



A Note on:

The Costs of Operating a Taxi in Ireland



Introduction

The purpose of this note is to provide indicative estimates of the cost of running a taxi in Ireland.

The National Transport Authority regularly consults with stakeholders in the SPSV sector regarding the costs of owning and operating a taxi. It does this in a particularly structured way every two years when undertaking a fare review process; but the situation is constantly monitored for any issues that may arise.

The circumstances in which taxi operators offer their services vary widely, and this affects the costs that they incur. For example, the data available to the NTA suggests that the average taxi covers about 32,600 km per year while in-service, but some taxis cover more and some less, and this estimate excludes any private mileage that a taxi operator may incur. Nonetheless, if a number of assumptions are made, the costs that most drivers are likely to incur can be estimated.

Some costs are fixed regardless of how much of the time the vehicle is in-service - for example, the cost of a licence. Others are variable costs that change with the activity level of the taxi - the most obvious one being the cost of fuel. One of the most significant costs of operating an SPSV is the cost of insurance; this is fixed for each particular driver, but varies widely depending on the driver's record and experience. The following section discusses the main costs that are likely to be incurred, in several situations. These costs are then included and summed in the accompanying table.

Fixed Costs (excluding Insurance)

Vehicle Ownership Costs: The cost of purchasing a vehicle, financing it, and the subsequent resale value depends upon what type of car it is and how much mileage is undertaken. An operator could place a sizeable down-payment on a vehicle, but this is money that could have been invested elsewhere. A more realistic approach in estimating the true cost of the vehicle is to see how much it would cost to finance the full purchase price over, say, five years, and to take account of the fact that it will have a resale value at that time. Of course, the calculation also includes the reduction in the actual cost of some wheelchair-accessible taxis (WAT) that benefit from a grant. The table shows the average cost of owning a vehicle over five years, after taking into account resale value and the receipt of a grant where applicable: it can be as high as €6,737 per year for an almost new eight seater vehicle, and as low as €1,815 for a five year old WAT.

Dispatch Affiliation and Commission Fees: Almost two out of every three drivers in Ireland are aligned to a dispatch service that allocates them work based on requests from passengers. Receiving these orders comes at a cost. Dispatch operators traditionally charged a fixed fee per week to the driver, but more recently the taxi-app model involves paying a commission on each trip assigned to the driver. Regardless of the approach, a driver working full-time could expect to pay in the region of €4,752 per year. It is important to acknowledge that this cost can be avoided by not affiliating with a dispatch operator, but a driver will then need to rely almost entirely on work sourced on-street or at ranks.

Other Fixed Costs: Not including Insurance, the other fixed costs of operating a taxi include motor tax, licensing and testing fees, and costs relating to taximeters.

Variable Costs

The most significant variable cost of running a taxi is fuel, and the figures supplied in the table assume that a taxi is in-service for 32,600 kms per annum. The cost of this fuel is highly dependent, not only on the mileage covered and the type of fuel, but on the model and condition of the vehicle. Fuel costs to drive 32,600 km per year vary, from €1,720 for a newer saloon vehicle, to just under €3,000 for an eight seater taxi of the same vintage. Those who drive mainly in free-moving traffic, outside of towns and cities, are likely to pay less.

Like fuel, servicing costs vary with usage and by vehicle. Tyres cost more for larger vehicles than for small ones, and items such as brakes, batteries and windscreen wipers need regular replacement in high-mileage vehicles. Cleaning the interior and exterior of a vehicle is a regular requirement for a vehicle used as intensively as a taxi, and many driver's use professional car washing and valeting services, for which they can expect to pay €988 per annum. Other miscellaneous running costs are about €300 per annum for a standard vehicle. The mechanisms that make a vehicle wheelchair accessible need to be maintained, and so in that regard the operator of a WAT can budget for an additional €100 per year in miscellaneous running costs.

Insurance Costs

Insurance costs for taxis vary widely, and can change relatively quickly. Requesting a quote from an insurance company or broker is the best way for a driver to reliably determine the figure that applies to their own circumstances. Research undertaken by the NTA suggests that the following factors are important to consider:

- There is no fixed market price for a given set of conditions - different insurers are more competitive for different driver histories and vehicle types.
- There is often no significant difference between the cost of insuring a hackney or a taxi.
- Vehicle Capacity matters a lot. Eight seaters tend to be much more costly to insure than smaller vehicles.
- The cost of insuring a wheelchair accessible vehicle is only significantly different than a saloon taxi when the driver is a new entrant. For an experienced taxi driver, the cost of insuring a WAT can be 5% more or less expensive depending on other factors.

The single biggest factor regarding the cost of insurance, for drivers of the same vehicle operating in the same region, is the insured history of the driver. A young driver, with five years clean history on a private car, and entering the SPSV business for the first time, can expect to pay at least €6,500 in the first year of driving a taxi, but within five years this cost has steadily fallen to €2,000; thereafter it tends to plateau. The difference between insurance costs for new entrants as compared to experienced taxi drivers is so significant that it leads to a wide difference between both in the costs of operating a taxi, as the table clearly demonstrates.

Although a new entrant can, in certain limited circumstances, obtain a Standard Taxi Licence (through being assigned one upon the death of a licence holder) this is not common. Those considering entering the SPSV business for the first time are far more likely to need to apply for a

Wheelchair Accessible Taxi (WAT) licence, and should consider their likely costs on that basis. In that regard, they should also familiarise themselves with their potential to avail of the NTA's Wheelchair Accessible Vehicle Grant Scheme.

This data has been prepared in good faith by the NTA, to offer preliminary guidance to taxi operators. The cost base can change over time, and no responsibility is taken for its accuracy in the circumstances of any particular operator, or at any given time.

Table: Cost Approximations of Operating a Taxi in Ireland (based on in-service mileage of 32,600 kms per year)

	Standard Taxis			Wheelchair Accessible Taxis: With Grant		
	A one year old, 8 Seater Vehicle @15,000 kms	A one year old, medium sized saloon @15,000 kms	A five year old, medium sized saloon @ 80,000kms	A one year old, 8 Seater and Wheelchair accessible Vehicle @15,000 kms	A one year old, medium sized Wheelchair-accessible vehicle @15,000 kms	A five year old, medium sized Wheelchair accessible vehicle @ 40,000kms
Fixed Costs (excluding Insurance)						
Vehicle Ownership Costs - Financing	€ 6,737	€ 4,436	€ 1,900	€ 5,817	€ 4,161	€ 1,815
Dispatch Affiliation or Commission Costs	€ 4,752	€ 4,752	€ 4,752	€ 4,752	€ 4,752	€ 4,752
Other Fixed Costs: e.g. Equipment, Taximeter and Licensing Costs	€ 780	€ 780	€ 780	€ 759	€ 759	€ 759
Running Costs						
Fuel	€ 2,767	€ 1,720	€ 3,103	€ 2,963	€ 2,174	€ 2,364
Servicing, Tyres and Spares	€ 1,192	€ 1,103	€ 1,321	€ 1,192	€ 1,103	€ 1,321
Cleaning	€ 988	€ 988	€ 988	€ 988	€ 988	€ 988
Other Miscellaneous Running Costs (including costs specific to maintaining WATs)	€ 300	€ 300	€ 300	€ 400	€ 400	€ 400
Sub-Total: Costs before Insurance	€ 17,515	€ 14,078	€ 13,144	€ 16,870	€ 14,336	€ 12,399
Insurance Costs						
Young Inexperienced Driver	€ 8,500	€ 6,600	€ 6,400	€ 8,500	€ 8,264	€ 7,318
Experienced Driver	€ 6,000	€ 2,133	€ 2,094	€ 6,000	€ 2,150	€ 2,150
Total Costs						
Young Inexperienced Driver	€ 26,015	€ 20,678	€ 19,544	€ 25,370	€ 22,600	€ 19,717
Experienced Driver	€ 23,515	€ 16,211	€ 15,238	€ 22,870	€ 16,486	€ 14,549