour costs of operation. The individual costs incurred in operating a taxi are listed in Table 3.1.

Table 3.1: Individual Costs Incurred in the Operation of a Taxi in Ireland

Running Costs	Fuel; Servicing; Cleaning; Tyres; Spares; Miscellaneous Running Costs.
Fixed Costs	Radio Rental; Car Finance; Insurance; Equipment Replacement; Vehicle License Renewal; Road Tax; Airport Charges; NCT Vehicle Testing; Meter Verification; Meter Calibration; Drivers License.
Labour Costs	Fair Return for Labour.

The changes in each of these individual cost components between September 2006 and August 2008 was analysed. An overall weighting was also calculated based on the proportion of overall costs that could be attributed to each component. The findings in terms of running costs, fixed costs and labour costs are discussed in turn below.

3.2.3 Running costs

An estimate was made for each of the running costs at September 2006. The equivalent cost in August 2008 was then determined. This allowed the overall change in each cost component to be calculated, alongside its relative weighting in terms of overall costs. Table 3.2 presents the results.

Table 3.2: Taxi Cost Index: Running Costs Per Annum 2006 to 2008

	2006 Estimate (Sep)	2008 (August)	% Change	Weight
Fuel	€3,355.00	€3,911.40	16.6%	22.1%
Servicing	€1,097.00	€1,207.80	10.1%	6.8%
Cleaning	€737.90	€812.40	10.1%	4.6%
Tyres	€595.70	€604.00	1.4%	3.4%
Spares	€475.10	€494.10	4.0%	2.8%
Miscellaneous Running Costs	€315.70	€342.30	8.4%	1.9%
Total Running Costs	€6,576.40	€7,372.00	12.1%	41.7%

The taxi cost index revealed an increase in running costs of just over 12% between September 2006 and August 2008. A key contributing factor in this regard was the significant growth in the cost of fuel (up 16.6%), with fuel costs found to account for approximately 22% of overall operating costs at the latter date. In order to calculate the changes in the costs of fuel, the average price per litre per annum (based on the CSO Consumer Price Index) was used rather than point-in-time analysis. This was in recognition of the major short-term fluctuations that can result in fuel prices, which could distort the effectiveness of the overall taxi cost index if the point of analysis occurred during either a peak or a trough in prices. Using average annual growth allows a more graduated cost path that still reflects the general trend in prices.

The cost of servicing and cleaning vehicles also rose by over 10% over the period, while more modest rises were evident in replacement of tyres and purchase of spare parts.

3.2.4 Fixed costs

As with running costs, the fixed costs of operating a taxi were estimated for September 2006 and August 2008, with the increase over this period calculated. The impact of these changes on the overall weighting of each cost component was also examined. The analysis of fixed costs in the taxi cost index is shown in Table 3.3.

Table 3.3: Taxi Cost Index: Fixed Costs Per Annum 2006 to 2008

	2006 Estimate (Sep)	2008 (August)	% Change	Weight
Radio Rental	€3,869.20	€4,195.00	8.4%	23.8%
Car Finance	€3,873.00	€3,777.00	-2.5%	21.4%
Insurance	€1,868.60	€1,706.00	-8.7%	9.7%
Equipment Replacement	€210.00	€218.40	4.0%	1.2%
Taxi License Renewal	€125.00	€125.00	0.0%	0.7%
Road tax	€79.00	€79.00	0.0%	0.4%
Airport Charges	-	€63.60	n.a.	0.4%
NCT	€49.00	€49.00	0.0%	0.3%
Meter Calibration	€30.00	€30.00	0.0%	0.2%
Meter Verification	€45.40	€45.40	0.0%	0.3%
Driver's License	€2.50	€2.50	0.0%	0.0%
Total Fixed Costs	€10,151.70	€10,290.8	1.4%	58.3%
Total Non-Labour Costs	€16,728.10	€17,662.9	5.6%	100.0%

Table 3.3 shows that fixed costs increased only marginally over the period, by 1.4%. However significant changes were evident in key individual cost components. Radio rental costs increased in line with general inflation, a finding that was validated by the national survey of taxi drivers. This increase was countered by decreases found to have taken place in insurance costs (decreasing by almost 9%) due to increased competition in the taxi insurance market and a reduction in the cost of car financing due to lower costs of capital. Taking both running costs and fixed costs together, the overall non-labour cost per annum of operating a taxi was found to have increased by 5.6% between September 2006 and August 2008.

3.2.5 Labour Costs

A key principle in setting the national maximum taxi fare is that it should reflect a fair return for the labour provided by the taxi driver. It is therefore important that labour costs are a core component of the taxi cost index, reflecting the changes that need to take place in terms of rewarding labour to maintain consistency with earnings that could be obtained outside the industry. This approach is in line with that adopted in setting taxi fares in other jurisdictions. For example, the model used for calculation of the London taxi fare has a labour cost component reflecting changes required in earnings.

Because of the diversity of backgrounds in terms of previous employment of taxi drivers, there is no obvious applicable labour benchmark that can be used to reflect the changes in a fair return. Hence the most logical basis for calculation of the change needed in labour return is to offer an increase in line with growth in non-agricultural wages. These were found to have grown by an estimated 10.0% since 2006. This level of increase is higher than the increase in other costs, and as such labour costs now constitute a greater percentage of total costs. This was confirmed by the national survey of taxi drivers, which estimated that net income was approximately 64% of gross income. The estimated labour costs in 2006 and 2008, the change over this period and the change in weighting with regard to overall costs are shown in Table 3.4.

Table 3.4: Taxi Cost Index: Labour Costs 2006 to 2008

	2006 (September)	2008 (August)	% Change	Weight
Labour Costs	€26,942.10	€29,644.40	10.0%	62.7%
Non-Labour Costs	€16,728.10	€17,662.90	5.6%	37.3%
Total Costs	€43,670.20	€47,307.30	8.3%	100.0%

3.2.6 The overall taxi cost index

With changes in the running, fixed and labour costs established, all of this analysis can be brought together to form the overall taxi cost index. This index will show the changes in costs that have occurred since the national maximum taxi fare was established in September 2006. It will therefore highlight the change that should be made in revising the national maximum fare in order to take account of these changes in costs.

Table 3.5 highlights the overall taxi cost index for 2006 and 2008. It highlights the changes in the individual cost components over the period and how these components are weighted in terms of their contribution to total costs of operating a taxi.

The analysis shows that the overall change in the taxi cost index between September 2006 and August 2008 was 8.3%. This includes an increase in the non-labour costs of 5.6% and an expansion in labour costs of 10%. Labour costs accounted for almost 63% of the total costs of operating a taxi, with other running costs and fixed costs responsible for 15.5% and 21.8% of total costs respectively.

Table 3.5: Overall Changes in the Taxi Cost Index 2006 - 2008 (based on per annum costs)

	2006 (September)	2008 (August)	% Change	Weight
Total Labour Costs	€26,942.10	€29,644.40	10.0%	62.7%
Fuel	€3,355.00	€3,911.40	16.6%	8.3%
Servicing	€1,097.00	€1,207.80	10.1%	2.6%
Cleaning	€737.90	€812.40	10.1%	1.7%
Tyres	€595.70	€604.00	1.4%	1.3%

	2006 (September)	2008 (August)	% Change	Weight
Spare Parts	€475.10	€494.10	4.0%	1.0%
Miscellaneous Running Costs	€315.70	€342.30	8.4%	0.7%
Total Running Costs	€3,518.60	€37,016.50	10.4%	15.5%
Radio Rental	€3,869.20	€4,195.00	8.4%	8.9%
Car Finance	€3,873.00	€3,777.00	-2.5%	8.0%
Insurance	€1,868.60	€1,706.00	-8.7%	3.6%
Equipment Replacement	€210.00	€218.40	4.0%	0.5%
Taxi License Renewal	€125.00	€125.00	0.0%	0.3%
Road Tax	€79.00	€79.00	0.0%	0.2%
Airport Charges	-	€63.60	N/a	0.1%
NCT	€49.00	€49.00	0.0%	0.1%
Meter Verification	€45.40	€45.40	0.0%	0.1%
Meter Programming/Calibration	€30.00	€30.00	0.0%	0.1%
Driver's License	€2.50	€2.50	0.0%	0.0%
Total Fixed Costs	€10,151.70	€10,290.80	1.4%	21.8%
Total Costs	€43,670.20	€47,307.30	8.3%	100.0%

3.3 Cost changes in context

It is important to consider how the 8.3% increase in the costs of operating a taxi between 2006 and 2008 can be set in context with the changing patterns of demand and supply within the industry. It is worth investigating how this change in operational costs compares with changes in other relevant indicators in costs, prices and earnings over the same period.

3.3.1 Demand and supply in the taxi industry

Since the national maximum taxi fare was established, the supply of taxis in Ireland has continued to increase. From December 2006 to July 2008, the number of taxi licenses in Ireland grew by 26.5%, from 16,414 to 20,755. This latter figure includes 1,573 wheelchair accessible taxis, with an increase of 19.5% in these types of vehicles over the period. The number of licensed taxis available since 2006 has increased in every county in Ireland. Table 3.6 highlights the trends in numbers of taxi licenses (including wheelchair accessible taxis) on a county-by-county basis.

Table 3.6: Changes in Number of Taxi Licenses by County December 2006 - July 2008

County	Licensed taxis Dec 2006	Licensed taxis July 2008	% change	County	Licensed taxis Dec 2006	Licensed taxis July 2008	% change
CARLOW	105	135	28.57%	LONGFORD	65	84	29.23%
CAVAN	62	103	66.13%	LOUTH	379	525	38.52%
CLARE	156	209	33.97%	MAYO	150	190	26.67%
CORK	1103	1404	27.29%	MEATH	856	1143	33.53%
DONEGAL	169	223	31.95%	MONAGHAN	1	13	1200.00%
DUBLIN	10089	12439	23.29%	OFFALY	65	97	49.23%
GALWAY	628	787	25.32%	ROSCOMMON	16	37	131.25%
KERRY	189	232	22.75%	SLIGO	105	147	40.00%
KILDARE	574	824	43.55%	TIPPERARY	33	43	30.30%
KILKENNY	162	177	9.26%	WATERFORD	202	255	26.24%
LAOIS	113	178	57.52%	WESTMEATH	286	325	13.64%
LEITRIM	11	37	236.36%	WEXFORD	117	170	45.30%
LIMERICK	536	639	19.22%	WICKLOW	242	339	40.08%
TOTAL					16414	20755	26.45%

The analysis in Table 3.6 suggests that demand for taxi services has remained strong during the period since introduction of the national maximum taxi fare, with significant growth in the number of taxi licenses, indicating that there is perception that taxi driving remains an occupation that yields a good return for labour. However care must be taken when drawing any strong conclusions on customer demand in the taxi industry based on such an increase in taxi supply. Consultations with and submissions from taxi unions suggest that despite higher number of taxis on the roads, there has been a significant increase in taxi driving on a part-time basis, negating this effect somewhat. There is also concern that full-time drivers are having to work longer hours to earn sustainable levels of income due to the greater supply of taxis on the road. Such issues are expected to be the subject of more in-depth consideration within the ongoing economic review of the SPSV sector.

3.3.2 Changes in average prices and earnings

While the supply of taxis has continued to increase, with little sign of sensitivity that would discourage the application of an 8.3% fare increase in line with costs, it is also important to consider how general price and earnings movements compare over the same period.

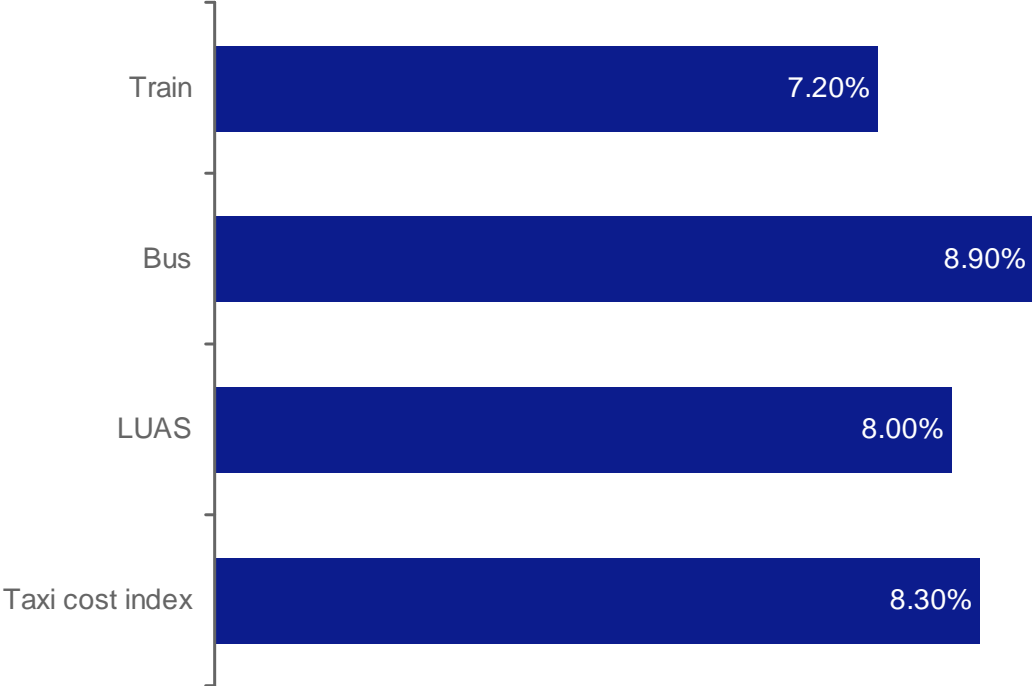
The increase in the taxi cost index over the period September 2006 to August 2008 (8.3%) is very similar to the increase in general prices during this time. The Irish Consumer Price Index grew by 8.4% over the same period, indicating that by recommending an increase in the national maximum taxi fare that is in line with changes in operational costs, we are also proposing a change that keeps it in line with general price movements in the economy as a whole.

It is also worthwhile examining how trends in average earnings since introduction of the maximum fare compare with the taxi cost index. The fare charged by taxi drivers has a direct relationship with the level of income earned and as such it should be relatively consistent with the way that earnings are moving in the wider economy. Of course, we have taken steps to ensure that this is the case within the taxi cost index itself, including a labour cost component to ensure that a fair return is offered to drivers for the maximum fare. This was based on an increase in average non-agricultural earnings since introduction of the fare of 10.0%. The final index increase of 8.3% takes account of the fact that of all the income earned, a proportion has to be spent on the costs of operating the vehicle, and this keeps the model consistent with rewarding labour in the taxi industry in line with trends in the economy as a whole. It should also be noted that equivalent changes in earnings as a result of the social partnership agreement over the period September 2006 to August 2008 amounted to 7%, below the 8.3% change recommended for the fare.

3.3.3 Changes in transport costs

With the taxi cost index showing consistency with growth in average prices and earnings, a further test of whether it will raise any issues of price sensitivity lies in the comparative changes in costs of using other modes of transport. Figure 3.1 compares the change in the taxi cost index between September 2006 and August 2008 with changes in the cost of bus transport, rail travel and LUAS fares over the same period.

Figure 3.1: Cost Changes by Mode of Transport September 2006 to August 2008



The analysis shows that an 8.3% rise in the national maximum taxi fare would be broadly in line with the changes in the costs of over modes of transport since the initial fare was set. The cost of bus and rail travel has risen by 8.9% and 7.2% respectively. Although the structure of LUAS fares makes a direct analysis of fare changes since 2006 difficult to pinpoint, a company representative confirmed an increase of approximately 8% over the period on which the taxi cost index focuses.

3.4 Looking forward over the next two years

The revision of the national maximum taxi fare is intended to establish a fare level that would remain in place over the next two years. Therefore it is important to consider how the individual costs faced in operating a taxi are expected to change in this forthcoming period. During the course of this review we looked at how particularly 'volatile' cost components, such as fuel prices, were expected to change in the future. It did not appear that any significant growth to match the sharp rises in such prices early in 2008 was being predicted. However it was also clear that the extent to which reliable predictions of how such cost components will change over the next two year period was very much an inexact science.

There are a number of strong arguments against the inclusion of future price and cost changes within the taxi cost index. For one, this goes against general industry practice, with models typically reflecting actual costs rather than perceived intangible future costs. As alluded to above, there is also significant difficulty in predicting movements of cost variables within the taxi cost index. The volatility in prices and costs (up and down) adds further complexity to the calculations, with no average or median rate estimate possible as can be achieved with historic cost data.

If an attempt was made to predict changes in the taxi cost index over the next two years, in 2010 the focus would be on checking trends against the forecasts and then undertaking further predictions in cost movements through to 2012. In effect, rather than serving as an objective cost index, the revision process will become one of undertaking subjective forecasts of changes over the next 24 months. This will inevitably lead to confusion and a lack of transparency from a consumer perspective. With a dynamic taxi cost index constructed as part of this exercise, there is an opportunity to use this as a simple and practical tracking tool that will ensure that the fare is always revised in line with the changing costs of operating a taxi.

Such an approach would also avoid the initial pain of a two-fold increase, incorporating cost increases for past two years plus estimated future cost increases, which could have the impact of increasing the fare by as much as double the 8.3% proposed, with potentially severe implications for the demand for taxi services from the consumer.

Overall therefore, it may be best to continue to monitor any anticipated future movements in the cost components to flag any major changes in this regard. This should be done in tandem with more regular monitoring of cost changes, to facilitate more timely understanding by the Commission of how costs are developing during the period between formal revision exercises.

4 Options for Revision of the National Maximum Taxi Fare

With the necessary revision of the national maximum taxi fare in order to reflect changes in operational costs identified, attention now turns to the question of how the change should be applied across the fare structure. In this section we evaluate the options in this regard. The question of whether the current definition of unsocial hours should be reviewed is also considered.

4.1 The structure of the national maximum taxi fare

The national maximum taxi fare has a transparent structure that incorporates the following components:

- **Initial charge:** A fixed initial charge regardless of the distance travelled in the taxi.
- **Tariffs A, B and C:** Variable charges that are accrued in line with distance travelled or, the length of time spent of the journey if this threshold is reached before the set distance is covered. Tariff A is applied after 1km or 170 seconds of the journey, levied in this way over the next 14km or 40 minutes of the journey. Tariff B is then applied for the next 15km or 43 minutes of the journey, with Tariff C subsequently applied for journeys of over 30km or 86 minutes.
- **Additional passengers charge:** A set fee per person for second and additional passengers is applied.
- **Booking fee:** A once-off fixed booking fee is applied for all pre-booked taxis.
- **Soiling charge:** A fixed penalty is applied to the passenger if any damage is caused to the vehicle.

A two-tier fare structure is also applied, with standard rates and premium rates set for the initial charge and tariff A, B and C components of the fare. The standard rate is applied from 8am to 8pm while the premium rate is in place from 8pm and 8am. The premium rate also applies on Sundays and public holidays.

4.2 Evaluating the options for revision of the national maximum taxi fare

4.2.1 Applying the revision of the fare

In addition to seeking a recommendation on how the level of the national maximum taxi fare should be revised to reflect changes in costs, a further objective of this review is to propose how such a revision should be applied across the structure of the fare. This includes consideration of whether any increase or decrease should be reflected in the initial charge only, whether any changes are required in the current tariffs, and whether the booking charge, additional passenger fee and soiling levy should be amended. The application of changes across both standard and premium rates was also to be taken into account.

We have evaluated the application of the fare revision across each of these components by examining the impact on price and on the driver, any implications for the demand for taxis, the transparency of applying the change, the ease of implementation and our overall recommendation in each instance. A summary of the findings for each of the options evaluated is provided in Tables 4.1 to 4.5 below.

Table 4.1: Options Evaluation: Application of the Revision on Initial Charge

Impact on price	Standard rate would increase from €3.80 to €4.10. Premium rate from €4.10 to €4.45.
Impact on driver	Increases this component of the fare in line with increase in operational costs. Ensures greater return for short journeys.
Impact on demand	Initial charge element of the fare structure is very visible to customers. If the desired impact of seeing overall taxi fares increase in line with costs is to be realised solely by increasing the initial charge this would require an increase of significantly more than 8.3% (given that this component accounts for only part of the total fare) and this might be prohibitive to the potential user. However if the increase is kept to a level of 8.3% (i.e. by increasing other components of the fare in tandem), the change in price will be perceived as less dramatic.
Transparency	Transparent and easy to understand.
Ease of implementation	Easy to implement. Only issue would arise if increase in overall fare level is applied via the initial charge only, where complex estimates would have to be made on how much to increase the charge to ensure that the overall fare reflects the increase in costs.
Recommendation	If the increase is kept in line with 8.3%, this is not overly significant from a consumer perspective, is easy to implement and transparent. Therefore we would recommend an increase in the initial charge to €4.10 and €4.45.

Table 4.2: Options Evaluation: Application of the Revision on Tariffs A, B and C

Impact on price	Increase time and distance related charges by 8.3%.
Impact on driver	Increases the tariff-based element of revenue in line with the increased costs of operating a

	taxi.
Impact on demand	The increase in price is not as immediately obvious to passengers in comparison with an increase to the initial charge or booking fee, additional passenger levy or soiling charge.
Transparency	Perceived as transparent as the fare is directly related to time and distance.
Ease of implementation	No significant issues. As with the initial charge, an issue would only arise would if the increase in overall fare level is applied via the tariffs only, where complex estimates would have to be made on how much to increase the tariffs to ensure that the overall fare reflects the increase in costs.
Recommendation	Increase tariffs at standard and premium rate in line with the taxi cost index.

Table 4.3: Options Evaluation: Application of the Revision on Additional Passenger Charge

Impact on price	Increase additional passenger charge to reflect increase in operational costs.
Impact on driver	Increases the additional passenger element of revenue in line with the increased costs of operating a taxi. However there is no evidence to suggest that there is a cost related 'need' for an increase. The increased cost of car maintenance as a result of passenger use is already accounted for in the taxi cost index.
Impact on demand	An increase in this charge could be expected to lead to customer perceptions of unfairness with cost increasing significantly in line with the number of passengers over the same length of journey.
Transparency	Would be transparent as set additional passenger fee made clear at start of journey.
Ease of implementation	A simple charge of €1 per passenger is currently in place. Increasing this by 8 or 10 cents in line with the increase in costs would be immensely problematic. Even a 'step' increase of 50 cents would require all Extras to be totted up in 50c multiples. This would generate a multiple tap issue (annoys customers, and some meters are restricted in the number of taps).
Recommendation	The additional passenger charge should remain at its current level.

Table 4.4: Options Evaluation: Application of the Revision on Booking Fee

Impact on price	Increase booking fee to reflect increase in operational costs.
Impact on driver	Not all drivers would benefit equally from this increase (and some not at all). Majority of industry stakeholders consulted or making submissions against increase (drivers, unions and taxi companies). The increased cost of radio rental is also already accounted for in the taxi cost index.

Impact on demand	Increasing the booking fee could act as a disincentive to use pre-booked services. This may in turn create an additional on-street supply issue. Such a change would have a disproportionate impact on customers that have no choice but to pre-book taxis (e.g. people living in rural areas, people with disabilities).
Transparency	Would be transparent as set booking fee made clear at start of journey.
Ease of implementation	Would share same implementation problems as an increase in the booking fee as an increase of 16 to 20 cents in line with the increase in costs would be problematic.
Recommendation	The booking fee should remain at its current level.

Table 4.5: Options Evaluation: Application of the Revision on Soiling Charge

Impact on price	As a once-off charge that is only activated if the vehicle is actually damaged, there is justification in increasing the soiling charge in line with the 'cleaning' inflation sub-indices of the Consumer Price Index. This would mean a 10.1% rise, meaning the €125 current charge should rise to at least €137.63.
Impact on driver	An increase in this charge would reflect the increase in cleaning costs that would be faced by drivers if soiling occurs. It was noted during consultations that soiling charges are difficult to collect but the size of this charge should allow it to act as a deterrent to the passenger.
Impact on demand	Likely to have no impact on demand as the soiling charge is only applied infrequently.
Transparency	Would be transparent as soiling charge made clear at start of journey.
Ease of implementation	Easy to implement as there would be no need to re-programme meters.
Recommendation	The soiling charge should be increased to €140.

Given the options evaluation undertaken above, a number of recommendations have emerged with regard to application of the increase in the maximum fare across the individual components of the fare structure. These can be summarised as follows:

- The national maximum taxi fare should be increased in line with increases in the taxi cost index.
- The increase should be allocated to the initial charge and across the existing tariffs A, B and C.
- The extras (additional passenger and booking charges) should remain at their current level.
- The soiling charge should be increased in line with the cost increase for cleaning.

4.3 Reviewing the definition of unsocial hours

The review was also asked to consider the current definition of unsocial hours and recommend any changes in this regard. The taxi unions that were consulted or made submissions typically held the view that drivers should receive payment above the premium rate for Christmas Day and other significant holidays. This is in line with the rewards that PAYE workers would receive for working during these periods in other industries. Feedback from dispatch companies flagged a withdrawal of services and hence supply at certain times during the Christmas periods which was attributed to a lack of financial incentive to work at these times.

Therefore the review found that, in the interest of fairness and to stimulate supply, an additional financial reward for working these highly unsocial hours should be introduced. We would suggest the following timeframes for when additional rewards for unsocial hours should be implemented:

- Christmas Eve 20:00h to Stephens Day 08:00h.
- New Years Eve 20:00h to New Years Day 08:00h.

It is proposed that this change is implemented by programming the meter to go straight to Tariff C during these defined periods. In our view this is preferable to using additional extra charges as some meters will have capacity problems and it prevents potential abuse of the system.

5 Conclusions & Recommendations

In this section we outline the main conclusions that can be drawn from the review. A series of recommendations are also proposed with regard to revision of the national maximum taxi fare. Issues around future monitoring of the taxi cost index and the fare revision process are also discussed.

5.1 Conclusions

An comprehensive research process was undertaken to underpin the recommendation on revision of the national maximum taxi fare. By reviewing the process of the setting of the initial national taxi fare, considering submissions made by interested parties concerning its review, consulting with relevant stakeholders and undertaking extensive data analysis, we were able to construct a dynamic taxi cost index.

The taxi cost index was broken down into three core elements:

- Running costs, which vary in line with the level of usage of the vehicle.
- Fixed costs, which are accrued at regular intervals regardless of the extent of use.
- Labour costs, which allow for a fair return for the driver of the vehicle.

By analysing the movements in individual cost components within each category over the period September 2006 to August 2008, we were able to pinpoint how the national maximum taxi fare would need to change in order to reflect the changes in the costs of operating a taxi. The analysis of the index revealed that running costs have increased by 10.4%, fixed costs by 1.4% and labour costs by 10.0% since the maximum fare was introduced. Bringing these costs together, the overall growth in operational costs that should be reflected in a revised fare amounted to 8.3%.

It is not anticipated that applying such an increase on the national maximum taxi fare will have any significant impact on passenger and taxi use. The increase is in line with general price movements since introduction of the fare and is also consistent with movements in the costs of other public transport modes. On the supply side, with the number of taxi licenses increasing by over one-quarter since introduction of the national maximum taxi fare, there still appears to be a strong desire to enter the industry, indicating that that drivers are receiving a fair return for labour. However the submissions and consultations did emphasise an increasing trend of part-time working in the industry, so supply cannot be assumed to have increased in direct correlation to the number of licenses.

The review considered how the increase in operational costs could best be reflected via application to different components of the fare structure. There was found to be strong rationale for implementing the 8.3% increase on the initial charge and time and distance-based tariffs within the fare, but less justification for increasing the additional passenger and booking charges, particularly given the implementation issues that this would raise. There was found to be scope for increasing the soiling charge in line with the associated costs.

The definition of unsocial hours was also considered. Given the need to offer drivers a fair return in line with those working in other areas and the dips in supply noted by dispatch companies during the Christmas period, there is justification in extending the definition of unsocial hours over the Christmas and New Year periods.

5.2 Recommendations

Given these findings, PA Consulting would propose the following recommendations for adoption by the Commission for Taxi Regulation:

- The national maximum taxi fare should be increased in line with increases in the cost index (8.3%).
- The increase should be allocated to the initial charge and across the existing tariffs A, B and C.
- The additional passenger charge and booking fee should remain at the same level.
- The soiling charge should be increased in line with the increase in costs of cleaning (10.1%).
- Drivers should be given an additional allowance for working between Christmas Eve 20:00h to Stephens Day 08:00h and New Years Eve 20:00h to New Years Day 08:00h, with a move to tariff C for the entire journey proposed during these times.

5.3 Future implementation

With a dynamic taxi cost index constructed as a result of this review, potential exists for ongoing monitoring of movements in the costs of operating a taxi in Ireland. The basis for the calculations under each cost component are now clearly derived, with a model in place that will update the overall impact on operating costs whenever a variable is updated. There would seem to be clear merit, now that an effective user-friendly tool is in place, to conduct more regular monitoring of taxi costs via the index. There might also be justification for conducting the review of a national maximum taxi fare on a more frequent basis.

For example, if the fare review was conducted on an annual basis, the increases proposed would not seem as dramatic to customers as the current system which is attempting to account for change over a two-year period. However on the downside, such an approach would lead to higher levels of implementation costs for both the driver and the Commission, while confusion may result from the regularity of 'changeover periods' when dual pricing systems are in place. More regular revision also leads to greater exposure to the effects of high price volatility, with less opportunity to look at the average trend over an extended period.

Given these issues, the most effective approach would seem to lie in the regular monitoring of the taxi cost index in order to flag any significant cost changes that are impacting upon the operation of taxis. This would inform more timely understanding by the Commission of the development of costs over the period between formal revisions of the taxi fare, hence avoiding any 'shocks' when the calculations underpinning these revisions are made. The introduction of a monitoring system for the taxi cost index, with such exercises perhaps undertaken on a six-monthly basis, would generate a number of important benefits. It would allow for greater transparency, facilitate more effective decision-making based on a clearer view on how trends are developing and make future revision of the fare a more straightforward and objective process.

Appendix A: Summary of Consultations

The individual stakeholders consulted as part of the review are listed within this Appendix, together with the main points raised during each discussion.

National Private Hire and Taxi Association (NPTHA)

In addressing the specific questions set out in consultation document number 5, the NPTHA called for:

- An increase in the national maximum taxi fare;
- An increase the initial charge at both standard rates and premium rates, with the minimum charge for hiring a taxi being €5;
- An increase in the current tariffs both at standard rates and premium rates, although no specific rate was mentioned. They stated that the existing rates do not give inadequate return to drivers;
- An increase in the booking charge, to €3 from the current €2;
- An increase in the fee for extra passengers from €1 to €2;
- The maintenance of the soiling charge at its existing level of €125.

The NPTHA feel that the existing initial charge is too low and that one should not be able to take a taxi for less than €5. They feel that an increase is warranted across the structure to alleviate the increasing costs faced by operators, particularly fuel prices. They also draw particular attention to the increase in costs for radio rental, plus the practice of dispatch operators requiring affiliated drivers to pay an additional insurance charge on the rented equipment.

The NPTHA argue that the cost of a premium insurance product has not decreased significantly, rather the level of cover has dropped. They point to the practice of new entrants offering taxi drivers enticing rates in year one, but pushing the price up or reducing the cover offered in second and subsequent years.

The NPTHA also argued for additional charges to be introduced for Christmas Day, St. Stephens Day and New Year. It was also argued that Bank Holidays should be charged at higher rates than Sundays. The basic premise for these arguments was that other sectors secure income far in excess of their regular income for working on these days.

The NPTHA also raised a number of points that were strictly outside the scope of the current fare review. In short, these were:

- The reintroduction of a luggage charge, stating that it was unreasonable to ask a driver to load and carry luggage, considering the size and weight of modern baggage. PA stated that a surcharge for luggage was included in the establishment of the initial charge two years ago. The NPTHA rejected this argument however;
- The reintroduction of an airport pick-up charge. It was pointed out that taxi drivers have to pay €440 to Dublin Airport Authority per annum to use the taxi rank at Dublin Airport;
- Procedures should be put in place to allow taxis charge a surcharge if and when the need arises without having to wait for a fares revision.

Irish Taxi Driver's Federation (ITDF)

Irish Taxi Driver's Federation (ITDF)

The ITDF made its submission in conjunction with the NPTHA, and as such many of the issues cited by NPTHA also reflect the ITDF position.

National Taxi Driver's Union (NTDU)

In addressing the specific questions set out in consultation document number 5, the NTDU called for the following:

- An increase in the national maximum taxi fare by a minimum of 15%;
- An increase the initial charge at both standard rates (to €4.35) and premium rates (€4.70);
- In addition, an increase in both the current tariffs both at standard rates and premium rates, by 15% to allow for increases in fuel costs, both previous and predicted future prices;
- An increase in the booking charge, to €3 from the current €2, based on the premise that drivers have to travel to a destination to pick up passengers, often in heavy traffic;
- An increase in the fee for extra passengers from €1 to €1.50;
- An increase in the soiling charge to €150.

The NTDU also stated that fares on Christmas Day, Stephens Day, New Years Eve and New Years Day should be charged at a higher rate than the premium rate. This, it was argued, would both increase supply, while bring reward in line PAYE workers who receive above normal overtime rates on these days. Other issues raised included:

- Lack of price competition between meter installers.
- Additional costs are likely to be incurred due to new regulations, such as the suitability test to be introduced from 2009.
- Increased congestion has increased driver costs. A lack of space at ranks means that drivers are also forced to cruise more. This, combined with greater supply, has meant that fewer miles are paid miles it was argued. This is being exacerbated by a perceived increase in the number of illegal or unlicensed operators. The imposition of on-the-spot fines is also increasing the costs for some drivers.

A number of issues not strictly within the scope of the review were also discussed:

- The introduction of a luggage charge to compensate the driver for additional effort in loading and unloading baggage as well as extra fuel consumption incurred in the journey;
- The introduction of an additional booking charge of €3 for airports nationwide. This was based on the premise that an expense is incurred by all taxi drivers servicing airports and that like any cost this should be transferred to the customer;
- The incorporation of a surcharge that can be implemented as needs be to cover increased costs, without the need to go to consultation.

Services, Industrial, Professional and Technical Union (SIPTU)

Services, Industrial, Professional and Technical Union (SIPTU)

SIPTU has called for a 'substantial increase in the basic fare to cover recent cost increases and future price rises and with special regard to the rising price of fuel'. This would be necessary to both compensate drivers for increasing costs, and also to facilitate an improvement in vehicle quality standards, which SIPTU believe are dropping. However, their submission and subsequent consultation did not specifically address where the increases were to be allocated across the existing tariff structure.

SIPTU provided some very useful information regarding the increase in costs faced by industry, specifically noting:

- A 10.7% increase in the price of petrol and 12.1% increase in diesel prices over a 21 month period;
- A significant increase in the cost of car maintenance costs of 11.5% since September 2006, along with a 9.2% increase in motor oil and 5% increase based in spare parts (based on a telephone survey of garages);
- While the presence of competition in the insurance markets had brought premiums down, these were likely to and are increasing again;

Although SIPTU recognises that the original luggage charge was abolished as an extra and replaced instead with a higher initial charge, SIPTU believe that the introduction of a minimum luggage capacity requirement as part of the Vehicle Standard Regulations will mean that certain drivers will have to upgrade their vehicle to comply, and as such will incur additional costs.

SIPTU argued that drivers should receive an additional fare above the premium rate received for working on Christmas and other significant holiday periods. Further to this, SIPTU called for the regulator to adjust the definition of a typical working day to one that more accurately reflects the actual hours worked by taxi drivers.

SIPTU also emphasised that fare revision should take place annually, arguing that the current two year period does not address cost increases in a timely fashion. A linking of fare increases to the national wage agreements or average industrial wages was also supported, as was incorporation of a fuel variation charge linked to a fuel price index.

Drogheda Taxi Owners Association (DTOA)

DTOA feel that the introduction of the national maximum taxi fare resulted in a fare decrease in Drogheda. This, coupled with a huge increase in the cost of fuel, has led DTOA calling for a significant increase in the fare, specifically:

- An increase in the national maximum taxi fare by a 25% overall;
- That this increase should be built into the time and distance tariffs at the standard and premium rates;
- That the booking fee and additional passenger fee should remain the same; and
- That the soiling charge should remain same, mainly due to the fact that it is very difficult to collect.

DTOA also stated that there was an undersupply of taxis over the Christmas and New Year period, due to a lack of incentive for drivers. As such it was suggested that a fare above the existing premium fare be offered from 8pm on 24 December to 8am 27 December and also 8pm 31 December to 8am 2 January.

DTOA highlighted the lack of space on ranks. They also pointed that some passengers were unwilling to accept a fully metered price, while some drivers were more likely to offer a fixed fee for a journey. They also noted that many of the new entrants to the industry were unaware of the actual cost operating a taxi and the long hours required to make an adequate return.

Cork Taxi Drivers Association (CTDA)

CTDA called for an overall increase in the national maximum taxi fare with the increase being focussed on both the initial charge and graduated tariffs. Specific recommended changes included:

- An increase in the initial standard rate to €4.50 (from €3.80) and the premium rate to €5.00 (from €4.10);
- At the standard rate, to increase Tariff A to €1.10 (from €0.95) and Tariff B to €1.35 (€1.25), while holding tariff C, and all premium rates constant;
- To maintain the soiling charge at the current level, however it was pointed out the definition of what constitutes a soiling offence needs to be clarified in the regulations;
- The maintenance of the additional passenger charge at the current level, but greater clarity to be provided on the treatment of children as additional passengers, especially around how many children constitute an additional passenger and some other clarifications;
- The booking fee to be retained, and the inclusion of one-to-one hiring situations where the driver has to travel to collect the passenger to be retained.

CTDA also called for a maximum luggage charge of €1 for the carriage of three or more pieces luggage. The CTDA also called for a minimum charge of €10 for journeys from Cork Airport. The justification for this move was that it is cheaper to get a taxi from Cork Airport back into the surrounding area than to park your car at the airport, and as such taxis deliver low value journeys having faced the cost of reaching the airport.

Galway Taxi Association

Galway Taxi Association believes an increase in the national maximum taxi fare is warranted, although there should be only a conservative increase. The association called for:

- An increase in the initial charge. This is particularly necessary to compensate drivers that have spent a long time waiting on the rank and then get short journeys;
- Tariffs to remain the same;
- Charges for additional passengers to remain the same. However the potential to charge extra for additional passengers at different times was discussed, e.g. at night time;
- Booking fee to remain the same;
- Soiling charge to remain the same. However, it was argued that procedures be put in place where drivers can claim additional compensation if off the road for a significant period due damage caused to their car by a passenger;

It was also noted that due to the 'over-saturation' of supply, many drivers were operating in not too dissimilar fashion to hackneys, operating fixed price fares or delivering discounts (e.g. not charging the booking fee). The Galway Taxi Association is also against any suggestion of introducing a separate luggage charge.

Taxi Company Owners Association (TCOA)

TCOA believes that a fare increase is warranted due to inflation in general, and the increase in fuel prices in

Taxi Company Owners Association (TCOA)

particular. In summary, their position is as follows:

- An increase in the overall national maximum taxi fare., although a figure was not suggested;
- No change in the initial charge, as consumers are very sensitive to this;
- An increase in current tariffs both at the standard and premium rates, in line with inflation and fuel cost increases;
- The booking charge to remain the same, as this has a direct impact on the ability of taxi company owners to attract drivers into their business. The TCOA believe that an increase in the booking charge may also reduce the number of customers that call for a taxi, and state that this is a very noticeable part of the fare;
- The fee for the extra passenger should remain the same;
- The soiling charge should remain the same, noting that drivers face great difficulty in collecting this charge.
- An additional luggage charge should be introduced.

Irish Hotels Federation (IHF)

The IHF is calling for a 'balanced' fare review that incorporates both the need to reflect the increase in costs and the fact that in some cases not all cost increases can be passed fully on to consumers. This IHF stipulated that the fare increase should be similar to inflation, as this was something that consumers were familiar with and could understand.

The IHF also mentioned the possibility of taxis adopting the policy of adapting prices to stimulate demand, for example having reduced prices during the week. The IHF also noted that many sectors get pay or cost increases on an annual basis, and felt that this approach would be more transparent.

Consumer Association of Ireland (CAI)

The CAI believes that a reasonable increase in the fares is justified. This increase should be in line with general price or income increases. However, the CAI has a number of concerns, including:

- That the **maximum** fare is in most cases the actual fare charged. The CAI believes that consumers should be better informed of their right to negotiate a discount before the journey takes place. This is less of an issue outside of the cities where people may be more likely to bargain or where people know their taxi driver;
- People on fixed incomes, such as the elderly or people with a disability, will be disproportionately hit by an increase in prices. This is accentuated by the fact that in rural areas taxis may be the only form of transport accessible to these people. This leads to a wider consideration, that of whether a system should be introduced whereby these people who already qualify for free public transport should be facilitated to get a discounted or free use of taxis (e.g. through the implementation of a voucher scheme).

Faite Ireland

Faite Ireland, while fully supportive of the review, did not believe they could add significant input to the consultation process.

Chambers Ireland

Chambers Ireland is not overly concerned with current fare levels. Their main concern is over the existing quality of driver and the car in the city area. As such, many of their members send private hire vehicles to collect potential investors and clients from the airport.

Chambers also believe that a lack of rank space was leading to drivers' inadvertently blocking access to business premises, and that this was something that needed to be resolved.

National Disability Authority

The following points were raised during the consultation with the National Disability Authority:

- Concern at the insufficient supply of wheelchair accessible taxis - there is scope to look at the structure of the taxi fare in order to incentivise provision in this regard.
- Emphasis that there should be no additional charges for luggage as this would leave potential for people with disabilities to be penalised via this charge for storage of wheelchairs during journeys.
- The fare structure should be kept as simple and transparent as possible.
- Developments in the taxi industry need to be consistent with a more integrated and coherent approach to public transport provision in Ireland. Taxi industry should be looking at potential use of SMART card technology moving forward in tandem with other transport modes - this could facilitate subsidised travel for particular groups without any onus on the service provider to charge reduced fares. It would also help to move towards a non cash-based 'journey charge' system based on unit costs where the user is charged for a whole journey that might involve taxi, bus, rail and luas transport. Such opportunities should be taken into account going forward when revising and implementing the national maximum fare.
- The NDA are not in favour of a two-tier system to improve access to taxi services for people with disabilities as this has potential to further discriminate against the end user.



Technical Appendix

In this Technical Appendix we detail the way in which the individual costs within the taxi cost index were calculated, identifying the assumptions underpinning the analysis in each case. This exercise focuses firstly on running costs, then on fixed costs and finally on labour costs. It should be noted that when referring to the national survey of taxi drivers, this was an exercise commissioned by the Commission for Taxi Regulation during the undertaking of the review. It involved a survey of 300 taxi drivers.

A.1 Running Costs

Fuel Costs

Total fuel costs are estimated by examining:

- The average price of fuel per litre per annum, as defined by the CSO. Petrol prices were on average 10% higher in 2008 and diesel prices up by almost 17%;
- The average mileage per annum is estimated to be 33,237 miles. This is based on the return made by the NCT for 702 SPSV vehicles that had been operating between July 2007 and July 2008. This figure was validated by a survey of taxi drivers undertaken in August 2008;
- The average miles per litre, sourced by the Vehicles Certification Agency in the UK. We estimate that this was broadly similar in 2008 to 2006.

Based on the fact that the majority of taxis are diesel powered cars, we have estimated that spend on fuel has increased from €3,355 in 2006 to €3,911 in 2008, i.e. 16.6%.

Servicing

The national survey of taxi drivers confirmed that taxi drivers have their vehicles serviced four times per year on average. However, there is large variation in the regularity, extent and cost of each service undertaken.

CPI figures reveal that the cost of servicing a vehicle increased by over 10% since the end of 2006. This brings the average annual spend on servicing to €1,207, compared to €1,097 two years previously.

Cleaning

The relevant sub-indices of the CPI (maintenance of personal transport equipment) revealed an increase in cleaning costs of 10% since 2006. The initial estimate of cleaning costs, which informed the setting of the original national maximum taxi fare, assumed two major valets each year, together with 48 minor 'cleans' (e.g. car wash or equivalent). The national survey of taxi drivers undertaken in 2008 revealed varying responses in terms of expenditure on cleaning, with a large portion saying that they clean their cars manually themselves. This does of course incur a time cost. In the interest of simplicity and consistency, we used the previous assumptions and increased the estimate in line with the cleaning cost inflation noted above. This brings the annual cost of cleaning from €737 to €812.

Tyres

The CPI sub-indices tracking the costs of tyres shows an increase of 1.4% since 2006. Assuming that mileage has been fairly constant (and that tyres are replaced every 22,500 miles), the cost of tyres was estimated to have increased from €596 to €604 per annum.

Spare Parts

By drawing on analysis from the relevant CPI sub-index (Spare parts and accessories for personal transport equipment), it was estimated that the cost of spare parts increased by approximately 4% over the last two years. It has been assumed therefore that €1768 is spent every 120,000 miles, with annual costs increasing from €515 to €536.

Miscellaneous Running Costs

These additional costs may include a first aid kit, fire extinguisher, pens and paper and other miscellaneous items drivers might use in the course of their work. We have assumed that these costs have increased in line with inflation.

A.2 Fixed Costs

Radio Rental

Radio rental charges at September 2006 were ascertained by taking the estimated radio rental cost from a survey of drivers in 2005 and increasing this figure in line with inflation until this point. The costs of radio rental were validated by the national survey of taxi drivers in 2008 that found that the average weekly fee paid for radio rental was almost €84. The figure was lower in Dublin (€76) and higher in the remainder of the country, at €90. Taking the national average, this would equate to an annual cost of €4,195 up from €3,869 since 2006.

Car Finance

Estimating the costs of car finance involves making assumptions about car price, interest rates and the term of the loan.

As noted in Section 3.2, the assumed car model for the taxi cost index is a 2005 Toyota Avensis Diesel Saloon (2.0 litre 5 door). This assumption is derived from Commission data that reveals almost 23% of active SPSV licences concern this model, making it by far the model most frequently used for taxi services. The annual cost of financing is based on the purchase of a car valued at €16,050, i.e. the guide price of this model as per the Motor Trade Publishers Car Sales Guide August 2008. Following consultations with taxi unions, it was felt that a driver seeking to finance the car over a five year term and then replace represents a reasonable assumption. This was supported by feedback from the Drivers Survey. We have assumed that the taxi driver gets a trade-in of approximately 10% of the original value of the car.

To estimate the cost of this finance in 2008, we obtained a sample of car finance estimates from retail banks. The average of these was taken as the estimate for 2008. To gauge the change in the cost of financing since 2006, we examined changes in the most relevant retail interest rate statistics listed in the Central Bank Quarterly Bulletin (under guidance of the Central Bank economist). The change in the cost of buying a similar car in 2006 was also estimated, again using the Motor Trade Publishers Car Sales Guide.

This analysis found that the costs of car finance have actually decreased between September 2006 and August 2008, from €3,873 to €3,777.

Insurance Costs

The estimated cost of insurance in August 2008 is €1,716. This is the average quote from the main taxi insurers for a fully comprehensive quote. The assumptions in terms of driver characteristics were four years experience as a taxi driver and protection of four years no claims bonus. The driver is a male aged 32, living in Dublin. On average, motor insurance has decreased by 8.7% since the end of 2006 according to CPI figures.

The estimates of insurance costs are based on the assumption that the vehicle being insured is a 2005 Toyota Avensis Diesel Saloon 2.0 litre model for the reasons noted under Car Finance above, with a value of €16,050, the guide price as per the Motor Trade Publishers Car Sales Guide August 2008.

For updating analysis of insurance costs in the future, the preferred option for estimating changes in insurance costs for taxi drivers should be the survey of insurance companies outlined above. This is low cost in terms of both time and money. The figures can be validated by monitoring changes in the relevant CPI sub-indices.

Equipment Replacement

It is assumed that a standard set of equipment would comprise meter, printer and roof-sign, which can be purchased for approximately €850, with the use of Satellite Navigation equipment also typical in the industry, costing around €200. It is assumed that this equipment is replaced every five years and that the costs increase in line with the relevant CPI sub indices.

Taxi Licence Renewal

The annual fee charged has remained unchanged since 2006, at €125.

Road Tax

Taxis and hackneys pay an annual fixed rate of €79. This is slightly greater than the 2006 figure of €72.

Airport Charges

An airport charge of €440 for taxis wishing to pick-up at Dublin Airport has been in place since 2006. At the time of introduction of the national maximum taxi fare, no allowance was made for this cost. Given feedback from stakeholders that this was a key cost component for many taxi drivers, it was decided to include an allowance for airport charges that would reflect the proportion of taxis that have been asked to meet this cost. It is estimated that around 3,000 taxis pay these airport charges, representing 14.5% of total taxi users, and therefore the assumed average annual cost in this regard has been calculated at 14.5% of €440. This makes the airport charges cost in the taxi cost index for August 2006 to be €63.60.

NCT Test

The NCT test annual fee has remained the same since 2006, at €49.

Meter Verification

The verification of meters is currently the responsibility of Legal Metrology Services. They have charged the same fee since November 2004, specifically €90.75. Assuming this process needs to be undertaken every two years, the annual cost is €45.38.

Meter Programming and Calibration

Taximeter installers and suppliers charged approximately €60 per taxi for meter programming and calibration as a result of the last fare change. That involved a more complex operation than what is proposed for 2008, as it introduced a new taxi fare structure. We have assumed that the cost in 2008 will be the same as in 2006, with the increase in suppliers coupled with a less complex reprogramming task offsetting any increase in costs to the installers. We have also assumed that this will take place every two years, and as such the annual cost is €30.

Drivers Licence

The cost of a ten-year licence remains at €25 or €2.5 per annum.

A.3 Labour Costs

Labour Costs

Because of the diversity of backgrounds in terms of previous employment of taxi drivers, there is no obvious applicable labour benchmark that can be used to reflect the changes in a fair return. Hence the most logical basis for calculation of the change needed in labour return is to offer an increase in line with growth in non-agricultural wages. These were found to have grown by an estimated 10.0% since 2006. The overall weighting of labour costs within the taxi cost index was validated by the national survey of taxi drivers, which estimated that net income was approximately 64% of gross income.