



Information Note
On
2012 Taxi Fare Review

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1 Background

The first national maximum taxi fare was introduced in 2006, replacing 35 individual fare systems operated by local authorities around the country.

Since then a two year cycle of fare reviews have been undertaken. The first review took place in 2008 and resulted in an 8.3% increase in the maximum taxi fares. The second review took place in 2010 and no change was made to the fare levels.

The current fare structure is indicated in the chart below.

National Maximum Taxi Fare Effective from 1 November 2008				
Standard rate		Premium rate		Extras <small>Where relevant</small>
8.00h–20.00h		20.00h–8.00h & Sundays & public holidays*		Booking fee €2.00 .
INITIAL CHARGE Includes 1km or 170 secs	€4.10 Fixed	INITIAL CHARGE Includes 1km or 170 secs	€4.45 Fixed	Extra adults: second and additional passengers €1.00 each.
TARIFF A Next 14km or 40 mins Up to €18.70	€1.03 per km or €0.36 per min	TARIFF A Next 14km or 40 mins Up to €23.45	€1.35 per km or €0.48 per min	Extra children under 12: 1 free 2 or 3 €1.00 4 or 5 €2.00 6 or 7 €3.00 .
TARIFF B Next 15km or 42 mins Up to €38.90	€1.35 per km or €0.48 per min	TARIFF B Next 15km or 42 mins Up to €47.05	€1.57 per km or €0.55 per min	Road toll charges as incurred.
TARIFF C Over 30km or 85 mins Over €38.90	€1.77 per km or €0.63 per min	TARIFF C Over 30km or 85 mins Over €47.05	€1.77 per km or €0.63 per min	Soiling charge €140.00 .
Distance rate applies unless speed drops below 21 km/h when time rate applies.		*A special premium rate applies between Christmas Eve 20:00h to St. Stephen's Day 08:00h and New Year's Eve 20:00h to New Year's Day 08:00h. During these periods Tariff C is applied immediately after the premium rate initial charge.		

As two years has elapsed since the last fares assessment, a review of the current taxi fares was commenced by the National Transport Authority which is now responsible for the regulation of the small public service vehicle industry.

2 Objectives of Fare Review

There are three main objectives of the 2012 Fare Review. These are:

- Establish change in Taxi Cost Index since 2010;
- Determine whether the existing fare levels should be retained, increased or decreased; and
- Examine the possible simplification of the fare structure.

3 Process

The review process has included:

- Surveys of taxi drivers to establish cost and usage related information;
- Surveys of dispatch operators (taxi companies) to establish usage related information;

- Consumer surveys to establish usage patterns and perceptions;
- Benchmarking with international taxi fare examples;
- Preparation of a cost index known as the “Taxi Cost Index”;
- Analysis of Consumer Price Index changes; and
- Examination of fare structure simplification.

4 Surveys:

4.1 Taxi Driver Surveys:

555 valid respondents.

Views on Fare Adjustment:

- 18.9% in favour of increasing fares;
- 7.2% in favour of decreasing fares; and
- 73.9% in favour of retaining current fare.

4.2 Taxi Company (Dispatch Operator) Surveys:

78 companies participated.

Views on Fare Adjustment:

- 10.7% in favour of increasing fares;
- 14.1% in favour of decreasing fares; and
- 75.2% in favour of retaining current fare.

4.3 Consumer Surveys:

1,000 people surveyed – 28% in Dublin, 27% in rest of Leinster, 27% in Munster and 18% in Connacht and Ulster.

Of those surveyed:

- 26.7% reported a decrease in taxi usage;
- 16.7 stated usage had increased; and
- 56.6% reported their usage as unchanged.

Of those whose reported decreased usage, the top three reasons for that reduced usage were:

- Too expensive;
- Going out less; and
- Less disposable income.

In terms of perceptions of taxi fares representing value for money:

- 32% agreed or strongly agreed;
- 33% were neutral; and
- 35% disagreed or strongly disagreed.

Approximately 47% of consumers surveyed disagreed that short journeys offered good value for money. It is noteworthy that overall value for money perception of taxi journeys has declined significantly over the past four years. In 2008, 62.6% of respondents agreed or strongly agreed that taxis offered good value for money; however, this figure has declined to approximately half - 31.8% - in 2012.

In relation to the factors that would make consumers “*much more likely to use taxis (%)*”, these were stated to be:

- | | |
|--|-------|
| • Cheaper fares | 40.2% |
| • A decrease in the availability of public transport | 21.3% |
| • A significant increase in driver quality | 17.8% |
| • An increased availability of taxis | 14.3% |
| • A significant increase in vehicle quality | 13.0% |

5 International Benchmarking

An analysis was undertaken comparing Irish taxi fare rates against international comparators. Information was obtained in relation to taxi fares in a number of jurisdictions, focussed on developed economies with distance or time-based fares. Examples were obtained from a basket of countries including Germany, Italy, Denmark, UK, USA and Australia.

The analysis indicated that the Republic of Ireland has one of the highest initial charges of the sample, but, conversely one of the lowest per kilometre costs in the 5km to 10km range for day time fares.

Lowering the initial charge (and the distance and time included) and increasing the per km rate would bring Irish taxi fares more in line with other jurisdictions.

6 Taxi Cost Index

The Taxi Cost Index (TCI) is a quantitative tool that has been used since the National Maximum Fare Structure was first defined in 2006, to assess changes in the costs of operating a taxi vehicle. The Taxi Cost Index is one of the factors used to establish whether an amendment to taxi fare

levels is justified. The Taxi Cost Index does not claim to represent the absolute operating costs of the industry, but rather aims to capture the changes in operating costs.

The structure of the Taxi Cost Index was established in the Review of Taxi Fares and Taxi Fare Structures, 2006, and was informed by a review of methods and bases used internationally to decide on fare level adjustments. The Taxi Cost Index was further defined in the Review of the National Maximum Taxi Fare, 2008 (with some costs calculated retrospectively) and was subsequently used in the same form in 2010.

The costs included in the Taxi Cost Index consist of a range of running costs and fixed costs, in addition to a labour cost component. The costs are combined to achieve an overall indicative cost of taxi operation per annum. A review of the components included in the Taxi Cost Index and taxi driver survey information confirmed that all cost components are still incurred by a large proportion of taxi drivers.

Using various information sources, including information derived from the various surveys referred to earlier, the Taxi Cost Index was updated to its 2012 value. This was then compared with the index as it was at the time of the last fare review in 2010. The outcome of that process is indicated in the table below.

Index Component	2010	2012	% Change
Running Costs	€7,330	€8,376	14.3%
Fixed Costs	€10,164	€10,677	5.0%
Labour Costs	€28,879	€28,973	0.3%
Total Costs	€46,374	€48,027	3.6%

Taxi Cost Index Table

Some of the relevant factors relating to the various index components include:

- 28% increase in fuel cost since 2010;
- 3.4% decrease in servicing costs;
- Reductions in cost of spares and tyres;
- 16.2% increase in insurance costs;
- Now includes €70 allowance per year for taxi branding;
- Allowance built in for additional 6 monthly NCT tests for older vehicles; and
- Allowance built in for possible roof sign changes.

Overall the analysis indicates that the Taxi Cost Index has increased by 3.6% in the two year period since the last maximum fare review. The main component of that increase is fuel price escalation. The index movement correlates well with changes in the Consumer Price Index in the same period. Between September 2010 and September 2012, the Consumer Price Index increased by 4.2%.

Given that the Taxi Cost Index, correlated by the Consumer Price Index, indicates an approximate 3.6% increase since 2010, a fare increase of that order appears justified. This would be the first increase in maximum taxi fares since 2008.

7 Proposal

Having regard to the overall objectives of the review, and having carried out the previous survey and analysis work, the proposal is to seek to simplify the overall fare structure and to provide an approximate 3.6% to 4% increase in the maximum allowable fares. It is proposed to do that by the following sequential steps:

- Step 1: Examine removal of Tariff C;
- Step 2: Step 1 + reduction of Initial Charge;
- Step 3: Step 2 + application of fare increase; and
- Step 4: Step 3 + standardisation of Premium Rate uplift.

8 Step 1: Removal of Tariff C

Tariff C is the fare rate that applies to very long journeys and only commences after 30 kms. Its removal was recommended in the 2010 review, but because the outcome of that review concluded on no increase or decrease to the fare, it was not implemented as that would have required recalibration of all meters in a circumstance where there were no other fare adjustments.

The quantum of journeys in this tariff band is very low – approximately 4% during the Standard Rate periods and 2% during the Premium Rate periods. Evidence also indicates that many of these journeys are for an agreed off-meter amount, which is always less than the meter amount.

Accordingly, it is considered that Tariff C could be deleted with some allowance made for its deletion in later adjustments to Tariffs A and B.

	Standard (08.00h-20.00h)	Premium (20.00h-08.00h)
Initial Charge	€4.10	€4.45
Distance Allowance (m)	1000	1000
Tariff A (Up to 15 km)	€1.03 per km	€1.35 per km
Tariff B (Over 15 km)	€1.35 per km	€1.57 per km
Tariff C	€1.77 per km	€1.77 per km
Extras		
Passengers	€1.00	€1.00
Booking Fee	€2.00	€2.00

Table showing Tariff C deleted.

9 Step 2: Reduction of Initial Charge

Both the international benchmarking review and the feedback from the consumer surveys suggest that the Initial Charge portion of the overall fare is too high. Because the Initial Charge includes an element of “free” distance and/or time, it is possible to recalibrate the Initial Charge to provide a lower Initial Charge while retaining the overall fare unchanged. Currently, the Initial Charge includes for 1 km of travel or 170 seconds of time. Taking each of the two Initial Charges in turn:

Standard Rate – currently €4.10:

- €4.10 plus free 1km is the same as €3.07 hiring rate + 1km at tariff A (at €1.03 /km)
- Allowing 500 metres gives an equivalent rate of €3.59 (€3.07 hiring rate + 0.5km at €1.03 /km) – **Round to €3.60**

Premium Rate – currently €4.45

- €4.45 plus free 1km is the same as €3.10 hiring rate + 1km at Tariff A (at €1.35/km)
- Allowing 500 metres gives an equivalent rate of €3.78 (€3.10 hiring rate + 0.5km at €1.35 /km) – **Round to €3.80**

So, it is possible to lower the Initial Charge while leaving overall fare amounts unchanged. These lower Initial Charges would bring the fare structure more into line with international practice. In addition, it is considered that the lower Initial Charge has some potential to incentivise additional taxi usage.

	Standard (08.00h-20.00h)	Premium (20.00h-08.00h)
Initial Charge	€3.60	€3.80
Distance Allowance (m)	500	500
Tariff A (up to 15 km)	€1.03 per km	€1.35 per km
Tariff B (over 15 km)	€1.35 per km	€1.57 per km
Extras		
Passengers	€1.00	€1.00
Booking Fee	€2.00	€2.00

Table showing Tariff C deleted and reduced Initial Charges.

10 Step 3: Apply approximate 3.6% Increase

10.1 Initial Charge

The next step is the application of the proposed 3.6% increase. Taking the two Initial Charges, the results of the application of the increase is set out below:

- 3.6% on €3.60 would give a revised Initial Charge on the Standard Rate of €3.73; and
- 3.6% on €3.80 would give a revised Initial Charge on the Premium Rate of €3.94.

Rather than increasing the Initial Charge for the Standard rate, it is proposed that the extra 13 cent be distributed across Tariff A. As the average journey length is 6km, this suggests adding 2 cent to Tariff A in the Standard Rate will compensate for the non-adjustment of the Initial Charge.

Because meters increment in 20 cent intervals, it is proposed to round €3.94 up to €4.00.

These adjustments result in the following Revised Initial Charges:

- **Standard €3.60**
- **Premium €4.00**

10.2 Tariff A and Tariff B

Tariff A: Currently €1.03 per km in the Standard Rate and €1.35 per km in the Premium Rate.

- 3.6% on €1.03 per km = €1.07 per km + 2 cent (transferred from Initial Charge) = €1.09 per km
- 3.6% on €1.35 per km = €1.40 per km

Tariff B: Currently €1.35 per km in the Standard Rate and €1.57 per km in the Premium Rate.

- 3.6% on €1.35 per km = €1.40 per km
- 3.6% on €1.57 per km = €1.63 per km

	Standard (08.00h-20.00h)	Premium (20.00h-08.00h)
Initial Charge	€3.60	€3.80
Distance Allowance (m)	500	500
Tariff A (up to 15 km)	€1.09 per km	€1.40 per km
Tariff B (over 15 km)	€1.40 per km	€1.63 per km
Extras		
Passengers	€1.00	€1.00
Booking Fee	€2.00	€2.00

Table showing Tariff C deleted, reduced Initial Charges and adjusted Tariffs.

11 Step 4: Standardise Differential

The current differential between the Standard Rate and Premium Rate tariff bands are shown below.

Current Tariff	Standard Rate	Premium Rate	Differential
Tariff A	€1.03 per km	€1.35 per km	31%
Tariff B	€1.35 per km	€1.57 per km	16%

Currently there isn't uniformity in the differential between Standard Rate and Premium Rate tariffs. Logic would suggest that there should be a common percentage change between Standard and Premium tariffs. Therefore, it is proposed to examine whether a common differential could be established which would also retain drivers earnings broadly unchanged from the current fare structure.

It is proposed to target a differential of approximately 25% and seek to use figures rounded to nearest 5 cent. This is set out in the table below. An additional adjustment has been made to Tariff B in the Premium Rate to compensate for the loss of Tariff C.

Tariff	Standard	Premium	Differential
Tariff A (Current)	€1.03 per km	€1.35 per km	
Tariff A (with 3.6% Increase)	€1.09 per km	€1.40 per km	
Tariff A (Increase plus rounding)	€1.10 per km	€1.40 per km	27%
Tariff B (Current)	€1.35 per km	€1.57 per km	
Tariff B (with 3.6% Increase)	€1.40 per km	€1.63 per km	
Tariff B (Increase plus rounding)	€1.40 per km	€1.65 per km	
Tariff B (Further adjustment for differential and for loss of Tariff C)	€1.40 per km	€1.75 per km	25%

The final proposed Tariff A and Tariff B rates are:

Tariff A (up to 15 km distance):

- Standard Rate: €1.10 per km
- Premium Rate: €1.40 per km

Tariff B (over 15 km distance):

- Standard Rate: €1.40 per km
- Premium Rate: €1.75 per km

12 Christmas and New Year Premium

Currently a special rate applies during during the periods of:

- Christmas Eve 8.00pm to Stephen's Day 8.00am; and
- New Year's Eve 8.00pm to New Year's Day 8.00am.

At present this Christmas/New Year rate is set at the current Premium Rate Initial Charge plus Tariff C thereafter. As Tariff C is now proposed to be deleted a new rate needs to be established for this period.

It is proposed that, during this limited period, the Premium Rate Initial Charge would apply with the tariff thereafter to be a 25% uplift on the Premium Rate Tariff A and Tariff B. This would give the following arrangement:

- | | |
|---------------------------|--------------|
| - Initial Charge | €4.00 |
| - Tariff A (up to 15 kms) | €1.75 per km |
| - Tariff B (after 15 kms) | €2.20 per km |

13 Overall Proposed Fare Structure

Taking all of the above into account, the fare structure that is proposed is set out in the table below:

	Standard Rate <i>(08.00h – 20.00h)</i>	Premium Rate <i>(20.00h – 08.00h) & Sundays & Public Holidays*</i>
Initial Charge <i>Distance Allowance = 500 metres</i> <i>Time Allowance = 85 seconds</i>	€3.60	€4.00
Tariff A (Up to 15 km or 43 mins)	€1.10 per km or	€1.40 per km or
	€0.39 per min	€0.49 per min
Tariff B (over 15km or 43 mins)	€1.40 per km or	€1.75 per km or
	€0.49 per min	€0.62 per min

* A special premium rate is proposed to apply between Christmas Eve 20.00h to St. Stephen's Day 08.00h and New Year's Eve 20.00h to New Year's Day 08.00h. During these periods it is proposed that the Premium Rate applies with an additional 25% added to Tariff A and Tariff B.

It is proposed to retain extras unchanged from the current arrangements.