



National Taxi Fare Review 2012

November 2012

Executive Summary

Background

The National Maximum Taxi Fare structure was established in 2006 to introduce a single, unified, fare structure for the Republic of Ireland. Before that, different fare structures applied in 34 separate taximeter areas. Other objectives of the national structure were that it should be simple, transparent, should be calculated on the basis of time and distance using a meter, and should have all extras added to the maximum fare using a meter.

Since its establishment, biennial reviews of the fare structure and level have been undertaken to ensure that the taxi industry receives a fair return for its work, that further supply is stimulated, that customers receive value for their money and that additional demand is created.

Objectives of the Fare Review 2012

The objectives of the Fare Review are to:

- Establish the change in the Taxi Cost Index (i.e. the cost of operating a taxi) since 2010;
- Determine whether existing fare levels should be increased, decreased or retained; and
- Examine options to simplify the fare structure as its current complexity makes it difficult for customers to estimate the cost of their journey.

Recommendations from previous reviews

Although no changes were instigated by the National Maximum Taxi Fare Review 2010, it recommended that the Fare Review 2012 would consider:

- Lowering the initial charge by decreasing the distance and time it includes; and
- Removing Tariff C.

Meters were not reprogrammed following the fares review in 2010 as there was no change to the fare levels or structure. In 2013, most meters will need to be reprogrammed and resealed, regardless of whether there are any changes, because the majority of meter programmes have a life span of four years. As a result, they are due for reprogramming and verification, which entails a cost for drivers.

Customer perception

To inform the Fare Review 2012, 1,000 household surveys were undertaken. Some 59% of respondents reported using taxis, which is less than in 2010. Of those, 27% reported that their usage had decreased, 17% reported that their usage had increased and the rest reported no change. The main reasons cited for the reduction in usage were that taxis are too expensive (25%), respondents are going out less often (25%) and have less disposable income (18%).

Overall, 36% of taxi customers did not consider current taxi fares to be good value for money. This proportion increased considerably for shorter distances (47%) and trips for a single passenger (60%). Over 40% reported that they would use taxis more if fares were cheaper. Only 38% of customers reported having been offered a discount.

Social and recreational outings account for the majority of taxi use (57%), but these trips have declined since 2010 (60%). The proportion of customers using taxis in the course of business has increased from 10% in 2010 to 15% in 2012.

Views of the industry

In September 2012 there were 35,700 small public service vehicle (SPSV) drivers in Ireland. This represents a 24% decrease on 2008 figures.

A survey of taxi drivers for the Fare Review elicited over 550 responses. The vast majority (92%) own their own vehicle and 45% are affiliated to a dispatch company or smartphone app or both. Most taxi drivers (76%) said that they offer discounts. Most (74%) would favour retaining the current fare, although 19% favoured a fares increase and 7% favoured a fares decrease.

A telephone survey was conducted with 78 dispatch companies. Most of them (83%) felt that taxis offer good value for money but 82% recorded a decrease in demand for taxis over the last two years. Discounts are offered by 83% of dispatch companies, with 25% reporting an increase in demand since introducing discounting. Similar to drivers, most dispatch companies (75%) favoured no change to fares whereas 11% favoured a fares increase and 14% a fares decrease.

Benchmarking

Benchmarking of taxi fare levels and fare structures with those in a sample of comparable jurisdictions showed that the initial charge, and the time and distance included, is significantly higher than elsewhere, and that the mileage thereafter rate is lower.

Taxi Cost Index

The Taxi Cost Index is a tool that has been used to quantify changes in the costs of operating a taxi vehicle since the National Maximum Fare Structure was established in 2006. It is one of the factors used in the biennial fare reviews to establish whether taxi fare levels should be changed. The index has three components:

- Running costs, which have increased by over 14%, largely due to a 28% increase in the price of fuel
- Fixed costs, which have increased by 5%, including an allowance for forthcoming requirements including additional NCT tests, vehicle branding and possible roof sign changes
- Labour costs, which have increased by 0.3%

Overall, the Taxi Cost Index has increased by 3.6%, suggesting that fares should be increased to assist drivers in recovering their costs.

Proposed removal of Tariff C

Tariff C applies an increased rate for trips above 30km or 85 minutes. Only 6% of trips are over 30km and many of these are booked in advance for a negotiated fare. As a result Tariff C is rarely used and adds an unnecessary level of complexity to the fare card. It is recommended that Tariff C is removed and other tariffs are increased to compensate drivers for any potential loss of earnings.

Proposed reduction in the initial charge by lowering the distance and time included

The initial fare of €4.10 at the standard rate includes an allowance for 1km or 170 seconds. Reducing the initial charge element by way of reducing the mileage/time element, would have the following potential benefits:

- It would bring the structure more in line with practice elsewhere so it would be more familiar to international and local users;
- It would improve consumer protection by reducing the opportunity for drivers to defraud through early engagement of the meter, for example while queuing at the airport or a railway station; and
- It would clearly show the hiring charge as a separate component of the fare that is not to be confused with any significant time or distance charge.

Proposed standardisation of uplift between standard and premium tariffs

The current fare structure has a premium uplift of 31% for Tariff A and 16% for Tariff B. A standardised uplift of approximately 25% on both tariffs whilst rounding to the nearest five cent would simplify the fare structure further and allow customers to calculate fares more easily.

Proposed increase in fare levels

Although the industry and customer surveys indicated that the majority would prefer to retain the current fare levels, it is proposed to increase fares by around 4% overall in line with the increase in the Taxi Cost Index. As well as compensating drivers for the increase in their operating costs, an overall increase will allow the fare structure to become simpler and more customer-focussed without adverse negative impact on any one group of drivers or customers.

Proposed fare structure incorporating all the changes

The combination of all the proposed changes results in a more attractive and simpler fare card.

	Standard (08.00h-20.00h)	Premium (20.00h-08.00h)
Initial Charge	€3.60	€4.00
Distance allowance (metres)	500	500
Time allowance (seconds)	85	85
Tariff A		
Distance allowance (metres)	€1.10 per km	€1.40 per km
Time allowance (seconds)	€0.39 per min	€0.49 per min
Tariff B		
Distance Allowance (metres)	€1.40 per km	€1.75 per km
Time allowance (seconds)	€0.49 per min	€0.62 per min
Extras		
Passengers	€1.00	€1.00
Booking Fee	€2.00	€2.00

Christmas rate

With the potential abolition of Tariff C, an alternative arrangement for the Christmas period needs to be devised. In doing this, there is an opportunity for the Christmas premium to be

addressed in a more transparent and simple manner, while still compensating drivers adequately. With this in mind, the following adjustments are proposed:

- Apply the premium initial charge;
- Increase the Tariff A premium rate by a standard 25%; and
- Increase the Tariff B premium rate by a standard 25%.

As is currently the case, the Christmas rate would apply from 8pm on Christmas Eve to 8am on St. Stephens Day and 8pm on New Year's Eve to 8am on New Year's Day.

Assessment of the impact of the proposed changes

The assessment of the overall proposal against a set of best practice principles is summarised as follows:

- Consumer protection – The reduction in the initial charge reduces the potential for consumers to be defrauded by early engagement of the meter.
- Familiarity – The revised structure is not dissimilar to the structure that is currently in operation, in that it has two initial charges and now has two tariffs for mileage thereafter. The graduated fare structure has been maintained as have the extras which may be applicable to journeys
- Transparency – The changes will make it easier for customers to estimate the cost of their trip as well as allowing for a simpler presentation of the fare card.
- Equity and consistency – The proposed structure maintains the premium for taxi travel during unsocial hours and a two-tariff structure, as it is recognised that passengers are willing to pay more for certain journey types. The reduced time and distance allowance within the initial charge and the manner in which the fare increase has been applied does not adversely impact on short day time trips which customers currently view as not offering value for money.
- Cost recovery – The increase in fare levels ensures that drivers can recover their costs, which is vital if a quality service is to be provided to customers.
- Programmability – As the proposal is similar to the current fare structure it should be easily programmed for most of the current stock of taxi meters.
- Market sensitivity – The proposal maintains the premium for taxi travel during unsocial hours. This is important in incentivising taxi supply at night time when taxi demand is at its peak, and when customers consider taxis to be better value for money.

Contents

Executive Summary	ii
1. Introduction.....	1
1.1 Background.....	1
1.2 Objectives.....	1
1.3 Structure of the report	1
2. Background to the current National Maximum Taxi Fare Review.....	2
2.1 The Irish taxi industry	2
2.2 Current taxi fare structure	2
2.3 Previous National Maximum Taxi Fare Reviews.....	3
2.4 Fare card simplification	3
2.5 The Taxi Regulation Review (2011) and proposed Taxi Regulation Bill	4
2.6 Current taxi meter market assessment.....	4
2.7 Conclusion	5
3. Current market conditions	6
3.1 Introduction	6
3.2 Economic environment	6
3.3 Market demand	7
3.4 Market supply	11
3.5 Market conditions at current fare structure.....	14
3.6 Conclusions.....	17
4. Taxi Cost Index	19
4.1 Review of the Taxi Cost Index.....	19
4.2 Update of the Taxi Cost Index.....	20
4.3 Conclusion	24
5. International benchmarking.....	25
5.1 Comparison of taxi fares across a basket of International Jurisdictions.....	25
5.2 Supplementary benchmarking.....	27
5.3 Conclusion	27
6. Options for reform of the fare structure.....	28
6.1 Objectives.....	28
6.2 Simplification.....	28
6.3 Consideration of options for each of the fare elements.....	28
6.4 Standard / premium rate	29
6.5 Initial charge.....	30
6.6 Tariffs	31
6.7 Extras	32
6.8 Fares increase.....	33
6.9 Christmas rate	33
7. Assessment of proposals	35
7.1 Summary of potential adjustments for assessment.....	35
7.2 Fare structure adjustments.....	35
7.3 Preferred option	38

7.4	Impact analysis.....	41
7.5	Christmas fare	47
7.6	Summary and conclusions.....	47

1. Introduction

1.1 Background

The National Maximum Taxi Fare structure was established by the Commission for Taxi Regulation in September 2006. The National Maximum Taxi Fare applies across the Republic of Ireland and is reviewed on a biennial basis. Since 2011, the National Transport Authority has had responsibility for regulating the Irish taxi industry and for undertaking the biennial review. This report details the approach and findings of the 2012 National Maximum Taxi Fare Review (the Fare Review). This review was undertaken between August and October 2012.

1.2 Objectives

The objectives of the Fare Review are to:

- Establish the change in the Taxi Cost Index (i.e. the cost of operating a taxi) since 2010;
- Determine whether existing fare levels should be increased, decreased or retained; and
- Examine options to simplify the fare structure as its current complexity makes it difficult for customers to estimate the cost of their journey.

1.3 Structure of the report

The structure of this report is described below:

- Section 2 sets out the context of the current Fare Review, giving a brief history of previous reviews and outlining current issues in the industry. It continues to describe the current fare structure and previous recommendations for changes to the structure.
- Section 3 describes the economic environment in which the taxi industry operates, and describes current market conditions from the perspective of both service providers and customers, as captured in market surveys.
- Section 4 provides a discussion of the updating of the Taxi Cost Index to reflect the changes in costs facing the taxi industry since the last Fare Review in 2010.
- Section 5 benchmarks the current cost of taxi trips in Ireland against the cost in other jurisdictions.
- Section 6 outlines the rationale for exploring potential changes to the National Maximum Taxi Fare. It refines a long list of options to arrive at a list of options for assessment in Section Seven.
- Section 7 assesses how each of a short list of options could be included in a revised National Maximum Taxi Fare. This includes an assessment of the impact on the cost of a range of taxi trips. It outlines an impact assessment of either retaining the Status Quo or implementing the preferred fare structure and fare level revisions.

2. Background to the current National Maximum Taxi Fare Review

2.1 The Irish taxi industry

The Small Public Service Vehicle industry (SPSV) is made up of Hackneys, Limousines, Taxis and Wheelchair Accessible Vehicles (WAVs). Prior to 2000, entry to taxi industry was restricted with additional licences being granted on an ad-hoc basis by local authorities. This policy gave rise to significant under supply of taxi and poor quality of service, particularly in Dublin. In 2000, following a High Court Judicial Review, the Irish Taxi Industry was deregulated. This resulted in full liberalisation of entry to the taxi market and consequently a substantial increase in taxi licences.

Following the liberalisation of the taxi industry, the Commission for Taxi Regulation was established in 2004. The principal function of the Commission was the development and maintenance of a regulatory framework for the control and operation of SPSV industry, including the area of fare regulation. In 2011, the National Transport Authority (NTA) took over the role of the Commission for Taxi Regulation.

This Fare Review relates to the taxi fleet only. The taxi industry is primarily characterised by self employed drivers (over 95% of all drivers), in some cases supported by the services of dispatch operators.

2.2 Current taxi fare structure

The National Maximum Taxi Fare structure was established by the Commission for Taxi Regulation in September 2006. Prior to that, different fare structures applied in 34 separate taximeter areas. The new National Maximum Taxi Fare structure aimed to create a unified and consistent fare structure for the Republic of Ireland. Other objectives included that it should be simple, transparent, calculated on the basis of time and distance using a meter, and have all extras added to the maximum fare using a meter.

A key challenge in the establishment of the fare structure was the need to have a fare structure which could account for and incentivise the variety of different trips undertaken in both urban and rural areas.

The result was a fare structure including the following components:

- Standard and premium rates: premium rates are applicable during unsocial hours (20.00 -08.00), Sundays and public holidays;
- Initial Charge: a fixed fee which includes an initial distance and/or time period;
- Three tariffs (A-C): increasing across three bands of time and/or distance accrued;
- Additional passenger charges: applied on a per passenger basis;
- Booking fee: a fixed fee incurred by those who book a taxi in advance; and
- Soiling charge: a set fee to compensate the driver for soiling by the passenger.

Figure 2.1: Current National Maximum Taxi Fare card

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.		

2.3 Previous National Maximum Taxi Fare Reviews

The National Maximum Taxi Fare has been reviewed on a biennial basis since its establishment in 2006. The Taxi Cost Index (TCI) is updated during each Fare Review to assess changes in running costs, fixed costs and labour costs over the previous two years. The TCI uses a combination of economic, survey and industry input data and is one of the factors in deciding whether to amend the maximum taxi fare level.

In 2008 there were two primary changes to the fare structure and fare levels resulting from the review. The first was the introduction of a special premium Christmas period rate which operated from 20.00 on Christmas Eve until 08.00 on St Stephens Day and from 20.00 on New Year's Eve until 08.00 on New Year's Day. The second was an increase of 8.3% applied to fare levels. No changes were instigated in the 2010 Fare Review. The National Maximum Taxi Fare structure in its current form is shown above.

Although no changes were instigated by the National Maximum Taxi Fare Review 2010, it recommended that in the National Maximum Taxi Fare Review 2012:

- The possibility of a lower initial charge, perhaps including a corresponding decrease in the time and distance the initial charge covers, should be considered; and
- Consideration should be given to the necessity of the third tariff rate (Tariff C), noting that there would be both costs and benefits to its removal.

2.4 Fare card simplification

One feature of the structure to date is its complexity. As shown in the fare card above, it has numerous prices depending on rates, tariffs, distances, times, speed and extras. This makes it difficult for customers to estimate the cost of their journey. To improve customer service, an objective of the current Fare Review is to examine the possibilities to simplify the current fare structure.

The National Maximum Taxi Fare is presented in a format which shows all the components and method employed to calculate the total fare. In addition to simplifying the fare structure, there may be an opportunity to simplify the manner in which the National Maximum Taxi Fare is presented. For example, a number of other jurisdictions provide taxi fare information in a format which indicates what a fare should be for a variety of journey lengths, rather than the components and method employed to calculate the total fare.

2.5 The Taxi Regulation Review (2011) and proposed Taxi Regulation Bill

In June 2011, a review of taxi regulation was established by Government under the chairmanship of the Minister of State for Public and Commuter Transport. This review sought to identify and facilitate reforms of the taxi sector which were in addition to reforms sets out in the Commission for Taxi Regulation Reform Programme. The aim of the review was to allow customers to have confidence in the taxi system while also ensuring that legitimate and competent operators and drivers can be rewarded fairly by operating under a regulatory framework that is adequately enforced.

The review identified a range of issues affecting the industry and recommended many actions which sought to address these issues. Arising from the Taxi Regulation Review, a Taxi Regulation Bill is in preparation which is likely to be enacted in 2013. While the details of this bill have not yet been released, there is a possibility that it will introduce requirements in relation to those actions that have not already been implemented. Hence, there are potentially a number of changes facing the taxi industry over the coming year, such as vehicle branding, that could affect the taxi drivers' operating costs.

2.6 Current taxi meter market assessment

Taxi meters are fundamental to the implementation of the National Maximum Taxi Fare. Meters determine which rates are applicable at a given point in time and calculate the total maximum fare. They also facilitate the manual addition of extra charges such as those associated with additional passengers.

In the Republic of Ireland, meters are programmed to apply fare rates on the basis of distance above a predefined changeover speed, and to apply fare rates on the basis of time below this predefined changeover speed. In addition, meters have a time and calendar functionality to enable time, day and date specific rates to be applied. Meters are also connected to taxi roof signs to display when taxis are available for hire.

There are a large number of suppliers in the taxi meter market, some of whom have a number of meter models. All meter models need to be programmed individually and reprogrammed on a periodic basis. Private meter installers typically programme, install and calibrate meters. The taxi, complete with the installed meter, is then presented to the National Standards Authority of Ireland Legal Metrology Service to be verified.

The characteristics and capabilities of meters currently in use are a key consideration and potential constraint on the scope for changes to the current National Maximum Taxi Fare structure. Any proposals to alter the fare structure or levels will reflect these constraints.

Meters were not reprogrammed following the 2010 fares review as there was no change to the fare levels or structure. In 2013, the majority of meters will need to be reprogrammed and resealed, regardless of whether there are any fare changes, because the majority of meter programmes have a life span of four years.

2.7 Conclusion

The existing taxi fare structure is relatively complex and recommendations have been made previously with the aim of simplifying the structure. Specifically, the lowering of the initial charge and the removal of Tariff C have been recommended.

Many taxi meters will need to be reprogrammed and verified in 2013 regardless of whether fare levels or structures are changed.

3. Current market conditions

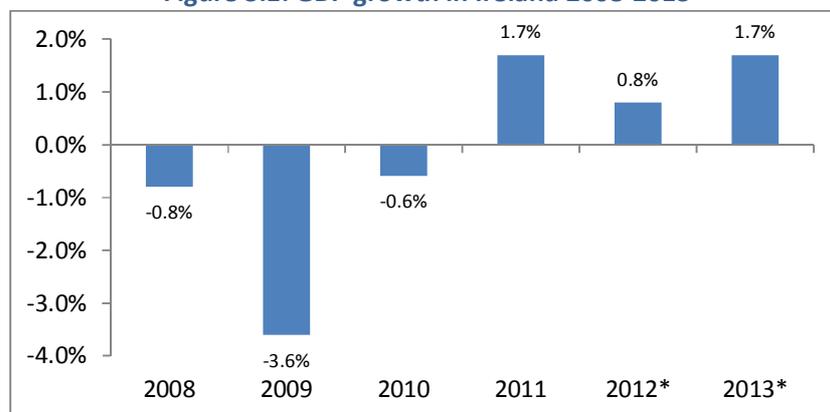
3.1 Introduction

This section of the report sets out the current supply and demand conditions in the taxi industry. An understanding of these characteristics is essential for informed decision making on policy issues. The section is structured as follows. A brief description of the current economic climate gives the context in which the taxi industry is operating. This is followed by a profile of the current market demand conditions which assesses the trends, characteristics and patterns of taxi demand. Subsequently, the supply of taxis is also outlined which details the characteristics and patterns of supply along with a profile of taxi drivers' earnings. Perceptions of value for money and the level of discounting are also discussed.

3.2 Economic environment

Ireland's economy continues to struggle from the combined effects of a worldwide economic slowdown and an EU/IMF bailout agreement which has seen huge adjustments in the national property and financial markets. After experiencing over ten years of unprecedented growth, Ireland's economic fortunes changed dramatically in 2008. GDP output shrank by 0.8% in 2008, a further 3.6% in 2009 and 0.6% in 2010. While Ireland emerged from recession in 2011 with growth of 1.7%, as shown in Figure 3.1, the economy is still struggling and personal consumption and Government spending are continuing to fall.

Figure 3.1: GDP growth in Ireland 2008-2013

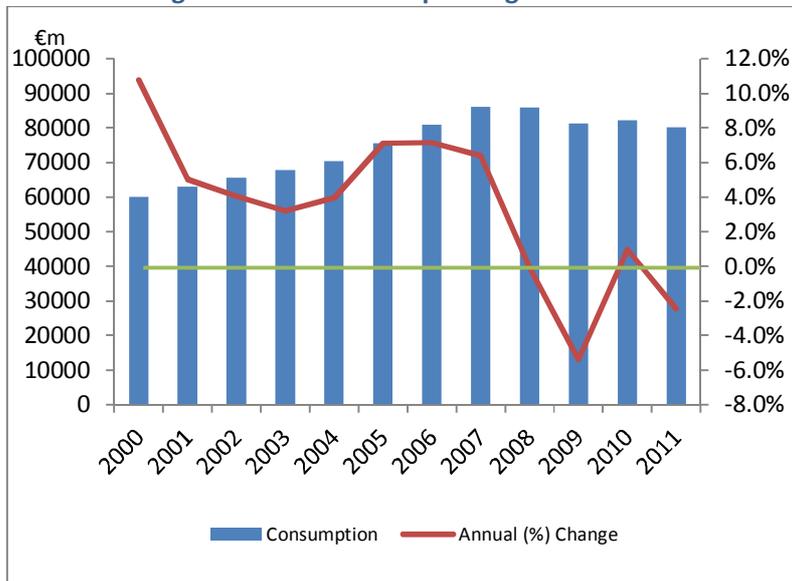


Source: CSO, DKM Economic Consultants and Economy Watch September 2012

Note: forecasts indicated by *

These changes have had serious negative impacts on welfare. Unemployment which was consistently low during the years of economic growth, reached 14.8% in 2011. Against this background, it is unsurprising that consumer spending has declined substantially over the past four years, as shown in Figure 3.2. While there was some evidence of a slight upturn in 2010 with growth of 1%, it will be some time before consumer spending will show signs of a consistent upward trend. As long as these trends are in place across all sectors of the economy, the taxi industry is likely to be negatively affected, given that a large proportion of taxi demand arises in social and recreational activities.

Figure 3.2: Consumer spending 2000-2011



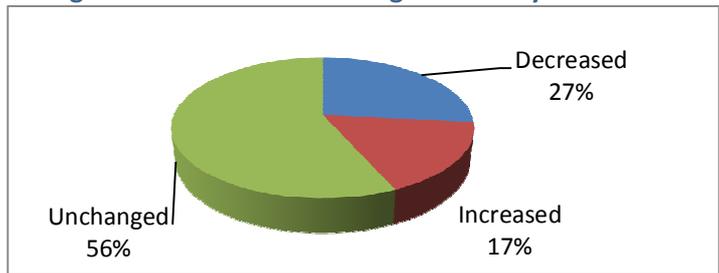
Source: CSO

3.3 Market demand

Trends in taxi usage

In 2012, approximately 59% of adults responding to a household survey reported using taxis as a mode of transport. This represents a decline of 3 percentage points on 2010 figures. Trends in taxi usage over the past 12 months, as shown in Figure 3.3, indicate that over a quarter of respondents have decreased their use of taxi while 17% have increased their taxi usage. The primary reasons adults surveyed gave for a deduction in taxi usage were that taxis are too expensive (25.3%) and that they were going out less often (24.7%). Some 18% of adults also cited less disposable income as a reason for their reduction in taxi use. The increase in taxi usage has been largely driven by individuals in the 18-24 year old category.

Figure 3.3: Trends in taxi usage nationally 2011-2012



Source: Taxi Fare Review 2012 – Household Survey

The decline in taxi usage is also reflected in the frequency of use, as shown in Table 3.1. The proportion of adults using taxis once a week or more often is 27.6%, down on 31.9% in 2010. The most intensive users of taxis are the under 35 age group, where over a third of taxi users take a trip once a week or more.

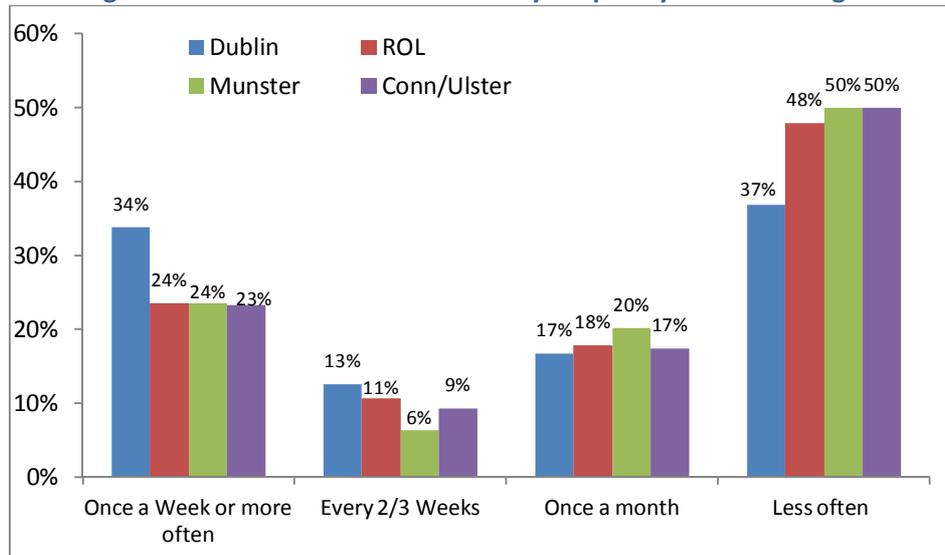
Table 3.1: Distribution of taxi users by frequency of use and age group

	Under 35 (%)	35 + (%)	All Taxi Users (%)
Once a Week or more often	34.2	22.8	27.5
Every 2/3 Weeks	11.4	9.2	10.1
Once a month	24.9	13.4	18.1
Less often	29.6	54.5	44.3
Total	100.0	100.0	100.0

Source: Taxi Fare Review 2012 – Household Survey

On a regional basis, Dublin has the most frequent users of taxis where 33.8% of users take a taxi once a week or more often. This compares to 23.6% in the Rest of Leinster (ROL) and Munster and 23.3% in the Connacht/Ulster area as shown in Figure 3.4

Figure 3.4: Distribution of taxi users by frequency of use and region

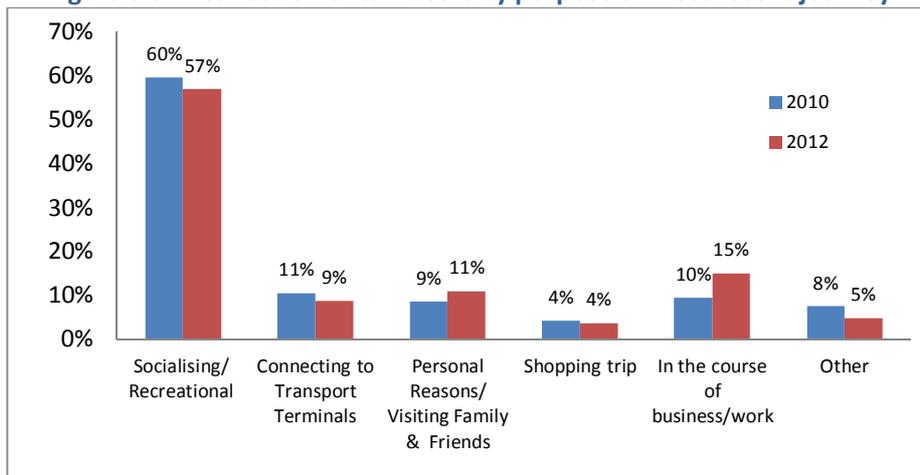


Source: Taxi Fare Review 2012 – Household Survey

Characteristics of taxi demand

Demand for taxi services is largely focused around social and recreational outings, as shown in Figure 3.5. This trend has remained relatively stable over time, accounting for the majority of trips in 2010 and 2012. There is evidence of increasing demand for taxi services in the course of work, up 5 percentage points in 2012, while the proportion using taxis for personal reasons and visiting family and friends has also increased.

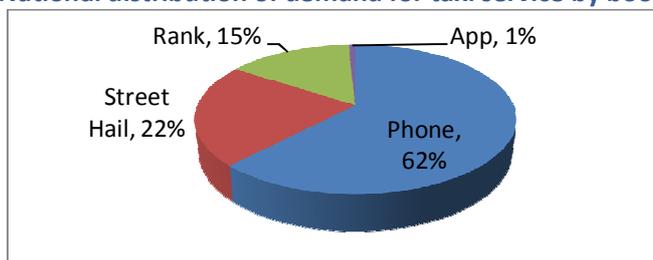
Figure 3.5: Distribution of taxi users by purpose of most recent journey



Source: Taxi Fare Review 2012 – Household Survey

Nationally, the demand for taxi services via telephone bookings is the most common with 62% of trips arranged this way, as shown in Figure 3.6. Just over one in five taxis are hailed on the street. Recently developed Smartphone Apps for arranging taxi trips are yet to make a substantial impact on people’s behaviour. In Dublin, the street market remains dominant with 38.5% of taxi users arranging their trips this way. In contrast the rank market is more common outside Dublin and accounted for almost a fifth of taxi journeys in Connacht and Ulster.

Figure 3.6: National distribution of demand for taxi service by booking markets

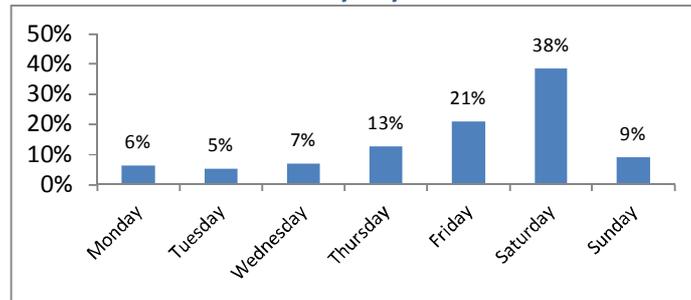


Source: Taxi Fare Review 2012 – Household Survey

Demand patterns for taxi services

The demand for taxi services is clearly peaked around Friday and Saturday nights with over half of all trips taking place over these two days. This largely reflects the most common purpose for taxi use being social and recreational activities. Figure 3.7 illustrates these peaks in demand over the course of the week.

Figure 3.7: Distribution of taxi users by day of the week most recent trip taken

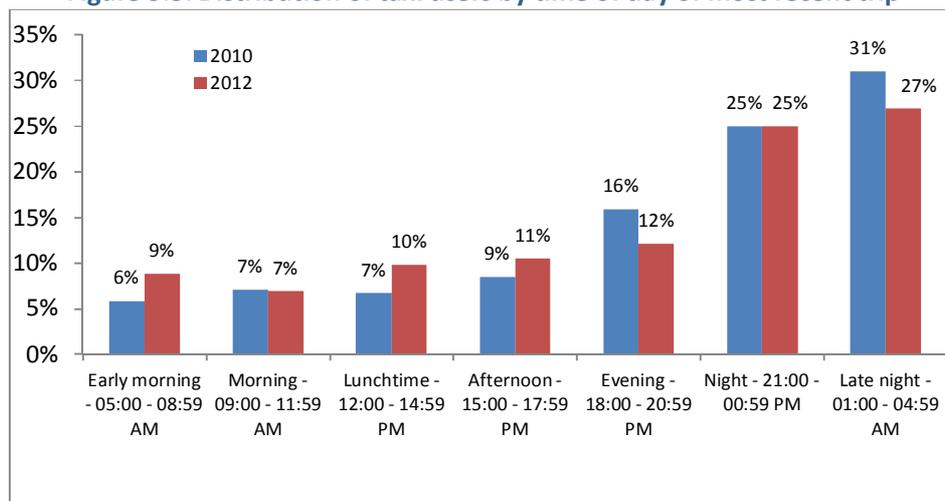


Source: Taxi Fare Review 2012 – Household Survey

The demand for taxis also displays peaks by time of day. Approximately 27% of taxi trips are undertaken between 1am and 5am, while a further 25% are undertaken between 9pm and midnight. Once again these peaks in demand are in line with the most common purpose for taxi use being social and recreational outings.

There is evidence of a smoothing of the peaks in demand over the past two years. Figure 3.8 illustrates that there has been a decline in the proportion of taxi trips undertaken during late night periods and in the evening. In contrast the proportion of trips taken during the day time has increased in the 2010-2012 period. On one hand, these trends in demand are likely to reflect the downturn-related reduction in discretionary spending by individuals for social and recreational purpose, and on the other hand, the increasing use of taxis in the course of business and work.

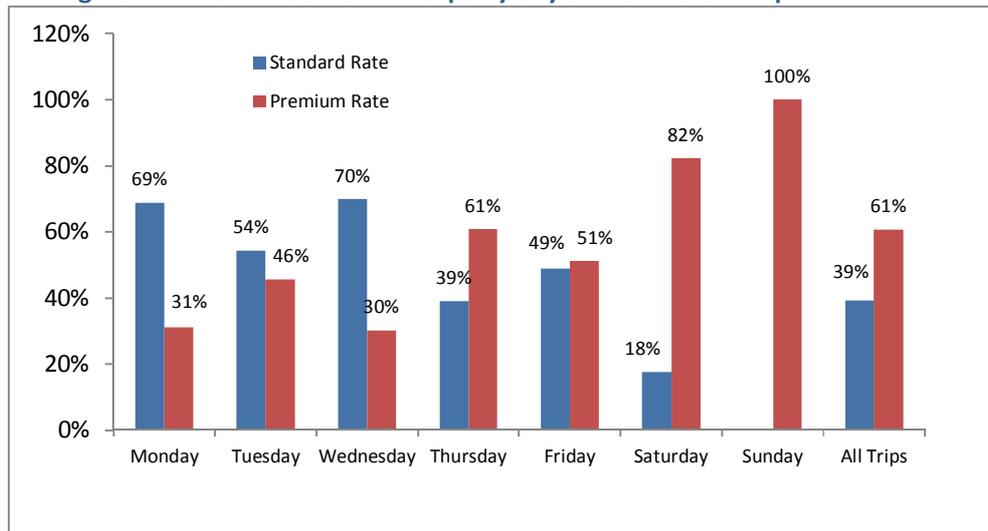
Figure 3.8: Distribution of taxi users by time of day of most recent trip



Source: Taxi Fare Review 2012 – Household Survey

Given the distribution of demand over the course of the day it is unsurprising that over 60% of all trips take place during unsocial hours and so are charged the premium rate. With the exception of Sunday when all trips are on the premium rate, Saturday has the highest proportion of trips during unsocial hours (82%), as shown in Figure 3.9.

Figure 3.9: Distribution of taxi trips by day of most recent trip and fare rate



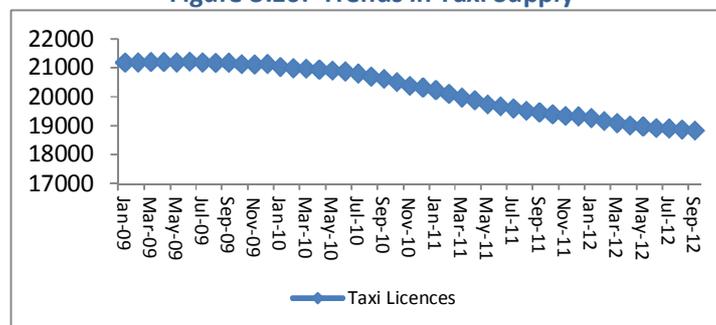
Source: Taxi Fare Review 2012 – Household Survey

3.4 Market supply

Aggregate supply of market

Since liberalisation of the taxi market in 2000, the number of taxis increased substantially and by the end of 2008 had reached 21,177. From the end of 2008 to the end of 2010, there was a 4% decline in the number of taxi vehicles operating in the industry, as shown in Figure 3.10. This reflects the market adjustment to the changing economic conditions and associated fall in demand. Following the implementation of a prohibition on the issue of new licences for taxis and hackneys in June 2010, there has been an 8% drop in active taxi vehicle licence. Taxi vehicle numbers currently stand at 18,831. Coupled with the decline in taxi vehicle licences there has also been a decline in SPSV drivers. In September 2012 there were 35,693 SPSV drivers in Ireland. This represents a 24% decrease on 2008 figures.

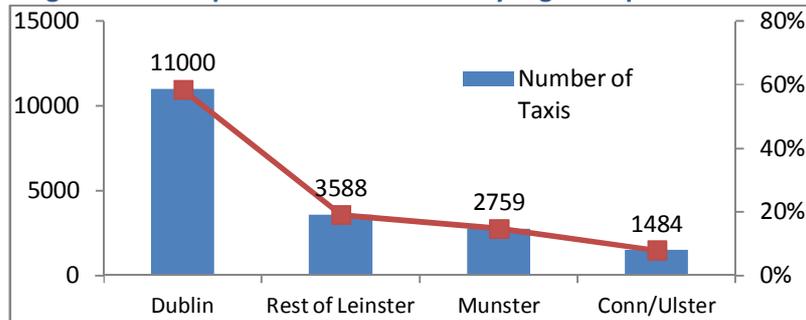
Figure 3.10: Trends in Taxi Supply



Source: Taxi Fare Review 2012 – Taxi Driver Survey

On a regional basis, Dublin has approximately 11,000 active taxi vehicles in operation, representing 58% of the national supply. As shown in Figure 3.10, this compares to the Rest of Leinster which accounts for 19% of active taxis, Munster which accounts for 15% of active taxis and the Connacht/Ulster region which accounts for 8% of active taxis in Ireland.

Figure 3.11: Proportion of active taxis by region September 2012



Source: Taxi Fare Review 2012 – Taxi Driver Survey

Patterns of supply

Overall, the peak supply days for taxis are Thursday, Friday and Saturday. The greatest proportion of shifts provided by taxi drivers is during the day on Thursdays and Fridays with 10.5%, and 10.8% of shifts provided on these days respectively. The greatest proportion of night shifts are provided on Friday and Saturday nights, when 8.3% and 8.5% of shifts are undertaken respectively. This is shown in Table 3.2.

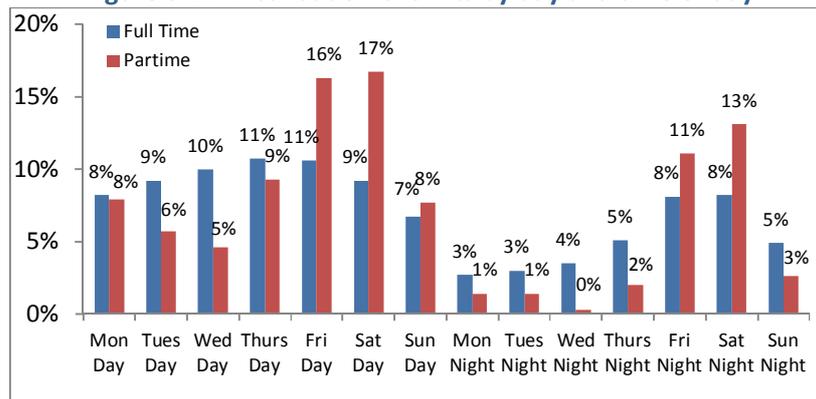
Table 3.2 Distribution of taxi supply

	Number of Shifts	(%)
Monday Daytime	335	8.1
Tuesday Daytime	368	8.9
Wednesday Daytime	398	9.7
Thursday Daytime	433	10.5
Friday Daytime	444	10.8
Saturday Daytime	393	9.6
Sunday Daytime	274	6.7
Monday Night	111	2.7
Tuesday Night	122	3.0
Wednesday Night	141	3.4
Thursday Night	206	5.0
Friday Night	340	8.3
Saturday Night	349	8.5
Sunday Night	201	4.9
Total	4115	100.0

Source: Taxi Fare Review 2012 – Taxi Driver Survey

The survey of taxi drivers revealed that the proportion of shifts provided at the weekend increases significantly for part time drivers, as shown in Figure 3.12. Over 16% and 17% of the shifts worked by part time drivers are on Friday and Saturday day respectively, compared to 11% and 9% respectively by full time drivers. Similar trends are seen in shifts worked at night time, with 11% and 13% of shifts on Friday and Saturday night provided by part-time drivers. Whilst this highlights the significant role part time drivers play in supplying peak demand, full time taxi drivers still supply 93% of weekend shifts.

Figure 3.12: Distribution of shifts by day and time of day

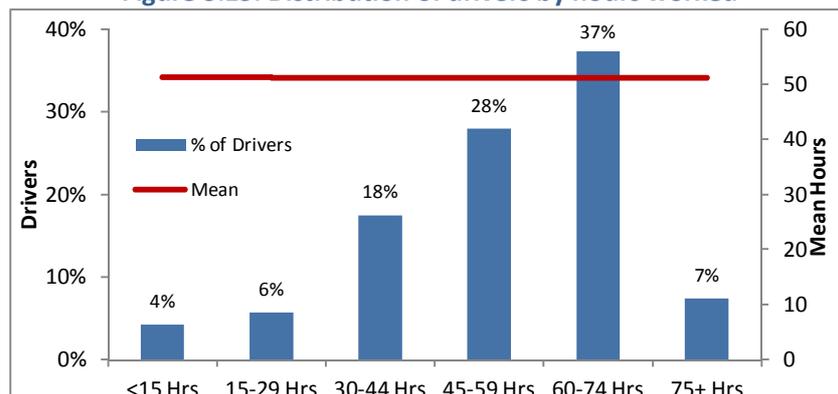


Source: Taxi Fare Review 2012 – Taxi Driver Survey

Characteristics of supply

The average working week for a taxi driver is 52 hours, which is similar to the findings of 2008 and 2010 surveys¹. Approximately 37% of taxi drivers work between 60 to 74 hours a week, as shown in Figure 3.13, while an additional 7% are working over 75 hours per week. Overall the majority of taxi drivers work 7 shifts a week, which taking account of the average working week of 52 hours equates to an average shift length of 7.5 hours

Figure 3.13: Distribution of drivers by hours worked



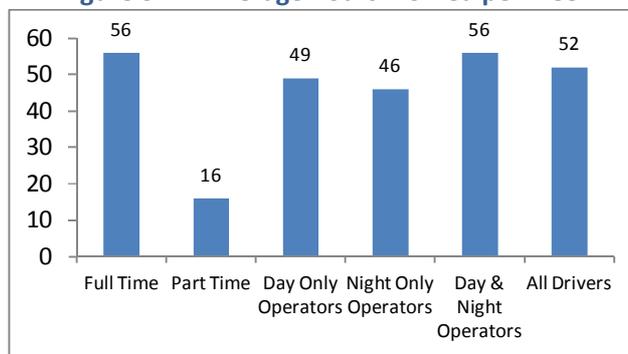
Source: Taxi Fare Review 2012 – Taxi Driver Survey

¹ The average hours worked appears quite high; however it is likely that taxi drivers' definition of working hours include idle time between fares. The survey also suggests that on average drivers have 48 jobs per week, this would suggest that there is sufficient rest time between fares.

Driver earnings

Based on survey data the gross weekly earnings of drivers has declined 5.9% in the 2010-2012 period. An analysis of earning by work pattern also reveals that most earnings can be obtained by working a mixture of both day and night shift, with night only operatives earning approximately 9% less while day only operatives earn 5% less on average. However, as illustrated in Figure 3.14 the variation in earnings is also associated with variation in working hours. On average drivers working a combination of days and nights have a working week of approximately 56 hours, compared with 46 hours amongst those working only night shifts. It is interesting to note that the work pattern of part time drivers in targeting peak demand results in part time drivers earning the equivalent of approximately 59% of full time driver earnings while only working 29% of their hours per week.

Figure 3.14: Average hours worked per week



Source: Taxi Fare Review 2012 – Taxi Driver Survey

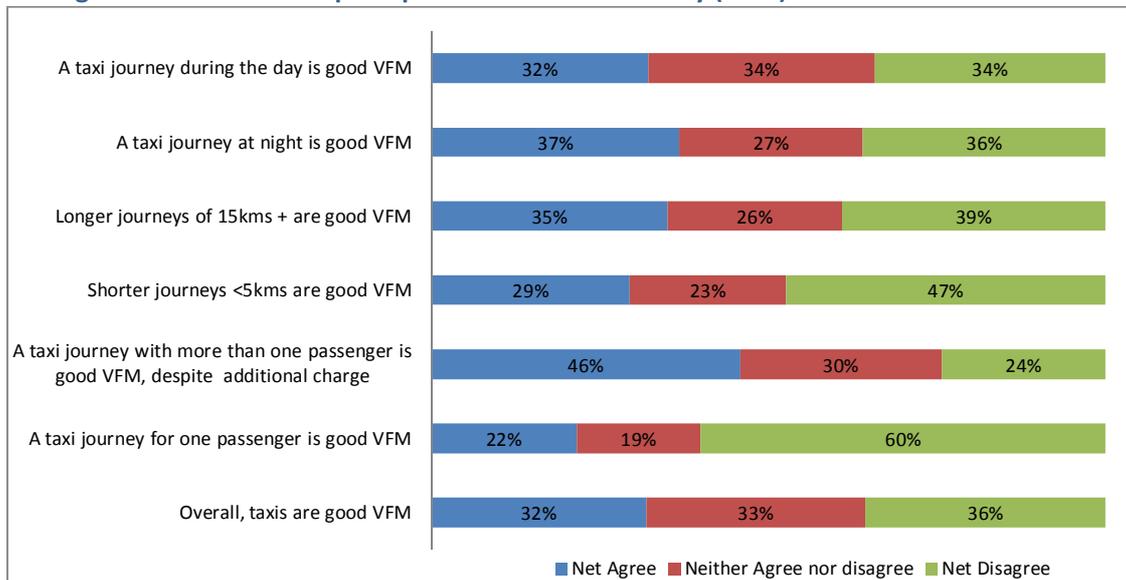
3.5 Market conditions at current fare structure

Perceptions of current fare structure and levels

The perception of value for money of the current taxi fare varied significantly among market participants. Figure 3.15 indicates the value for money perceived by customers of the current fare structure. Overall 36% of taxi users did not consider current taxis fares to be good value for money. This proportion increased considerably in relation to taxi journeys for one passenger (60%) and for shorter journeys (47%). In contrast, 45% of respondents agreed that taxi journeys for more than one person are good value for money, despite the additional passenger charge.

There is a slight tendency for respondents from Munster and Connacht/Ulster to perceive greater value for money than respondents from Leinster and Dublin. However, this may reflect the limited availability of alternative public transport outside of Dublin and the main cities. There is also a tendency for more frequent taxi users to consider taxis good value for money. However, this finding must be considered with caution as more frequent taxi users may be less concerned with the costs of taxi use.

Figure 3.15: Consumer perceptions of value for money (VFM) in current fare structure



Source: Taxi Fare Review 2012 – Household Survey

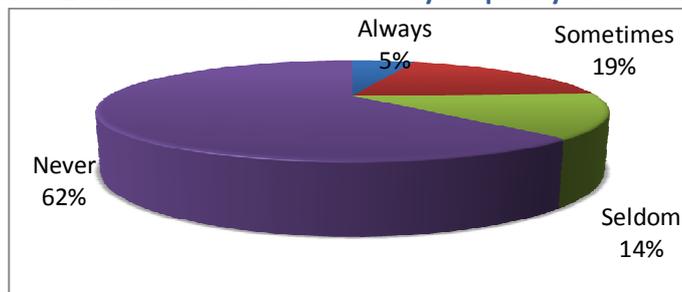
In contrast to consumers’ perceptions of value for money, an overwhelming majority of taxi drivers (93%) and dispatch companies (83%) are of the opinion that taxis fare offer value for money. One of the main issues raised by taxi drivers and dispatch companies was the increase in running costs and, in particular, the increase in fuel prices. The fact that taxi fares have not been increased to reflect this over the past two years may add to the perception of value for money among drivers and dispatch companies alike.

Fare discounting in the market

The incidence of fare discounting in the market affects the perception of value for money. Currently, over three quarters of taxi drivers and approximately 83% of dispatch companies offer discounts to their customers. In contrast to this, only 38% of customers report having been offered a discount. However, a possible explanation for this could be that customers may not be aware of receiving the discount particularly if it relates to extra charges on the meter, or simply that passengers are not offered a discount unless they ask for one.

Of dispatch operators offering a discount, 25% reported an increase in demand.

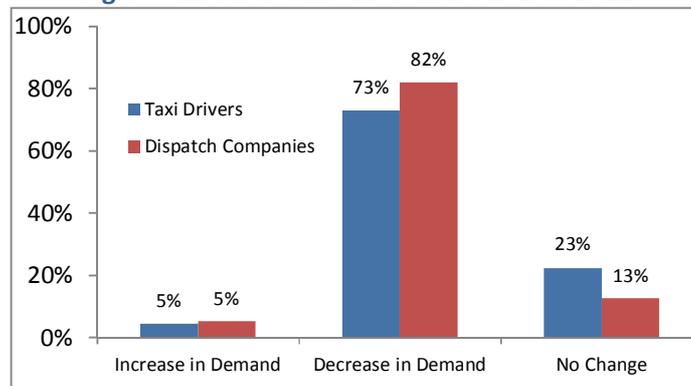
Figure 3.16: Distribution of taxi users by frequency of discounting



Source: Taxi Fare Review 2012 – Household Survey

Despite discounting, there is a perception among both taxi drivers and dispatch companies that the demand for taxis has decreased over the last two years. As can be seen in Figure 3.17, 73% of taxi drivers and 82% of dispatch companies have noticed a fall in demand for their services.

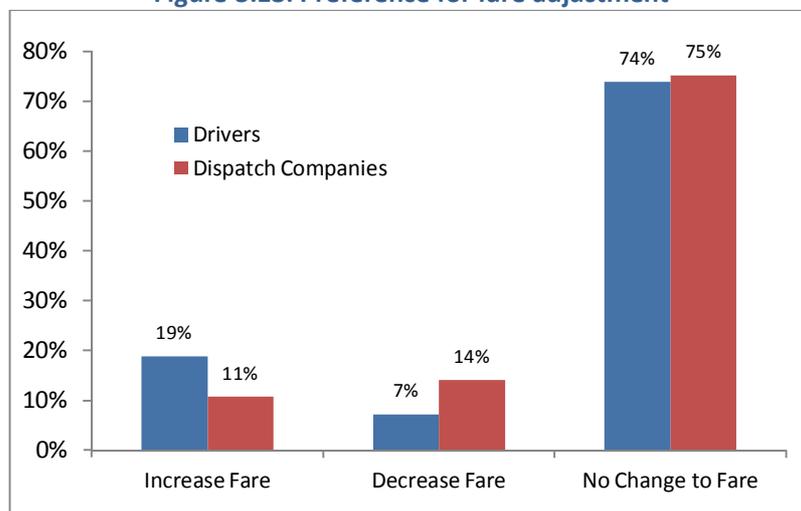
Figure 3.17: Trend in taxi demand 2010 – 2012



Source: Taxi Fare Review 2012 – Taxi Driver Survey, Dispatch Operator Survey
 Note: Figures total more than 100% for taxi drivers due to rounding. Less than 5% of drivers reported an increase in demand.

Arising from this fall in demand, approximately three quarters of all taxi drivers and dispatch companies surveyed suggested that there should be no change to the current maximum taxi fare. Many drivers advocate that many customers are experiencing financial difficulties and that any increase in fare levels would have a severely negative impact on demand.

Figure 3.18: Preference for fare adjustment



Source: Taxi Fare Review 2012 – Taxi Driver Survey, Dispatch Operator Survey

3.6 Conclusions

Market Demand

- Overall, the level of taxi use is down roughly 3 percentage points on 2010 figures. In the last 12 months, roughly a quarter of taxi users are using taxis less often. The majority of those who have increased their use of taxis in the last 12 months are in the 18 – 24 year old age group.
- The primary reasons adults surveyed gave for a reduction in taxi usage were that taxis are too expensive (25.3%) and that they were going out less often (24.7%).
- Nationally, phone bookings remain the most common method of arranging a taxi journey while Smartphone apps were yet to make a meaningful impact at the time of the survey. The street trade in Dublin remains popular with 39% of trips being arranged by hailing a taxi on the street.
- Demand for taxis peaks on Friday and Saturday nights. In addition, 27% of taxi trips take place between the hours of 1 am and 5 am, consistent with the finding that the majority of taxi trips are for social and recreational purposes.
- There has been a smoothing of this trend over the past two years however, as there has been a decline in late night demand along with an increase in day time demand. Despite the smoothing of peaks, 61% of taxi trips are charged at the premium rate which has an effect on customers' perception of value for money.

Market Supply

- Overall, the peak supply times for taxis are over Thursday, Friday and Saturday. The proportion of shifts provided on the weekends increases significantly for part time drivers as they seek to target peak demand. Nevertheless, full time drivers still provide 93% of shifts during peak demand times.
- On average taxi drivers work 52 hours per week, with the majority of taxi drivers working 7 shifts a week. This equates to an average shift length of 7.5 hours.
- Gross average weekly earnings of drivers have declined 5.9% in the 2010-2012 period. The most earnings can be obtained by working a mixture of both day and night shifts.
- The survey responses received indicate that the work pattern of part time drivers in targeting peak demand results in part time drivers earning the equivalent of approximately 59% of full time driver earnings while only working 29% of their hours per week.

Market Perceptions of Current Fare Structure

- Generally, taxi users do not consider current taxis fares to be good value for money, particularly in relation to taxi journeys for one passenger and for shorter journeys.
- There is a slight tendency for respondents from Munster and Connacht/Ulster to perceive greater value for money than respondents from Leinster and Dublin. In addition, more frequent taxi users consider taxis good value for money.
- An overwhelming majority of taxi drivers (93%) and dispatch companies (83%) are of the opinion that taxis fare offer value for money.
- Current trends indicate that over three quarters of taxi drivers and 83% of dispatch companies offer discounts to their customers, however only 38% of customers report

having been offered a discount, suggesting a lack of awareness on the part of the consumer of discounting activity.

- Despite this discounting, the majority of both taxi drivers and dispatch companies indicate that the demand for taxis has decreased over the last two years. Accordingly, approximately three quarters of all taxi drivers and dispatch companies surveyed suggested that there should be no change to the current maximum taxi fare.

4. Taxi Cost Index

4.1 Review of the Taxi Cost Index

Index objectives

The Taxi Cost Index (TCI) is a tool that has been used to quantify changes in the costs of operating a taxi vehicle since the National Maximum Fare Structure was established in 2006. 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* and was subsequently used in the same form in 2010.

The guiding principles of the taxi cost index are that it:

- Must be representative and reflect the changes in costs faced by a significant proportion of the industry;
- Should reflect a fair return for the labour provided by the taxi driver; and
- Should be based on a driver following industry leading practice.

Index structure and components

The costs included in the Taxi Cost Index consist of all running and fixed costs, and 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. The cost components included are listed in Tables 4.1 – 4.3.

Table 4.1: Running cost component descriptions

Index Component	Description
Fuel	Total cost of fuel used per annum
Servicing	Cost of major and minor services throughout the year
Cleaning	Cost of major and minor valets throughout the year
Tyres	Cost of tyre replacements
Spares	Cost of spares required to keep car appropriately maintained
Miscellaneous Running Costs	Costs including: receipt printer paper, paper receipt books, business cards, first aid kit, fire extinguisher, etc.

Table 4.2: Fixed costs component descriptions

Index Component	Description
Radio Rental	Cost of renting a radio from a dispatch operator
Car Purchase and Finance	Annual cost of a car loan, net of resale value
Insurance	Cost of insuring a taxi
Equipment Replacement	Cost of meters, roof sign, satellite navigation equipment and printers
Taxi Vehicle Licence Renewal	Cost of renewing a taxi vehicle licence
Road Tax	Cost of taxing a taxi for a year
Airport Charges	Charge for operating at an airport
National Car Test (NCT)	Cost of undertaking a periodic NCT test
Meter Verification	Cost of meter verification
Meter Calibration and Programming	Cost of meter calibration and programming
SPSV Drivers Licence	Cost of a taxi driver licence
National Drivers Licence	Cost of vehicle driver licence

Table 4.3: Labour cost component description

Index Component	Description
Labour Costs	A figure established in 2006 to reflect a return for taxi drivers and adjusted biennially in line with CSO data

Approach to updating

The Taxi Cost Index is updated every two years and the approach adopted includes capturing current data through the use of surveys of stakeholders, industry input and the use of indices prepared by the Central Statistics Office (CSO).

The costs used are based on the latest data available in August/September during the review year. All costs are aggregated and a total cost figure achieved. This is compared with the total cost figure of the previous Fare Review and the resulting proportional change is used to inform decision making on fare revisions.

4.2 Update of the Taxi Cost Index

The most important assumptions used in updating relate to the car model, fuel type, annual mileage and labour costs.

Current assumptions used in updating

Car model: Assumed to be a three year old Toyota Avensis with a 2.0 litre diesel engine. The driver survey identified the Toyota Avensis as the most popular vehicle model used by taxi drivers (32.4% of drivers). The most common engine size was defined on the basis that 48.8% of drivers surveyed have engines in the 1801 – 2000cc range.

Fuel Type: Assumed to be diesel as 62.1% of drivers in the driver survey report driving diesel vehicles.

Annual Mileage: Based on the 2010² average of driver-reported annual mileage figures.

Labour costs: Assumed to increase in line with CSO reported changes in wages.

Additional cost components

Taxi drivers will face additional costs due to imminent upcoming requirements for vehicle branding and changes to roof signs. Consequently, these components have been added to the Taxi Cost Index for this Fare Review, as shown in Table 4.4.

Table 4.4: Fixed costs – new cost components

Index Component	Description
Roof sign and other regulatory changes	A cost component associated with the upcoming need for new roof signs, as recommended by The Taxi Regulation Review (2011). This is an incremental cost as roof sign replacement is largely accounted for in 'Equipment replacement'.
Vehicle branding	A cost component associated with the upcoming need for taxi bodywork to be branded, as recommended by The Taxi Regulation Review (2011).

Running costs

With the exception of fuel, there have been modest changes in running costs since 2010. This has resulted in a net increase in running costs of 14.3%, as shown in Table 4.5

Table 4.5: Running costs

Index Component	2010	2012	% Change
Fuel	€3,946	€5,056	28.1%
Servicing	€1,196	€1,156	-3.4%
Cleaning	€804	€777	-3.4%
Tyres	€566	€571	0.8%
Spares	€500	€504	0.8%
Miscellaneous Running Costs	€318	€313	-1.5%
Total Running Costs	€7,331	€8,376	14.3%

Fuel costs were determined using fuel prices, reported average annual distance travelled and fuel consumption rates. They have increased by 28% since the 2010 Fare Review.

Servicing and Cleaning: The frequency at which drivers incur these costs was compared against previous Fare Reviews. The driver survey indicates that taxis are cleaned and serviced at similar frequencies to those evident in 2010. Hence, these costs have been updated in line with the CPI

² A robust annual distance travelled could not be determined from the 2012 driver survey, due to anomalies in the data reported. Hence, the average distance travelled used in the 2010 review (57,936km) has been adopted for 2012.

sub-index 'maintenance and repair of personal transport equipment'. The result has been a drop in costs of 3.4%.

Tyres and spares: The cost of tyres and spares is influenced by the average reported annual distance travelled. The CPI sub-index 'spare parts and accessories for personal transport equipment' increased by approximately 0.8% since 2010, resulting in an overall increase in cost of approximately 0.8%.

Miscellaneous Running Costs: These costs were updated in line with the CPI sub-index 'other vehicle costs' resulting in a reduction of 1.5%.

Fixed costs

A comparison between the fixed costs for 2010 and 2012 is shown in Table 4.6 below and indicates that fixed costs have increased by 5.0%.

Table 4.6: Fixed costs

Index Component	2010	2012	% Change
Radio Rental	€4,659	€4,600	-1.3%
Car Purchase and Finance	€3,169	€3,327	5.0%
Insurance	€1,679	€1,951	16.2%
Equipment Replacement	€209	€205	-1.5%
Roof sign and other regulatory changes	-	€30	N/A
Taxi Vehicle Licence Renewal	€125	€125	0.0%
Road Tax	€82	€88	7.3%
Airport Charges	€64	€64	0%
NCT Testing	€50	€74	47.1%
Meter Verification	€45	€46	2.5%
Meter Calibration and Programming	€30	€45	50.0%
SPSV Drivers Licence	€50	€50	0.0%
National Drivers Licence	€2.50	€2.50	0.0%
Vehicle branding	-	€70	N/A
Total Fixed Costs	€10,165	€10,677	5.0%

Radio Rental: The driver survey reported that the average cost of renting radios from a dispatch company is €92 per week. This equates to an annual cost of €4,600, representing a 1.3% decrease when compared to 2010 figures. The issue of whether VAT has been, or will be, included in radio rental charges is ongoing, and hence no adjustments have been made to the figures reported in the driver survey.

Car Purchase and Finance: Car Purchase and Finance costs have increased by 5%. While the average price of the chosen car model has increased from €13,000 in 2010 to €14,044 in 2012 (representing an 8% increase), the surveyed cost of financing car purchase has decreased marginally.

Insurance: A survey of insurance costs using the details of a representative driver resulted in an average insurance cost of €1,951, representing a 16.2% increase in insurance costs. It should be noted that a government levy on non-life insurance products has been introduced since the last Fare Review. Insurance quotes were received from three providers with a significant variation in price of the quotes received.

Roof sign and other regulatory changes: This is a new cost component added to account for the upcoming need for new roof signs, as recommended by The Taxi Regulation Review (2011). This is an incremental cost as €205 per annum for printer, meter and roof sign replacement is already allowed for in the ‘Equipment Replacement’ cost component.

NCT Testing: This cost component has been updated to reflect both the increased NCT test fee and the new requirement that vehicles over nine years old be tested twice a year as recommended by The Taxi Regulation Review (2011). Based on available data, it is anticipated that 33.7% of the taxi fleet will need to be tested twice a year.

Meter Calibration and Programming: This figure had not been amended since 2006, as the reprogramming cost depends on a number of variables. Based on consultation with industry sources, the cost has been updated to €45 per annum representing a 50% increase.

Vehicle Branding: This is a new cost component added to account for the upcoming requirement for vehicle branding, as recommended by the Taxi Regulation Review (2011). The cost has been estimated to be €210 incurred every three years.

Overall, Fixed Costs have increased by 5.0%, primarily driven by increases in insurance and car purchase and finance costs. The addition of new components to the index accounts for approximately 20% of the increase to Fixed Costs.

Labour costs

As shown in Table 4.7 below, overall labour costs have increased by 0.3%. The labour cost component was updated in line with the percentage change in CSO average weekly earnings per employee for all NACE (Statistical Classification of Economic Activities in the European Community) economic sectors.

Table 4.7: Labour costs

Index Component	2010	2012	% Change
Labour Costs	€28,879	€28,973	0.3%
Total Labour Costs	€28,879	€28,973	0.3%

Total costs

Table 4.8 indicates that total costs have increased by 3.6% between 2010 and 2012. By comparison, the overall Consumer Price Index increased over the same period by 4.2%.

Table 4.8: Total costs

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%

Comparison against 2008 figures

As shown in Table 4.9, total costs have increased by only 1.7% since 2008 (compared to a 3.6% increase from 2010 to 2012). This is due to a fall in total costs from 2008 to 2010.

Table 4.9: Total costs compared against 2008

Index Component	2008	2012	% Change
Running Costs	€7,274	€8,376	15.2%
Fixed Costs	€10,291	€10,677	3.8%
Labour Costs	€29,644	€28,973	-2.3%
Total Costs	€47,209	€48,027	1.7%

4.3 Conclusion

The Taxi Cost Index, one of the factors used to establish whether an amendment to taxi fare levels is justified, increased by 3.6% since 2010.

The updating of the Taxi Cost Index for the 2012 National Maximum Taxi Fare Review has been undertaken in a robust manner which is consistent with previous Fare Reviews. It has been shown that the Taxi Cost Index, with the addition of some new cost components, is appropriate for capturing the relative changes in the costs of operating a taxi.

5. International benchmarking

5.1 Comparison of taxi fares across a basket of International Jurisdictions

Irish taxi fares were benchmarked against fares in Northern Ireland (proposed), London, New South Wales (NSW) Australia, New York, Edinburgh, Copenhagen, San Francisco, Munich, Rome. These jurisdictions were selected because they have a similar fare structure to that in Ireland. The comparison was undertaken for trips of 5km and 10km both during the day and night, assuming one passenger with no luggage hailing a taxi on the street, and on the basis of distance only. Where increment information was available, fares were adjusted in line with the fare increments present in each jurisdiction. All charges were then converted into Irish Euro rates using 2011 Purchasing Power Parities for Private Consumption³ sourced from the Organisation for Economic Co-operation and Development (OECD).

The analysis resulted in a comparison of total fares in different jurisdictions for trips of 5km and 10km lengths. These are listed in Table 5.1 and shown in Figures 5.1 and 5.2.

Table 5.1: Comparison of taxi fares across a basket of International Jurisdictions

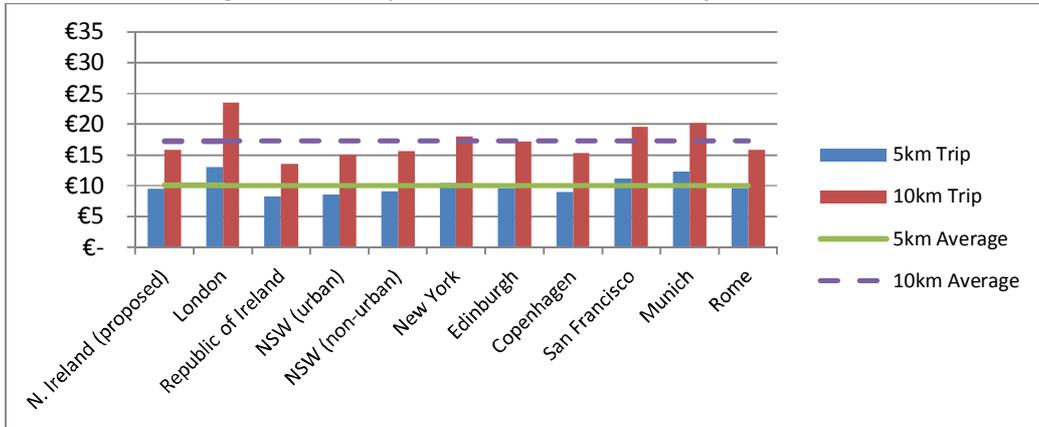
Jurisdiction	5 Km Trip		10 Km Trip	
	Day (€)	Night (€)	Day (€)	Night (€)
N. Ireland (proposed)	9.52	10.05	15.87	16.40
London	12.96	18.26	23.55	33.87
Republic of Ireland	8.30	9.85	13.50	16.65
NSW (urban)	8.56	9.85	15.00	17.59
NSW (non-urban)	9.04	10.36	15.66	18.32
New York	10.48	10.96	18.10	18.58
Edinburgh	9.59	10.91	17.20	18.52
Copenhagen	8.98	9.53	15.32	16.42
San Francisco	11.20	11.20	19.58	19.58
Munich	12.30	12.30	20.20	20.20
Rome	9.62	13.58	15.85	19.81
Average	10.05	11.53	17.26	19.63

Source: Taxi regulators, transport authorities, Ernst & Young analysis

As shown in Figure 5.1, it was found that the Republic of Ireland has the lowest fares for both the 5km and the 10km trips during the day, but not by any significant margin as New South Wales (urban areas) and Copenhagen in particular have similar fare levels.

³ Purchasing Power Parities are the rates of currency conversion that equalize the purchasing power of different currencies by eliminating the differences in price levels between countries.

Figure 5.1: Comparison of taxi fares for day time travel



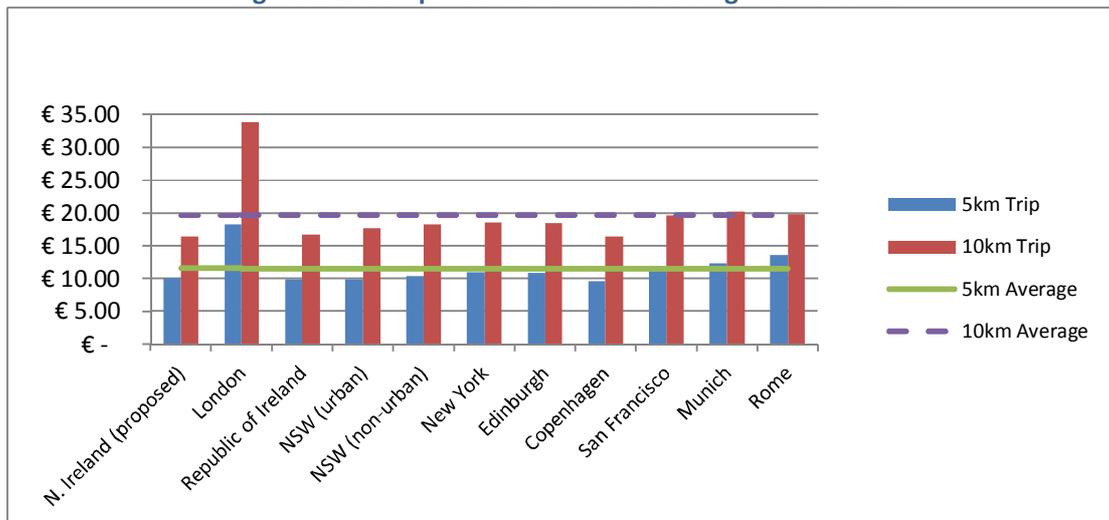
Source: Taxi regulators, transport authorities, Ernst & Young analysis

These low fares are largely due to Ireland having a high initial charge and low per kilometre rate for distances up to 10 km compared to the rest of the sample. In most cases this disparity increases further with increasing distance.

Comparing fares applied during night-time hours identifies some similar trends, as shown in Figure 5.2. The sample shows a larger range of deviations from the average fares when compared to the day time figures. Again London has the highest fares but in contrast to the daytime figures, Copenhagen has the lowest fares. Night time fares in the Republic of Ireland are amongst the cheapest for both 5km and 10km trips.

It is notable that there is no premium for night time trips in Munich and San Francisco.

Figure 5.2: Comparison of taxi fares for night time travel



Source: Taxi regulators, transport authorities, Ernst & Young analysis

5.2 Supplementary benchmarking

As Ireland is unusual in having a national fare, supplementary research was undertaken in jurisdictions that have regional fares that combine an urban and rural element and are therefore similar. Such arrangements are common in the German regions and also in parts of Belgium, as shown in Table 5.2. Again the results show that the initial charge is significantly less than in Ireland and the Tariff A rate is higher. The Tariff B rate is initiated far sooner than 15km in the most of the sample jurisdictions. In some cases where the area is mainly urban meaning that a taxi is likely to get a return fare, Tariff B falls rather than increases. In the Brussels region which combines urban and more rural areas, as in Ireland, the Tariff B rate is higher (e.g. the Brussels Capital region).

While the fares in the regions sampled are typically more expensive for lone travelling passengers, they rarely charge extras for additional passengers. Accordingly, they may be cheaper or close to the Irish prices for journeys with several passengers. In addition, it is not common to charge a premium for night or other unsocial hours, so fares at those times may be lower than in Ireland.

Table 5.2: Supplementary benchmarking with German and Belgian regions

	German Regions						Brussels Capital Region	Rep. of Ireland (day)
	Berlin	Munich	Hamburg	Cologne	Borken	Ulm		
Initial Charge (€)	3.20	3.30	2.90	2.65	2.70	2.50	2.40	4.10
Distance Allowance (m)	121.2	117.6	None	60.6	58.8	None	None	1000
Time Allowance (sec)	28.8	30.0	60.0 *	15.0	13.3	None	None	170
Tariff A per km (€)	1.65	1.70	2.00	1.65	1.70	3.00	1.66	1.03
Graduates to Tariff B at	7km	5km	4km	5km	3km	1km	12.5 km	15km
Tariff B per km (€)	1.28	1.50	1.90	1.40	0.85	1.60	2.70	1.35

* The Taxi Tariff Table States that there is a one minute allowance for all of the journey i.e. if the vehicle drops below the changeover speed, then the meter does not begin to charge for time until after one minute has expired, and even in those circumstances it can only charge for that portion of the time above 60 seconds

5.3 Conclusion

The benchmarking undertaken would not support either an increase or decrease in overall fare but it does indicate that lowering the initial charge (and the distance and time included) and increasing the per kilometre rate in the sub-10km range would bring the fares more in line with fares in other jurisdictions.

6. Options for reform of the fare structure

6.1 Objectives

The overall objective of the maximum fare structure is to ensure that the taxi industry receives a fair return for its work, that further supply is stimulated, that customers receive value for their money and that additional demand is created.

In relation to this overall objective, the following points from the recent surveys are worth noting:

- The majority of surveyed taxi drivers (74%) and dispatch companies (75%) would like fares to remain as they are, believing that if they were increased demand would decline further. This is in the context of given current economic conditions and the fact that some drivers are already discounting significantly.
- Although the number of taxis is declining, there is still a good supply and stimulation of further supply is not a priority at present.
- Only 32% of customers surveyed consider taxis to be value for money, although more consider them to be value for money at night, over longer distances or when there is more than one passenger.
- Demand is declining. Some 82% of dispatch companies reported a reduction and 27% of customers surveyed reported that they use taxis less often.

While these points relate largely to the current economic situation rather than the fare structure, there may be scope to improve the fare structure so that it better achieves its overall objective.

6.2 Simplification

One of the aims of this Fare Review is to examine the possibilities to simplify the current structure as well as determining the appropriate level of adjustment to the fare level. A simpler fares structure would make it easier for customers to estimate the cost of their journey. This might encourage more people to use taxis.

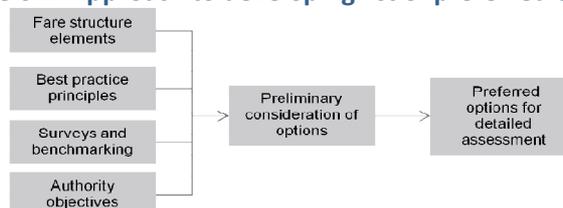
The simplification possibilities are of two types:

- Removal or modification of some of the fare elements i.e. the initial charge, the mileage tariffs, night time premium and/or the extras; and
- Rationalisation of the pricing itself e.g. standardising the relationships between the mileage tariffs or standard and night time rates and/or rounding the initial charges and subsequent rates in line with the increments of 20 cents.

6.3 Consideration of options for each of the fare elements

The fare elements comprise the initial charge, the mileage tariffs, night time premium and the extras. In determining potential fare structure adjustments the approach set out in Figure 6.1 was followed. This ensured each element of the current fare structure was considered for improvement in line with best practice principles, the issues arising from the surveys and the Authority's objectives.

Figure 6.1: Approach to developing list of preferred options



The best practice principles which were taken into account are as follows:

- Consumer protection: Minimise the potential for customers to be defrauded.
- Familiarity: Regular taxi users in Ireland, as well as those from abroad, will generally expect that the rate card follows conventions known to them.
- Transparency: The fare should be understandable. If the rate card itself has a complexity then at least the presentation to customers should be simplified.
- Equity and consistency: The structure should recognise that passengers will be willing to pay different amounts for journeys of different duration and at different times of the day, but unreasonably high pricing for any particular category of journeys (e.g. long journeys) must be avoided.
- Cost recovery: The fare should allow the costs of taxi operation to be recovered. The overall impact on driver earnings should be neutral or positive.
- Programmability: The key control of the maximum fare lies in having as many, if not all elements of the fare card programmed within the meter. This greatly improves the ability to enforce the maximum fare.
- Market sensitivity: The tariff should incentivise both taxi supply and taxi demand for certain journeys (e.g. urban and rural) and at certain times (night and day).

As there are potentially a number of changes facing the industry arising from the implementation of the Taxi Regulation Review report, radical changes to the structure within the 2012 price determination are not appropriate. Instead, changes should be practical, readily programmable and not prejudice continuous improvement in future.

6.4 Standard / premium rate

Preliminary options

The household survey indicated that customers believe that taxis offer better value for money at night than during the day and are consequently prepared to pay the night time premium.

In the light of this finding it would be inadvisable to simplify the structure by abolishing the premium rate and apply the standard rate at all times, because it would have a negative effect on driver earnings. Equally, compensating for that negative effect by raising the standard rate would have a disproportionately negative effect on customers who use taxis during the day at the standard rate, particularly given that customers believe taxis offer less value for money during the day.

The current relationship between the standard and premium fare is inconsistent, as shown in Table 6.1 below. There may be a benefit in making the premium fare a consistent multiple of the standard, as it would make it easier for customers to estimate fares and also offer scope to simplify the presentation of the fares on the fare card.

Table 6.1 Relationship between standard and premium rates

	Initial	Tariff A	Tariff B	Tariff C
Standard rate	4.10	1.03	1.35	1.77
Premium rate	4.45	1.35	1.57	1.77
Increase	9%	31%	16%	0%

A further simplification would be to round the initial fare to a multiple of 20 cents. As the meter increments fares by 20 cents, this would mean that fares would always be a multiple of 20 cents, reducing the current problems both drivers and customers face regarding coinage.

Proposal for Premium/Standard Rate

Retain the premium fare but consider adjustments to price differential to standardise the premium uplift.

6.5 Initial charge

Preliminary options

The initial fare of €4.10 at the standard rate includes an allowance for 1km or 170 seconds. Benchmarking showed that the initial fare is relatively high compared with international practice where the distance or time allowance that is included within the initial charge is generally smaller. Reducing the initial charge element by way of reducing the mileage/time element, would have the following potential benefits:

- It would bring the structure more in line with practice elsewhere and consequently be more familiar for international and local users.
- It would improve consumer protection by reducing the opportunity for drivers to defraud through early engagement of the meter⁴ e.g. in a queue at the airport or a railway station.
- It would clearly show the hiring charge as a separate component of the fare that is not to be confused with any significant time or distance charge.

In accordance with best practice a small distance and time element would continue to be associated with the initial charge to ensure that the meter does not immediately begin to increment once the meter is engaged.

A disadvantage of reducing the initial charge is that it effectively reduces the minimum fare. However, the household survey indicates that only 1.7% of trips are 1km or less, so in practice

⁴ A generous allowance within the initial charge carries with it a greater risk of fraud by drivers without their having to manipulate the meter calibration: drivers queuing in situations where they can easily anticipate the time of boarding of the next passenger (e.g. passenger queues at taxi ranks at airports and rail stations) can activate the meter in advance, thus ensuring that once a passenger boards within the next few minutes most of time allowance of the Initial Charge will have expired. The passenger thus pays more for a journey than should have been the case

few journeys would be less than the current minimum of 1km. If drivers are reluctant to carry passengers over very short trips, it would be relatively simple for customers to observe and report compared with the less transparent issue of some drivers engaging the meter early.

The Taxi Fare Review 2010 recommended that the reduction of the initial charge be considered.

Proposal for initial charge

The option of lowering the initial charge by reducing the distance and time element should be considered. Analysis of a range of possible adjustments will be carried out.

6.6 Tariffs

Preliminary options

An increasing graduated fare applies where the rate increases above 15 km or 42 minutes and increases again above 30km. The rationale is to provide an incentive for taxi drivers to operate in rural areas where, compared with the urban areas, the distances are longer and the opportunities for a return fare are fewer.

A number of options exist for adjusting the tariffs and include:

- Remove Tariff C:
 - Benefit: it is rarely used and adds an unnecessary level of complexity. Only 6% of trips are over 30km although possibly the proportion of trips greater than 85 minutes in duration is higher.
 - Disadvantage: may reduce the incentive to operate very long journeys, but these are usually booked and the fare negotiated in advance.
- Remove Tariffs B and C, so that the same rate applies regardless of distance / time:
 - Rationale: to provide more simplicity and to remove any bias towards rural customers when the majority of customers are urban.
 - Disadvantages:
 - Reduction in driver earnings, unless the rate for short distances was to be increased.
 - Surveys indicate that customers believe that taxis are better value for money over longer distances than short, so it is better to keep the increasing graduated fare than to move to a higher flat rate.
 - Drivers do need some incentive to operate in the rural areas where distances are longer and the likelihood of a return trip is smaller.
- Remove Tariff C and reduce Tariff B relative to Tariff A to introduce a decreasing graduated fare.
 - Rationale: Most customers are in urban areas where the driver is likely to gain a return pick up.
 - Disadvantages: As for the options to remove Tariffs B and C above.

The Taxi Fare Review 2010 recommended that the removal of Tariff C be considered.

Relationships between tariffs

As shown in Table 6.2, at the standard rate, each change in tariff increases the rate by over 30%. On the premium rate, when the majority of trips are made, the tariffs increase the rate by 16% (moving from A to B).

Table 6.2 Relationship between tariffs

	Initial charge	Tariff A	Tariff B	Increase	Tariff C	Increase
Standard rate	€4.10	€1.03	€1.35	31%	€1.77	31%
Premium rate	€4.45	€1.35	€1.57	16%	€1.77	13%

A standardisation of the uplift for Tariff B to 25% across both the standard and premium rates would simplify the structure.

Proposal for tariff structure

Examine the option to remove Tariff C. Consider a standardisation of the Tariff B uplift to 25% for both the standard and premium rate.

6.7 Extras

Preliminary options

When the National Maximum Taxi Fare was introduced in 2006, great effort was made to reduce the number of extras. As a result it is not proposed to consider introducing or re-introducing any more extras. Currently, the only extras charged are a booking fee of €2 and an additional passenger fee of €1.

The booking fee is intended to cover the cost of driving the taxi to the required location. It also rewards the dispatch company for providing the service and encourages the taxi drivers to invest in radio equipment and align with a dispatch company. Driver alignment with dispatch operators is seen as desirable by the Authority as it improves accountability and passenger security. Furthermore it improves efficiency and reduces the tendency for drivers to cruise for passengers with consequent benefits for reductions in traffic congestion and greenhouse gas emissions.

The additional passenger fee is justified on the basis that multiple passenger journeys typically involve adult passengers that are sharing the cost of the journey. The household survey supports this justification. More passengers agreed that a taxi journey with more than one passenger is good value for money despite the additional charge (46% compared with 22% for a single person journey).

The reasoning behind both of the extra charges is sound; however, the Authority is concerned that the extras are open to abuse by drivers and report this as a recurring customer complaint. To reduce the potential for abuse, options to limit the extras charges were considered.

A reduction in the €2 booking charge was considered but it was concluded that this may impact on dispatch companies' operating models and may discourage drivers from aligning with dispatch companies. This would be a retrograde step given the many policy benefits that arise from taxis being pre-booked. The driver survey shows that 55% of drivers are not aligned with

dispatch companies, so more progress is needed which would be made more difficult if the booking charge were reduced.

In rural areas, there is an argument that the €2 charge is too low to incentivise call out, and consideration should be made to increasing it. In practice, this would risk adding an extra complication to the fare card for a relatively small number of customers who may in any case negotiate a fare in advance with the taxi driver or dispatch operator and could generate further abuse.

Limiting passenger extras was also considered and rejected as an option. It was concluded that limiting the charge will have little or no effect on drivers of standard saloon cars and a disproportionate effect on drivers of larger vehicles which are often wheel chair accessible. Unintended adverse consequences would arise from penalising these drivers which serve specific markets and social needs. Instead it is suggested that the existing charges for additional adult and child passengers are retained. Given that most saloon taxis are limited to four adult passengers, this limits the 'additional passenger charge' to €3 in such cases. In the case of the larger taxi vehicles, the limit of 8 passengers in such vehicles effectively caps the additional passenger charge at €7.

Proposal for extras

No changes are proposed.

6.8 Fares increase

Notwithstanding the economic and market challenges facing the industry, it is proposed to consider an overall increase in the region of 3.6% to compensate drivers for the increase in their operating costs as evidenced by the increase in the Taxi Cost Index.

6.9 Christmas rate

During the Christmas period, fares are charged at the Tariff C rate immediately after the premium initial charge. With the potential abolition of Tariff C, an alternative arrangement for the Christmas period needs to be devised. In doing this, the Authority would like to take the opportunity for the Christmas premium to be addressed in a more transparent and simple manner, while still compensating drivers adequately.

Currently a special Christmas fare rate sits in the meter and can only be accessed for a few days of the year. For those few days the extras button could probably be raised to cover the call out charge or an alternative solution would be to increase the initial charge for those days. A special rate could also continue to be applied.

For simplicity of understanding and communication, it is proposed to avoid introducing new elements to the fare card and to consider the following adjustments:

- Apply the premium initial charge
- Increase the Tariff A premium rate by a standard 25%
- Increase the Tariff B premium rate by a standard 25%

As is currently the case, the Christmas rate would apply from 8pm on Christmas Eve to 8am on St. Stephens Day and 8pm on New Year's Eve to 8am on New Year's Day.

7. Assessment of proposals

7.1 Summary of potential adjustments for assessment

Arising from the assessment explained in Section 6, the following four fare structure adjustments were taken forward for detailed development and assessment in establishing a preferred option for a proposed new fare:

- Remove Tariff C
- Remove Tariff C and lower the initial charge
- Remove Tariff C, lower the initial charge and apply circa 3.6% fare increase
- Remove Tariff C, lower the initial charge and apply circa 3.6% fare increase and standardise the premium uplift

Each adjustment represents a further simplification on the current fare structure and is set out in detail in Section 7.2 below.

The proposed changes to the Christmas fare follow on from the above proposals as follows:

- Apply the premium initial charge
- Increase the Tariff A premium rate by a standard 25%
- Increase the Tariff B premium rate by a standard 25%

7.2 Fare structure adjustments

Removal of Tariff C

The removal of Tariff C allows a relatively straightforward simplification of the current graduated fare structure and was been recommended in the 2010 Fare Review as a positive potential change to the current fare structure.

An analysis of the 2012 household survey reveals that the vast majority of taxi journeys are charged on a combination of Tariffs A and B. During the operation of the standard rate approximately 4% of journeys are charged on Tariff C, while on the premium rate, only 2% of journeys are on Tariff C.

The removal of Tariff C can be counteracted through a minor increase to the Tariff B rates. The overall impact of this adjustment on the market is minor given that relatively few journeys are undertaken on Tariff C along with the tendency to pre-agree a fixed fare in advance of such journeys. Removing Tariff C would results in a fare structure as set out in Table 7.1.

Table 7.1: Fare structure removal of Tariff C

	Standard (08.00h-20.00h)	Premium (20.00h-08.00h)
Initial Charge	€4.10	€4.45
Distance Allowance (m)	1000	1000
Time Allowance (secs)	170	170
Tariff A	€1.03 per km €0.36 per min	€1.35 per km €0.48 per min
Tariff B	€1.35 per km €0.48 per min	€1.57 per km €0.55 per min
Extras		
Passengers	€1.00	€1.00
Booking Fee	€2.00	€2.00

Removal of Tariff C and reduce initial charge

The removal of Tariff C coupled with a reduction of the initial charge may alleviate some of the negative perception of value for money associated with taxi fares. According to the 2012 household survey approximately 47% of respondents were of the view that short journeys did not offer good value for money, while over 81% of respondents stated they would use taxis more often if there was a reduction in the initial charge. In addition, a reduction in the initial charge may be perceived by consumers as a rebalancing that reduces the cost of engaging a taxi service and weights the cost towards the distance covered. This may also increase the perception of value for money.

A largely fare neutral reduction in the initial charge can be achieved by adjusting the time and distance allowances within the initial charge. The current standard rate initial charge is set at €4.10 and incorporates 1,000 metres. This is equivalent to a hiring charge of €3.07 plus 1km at Tariff A (€1.03 /km). Adjusting the distance allowances allows an equivalent initial charge of €3.59 including 500 metres. Likewise, the current Premium Rate initial charge is set at €4.45 and incorporates 1,000 metres. This is equivalent to a hiring charge of €3.10 plus 1km at Tariff A (€1.35 /km). Adjusting the distance allowances allows an equivalent initial charge of €3.78 including 500 metres. In order to simplify the fare structure further and limit the need for drivers to carry large amounts of coinage, the initial charges would need to be rounded up slightly to €3.60 and €3.80 as set out in Table 7.2. This rounding ensures that fares will also end in a 20 cent increment.

Table 7.2: Fare structure removal of Tariff C & reduce initial charge

	Standard (08.00h-20.00h)	Premium (20.00h-08.00h)
Initial Charge	€3.60	€3.80
Distance Allowance (m)	500	500
Time Allowance (secs)	85	85
Tariff A	€1.03 per km €0.36 per min	€1.35 per km €0.48 per min
Tariff B	€1.35 per km €0.48 per min	€1.57 per km €0.55 per min
Extras		
Passengers	€1.00	€1.00
Booking Fee	€2.00	€2.00

Remove Tariff C, lower the Initial charge and apply circa 3.6% fare increase

Section 4 deals with the Taxi Cost Index, outlining the costs of operating a taxi vehicle and how these have changed over the past number of years. The Taxi Cost Index reveals that overall the costs of operating in the industry has increased 3.6% in the past two years. On this basis, a proposed fare increase of circa 3.6% is advocated for the taxi industry.

The simplest way of applying the fare increase is to adjust the initial charge and tariff rates by 3.6%. However, according to the 2012 household survey, a higher proportion of consumers perceive taxis as good value for money over long distances and at night compared to short journeys and during the day. In order to ensure the cost increases are implemented where they can best be borne rather than increasing the initial charge for the Standard rate, the increase is distributed across Tariff A. Given that customers perceive night time fares as better value for money than day time fares and are likely to be less price sensitive, the 3.6% increase is applied across both the premium initial charge and tariffs.

Once again to ensure that fares are simplified and that fares end in 20 cent increments, the premium rate initial charge is rounded to €4.00. The fare structure arising from these adjustments are set out in Table 7.3.

Table 7.3: Fare structure removal of Tariff C, reduce initial charge and circa 3.6% fare increase

	Standard (08.00h-20.00h)	Premium (20.00h-08.00h)
Initial Charge	€3.60	€4.00
Distance Allowance (m)	500	500
Time Allowance (secs)	85	85
Tariff A	€1.09 per km €0.39 per min	€1.40 per km €0.49 per min
Tariff B	€1.40 per km €0.49 per min	€1.63 per km €0.58 per min
Extras		
Passengers	€1.00	€1.00
Booking Fee	€2.00	€2.00

Remove Tariff C; lower the initial charge, apply circa 3.6% fare increase and standardise premium uplift

While each of the fare adjustments documented above simplify the fare structure, there remains a lack of uniformity in the differential between Standard and Premium tariffs. The current Status Quo fare structure has a premium uplift of 31% for Tariff A (€1.03 to €1.35) and a 16% premium uplift for Tariff B (€1.35 to €1.57). A standardised uplift of approximately 25% on Tariffs A and B whilst rounding the tariffs to the nearest five cent would simplify the fare structure further and allow consumers to more readily calculate fares. The proposed fare structure which incorporates this uplift is set out in Table 7.4. As this fare structure results in some further uplifts in the mileage thereafter rates, the overall fare increase will rise slightly to approximately 4%.

Table 7.4: Fare structure removal of Tariff C, lower the initial charge, apply circa 3.6% fare increase and standardise premium uplift

	Standard (08.00h-20.00h)	Premium (20.00h-08.00h)
Initial Charge	€3.60	€4.00
Distance Allowance (m)	500	500
Time Allowance (secs)	85	85
Tariff A	€1.10 per km €0.39 per min	€1.40 per km €0.49 per min
Tariff B	€1.40 per km €0.49 per min	€1.75 per km €0.62 per min
Extras		
Passengers	€1.00	€1.00
Booking Fee	€2.00	€2.00

7.3 Preferred option

Each of the proposed fare adjustments allow for additional simplification of the fares structure. However, each proposal needs to be assessed in against the best practice principles in setting fares in order to determine a preferred option. The wider impact of this preferred option also needs to be evaluated. As documented previously the best practice principles which need to be taken into account when setting fare structures are:

- Consumer protection
- Familiarity
- Transparency
- Equity and consistency
- Cost recovery
- Programmability
- Market sensitivity.

These best practices form a set of criteria against which the various adjustments can be appraised. Each principle is scored on a seven-point scale for each adjustment proposed, which in turn allows the options to be compared with each other.

The appraisal of the adjustments is summarised in the paragraphs and summary table which follows:

- Consumer protection – Each of the adjustments that incorporate a reduction in the initial charge reduces the potential for consumers to be defrauded by early engagement of the meter.
- Familiarity – Each of the proposed adjustments are not dissimilar to the structure that is currently in operation, in that each has two initial charges and now has two tariffs for mileage thereafter. Furthermore, the graduated fare structure has been maintained in each of the proposed adjustments as has the extras which may be applicable to journeys
- Transparency – The presentation of the fare card offers the greatest means of creating transparency of taxi fares. In this regard a ‘ready reckoner’ for various trips, which could be developed for any of the adjustments proposed, would greatly increase the transparency of taxi fares. Of course, the standardisation of the uplift from standard to premium tariffs offers significant simplification of the current fare structure and should ensure that fares are easier to undertake and calculate for customers.
- Equity and consistency - Each of the proposed adjustments maintains the premium for taxi travel during unsocial hours and the graduated fare structure, recognising that passengers are willing to pay more for different journey types. Adjustments involving the removal of Tariff C ensure that long journeys do not become particularly costly. Reducing the initial charge by reducing the distance and time that it includes means that the fare for any trip is more transparently related to the distance or time covered. The application of the fare increase is adjusted so as not to adversely impact on the cost of short day time trips which customers currently view as not offering value for money.
- Cost recovery - The need to recover the costs associated with operating in the taxi industry are vital if a quality service is to be provided to customers and to ensure adequate supply of taxis. The costs of operating in the industry has increased in the past two years and so there is a need for fares to adjust to reflect this cost.
- Programmability – Each of the proposed options are broadly similar to the current fare structure in that it has two initial charges and three rates for the tariffs thereafter. This ensures that any of the adjustments should be easily programmed by the majority of the current stock of taxi meters.
- Market sensitivity – Each of the proposed adjustments maintains the premium for taxi travel during unsocial hours. This is important in incentivising taxi supply at night time when taxi demand is at its peak. Furthermore, the application of the 3.6% fare increase is adjusted so as not to adversely impact on short day time trips.

While some of the adjustments outlined above meet some of these principles, the preferred option should incorporate as many of these principles as is possible.

Table 7.5 summarises the appraisal of the proposed adjustments against the best practice criteria.

It is evident that the adjustment which incorporates all of these principles to the greatest degree possible involves the combined effects of removing Tariff C, reducing the initial charge, applying the fare increase and standardising the uplift to premium.

Table 7.5: Summary: Appraisals of proposed adjustments

	Remove Tariff C	Remove Tariff C & Reduce Initial Charge	Remove Tariff C, Reduce Initial Charge & 3.6 % Fare Level Increase	Remove Tariff C, Reduce Initial Charge, 3.6 % Fare Level Increase & Standardised Premium Uplift
Consumer Protection	0	++	++	+++
Familiarity	+	+	+	+
Transparency	0	0	0	+
Equity And Consistency	+	+	+	++
Cost Recovery	0	0	+++	+++
Programmability	0	0	0	0
Market Sensitivity	++	++	+++	+++

Key to the seven point appraisal scale

+++	Strongly positive
++	Moderately positive
+	Slightly positive
0	Neutral
-	Slightly negative
--	Moderately negative
---	Strongly negative

7.4 Impact analysis

In order to assess the impact of the preferred fare option it is necessary to benchmark this option relative to the Status Quo. Table 7.6 sets out the current fare structure and the preferred fare option proposed.

Table 7.6: Fare options for evaluation

	Status Quo		Preferred Option	
	Standard (08.00h-20.00h)	Premium (20.00h-08.00h)	Standard (08.00h-20.00h)	Premium (20.00h-08.00h)
Initial Charge	€4.10	€4.45	€3.60	€4.00
Distance Allowance (m)	1000	1000	500	500
Time Allowance (secs)	170	170	85	85
Tariff A	€1.03 per km €0.36 per min	1.35 per km €0.48 per min		€1.40 per km €0.49 per min
Tariff B	€1.35 per km €0.48 per min	€1.57 per km €0.55 per min	€1.40 per km €0.49 per min	€1.75 per km €0.62 per min
Tariff C	€1.77 per km €0.63 per min	€1.77 per km €0.63 per min		
Extras				
Passengers	€1.00	€1.00	€1.00	€1.00
Booking Fee	€2.00	€2.00	€2.00	€2.00

While it is evident that the proposed options meet a number of best practice principles in setting taxi fares, it is necessary to compare them to the Status Quo and to determine the impact of any adjustment on the taxi industry and with reference to the overall objectives of the Fare Review process. In this regard consideration is given to the following issues:

- Simplification
- Overcharging and fraud on the meter
- Taxi fares
- Taxi demand
- Drivers earnings and supply.

Simplification

The removal of Tariff C allows a relatively straightforward simplification of the current graduated fare structure and is easily achievable. However, significant additional simplification of the fare card is achieved through the standardised uplift of circa 25% from the standard to premium tariff rates. This is particularly desirable from a customer point of view, as it will ensure fares are easier to calculate at night and may ease the presentation of the fare card to the public.

- The Status Quo fare structure is considered particularly burdensome for customers and market research suggests there is difficulty in understanding fares. This is exacerbated by the number of tariffs in operation and the lack of consistency between standard and

premium tariffs. Currently the uplift from standard to premium rates varies across the mileage thereafter rates, with a 31% uplift on Tariff A from €1.03 to €1.35 to a 16% uplift on Tariff B from €1.35 to €1.57

- Proposed Fare Option through the removal of Tariff C achieves some simplification of the fare structure as well as ensuring that longer journeys are not overly costly for customers. However, the standardised uplift from Standard to Premium tariffs provides significant additional benefits in terms of simplification. This fare adjustment results in night time tariffs being approximately 25% more expensive than at day, which is clearly a benefit in creating transparency for customers. Furthermore, while there is significant simplification in the proposed fare, the overall structure is not dissimilar to the Status Quo ensuring that it is easily programmable and familiar to customers.

Overcharging and fraud on the meter

One of the arguments for reducing the initial charge on the standard and premium rates is to address the issue of fraudulently engaging the meter early. This is particularly relevant at transport terminals where drivers can easily anticipate the time of boarding of their next passenger. This can result in a situation where the majority of the initial allowance will have been used up by the time the passenger boards the vehicle, thus ensuring the passenger pays more for the journey than should have been the case.

- The Status Quo fare structure retains or increases the prospect of such behaviour given the generous time and distance allowances inherent in the initial charges. It is also particularly significant to the perception of the cost of travel in Ireland among tourists visiting the country given that such behaviour is likely to be more common at transport terminals.
- The proposed Fare Option reduces the Initial Charge and so limits the degree to which such fraudulent behaviour can be carried out by setting the distance and time allowances at 500 metres or 85 seconds. Furthermore, this adjustment is likely to be perceived by consumers as a rebalancing that reduces the cost of engaging a taxi service and that weights the cost towards the distance covered - which may increase the perception of value for money.

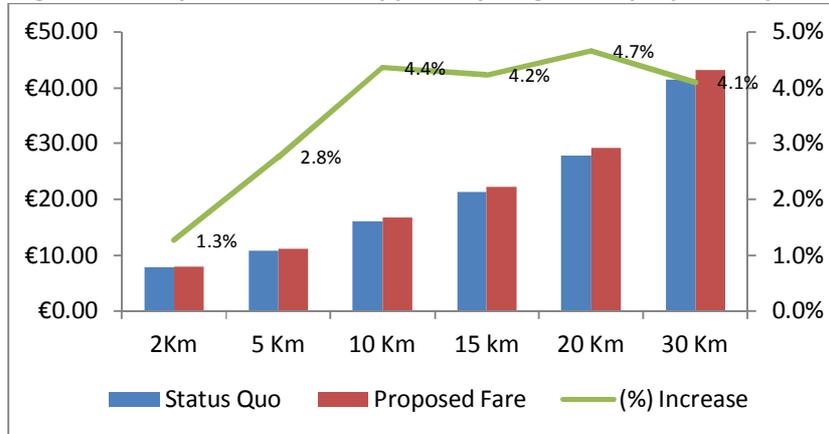
Taxi Fares

The impact of the proposed fare structure adjustments on taxi fares varies by trip type and time of day. Figure 7.1 illustrates fares and associated increase in fares relative to the Status Quo across a range of standard day journeys assuming fares are calculated on a distance only basis. The fares are calculated taking account of the average number of passengers and the proportion of trips which are charged a booking fee⁵.

- The overall fare level increase impacts on all journeys to a varying degree. It is evident from Figure 7.1 that shorter journeys experience a lesser increase in fares than longer journeys due to the fare increase not being applied to the initial charge.
- Fare increases range from 1.3% for a 2Km trip up to 4.7% for a 20km trip. It is also evident that the level of increase begins to diminish for longer trips, reflecting the loss of Tariff C.

⁵ The average number of passengers and the proportion of trips which are charged a booking fee are derived from the household survey of taxi usage. While the calculation takes account of the meter increments, the averages used from the household survey result in fares not being rounded to the nearest 20 cent.

Figure 7.1: Daytime fare cost by journey length and proposed options

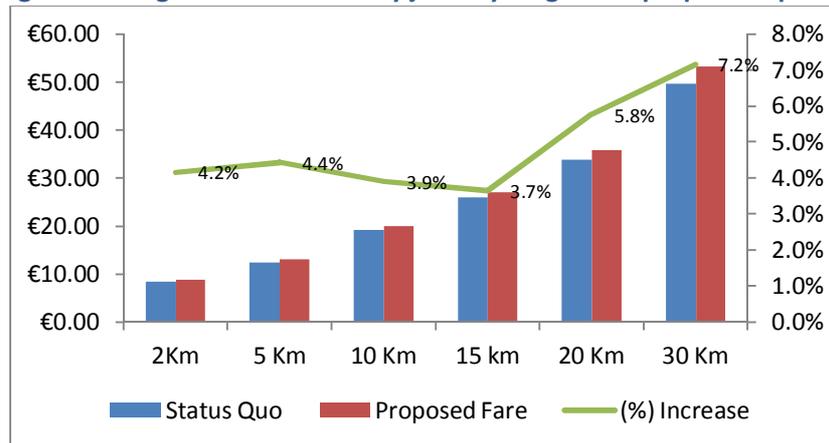


Source: DKM Economic Consultants analysis

Likewise all night time journeys become more expensive compared to the status quo as evident in Figure 7.2.

- In this instance the application of the fare increase to the initial charge results in shorter trips increasing in price to a greater extent than was evident in day time fares.
- Fare increases range from 3.7% for a 15km trip up to 5.8% for a 20km trip.
- It is also evident that the decline in the level of fare increase for very long trips during Premium times is far more gradual, since the proposed Tariff B at night (€1.75) is very close to the existing rate for Tariff C (€1.77). As a result, fares increase in the region of 7.2% for a 30km trip.

Figure 7.2: Night-time fare cost by journey length and proposed options



Source: DKM Economic Consultants analysis

While the aforementioned analysis is based on the assumption that fares are calculated on a distance only basis, in reality there will be intervals in the journey when parts of the fare is charged on time. However, the proposed fare options have maintained the existing changeover

speed (the critical speed at which taximeters charge for the progress of a journey based on either time or distance) at its current level of 21.2 kph. Therefore, any potential change in the distance related charge has been matched with an equivalent change in the time based charge. For this reason, a journey undertaken under identical conditions of speed (either above or below the changeover speed) will achieve the same percentage increase when modelled under either distance or time.

Market demand

The majority of taxi drivers and dispatch companies are reporting a continued fall in the demand for taxi services, while a significant proportion of customers have also indicated their use of taxis has fallen in the past 12 months. Coupled with this fall in demand, the supply of taxi services has also declined in recent years. Some of the proposed fare structures may assist in alleviating this decline in demand for taxi services.

- The Status Quo fare structure is a maximum taxi fare and so a lower fare may be charged by drivers. While a significant proportion of taxi drivers and dispatch companies offer discounts, there appears to be relatively little knowledge of the level of discounting in the market among customers. Furthermore, as set out previously, demand is continuing to decline and the perception of value of money of the current fare among customers is relatively poor for short trips and day time journeys.
- The proposed Fare Structure combines a fare increase with the removal of Tariff C and a reduction in the initial charge. As set out above, the proposed fare increase results in all fares rising relative to the Status Quo. Consequently, the improvements in the fare structure which may have a positive impact on demand may be counterbalanced by the overall fare level increase. Notwithstanding that, the perception of value for money associated with taxi travel may improve among customers. In particular, the reduction in the initial charge may be perceived by customers as a rebalancing that reduces the cost of engaging a taxi service and that weights the cost towards the distance covered. This may increase the perception of value for money and so have a positive impact on demand. Furthermore, the application of the fare increase on the standard rate tariffs and not the initial charge has the effect of ensuring that shorter trips are faced with less of a fare increase. This is likely to improve the perception of value for money associated with short day time trips which currently customers perceive as quite poor. Of course, given that the taxi fares are a maximum, drivers still have the option to discount on the metered fare.

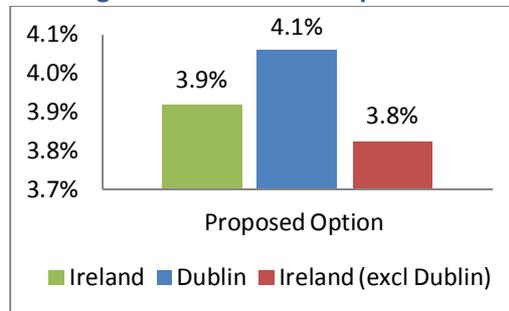
Drivers earnings and supply

The Taxi Cost Index highlights that operating costs have increased by 3.6% over the past two years. This increase in costs is affecting drivers' earnings and in turn supply in the industry. As outlined above, the proposed option has a varying impact on taxi fares on individual journeys. In order to assess the impact of these changes on drivers' earnings it is necessary to take account of the distribution of trips and the average extras applied to a typical trip.

Figure 7.3 sets out the overall impact on earnings across the country. As illustrated the proposed option results in a 3.9% increase nationally with 4.1% increase for Dublin drivers and a 3.8% increase for drivers outside of Dublin. The main reason for the higher increase among Dublin

drivers is due to a higher proportion of longer night time trips relative to drivers elsewhere in the country.

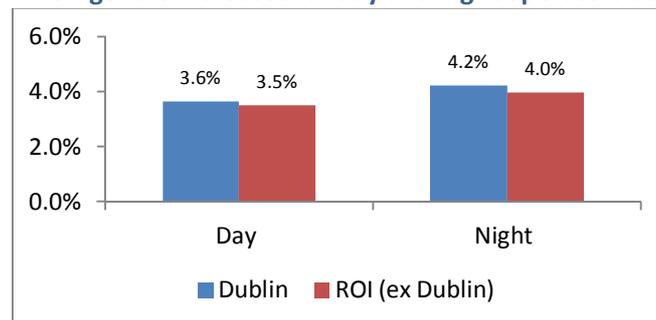
Figure 7.3: Average fare increases for operators across Ireland



Source: DKM Economic Consultants analysis

As set out previously, the fare level adjustment proposed results in a greater proportion of the increase in fares attributable to night time travel. This has the effect of generating a greater return for drivers who operate at night and in markets where night time travel dominates. Figure 7.4 illustrates the average increase for day time only operators and night-time only operators across Ireland.

Figure 7.4: Average fare increases for day and night operators across Ireland



Source: DKM Economic Consultants analysis

It is clearly evident that there is a greater return for drivers operating at night only compared to those operating by day only; however the differences are largely similar across the country. Furthermore, the additional return for night time travel should have the effect of simulating supply of taxi services at night when demand is at a peak.

Summary impact assessment

This impact analysis is summarised and quantified in the summary impact assessment in Table 7.7.

Table 7.7: Summary of Impact Assessment

	Status Quo	Preferred Option
Costs	1) The current stock of meters has not needed to be reprogrammed since the 2008 fare review. The majority of meter programmes have a lifespan of approximately 4 years. This implies that the majority of taxi meters will require reprogramming and verification in the next 12 months. Current best estimates of these costs are approximately €190 per taxi vehicle.	1) Reprogramming and verification of a new fare structure will cost approximately €190 per taxi vehicle.
Benefits	1) The Current Fare Structure has been in operation since 2008 and so is familiar to some consumers.	<p>1) The proposed structure is broadly consistent with the Status Quo structure and so is broadly familiar for consumers.</p> <p>2) Reduced scope for fraud in the form of early engagement of meter thereby increasing consumer protection.</p> <p>3) The simplification of the proposed fare structure should ensure greater transparency of fares.</p> <p>4) The proposed fare increase enhances cost recovery for drivers.</p> <p>5) The proposed fare structure weights the cost more closely to the distance covered.</p> <p>6) The proposed structure is sensitive to market conditions. It maintains the night-time premium. It ensures the application of the fare increase does not adversely affect the cost of short day time trips.</p>
Impacts	<p>1) Previous market research suggests that the current fare structure is overly complicated and makes it difficult for customers to calculate the cost of their trip.</p> <p>2) The cost of operating a taxi has increased. Maintaining the current fare structure will not improve cost recovery for taxi drivers.</p> <p>3) The prospects of defrauding consumers through early engagement of the meter will persist by maintaining the Status Quo.</p>	<p>1) There would possibly be increased demand arising from the simplified structure but increased fares may counter any potential additional demand given the current weak market conditions.</p> <p>2) The perception of value for money may improve among consumers. In particular, the reduction in the initial charge may be perceived by consumers as a rebalancing that weights the cost towards the distance covered. The application of the fare increase on the standard rate tariffs and not the initial charge ensures that shorter day trips are faced with a lower fare increase and so is likely to improve the perception of value for money.</p>

7.5 Christmas fare

With the potential abolition of Tariff C, an alternative arrangement for the Christmas period needs to be devised which also adheres to the best practice principles, and protects drivers' earning during the period.

For simplicity of understanding and communication, it is proposed to avoid introducing new elements to the fare card and to consider the following adjustments:

- Apply the premium initial charge
- Increase the Tariff A premium rate by a standard 25%
- Increase the Tariff B premium rate by a standard 25%

As is currently the case, the Christmas rate would apply from 8pm on Christmas Eve to 8am on St. Stephens Day and 8pm on New Year's Eve to 8am on New Year's Day.

7.6 Summary and conclusions

Summary of proposals

The following adjustments are proposed:

- Removal of Tariff C
- Lowering of the initial charge
- Application of a circa 4% fare increase
- Standardisation of the premium uplift.

During the Christmas period, the premium initial charge would apply. The Tariff A rate that would apply thereafter would be the premium rate increased by 25%. The Tariff B rate would be the premium rate increased by 25%.

Summary of the assessment of the impact of the proposals

The proposed fare structure achieves a significant simplification which will make the fares easier to understand and more transparent for customers. The proposed reduction of the initial charge, and the distance and time included, will improve consumer protection and may make the pricing more attractive to customer. The proposed fare structure maintains the best practice principles of setting fares in terms of market sensitivity and familiarity.

The costs of operating in the taxi industry have increased in the past two years. Forthcoming additional quality requirements such as vehicle branding will contribute to the costs of operating a taxi in the future. It is calculated that the taxi cost index has increased by 3.6% in the past two years. On this basis, a fare increase is warranted and the proposal would achieve an increase of circa 4%.

Simplifications to the Christmas rate will make it more customer-friendly and transparent, while protecting drivers' earning during the period.