

Economic Review of the Small Public Service Vehicle Industry



Economic Review of the Small Public Service Vehicle Industry

Goodbody Economic Consultants in
association with Faber Maunsell and
IMS Millward Brown

CONTENTS

Glossary of Terms	4	4 Competition and Overall Market Supply	28
Executive Summary	6	4.1 Introduction	28
1 Introduction	10	4.2 Competition in the Cab Market	28
1.1 Background	10	4.3 Effects of Increased Competition	30
1.2 Objectives of the Study	10	4.4 Effects of Competition on Structure of Supply	36
1.3 Study Methodology	10	4.5 Conclusions	38
1.4 Review Layout	11	5 Structure of Cab Industry Supply	40
2 Legislative and Institutional Background	12	5.1 Introduction	40
2.1 Introduction	12	5.2 Structure of the Industry	40
2.2 Controlled Entry to the Taxi Market	12	5.3 Cab Industry Level of Supply	41
2.3 Liberalisation of Entry	13	5.4 Temporal Pattern of Supply	42
2.4 Qualitative Regulation of the Market	13	5.5 The Earnings of Drivers	43
2.5 Reform of the Cab Market	14	5.6 The Role of Part-Time Drivers	45
2.6 Overview of Developments	15	5.7 The Role of Cab Drivers with Another Occupation	46
3 Market Demand	16	5.8 Cab Drivers and Working Hours	46
3.1 Introduction	16	5.9 Conclusions	46
3.2 Market Size	16	6 Quality of Cab Services	48
3.3 Demand for Different Cab Services	18	6.1 Introduction	48
3.4 The Temporal Pattern of the Demand for Cab Services	19	6.2 Waiting Times	48
3.5 The Demand for Cabs by Different User Groups	21	6.3 Availability of Cabs	50
3.6 Cab Demand and the Fare Structure	24	6.4 Vehicle and Driver Aspects of Quality of Service	53
3.7 Conclusions	26	6.5 Value for Money	55
		6.6 Consumer Complaints	56
		6.7 Conclusions	56

7 Regulation of the System	58	10 Conclusions and Recommendations	86
7.1 Introduction	58	10.1 Introduction	86
7.2 Background	58	10.2 Trends in the Industry	86
7.3 Agenda for Industry Reform	59	10.3 Impact of Market Liberalisation and Reform	87
7.4 Progress in Implementing Change	61	10.4 Recommendations	89
7.5 Cost and Benefits of Regulatory Changes	65	10.5 Overview of the Review's Findings	91
7.6 Future Needs and Actions	66		
7.7 Conclusions	66	Appendix 1	92
8 Economic Rationale for Regulation of the Cab Market	68	List of Consultees	92
8.1 Introduction	68	Appendix 2	93
8.2 Economic Theory and Market Regulation	68	Estimating the Value of Consumer Benefits Post-liberalisation	93
8.3 Entry Regulation	70	Time Savings to Cab Users	93
8.4 Implications of Economic Theory for Market Regulation	71	Value of Time	93
8.5 The Irish Regulatory Framework in a Comparative Context	71	Estimate of Consumer Benefits	94
8.6 Conclusions	73		
9 Evaluation of the Issues	74		
9.1 Introduction	74		
9.2 Impact and Benefits of the Current Regulatory Structure	74		
9.3 Issues Raised by the Cab Industry	75		
9.4 Other Issues	77		
9.5 A Moratorium on the Issue of Licences	83		
9.6 Conclusions	84		

GLOSSARY OF TERMS

Advisory Council – the Advisory Council to the Commission for Taxi Regulation was established under Part 4 of the Taxi Regulation Act 2003 to advise the Commission in relation to matters pertaining to small public service vehicles (SPSVs).

Affiliate (to a dispatch operator) – to pay a radio rental fee to a dispatch operator in exchange for bookings.

Back to Work Enterprise Allowance – employment support scheme run by the Department of Social and Family Affairs which allows participants to retain a proportion of their social welfare entitlement provided that they take up full-time self employment. It is a condition of the scheme that the enterprise undertaken should not displace an existing enterprise.

Bounded rationality – the idea that individuals may not have the cognitive power to make decisions in their best interests. Therefore, individuals may intend to be rational but not actually behave in a rational manner.

Call-out market – demand for cabs through telephone bookings.

‘Churning’ – the process by which the individuals making up the industry are subject to change due to persons entering and exiting the industry.

Commission – the Commission for Taxi Regulation, an independent public body established under the Taxi Regulation Act 2003, is responsible for the regulation of taxis, hackneys and limousines. It should also be noted that the terms Commission for Taxi Regulation, Commissioner and Taxi Regulator are one and the same and tend to be used interchangeably.

Contestable industry – an industry with low barriers to entry and exit.

‘Cosying’ – a practice whereby a vehicle licence holder rents, or allows or employs a second driver to operate their vehicle when they themselves were not operating it. This practice resulted in intensive use of licensed SPSVs prior to liberalisation.

Discretionary income – income after subtracting taxes and start-up and other usual expenses.

Dispatch operator – a dispatch operator is a person engaged in the activity of taking a booking of an SPSV that is operated by another person and arranging with the operator or driver of the vehicle to provide the service booked.

Dispatch operator register – a register of dispatch operators in Ireland currently being compiled by the Commission for Taxi Regulation.

Driver ID cards – large display card and a smart card. The large card is displayed on the dashboard of all SPSV vehicles, provides passengers inside the vehicles with a picture of the driver, their licence number and the corresponding licence expiry date. Facing towards the windscreen is information on where the driver is licensed to ply or stand for hire as a cab. All drivers must also carry a smart card with them when operating as SPSV drivers. This card can be requested by enforcement officers and checked with hand-held devices and is a form of ID for customers picked up at their homes.

Driver licence register – a register of all licensed SPSV drivers in Ireland.

Economies of scale (network economies of scale) – factors which cause the average cost of producing a commodity or service to fall as output of the commodity or service rises, thereby increasing efficiency.

Fare structure – the various components that, taken together, make up the method by which a taxi fare is calculated.

Hackney – an SPSV licensed to carry up to eight passengers which must be pre-booked privately and cannot ply for hire on the street or stand at taxi ranks. The fare must be agreed in advance with the customer. Hackneys may not use bus lanes.

Liberalisation – this refers to fewer government regulations and restrictions in the economy in exchange for greater participation of private entities thereby increasing efficiency and effectiveness. In the case of the SPSV sector in Ireland liberalisation relates to removal of restrictions of controls on the number of licences issued, but does not control quality standards.

Limousine – an SPSV licensed to carry up to eight passengers which must be pre-booked privately and cannot ply for hire on the street or stand at taxi ranks. The fare must be agreed in advance with the customer. A limousine must be suited by its style and condition to be used for ceremonial, corporate or other prestige purposes.

Market failure – when the competitive outcome of markets is not efficient from the point of view of the economy as a whole, ie. when the private returns which an individual or firm receives from carrying out a particular action diverge from that of society as a whole.

Market segmentation – the process of classifying a market into distinct subsets (segments) that behave in similar ways or have similar needs.

Maximum fare – the maximum amount which may lawfully be charged by a taxi driver.

National register of licences – under Section 38 of the Taxi Regulation Act, the Commission is required to maintain a national register of licences. There are currently two separate registers – a register of licensed SPSVs (vehicle register) and a register of licensed SPSV drivers (driver register). The Commission provides information from these registers to appropriate enforcement agencies on request to ensure compliance with legislation.

NCTS – National Car Testing Service.

Network externalities – the effect that one producer or consumer of a good or service has on the value of that product to other producers or consumers.

NSAI – National Standards Authority of Ireland.

Quality assurance scheme – a scheme for the recognition of a high level of service in the provision of vehicle standards, driver standards and booking standards in the SPSV industry. This is currently being developed by the Commission.

Peaked demand – a historically high point in the sales of a product or service. Peaked demand describes a period of strong consumer demand.

Private hire vehicle – an SPSV which must be pre-booked and cannot ply for hire or stand at taxi ranks – ie. hackney or limousine.

Public hire vehicle – An SPSV vehicle which can ply for hire on the street or stand for hire at taxi ranks or be called out or pre-booked by a passenger – ie. taxis or wheelchair accessible taxis.

Qualitative restrictions – restrictions on the operation of the market due to factors such as legal requirements. In terms of SPSVs this relates to such factors as vehicle standards, driver knowledge etc.

Quantitative restrictions – specific limits or quotas on the quantity or value of goods. In terms of SPSVs this relates to the number of licences issued.

Rational/irrational entrant – rational entrants are those that enter the market having evaluated the potential financial returns and concluded that the costs and benefits of entry are such as to make it worth their while. Irrational entrants are those that enter the market either having failed to evaluate the returns either adequately or at all or having ignored the evaluations undertaken.

Rural Transport Programme (RTP) – this provides subsidised transport services for a range of target groups including people

with disabilities. These are usually provided by community-based organisations and involve minibus and, to some extent, SPSVs.

Skills Development Programme – a new programme legally required for all SPSV drivers and dispatch operators.

Small public service vehicle (SPSV) – the term refers collectively to taxis, wheelchair accessible taxis, hackneys and limousines which are also referred to as ‘cabs’ within this review.

SPSV driver licence – the SPSV driver licence required to drive an SPSV.

Statutory Instrument (SI) – A form of secondary legislation that includes regulations and is made in the exercise of a statutory power.

Street market – demand for taxis at ranks or by hailing on the street.

Tamper-proof licence disc – a disc affixed to the front and rear windows of a licensed SPSV. The discs display the details of the vehicle registration in accordance with Regulation, the SPSV licence number, the expiry date of the SPSV licence and the number of passengers the vehicle is licensed to carry. The discs remain in place for the duration of the SPSV licence. The discs are visible to passengers and enforcement agencies from inside and outside the front and back of the vehicle. They contain a hologram and advanced security features making transfer, replication or forgery difficult.

Taximeter area – the area which has been designated by the Commission where taxis can operate. The Commission has designated the whole country as a taximeter area.

Taxi – an SPSV licensed to carry up to eight passengers which can ply for hire on the street or stand for hire at taxi ranks or be called out or pre-booked by a passenger.

Vehicle licence – the vehicle licence required to operate an SPSV.

Vehicle licence register – a register of all licensed SPSVs in Ireland.

Wheelchair accessible hackney – a new category of SPSV under consideration by the Commission, the proposed specification for which is set out in the Commission’s Vehicle Standards publication of November 2007.

Wheelchair accessible taxi – a taxi which meets a number of additional vehicle specifications to allow use by persons using their wheelchairs.

2003 Act – Taxi Regulation Act 2003 (No 25 of 2003).

EXECUTIVE SUMMARY

Introduction

The Commission for Taxi Regulation appointed Goodbody Economic Consultants, in association with Faber Maunsell and IMS Millward Brown, to carry out an economic review of the small public service vehicle (SPSV) sector in Ireland. The key objectives of this study were to:

- Undertake a review of the trends shaping the general environment in which the industry operates
- Assess the economic impact of liberalisation of the SPSV sector, in particular on supply, demand and industry earnings

The Review encompassed a significant data collection exercise to establish the behaviour and views of consumer groups and the approach of drivers to the business. This took the form of surveys of consumers, including people with disabilities, businesses and cab operators. In addition to the data collection process, an extensive consultation process was undertaken with a number of key stakeholders and interested parties and bodies.

The Review established that a minimum of approximately 100 million cab trips were made nationwide in 2008. This represents an increase of over one quarter compared with 2005. The value of the industry is estimated at €1.5 billion in 2008. In meeting this demand, the cab industry operated an estimated 1.6 billion vehicle kilometres. Cabs undertook some 8.7 million work shifts per annum, comprising an estimated 69 million working hours.

With regard to the demand for cab services, the Review concluded that:

- The use of taxi services is rising faster than that for hackney services.
 - The majority of consumers access cab services through telephone booking.
 - The demand for cab services is a peaked demand, with Fridays and Saturdays accounting for 73 per cent of all trips.
 - Cab use by people with disabilities is lower than that by the population in general and has fallen since 2005.
 - Cabs are used predominately for social and recreational purposes.
-

Turning to the supply of cab services, the Review has found that:

- The supply of cab services peaks in the period from Thursday to Saturday. However, in this regard, supply is not as peaked as demand.
- In 2008, cab drivers worked more shifts and worked longer hours than three years previously.
- The supply structure of the cab industry is undergoing significant change. This involves increased part-time working and an increased proportion of drivers with a second job.
- Part-time drivers are much more likely to supply services on days of peak demand than are their full-time counterparts. Therefore, part-time drivers make a valuable contribution to meeting peak demands.
- Of taxi drivers who have another occupation, approximately one third are working between 30 and 45 hours per week in that occupation. Approximately one-in-five cab drivers with two occupations is working in excess of 75 hours per week in total. Their contribution to serving the Friday and Saturday peak is not as substantial as that of part-time drivers.
- It is estimated that approximately 40 per cent of cab vehicles nationwide are affiliated to a dispatch operator. There is evidence, however, that the level of affiliation has declined in Dublin. There are over 400 dispatch operators currently registered with the Commission, with only five per cent of these having more than 100 affiliated vehicles. The fact that there are so few large dispatch companies in Ireland limits the extent to which economies of scale are being realised.
- Precise data on cab drivers' earnings are difficult to obtain. However, comparison of estimated earnings over time indicates that full-time Dublin taxi drivers experienced a reduction in nominal earnings in the period 2005 to 2008. This reduction has been mitigated to a degree by the fares increase granted in late 2008, resulting in a net reduction of approximately 5 per cent in gross earnings for this category. It is clear, therefore, that drivers' earnings are not collapsing as some industry sources would suggest.
- Cab drivers have to work longer hours to achieve their income targets and on an hourly basis, they are earning well below the current average industrial wage.

The major supply deficiency within the industry is for people with disabilities. There is no one policy initiative that will remedy this situation. The Review indicates that the current policy of seeking to provide financial support for the purchase of wheelchair accessible cabs and ensuring that minimum levels of service are provided to people with disabilities is the correct approach. It is recommended that the Commission engages with a number of other stakeholders in the provision of transport services for people with disabilities with a view to establishing the role for cab services relative to other transport services, so as to support a more integrated and comprehensive response to the transport needs of people with disabilities.

Since its establishment in 2004, the Commission has embarked on an ambitious programme of reform of the cab industry. The reforms implemented by the Commission relate to vehicle quality, service quality, and cab licensing and administrative systems. The Review indicates that:

- The Commission has made substantial progress in implementing its reform programme. This programme will benefit the cab industry and will be implemented at relatively low cost to cab operators.

- Consumers find the new uniform fare structure easier to understand and believe that the current structure is providing better value for money.
- Consumers have also benefited from a more coherent system of redress and will in future benefit from the higher standards that the industry will adopt.
- The streamlining of administration of the cab licensing system has been of benefit to operators.

On the basis of consultation with the industry, the Commission has set the reform period to run until 2012 to give individual operators enough time to arrange financial investment or other planning to meet the new standards. Given the support throughout the industry for ensuring quality standards and in light of the importance of maintaining high standards in a liberalised market, it is advised that the Commission revisit these timelines to see if any fast-tracking of individual reforms could be agreed. Any such fast-tracking would have to take into account any financial costs arising.

Enforcement of the regulations is vital to ensuring the provision of quality cab services and maintaining a level playing field for cab drivers. In view of the scale of the industry, which is now valued at €1.5 billion, and its changing nature, the Commission needs to be given the opportunity to leverage the administrative advances made through additional resourcing of its dedicated enforcement function. It is also recommended that the Commission continue to collaborate with other relevant bodies, including the Gardaí, the Revenue Commissioners and the Department of Social and Family Affairs to ensure maximum compliance with regulations in the industry.

The Review considered the regulation of the cab industry in Ireland and concluded that:

- The regulatory structure of the cab industry in Ireland closely follows that suggested by economic principles in that there is free entry to the market, but maximum fare control in respect of taxis.
- The emphasis by the Commission on enhancing vehicle and driver standards directly addresses a market failure and is a particularly valuable initiative in a quantitative entry-deregulated market and a similar approach is being followed in other jurisdictions.
- The OECD and World Bank favour the approach to regulation adopted in Ireland and the former emphasises the value of quality regulation combined with entry-deregulation.
- As a result of liberalisation, the cab market in Ireland is highly competitive and contestable and has no significant barriers to entry or exit.
- Liberalisation of the cab industry has brought profound changes in the relative market share of hackneys and taxis in Ireland. Since liberalisation, taxi numbers have increased rapidly. This suggests that prior to liberalisation, there was a substantial imbalance between cabs serving the street and call-out markets, with the former being undersupplied.
- Estimates for cab trips by residents of the Dublin area suggest that, since liberalisation of the market, demand in the Dublin market has increased from 22 million trips in 1997 to 40 million in 2008, or by some 82 per cent.
- Liberalisation of the market has resulted in significant benefits to consumers. The value of the post-liberalisation reduction in waiting times to Dublin cab users is estimated to be €300 million at a minimum. On a proportionate basis, the benefit of waiting time reductions to consumers throughout the country is estimated at €780 million.

- There is no evidence that the increase in cab use and reductions in waiting times has been at the expense of the quality of the services provided. The general perception of consumers is that the overall level of cab service provided in Ireland, as well as vehicle quality, vehicle cleanliness and the helpfulness of drivers, is good.
- As a result of liberalisation, new entrants to the cab market have also benefited from the opportunity to earn a livelihood through participation in the industry.

The scale of the cab industry indicates that congestion and environmental impacts associated with the cab industry could become significant, if the market continued to grow. However, controlling the numbers of cabs is not a recommended solution to congestion on its own given the importance of this sector in the overall public transport network. The peaked demand and supply in the sector, and its particular contribution to reducing reliance on private transport at night time, also mitigate the impact of cab operations on overall traffic congestion. There are a number of other initiatives, such as measures to secure greater affiliation of cabs to dispatch operators to reduce cruising for hire and the provision of additional taxi stands in areas with demonstrable unmet demand for street hire that would help alleviate any congestion or environmental impacts from cab operations. However, the debate about the extent of external congestion costs is taking place in a relative information vacuum. It is recommended that the Commission research the extent to which external congestion costs are arising in practice and the cost-benefit of alternative mitigating measures. This should be done in collaboration with wider transport policy development on the issue.

The Review recommends that the present regulatory structure should be retained. There is an insufficient justification, at present, for an adjustment to the regulatory structure through the introduction of a moratorium. The evidence is that exits from the industry, although increasing, are not at problematically high levels.

It is not possible to determine what proportion of exits is due to decisions to retire or change profession as against early exits. Also, as the rate of entry is in sharp decline, the number of cabs in the market may stabilise in the near future, provided that deteriorating economic conditions do not upset this trend.

However, it is also recommended that the Commission develops a formal and transparent process to monitor entry and exit from the industry and particularly early exit. Information on the level of early exit in local markets should also be made publicly available to assist would-be entrants to conduct more informed research into market opportunities. It is also recommended that the Commission uses such measures as its industry information service and the imminent Skills Development Programme to ensure that persons entering the industry are aware of general market conditions but also the importance of properly researching their local market.

The Irish cab industry has undergone substantial change since the 1990s. Three periods in the recent development of the industry may be discerned. The Pre-Liberalisation Period existed up to the year 2000 and was characterised by restricted entry to the taxi market, a fragmented administrative structure, and diversity in taxi fare structures and levels across the country. The Post-Liberalisation Period, commencing in 2000, saw the complete liberalisation of entry to the market, but the fragmented administrative and fare structures were retained. The Reform Period, prefaced by the establishment of the Commission for Taxi Regulation in late 2004, began with the introduction by the Commission of a national taximeter area and national fare structure and other reforms in 2006.

The reform process, on which the Commission has embarked, will increasingly benefit consumers and cab operators alike. The challenge for the Commission is to consolidate the gains already made, through the active pursuit of its current reform agenda.

1

INTRODUCTION

1.1 Background

The Commission for Taxi Regulation was established on 1st September 2004 under Part 2 of the Taxi Regulation Act 2003. The principal function of the Commission is the development and maintenance of a regulatory framework for the control and operation of small public service vehicles (SPSVs)¹ and their drivers.

Since its establishment, the Commission has been putting in place a number of reforms across a broad range of areas to improve the quality of SPSV services, to enhance awareness and to promote accessibility and stronger enforcement.

The Commission has sought a review of the economic situation facing the SPSV sector as a whole and in particular, how supply currently matches demand and how the provision of services is made available to consumers by a largely self-employed industry.

The Commission appointed Goodbody Economic Consultants in association with IMS Millward Brown and Faber Maunsell to carry out an economic review of the SPSV sector in Ireland.

1.2 Objectives of the Study

The key objectives of this study were to:

- Undertake a review of the trends shaping the general environment in which the industry operates
- Assess the economic impact of liberalisation of the SPSV sector, in particular on supply, demand and industry earnings

In this regard, there were a number of issues which needed to be researched, as follows:

- The structure and economics of the industry, particularly with regard to the trend in SPSV numbers, the hours worked and earnings.
- The trends in demand for SPSV services, specifically the trends in the number of taxi journeys made.
- The services offered to people with disabilities and the extent to which current services satisfy demand.
- The profile of new entrants with regard to level of investment and skills base.
- The level of competition in the industry and identification of any remaining barriers to entry.
- The impact of regulatory reform, with regard to operating costs, supply and demand and the possible implications of future regulation.

1.3 Study Methodology

In line with the terms of reference, the study:

- Examined the nature and structure of the SPSV market in Ireland.
- Assessed the impact of liberalisation and institutional change on the market.
- Examined the level of competition in the industry and developed a profile of income generated.
- Assessed the level and adequacy of services for people with disabilities, businesses and individuals and their demand for such services.

¹ SPSVs include taxis, hackneys and limousines and are referred to as 'cabs' throughout this report.

- Researched the international experience in relation to policies and practices operated elsewhere.

1.3.1 Data Collection

The review of supply and demand and the overall quality of services required a significant data collection exercise to gauge the behaviour and views of consumer groups and the approach of drivers to the business. Taxis, hackneys and limousines are used by the general public and business users. Each of these consumer groups includes people who use wheelchairs and people with other disabilities. Therefore, a number of surveys were carried out to ascertain the supply and demand for services and to establish consumers' views on the services provided:

- A national household survey was carried out to establish cab usage levels by private individuals and to assess consumer satisfaction with the levels of service provided. Conducted during September 2008, the survey took the form of a personal interview with a target representative sample of 1,022 adults across all four provinces.
- A telephone survey was carried out in September 2008 across a random sample of 250 Irish businesses within Ireland. Issues discussed included usage levels of cab companies, the type of company used, the type and level of service demanded, as well as the level of service delivered.
- A postal survey was also administered, with the assistance of the Irish Wheelchair Association, to a random sample of 1,000 of its members – 144 questionnaires were completed and returned. The survey focused on issues such as frequency of use, helpfulness of cab drivers, factors inhibiting cab use, and conditions of accessible vehicles.
- A postal survey of drivers was also completed. Conducted during October 2008, the survey detailed the level of service drivers provide, their operating performance and the role of cab companies. The survey took the form of a self-completion postal questionnaire and was sent to approximately 2,800 cab drivers across Ireland. Random, stratified sampling ensured the sample was representative of the population as a whole. A total of 512 individuals responded to the survey, resulting in a favourable 18 per cent response rate.

1.3.2 Consultation Process

In addition to the data collection process, an extensive consultation process was undertaken. Extensive face-to-face consultations were held with a number of key stakeholders and interested parties and bodies, including the Taxi Companies Owners Association, the National Taxi Drivers Union, the National Private Hire & Taxi Association, the Irish Taxi Drivers Federation, the Rural Taxi Alliance, SIPTU, the National Disability Authority, the Road Safety Authority and others. In addition, consultations of regional cab associations were undertaken. These comprised face-to-face and telephone consultations across the country. A full list of the bodies contacted is set out in Appendix 1 at the end of this report.

1.3.3 Prior Research

The analysis in this report was further facilitated by the surveys carried out as part of this review and by three key studies carried out over the last ten years. These are:

- *Review of the Taxi and Hackney Carriage Service in the Dublin Area, 1998.* Oscar Faber in association with Goodbody Economic Consultants and Irish Marketing Surveys.
- *Review of the Taxi and Hackney Market, 2001 – Demand and Supply.* Goodbody Economic Consultants, 2001.
- *National Review of Taxi, Hackney and Limousine Services.* Goodbody Economic Consultants in association with the Institute of Transport Economics, Norway and Millward Brown IMS, June 2005.

1.4 Review Layout

The report begins by setting out in Section 2 a brief history of the legislative and institutional developments in the administration of the cab industry since the late 1990s. An overview of market demand is presented in Section 3. Section 4 assesses overall market supply and the degree of competition in the market. Section 5 examines the structure of cab industry supply. The quality of cab services as perceived by the general public, business users and people with disabilities is reviewed in Section 6. Section 7 discusses the regulation of the industry and reforms that have been put in place and are ongoing. Section 8 examines the economic rationale for regulation of the cab market. Section 9 evaluates the issues raised by this analysis and the consultative process. The conclusions and recommendations of the report are presented in Section 10.

2

LEGISLATIVE AND INSTITUTIONAL BACKGROUND

2.1 Introduction

This section of the Review provides a brief history of the legislative and institutional developments in the administration of the cab industry since the late 1990s.

2.2 Controlled Entry to the Taxi Market

For more than two decades prior to the year 2000, entry to the taxi market, but not the hackney market, was substantially restricted. While some additional taxi licences were granted by the licensing authorities, the increase in numbers was curtailed, especially during the 1980s. By the early 1990s, however, this restrictive policy was giving rise to a poor level of service, particularly in the Dublin area², and there was increasing public pressure to grant additional licences. An interdepartmental review group was established to examine the situation and its report was published in 1992³. This report acknowledged the existence of supply inadequacies but maintained the restrictive policy, recommending, for example, that the number of licences be increased by only 100 in the Dublin area, at a time when there were 1,600 taxis licensed in that area (1991). The 100 extra licences were issued in 1991, followed by the issue of another 50 wheelchair accessible licences in 1992. Further issue of licences occurred in the Dublin area throughout the 1990s with, for example, a further 200 wheelchair accessible licences being issued in 1997. By the year 2000, the number of taxi licences in the Dublin area had risen to some 2,700, by virtue of this periodic issuing of licences.

However, substantial economic growth and a recovery in the national population levels took place during the 1990s, and the supply of taxi services did not keep pace with the demand that arose. This was evidenced by:

- The increasing market value ascribed to taxi licences, with market values rising from £40,000–£50,000 in the early 1990s to £80,000 towards the end of the decade⁴
- The widespread use of second drivers ('cosies') by taxi licence holders and the resultant intensive use of licensed vehicles
- The increasing role of hackneys in meeting the demand for cabs

² References to the 'Dublin area' are normally to the area of the four Dublin local authorities.

³ Interdepartmental Committee on the Operation of Small Public Service Vehicles. Stationery Office, 1992.

⁴ These figures equate to €51,000, €63,000 and €102,000 respectively.

Whereas in 1991 there were some 450 hackneys licensed in the Dublin area, this had increased to 3,500 by the year 2000. This meant that hackneys had come to exceed taxis in numbers and accounted for 56 per cent of all cabs in that year. In 1997, the local authorities in the Dublin area commissioned a team of consultants to examine the situation and their interim report gave rise to the 200 additional wheelchair accessible taxis issued in 1997. When the consultants reported in 1998, they concluded that demand for taxis was growing strongly and there was a shortage of supply amounting to at least 2,000 taxis in the Dublin area, so that an immediate doubling in taxi numbers would be warranted⁵. While favouring complete liberalisation of entry to the market, the consultants recommended a gradual approach to full liberalisation to ensure both an orderly market transition and to avoid immediate and substantial losses for taxi drivers that had recently purchased taxi licences in the open market for up to £80,000 (€102,000). Accordingly, the report favoured a policy of issuing 350 extra licences annually, with full entry deregulation after 10 years.

2.3 Liberalisation of Entry

In the event, a different approach was followed by Government. In 1999, the then Minister for the Environment and Local Government⁶ proposed that supply in the Dublin area would be increased by issuing an additional licence to all holders of existing taxi licences, with an additional 500 being issued to those currently without a licence.

These proposals were subject to a legal challenge by hackney operators, who questioned the restriction of the additional licences to existing licence holders and a limited number of other applicants. The hackney operators were granted a judicial review by the High Court, which found in their favour⁷. In particular, the High Court held that the Minister could not restrict the granting of additional licences in the manner described above, as it would affect “the rights of citizens to work in an industry for which they are qualified and, further, which affects public access to taxis and restricts the development of the taxi industry”.

Following the ruling by the High Court, the Minister for the Environment and Local Government introduced regulations in late 2000 which provided that any suitably qualified person could obtain a licence. The result was an immediate and full liberalisation of entry to the taxi market.

Following these fundamental changes to the market, there was a sharp increase in the number of taxis. By the end of 2001, the number of taxis in the Dublin area had doubled from 2,700 pre-liberalisation to 5,500. In contrast, the number of hackneys fell to 2,700, as drivers switched to taxi operation. These trends continued, so that by the end of 2003, the number of taxis in the Dublin area had increased to 8,400, with hackneys standing at 1,500, making a total of 9,900 cabs in all. Similar trends were seen in the country as a whole. In 2000, there were a total of 13,500 cabs in the country and this had risen to 19,500 by end 2004.

2.4 Qualitative Regulation of the Market

Following liberalisation and the substantial increase in the numbers of licensed cabs and drivers, there was concern that the quality of the services provided be maintained and improved. In 2002, the Government developed proposals for the establishment of a Commission for Taxi Regulation. The Minister for Transport established the Commission for Taxi Regulation as an independent public body under Part 2 of the Taxi Regulation Act 2003 on 1st September 2004⁸.

The principal function of the proposed Commission was to be the development and maintenance of a new regulatory framework for the control and operation of SPSVs (cabs) and their drivers. In exercising this function the Commission was to pursue a range of objectives focused on the promotion of quality services by all cab operators and drivers. This was to be based primarily on the deployment of new qualitative standards to be applied to the licensing and ongoing operation of vehicles and drivers, with the emphasis on the enhancement of customer services. It should be noted that the Commission was not given powers under the 2003 Act or otherwise to impose quantitative restrictions on entry to the cab market.

⁵ *Review of the Taxi and Hackney Carriage Service in the Dublin Area*, 1998. Oscar Faber in association with Goodbody Economic Consultants and Irish Marketing Surveys.

⁶ Those currently renting a plate were to be favoured.

⁷ Judicial Review. Record No.38, JR/2000. *Christopher Humphrey and Others v the Minister for the Environment and Local Government, the Attorney General and Others*. October 2000.

⁸ Referred to as ‘the Commission’ throughout this report.

2.5 Reform of the Cab Market

During 2005, the Commission engaged in extensive consultations with stakeholders and undertook a comprehensive review of taxi, hackney and limousine services in Ireland. This resulted in the publication of *National Review of Taxis, Hackneys and Limousine Services*⁹. The Review identified a number of regulatory changes, which were encompassed in a *Roadmap Towards a New National Code of Regulation for Taxis, Hackneys and Limousines*. This set out the changes which the Commission proposed to make in response to the findings of the *National Review* and sought feedback on these changes. Following this, in Autumn 2005, the Commission published a strategy statement setting out its proposed actions during the period 2005–2009.

This statement of strategy identified seven goals for the Commission for the period 2005–2009. These were:

Quality of Service

The delivery of quality services by all SPSVs to the highest standard of comfort and safety for passengers and drivers.

Accessibility

A first class taxi, hackney and limousine service which provides accessibility for all, including passengers with disabilities and others with particular accessibility requirements.

Fares

A new, simplified and unified fare structure with all taxi fares subject to maximum fares and charged on the meter.

Licensing and Administrative Procedures

A more streamlined licensing process with enhanced security features.

Vehicle Standards

Enhanced vehicle standards and improved accessibility that balance overall quality and safety improvements with cost and other practical implications for drivers and operators.

A High Performing and Effective Organisation

An organisation which delivers a first class service to all its users based on effective and accountable processes and systems and a highly skilled and motivated staff.

A Transparent and Accessible Regulatory Process

A regulatory code based on six principles – necessity, effectiveness, proportionality, transparency, accountability and consistency.

Since the strategy was adopted, very significant reform has been effected as set out below.

2.5.1 National Taximeter Area and National Maximum Taxi Fare

In 2006, the Commission abolished the existing system of 34 discrete taximeter areas and the entire country became one taximeter area. This was a fundamental reform in that not all urban areas and few rural areas were previously designated as taximeter areas. As a result, all taxi journeys in the State are now charged on the meter and taxi operators are obliged to accept all journeys up to 30 kilometres in length. A new national maximum taxi fare was introduced to apply across the country as a whole. Previously, the fare structures in place across the 34 taximeter areas varied in terms of their structure and the level of charges. The new national fare simplified the fare structures through, for example, the abolition of additional luggage charges and standardisation of unsocial hours charges and the introduction of a graduated fare structure based on journey distance and time.

2.5.2 Administrative Reforms

The Commission also embarked on wide-ranging administrative reforms encompassing vehicle and driver licensing, vehicle standards, dispatch operation, consumer information and enforcement. These reforms, which are ongoing, are discussed further in Section 7.

⁹ *National Review of Taxi, Hackney and Limousine Services*. Goodbody Economic Consultants in association with the Institute of Transport Economics, Norway and Millward Brown IMS, June 2005.

2.6 Overview of Developments

The cab industry has undergone substantial change since the 1990s. Three periods in the recent development of the industry may be discerned:

The Pre-Liberalisation Period

This existed up to the year 2000 and was characterised by restricted entry to the taxi market, a fragmented administrative structure, and diversity in taxi fare structures and levels across the country.

The Post-Liberalisation Period

This period commencing in 2000 saw the complete liberalisation of entry to the market, but the fragmented administrative and fare structures were retained.

The Reform Period

Prefaced by the establishment of the Commission for Taxi Regulation in late 2004, this period commenced in 2006 with the introduction by the Commission of a national taximeter area and national fare structure and other reforms. This period of major reform is continuing apace.

The focus of this report is on the impact of the liberalisation and reform of the market on the quantity and quality of cab services in Ireland.

The next section of the report examines how the liberalisation and reform processes have impacted on the overall demand for cab services.

3

MARKET DEMAND

3.1 Introduction

This section profiles the current demand for cab services. It commences by evaluating the aggregate demand for cab services. This is followed by an analysis of demand in the different markets and by the main consumer groups. Where data is available, the impact of liberalisation of the market on demand is assessed.

3.2 Market Size

3.2.1 Incidence of Cab Use by Consumers

In 2008, 48 per cent of all adults had used a cab within the six months prior to the survey. Relative to 2005, the proportion of the adult population using cab services has increased by 9 percentage points. See Table 3.1.¹⁰

The use of cabs is high relative to some other modes of transport available. For example, a higher proportion of adults had taken a cab in the last six months than had used train or local bus services. In Dublin, where there is the most substantial local bus service, 59.9 per cent of adults used cab services compared to 51.9 per cent availing of local bus services. It should be noted that these figures do not take account of frequency of usage which is examined in the next section.

Table 3.1
Distribution of Adults by Modes of Transport Used in Last Six Months

Method of Transport	2005	2008				
	All Cab Users (%)	All Cab Users (%)	Dublin (%)	Rest of Leinster (%)	Munster (%)	Connaught/ Ulster (%)
Bus (Local)	38.8	32.6	51.9	27.1	26.1	20.8
Bus/Coach	20.6	18.6	12.9	20.4	14.2	31.8
Luas	9.4	12.4	17.8	12.1	8.3	11.5
Train/DART/Arrow	21.2	24.4	14.3	29.6	23.8	33.9
Car	82.5	86.0	77.4	88.8	92.7	84.9
Motorbike/Moped	1.7	1.0	0.3	2.1	0.7	1.0
Bicycle	9.5	6.0	4.9	5.4	7.6	5.7
Taxi/Hackney Cab	38.8	47.8	59.9	52.1	36.0	43.2
Walking (non-leisure)	39.4	38.3	48.4	32.1	38.0	31.3

Note: Totals do not add up as many respondents reported using more than one method of transport.
Source: Goodbody *Survey of Households*, 2005 and 2008

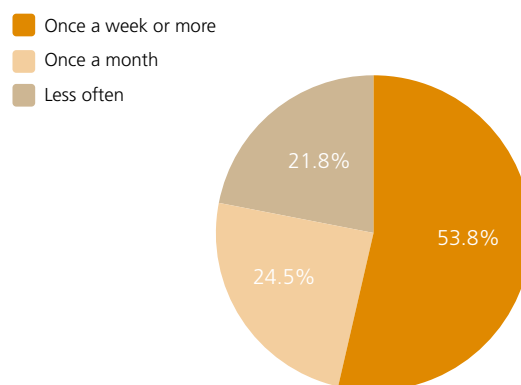
¹⁰ The survey did not question respondents on their use of limousine services as limousines are a mode of transport generally used for corporate and ceremonial purposes and therefore not easily comparable to other modes of transport used on a daily basis by consumers. Limousines account for approximately 5 per cent of the cab market in Ireland.

3.2.2 Frequency of Cab Use by Consumers

The frequency with which cab users made cab trips in 2008 is illustrated in Figure 3.1. In 2008, the proportion using cabs at least once a week or more was 53.8 per cent, marginally up from 52.9 per cent in 2005. When compared with 2005, cab usage in 2008 is therefore relatively unchanged. The increase in cab usage over the period since 2005 therefore largely derives from increases in the numbers using cabs rather than increased average frequency of use. Relative to other modes of transport, cabs are relied on more frequently than coach, Luas, train or Dart services. Only local bus services are used more frequently than cabs.

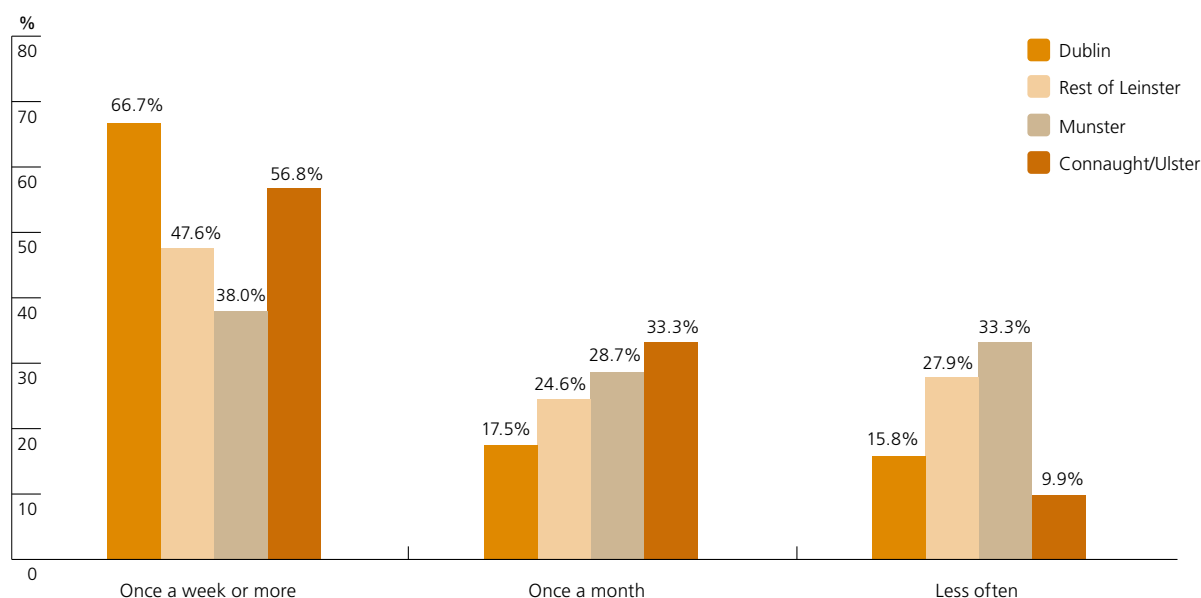
On an area basis, people in Dublin are most likely to use a cab at least once a week (66.7 per cent). The corresponding proportion falls to 38 per cent for Munster. Munster also had the highest proportion of infrequent use, with 33.3 per cent reporting using cabs less often than once a month.

Figure 3.1
Total Distribution of Cab Users by
Frequency of Use Nationally, 2008



Source: Goodbody Surveys of Households, 2008

Figure 3.2
Geographic Distribution of Cab Users by Frequency of Use, 2008



Source: Goodbody Surveys of Households, 2008

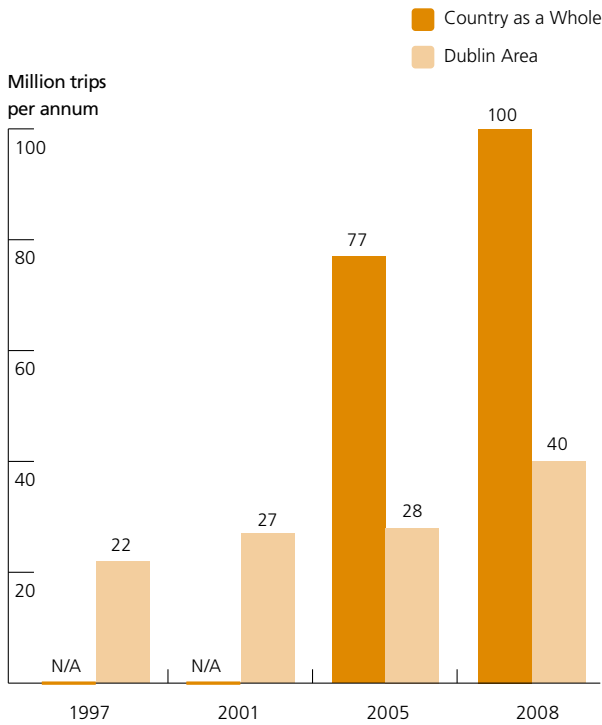
3.2.3 Aggregate Demand for Cabs

The data on incidence and frequency of use may be used to estimate the total number of cabs trips made in Ireland. The data suggests that some 100 million cab trips were made in 2008, of which 3.5 million were made by tourists. Approximately 40 million or 41 per cent of cab trips were made by residents of the Dublin area.

The data collected since 1997 permits similar estimates for cab trips by residents of the Dublin area for the last decade. The results are presented in Figure 3.3. In interpreting these results, it should be borne in mind that they are based on surveys and that sampling errors are present. This suggests that the focus should be on the broad trends that emerge, rather than year-to-year changes.

The data suggests that since liberalisation of the market, demand in the Dublin market has increased from 22 million trips in 1997 to 40 million in 2008, or by some 82 per cent.

Figure 3.3
Trends in Demand for Cabs in the Dublin Area
(Million Trips per Annum)



Source: Based on the Goodbody *Surveys of Households* for 1997, 2001, 2005 and 2008

3.3 Demand for Different Cab Services

Some 77 per cent of national demand for cabs in 2008 was for taxi services with 23 per cent for hackney services.¹¹ This compares with an equivalent share in 2005 of 72 per cent for taxis, so that the demand for taxis is rising over time. In the Dublin area, the proportion of demand for taxi services has risen from 77 per cent of the cab market in 1997 to 83 per cent in 2008.

Table 3.2 presents a breakdown of the demand for cabs by street and telephone-booked services. Nationally, 63.2 per cent of trips were arranged by phone in 2008, with 36.8 per cent hired on street. These proportions have remained relatively static since 2005.

Table 3.2
Distribution of Journeys by Method of Hire
2005 and 2008 Nationwide

Market Type	All Cab Users 2005 (%)	All Cab Users 2008 (%)
Phone Hire		
By phone from residence	39.4	42.0
By phone from work	2.3	2.1
By phone (other)	22.6	19.1
Sub Total	64.3	63.2
Street Hire		
Queued at taxi rank	15.5	16.8
Hailed on street	17.6	18.3
Other	2.6	1.7
Sub Total	35.7	36.8
Total	100	100

Source: Goodbody *Survey of Households*, 2005 and 2008

The data indicates, that immediately after liberalisation, the demand for street services increased as a proportion of the total, but that telephone-booked services are now preferred.

In relation to Dublin, over the period 2001 to 2008 the proportion of cabs arranged by telephone has increased from 37.7 per cent to 58.1 per cent, with a significant increase occurring among trips organised from home

¹¹ Based on the household survey response to last cab trip undertaken.

Table 3.3

Distribution of Journeys in Dublin by Method of Hire, 1997, 2001, 2005 and 2008

Method of Hire	1997 (%)	2001 (%)	2005 (%)	2008 (%)
By phone from residence		26.4	42.1	43.7
By phone from work		2.7	4.0	2.4
By phone (other)		8.6	6.5	12.0
Sub Total	47.9	37.7	52.6	58.1
Queued at taxi rank		29.1	9.7	11.4
Hailed on street		32.6	37.7	30.5
Other		0.6	0.0	0.0
Sub Total	52.1	62.3	47.4	41.9
Total	100	100	100	100

Source: Goodbody *Surveys of Households*, 1997, 2001, 2005 and 2008

and non-work locations. The proportion of cab trip journeys hired on the street has fallen significantly from 62.3 per cent in 2001 to 41.9 per cent in 2008.

3.4 The Temporal Pattern of the Demand for Cab Services

The demand for cab services is a peaked demand. Demand peaks on Fridays and Saturdays, which together account for 73.4 per cent of all trips. This reflects the demand for cabs for social and recreational purposes. The evidence is that this peakedness in demand is increasing. See Table 3.4.

There is evidence also that demand is peaked by time of day. Just over 50 per cent of demand arises between 18:00 and 03:00 and the period between midnight and 03:00 accounts for 22 per cent of demand. However, there has been a relative decline in usage between midnight and 03:00 since 2005.

The peaked nature of demand for cab services presents a challenge for the cab industry in that a flexible supply response is required to ensure that peak demand is met. This is further discussed in Section 5.

Table 3.4

Distribution of Cab Trips by Day of the Week for Most Recent Trip Taken 2005 and 2008

Day of the Week	All Cab Users 2005 (%)	All Cab Users 2008 (%)
Monday	3.4	1.9
Tuesday	4.2	2.5
Wednesday	6.0	6.2
Thursday	7.9	12.3
Friday	25.0	30.2
Saturday	45.2	43.2
Sunday	8.3	3.7
Total	100	100

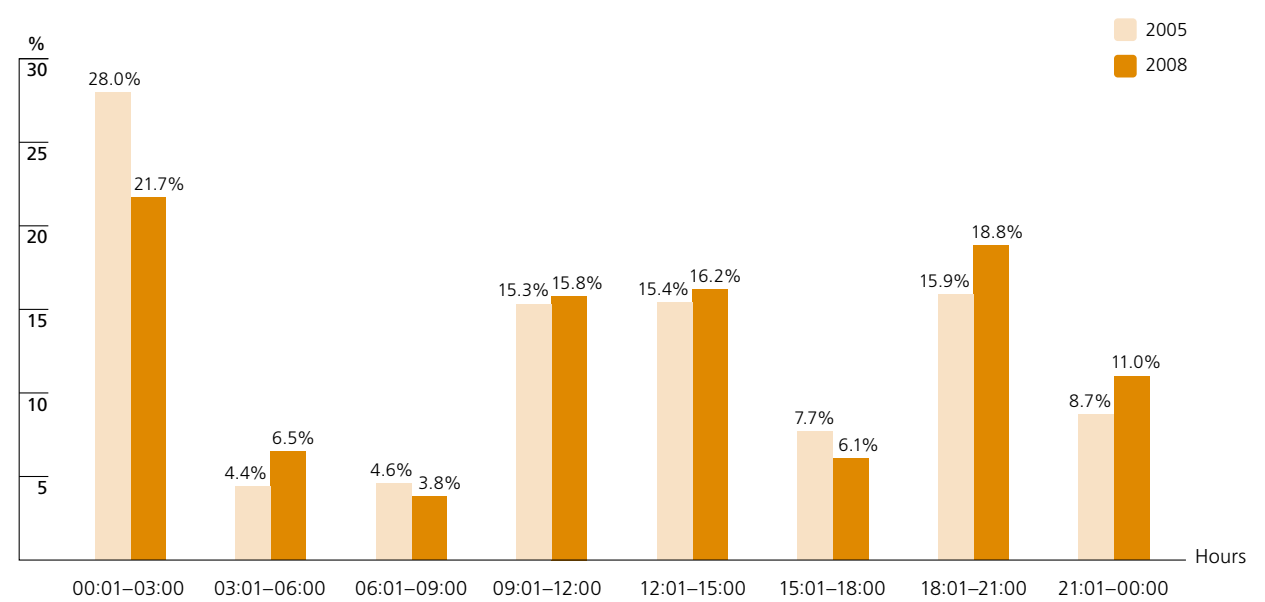
Source: Goodbody *Surveys of Households*, 2005 and 2008

Table 3.5
Distribution of Cab Trips by Time of Day and Age Group for Most Recent Trip Taken 2005 and 2008

	2005	2008		
Time of Day	All Cab Users (%)	All Cab Users (%)	15–35 Years (%)	35+ Years (%)
00:01–03:00	28.0	21.7	27.0	16.3
03:01–06:00	4.4	6.5	7.2	3.5
06:01–09:00	4.6	3.8	1.8	6.6
09:01–12:00	15.3	15.8	11.7	19.4
12:01–15:00	15.4	16.2	11.7	19.4
15:01–18:00	7.7	6.1	12.6	4.0
18:01–21:00	15.9	18.8	18.9	18.1
21:01–00:00	8.7	11.0	9.0	12.8
Total	100	100	100	100

Source: Goodbody *Surveys of Households*, 2005 and 2008

Figure 3.4
Distribution of Trips for All Cab Users by Time of Day for Most Recent Trip Taken 2005 and 2008



Source: Goodbody *Surveys of Households*, 2005 and 2008

The data for Dublin shows that, since deregulation, there has been some smoothing of peak demand. While demand for trips between midnight and 09.00 is still a large proportion of the total demand, it is in decline. There has been a marked increase in the proportion of trips taken between the hours of 09.00 and 15.00, up from 13 per cent in 1997 to 37.8 per cent in 2008. See Table 3.6.

Table 3.6

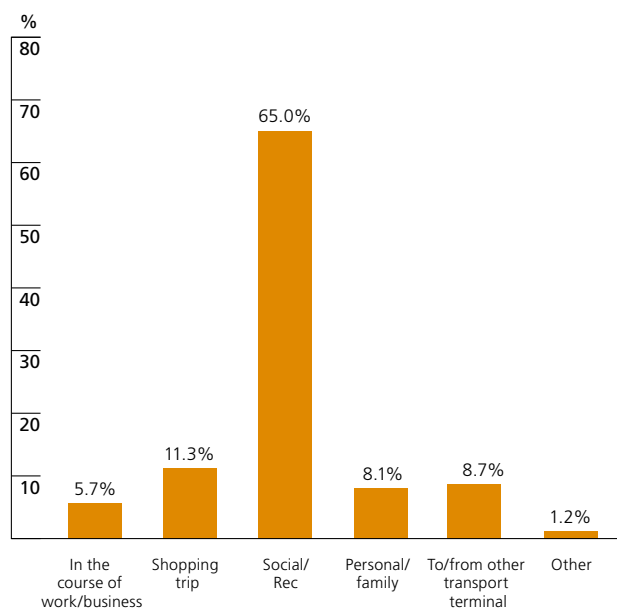
Distribution of Journeys by Time of Day,
1997, 2001, 2005 and 2008

Time of Day	1997 (%)	2001 (%)	2005 (%)	2008 (%)
00:00–09:00	52.0	43.7	31.0	26.8
09:00–12:00	7.0	10.3	11.8	23.2
12:00–15:00	6.0	10.7	15.7	14.6
15:00–18:00	6.0	7.9	11.2	9.1
18:00–21:00	19.0	19.6	24.0	12.8
21:00–00:00	9.0	7.9	6.4	13.4
Total	100	100	100	100

Source: Goodbody *Surveys of Households*, 1997, 2001, 2005 and 2008

Figure 3.5

Distribution of All Cab Users by Purpose
of Most Recent Journey 2008



Source: Goodbody *Surveys of Households*, 2005 and 2008

3.5 The Demand for Cabs by Different User Groups

3.5.1 Introduction

Figure 3.5 describes the journey purposes recorded by cab users in 2008. This data is relatively unchanged from 2005. This indicates that cabs are used predominately for social and recreational purposes. This data is derived from the *Household Survey*. The *Household Survey* indicated that a relatively small proportion of cab use was in the course of work or business. The reason for this may be that people interviewed at home may be more likely to remember a trip from home rather than a trip taken during the course of work.

The data also does not reflect the role of the cab industry in catering for demand from institutions such as hospitals. Cabs provide a valuable service in transporting ill people or people with disabilities to and from medical appointments.

This sub-section of the report examines the demand for cab services from these two key groups namely the business sector and people with disabilities.

3.5.2 Demand for Cabs from the Business Sector

The data used below is drawn from a survey of businesses in Ireland carried out in 2008, as well as a similar survey carried out in 2005.

Analysis of the 2008 survey results showed that approximately 60 per cent of businesses held at least one account with cab companies, up from 50 per cent in 2005. Businesses outside Dublin were more likely to hold dispatch operator accounts.

84 per cent of businesses use the services of taxi companies, with just 20.4 per cent using hackney companies. Over the 2005–2008 period, there has been an increased tendency for businesses to use the services of taxi companies as opposed to hackney companies. Businesses also make significant use of limousine services.

Table 3.7
Proportion of Businesses with one or more Accounts, 2005 and 2008

	2005			2008		
	Total Sample (%)	Dublin (%)	Rest of Ireland (%)	Total Sample (%)	Dublin (%)	Rest of Ireland (%)
Yes	50.0	60.8	39.5	60.0	65.1	53.1
No	50.0	39.2	60.5	40.0	34.9	46.9
Total	100	100	100	100	100	100

Source: Goodbody *Surveys of Businesses*, 2005 and 2008

Table 3.8
Distribution of Businesses by Type of Dispatch Operator Used

	2005			2008		
	Total Sample (%)	Dublin (%)	Rest of Ireland (%)	Total Sample (%)	Dublin (%)	Rest of Ireland (%)
Taxi Company	74.0	85.6	62.1	84.0	93.4	68.8
Hackney Company	31.2	20.8	41.9	20.4	9.2	38.5
Limousine Company	3.2	4.0	2.4	4.4	4.6	4.2

Source: Goodbody *Surveys of Businesses*, 2005 and 2008
Totals do not add up as some businesses used more than one type of operator

Table 3.9

Distribution of Businesses by Number of Cabs Ordered per Day

	2005			2008		
	Total Sample (%)	Dublin (%)	Rest of Ireland (%)	Total Sample (%)	Dublin (%)	Rest of Ireland (%)
1 cab	13.2	11.2	15.3	11.2	10.5	12.5
2 cabs	8.8	8.8	8.9	6.4	5.9	7.3
3 cabs	7.2	8.8	5.6	6.8	6.6	7.3
4 cabs	4.0	4.8	3.2	2.8	3.9	1.0
5 cabs	2.4	2.4	2.4	6.8	6.6	7.3
>5 cabs	7.6	7.2	8.1	8.0	6.6	9.4
It varies	54.4	55.2	53.2	49.6	50.7	47.9
Don't know	2.4	1.6	3.2	8.4	9.2	7.3

Source: Goodbody *Survey of Businesses*, 2005 and 2008

Table 3.9 gives an indication of the level of demand for cabs among the business sector for the country as a whole. In total, 17.6 per cent of businesses use one or two cabs daily. A further 24.4 per cent use three or more cabs daily. There are no significant differences in the number of cabs ordered by businesses in 2008 compared to 2005.

3.5.3 Cab Use by People with Disabilities

The use of cabs by people with disabilities is low in Ireland relative to usage among the general population.¹² Almost half of all persons with disabilities use cabs less than once a month with a very small number using cab services daily or more often. With regard to full-time wheelchair users, 55.2 per cent of this group use cabs less than once a month.

Table 3.10

Distribution of People with Disabilities by Frequency of Cab Use

Frequency of Use	Proportion (%) All people with Disabilities	Proportion (%) Full-time Wheelchair Users	Proportion (%) General Population
Daily or more	2.2	3.4	1.0
Every 2–3 days	5.8	3.4	6.6
Every 4–5 days	5.1	1.7	11.2
Once a week	14.5	15.5	34.9
Once a month	23.9	20.7	24.5
Less often	48.6	55.2	21.8
Total	100	100	100

Source: Goodbody *Survey of People with Disabilities* 2008

¹² Demand, and not need, is the focus of discussion here.

When these figures are compared to the general population, they show a large difference in the frequency of use. Approximately 54 per cent of the general population use cabs once a week or more often compared with 24 per cent amongst full-time wheelchair users.

The level of usage has also fallen since 2005 for full-time wheelchair users with 55.2 per cent now using cabs less than once a month compared with 40.4 per cent in 2005.

Table 3.11
Distribution of Respondents by
Frequency of Usage 2005 and 2008

	2005	2008
Rate of use	Proportion (%) Full-time Wheelchair Users	Proportion (%) Full-time Wheelchair Users
Daily or more	6.3	3.4
Every 2–3 days	10.6	3.4
Every 4–5 days	8.5	1.7
Once a week	14.9	15.5
Once a month	19.1	20.7
Less often	40.4	55.2
Total	100	100

Source: Goodbody *Survey of People with Disabilities*, 2005 and 2008

It should be noted that the usage levels as outlined above should not be taken as an indicator of the demand for cab services among people with disabilities. Evidence suggests that people with disabilities continue to experience difficulties obtaining cab services (see Section 6.3.3).

3.6 Cab Demand and the Fare Structure

As mentioned in Section 2, in 2006, the Commission abolished the existing system of 34 taximeter areas and the entire country became one taximeter area. As part of this process, the Commission also introduced a uniform national structure. Prior to this change, there were 34 taximeter areas in the country, each of which operated a different fare structure. For example, different per-kilometre charges operated and the range of extra charges applied (such as luggage charges) varied considerably. This meant that the price of travelling by taxi varied for consumers both in terms of the level of charges overall and the charges for different types of journey.

The argument for a single national maximum taxi fare was that there would be significant benefits in terms of both consumer information and additional administrative simplicity. A further argument in favour of a national maximum taxi fare was that there did not appear to be any significant or systematic difference between taxi operating costs across different taximeter areas.¹³ It was also noted that the then current ‘fare cards’ did not vary according to any urban-rural divide or other regional differences. Differences between fare cards arose as a consequence of arbitrary differences in the fare-setting methodologies employed by various local authorities over time.

Accordingly, a national maximum taxi fare was introduced, applying common rates, extras and unsocial hours charges across the country. The new national fare structure was implemented in the context of a fare revision. As a result, while the fares charged for some journeys in some former taximeter areas declined, the overall impact was a modest fare increase across the board.

This change in fare structures would appear to have been broadly accepted by the consumer. As has been demonstrated above, the demand for cab trips has increased from 77 million annually in 2005 to 100 million in 2008, an increase of over one-quarter. Furthermore, there has been a switch in demand from hackneys to taxis, although the latter would have been more directly affected by the changes. More significantly, there is evidence that consumers find the fare structure easier to understand and that the current structure is providing better value for money. Table 3.12 shows that, since the reform of the fare structure, the proportion of cab users who feel that fares

¹³ See: Goodbody Economic Consultants: *Review of Taxi Fares and Taxi Fare Structures*. March 2006.

are easier to understand has risen by 2 percentage points and the proportion who have difficulties understanding fares has dropped by almost 5 percentage points. These represent significant improvements in the understanding of fare structures, especially in view of the necessarily still complex fare-charging processes that take account of both journey time and distance.

Table 3.12

Distribution of Adults by Ease of Understanding of Fare Structures, 2005 and 2008

	Proportion of Cab Users	
	2005 (%)	2008 (%)
How taxi/hackney fares are calculated is easy to understand		
Strongly agree	10.1	13.5
Agree	52.7	51.3
Neither agree nor disagree	14.6	17.4
Disagree	18.8	13.0
Strongly disagree	3.8	4.8
Total	100	100

Source: Goodbody Surveys of Households

Table 3.13 indicates that consumers increasingly see cabs as good value for money. The proportion of cab users who feel that cabs are good value for money has increased by 4 percentage points, while the proportion who do not has declined by the same margin.

Table 3.13

Distribution of Cab Users by Perception of Value for Money: 2005 and 2008

	Proportion of Cab Users	
	2005 (%)	2008 (%)
Cabs provide good value for money		
Strongly agree	6.5	12.2
Agree	51.8	50.4
Neither agree nor disagree	15.2	15.1
Disagree	20.8	19.0
Strongly disagree	5.7	3.3
Total	100	100

Source: Goodbody Surveys of Households

3.7 Conclusions

Overall Market Demand

- An estimated 100 million cab trips were made nationwide in 2008. This represents an increase of over one-quarter compared with 2005.
- Estimates for cab trips by residents of the Dublin area suggest that, since liberalisation of the market, demand in the Dublin market has increased from 22 million trips in 1997 to 40 million in 2008, or by some 82 per cent.
- One in two adults has made a trip by cab in the last six months. Demand for cabs is high relative to demand for other modes of transport. For example, when surveyed, a higher proportion of adults had taken a cab in the last six months than had used train or local bus services.

Demand for Different Cab Services

- Some 77 per cent of national demand for cabs in 2008 was for taxi services with 23 per cent for hackney services. This compares with an equivalent share in 2005 of 72 per cent for taxis, so the demand for taxis is rising proportionately over time.
- In the Dublin area, the proportion of demand for taxi services rose from 77 per cent of the cab market in 1997 to 83 per cent in 2008.
- Nationally, 63 per cent of trips were arranged by phone in 2008, with 37 per cent hired on-street. These proportions have remained relatively static since 2005.
- In the Dublin cab market, in 2008, 58 per cent of trips were telephone booked, with 42 per cent street hired. The data indicates that immediately after liberalisation, the demand for street services increased as a proportion of the total, but that telephone-booked services are now preferred.

Temporal Nature of Market Demand

- The demand for cab services is a peaked demand. Demand peaks on Fridays and Saturdays, which together account for 73 per cent of all trips. This reflects the demand for cabs for social and recreational purposes. The evidence is that this peakedness in demand is increasing.
- There is evidence also that demand is peaked by time of day. Just over 50 per cent of demand arises between 18.00 and 03.00 and the period between midnight and 03.00 accounts for 22 per cent of demand. However, there has been a relative decline in usage since 2005 between midnight and 03.00.

Market Demand by Type of User

- Cabs are used predominately for social and recreational purposes. However, approximately 60 per cent of businesses hold one or more accounts with cab companies, up from 50 per cent in 2005.
- Cab use by people with disabilities is lower than by the general population with approximately 50 per cent using them less often than once a month.
- The level of usage for full-time wheelchair users has fallen since 2005 with 55 per cent now using cabs less than once a month compared with 40 per cent in 2005.

Cab Demand and Fare Structure

- In 2006, the Commission introduced a uniform national maximum taxi fare structure. This change in fare structures has generally been accepted by the consumer. There is evidence that consumers find the fare structure easier to understand and believe that the current structure is providing better value for money.

4

COMPETITION AND OVERALL MARKET SUPPLY

4.1 Introduction

Section 2 set out details of the extensive changes that have occurred in the cab industry in Ireland in the last two decades. During this period the industry has transformed from one where there were strict controls on the numbers entering the taxi industry to one where entry has been completely liberalised. Following liberalisation and the increase in the number of licensed cabs and drivers, there was concern that the quality of the services provided be maintained and improved. The Commission for Taxi Regulation was established in 2004 to develop and maintain a regulatory framework for the newly liberalised market.

Under the Taxi Regulation Act 2003, one of the objectives of the Commission is 'to encourage and promote competition in relation to services (including fares) offered by small public service vehicles'.

This Section starts by establishing the degree to which the cab industry in Ireland is competitive by looking at the extent to which barriers to entry and exit from the industry exist. It then sets out what have been the effects of increased competition within the industry. Finally, the likely future trends in a highly competitive industry are presented.

4.2 Competition in the Cab Market

According to strict economic theory, a competitive market is a contestable one ie. where there are no significant barriers to entry or exit. In this section, the extent to which there are barriers to entry and exit to the cab market in Ireland is analysed.

4.2.1 Barriers to Entry to Cab Industry

In order to enter the cab industry as a fully licensed taxi operator in Ireland, prospective entrants must fulfil the industry licensing requirements and make an upfront financial investment.

The current costs associated with entering the industry include the cost of purchasing an SPSV vehicle licence. Taxi vehicle licences can be bought from the Commission for Taxi Regulation for €6,300.¹⁴ To obtain a licence, entrants must have use of a vehicle, which, from January 2009, must be no more than nine years old from the first date of registration. The other upfront costs that must be borne by entrants to the taxi industry include vehicle insurance, road tax, meter calibration (taxis only), meter verification (taxis only), NCT suitability and roadworthiness tests as well as an SPSV driver licence. Table 4.1 sets out the upfront costs associated with entering the taxi industry. As the table highlights, prospective entrants to the industry must currently invest approximately €13,000 prior to commencing operation as a taxi.

¹⁴ The corresponding price of hackney, limousine and wheelchair accessible taxi licences are €1,000, €1,000 and €125 respectively.

Table 4.1
Financial Costs associated with entering Taxi Industry

Cost	€
SPSV Licence	6,300
Annual Vehicle Costs ¹⁵	3,777
Vehicle Insurance	1,706
Road Tax	79
NCT and suitability inspection	91
Meter Calibration	60
Meter Verification	91
SPSV Driver Licence	15
Roof sign/meter/printer	850
Total	12,969

Source: PA Consulting Limited, *Review of National Maximum Taxi Fare*, October 2008

It should be noted, however, that many entrants to the industry will already be in possession of a vehicle which they use for their own private motoring purposes. As a result the inclusion of vehicle, insurance and road tax costs may distort the upfront costs associated with entering the SPSV industry and the actual financial cost of entering the industry may be closer to €7,400.

In the case of operators wishing to operate a wheelchair accessible taxi the initial vehicle costs are substantially higher as few would already own a suitable vehicle. A new wheelchair accessible vehicle to the current suitability requirements currently costs an estimated minimum of €39,000.¹⁶ The costs of second-hand wheelchair accessible vehicles is dependent on many factors but is estimated to be at least €15,000. The wheelchair accessible taxi licence currently costs €125.

Entrants who do not have the financial means necessary and/or entrants who wish to test the industry prior to investing in it have the option of renting out a licensed, insured, fully equipped vehicle. While renting costs vary according to a number of factors including the region of the country and the vehicle type, they can be of the order

of €200/€300 weekly, translating to annual costs of approximately €10,400–€15,600.

To obtain a taxi vehicle licence, a potential entrant must have a vehicle that has passed a suitability inspection and a roadworthiness test.

In addition to a taxi vehicle licence, an entrant to the industry must also obtain an SPSV driver licence which entitles them to drive any category of SPSV – taxi, hackney or limousine – for a period of five years. Currently, to obtain an SPSV driver licence an applicant must interact with up to four bodies, namely their local motor tax office, their local Garda station, the relevant regional PSV office and also the Commission for Taxi Regulation.¹⁷

The broad process of applying for an SPSV driver licence involves an applicant contacting their local Garda station or PSV office to acquire an application form. The completed form is submitted along with all necessary documents to the applicant's local Garda station. The applicants are put forward for vetting and, if deemed a suitable candidate, their file is then returned to their local PSV office. If all requirements are met, they will be informed of when they can attend a local area knowledge test.¹⁸ If successful in the test, the applicant is then issued with an SPSV driver licence certificate and appropriate identification cards.

As described above, the barriers to entry to the cab industry are, at present, not significant once the licensing requirements have been fulfilled. Entry to the industry is possible if applicants have access to a lump sum of approximately €6,500, or €200 weekly, and if they:

- have use of a vehicle meeting SPSV standards
- are of good character in terms of Garda vetting
- have a good working knowledge of the area in which they intend to operate

Table 4.2 sets out the number of entrants to the cab industry in Ireland over the 2007–2008 period. For the overall net changes to vehicle licence numbers please see Table 4.3. The total number of new entrants relate to those purchasing new cab licences as well as those entering the industry as a result of taxi licences that have been transferred from one person to another. In 2007, the number of new entrants, as a proportion of the total

¹⁵ The vehicle costs are based on the costs of financing a 2005 Saloon 5-door Toyota Avensis with a 2.0 litre diesel engine and assume a five year finance package.

¹⁶ In the submission made by the Commission to the Minister for Transport in January 2008 (for a subsidy package to assist in the financing of a wheelchair accessible service) costs of €52,000 were indicated for a wheelchair accessible vehicle. This was based on a UK vehicle that had full Type Approval and cannot be directly compared to the €39,000 Irish vehicle as they do not currently conform to the same specifications. Changes in the exchange rate since then also makes such direct comparison invalid.

¹⁷ The Commission for Taxi Regulation is currently preparing to take over the processing of the driver licensing from An Garda Síochána which administers the process. When the Commission takes over the driver licensing process it will introduce changes to streamline the process (see Section 7.4.4).

¹⁸ The Commission is currently developing a mandatory Skills Development Programme for all SPSV drivers and dispatch owners/operators. This programme will replace the current Garda test required for an SPSV driver licence. New SPSV driver licence applicants will be required to undertake the programme from mid 2009. Existing SPSV driver licence holders will be required to undertake the programme on renewal of their licences with effect from 1st January 2012. For further details see Section 8.4.1.

Table 4.2
Entry to SPSV Industry 2007–2008

Cost	Number of New Licences (All SPSVs)	Number of Transferred Taxi Licences	Total New Entrants	Total New Licences as % of Total Fleet
January–December 2007	4,439	1,328	5,767	17.3
January–December 2008	3,036	1,993	5,029	11.1

Source: Commission for Taxi Regulation

Note: See Table 4.3 for net changes to vehicle licence numbers

number of vehicle licences operating in the industry, totalled 17.3 per cent. The equivalent figure in 2008 was 11.1 per cent. The historic levels of new entrants to the industry, while falling, support the findings that there are no significant barriers to entry to the cab industry in Ireland.

4.2.2 Barriers to Exit from Cab Industry

Participants in the cab industry in Ireland are free at any time to stop operating and exit the industry. The only real potential cost associated with exit from the cab industry occurs if persons exiting the industry experience difficulty selling their taxi licence¹⁹ (assuming persons exiting the industry keep their vehicles for their own private motoring purposes). Owing to the ease with which licences can be purchased from the Commission for Taxi Regulation, and the security features associated with licences issued directly from the Commission in terms of their guaranteed legitimacy, it is possible that persons exiting the cab industry may experience difficulties selling their taxi vehicle licences. Therefore, the maximum cost associated with exiting the industry is the upfront €6,300 investment costs required to purchase a taxi licence. This cost, or part of it, can be avoided if persons exiting the industry succeed in selling (transferring) their taxi vehicle licence to another individual. As hackney and limousine licences cannot be transferred to another person, persons with these licence types wishing to exit the industry bear a loss totalling the upfront vehicle licence costs of between €250 and €1,000, depending on when they purchased their licence.²⁰

4.3 Effects of Increased Competition

We have seen in Section 4.2 above that the cab industry in Ireland is competitive, as there are no significant barriers to entry and exit. This Section sets out what have been the effects of the increased competition within the industry.

4.3.1 Trends in Cab Numbers

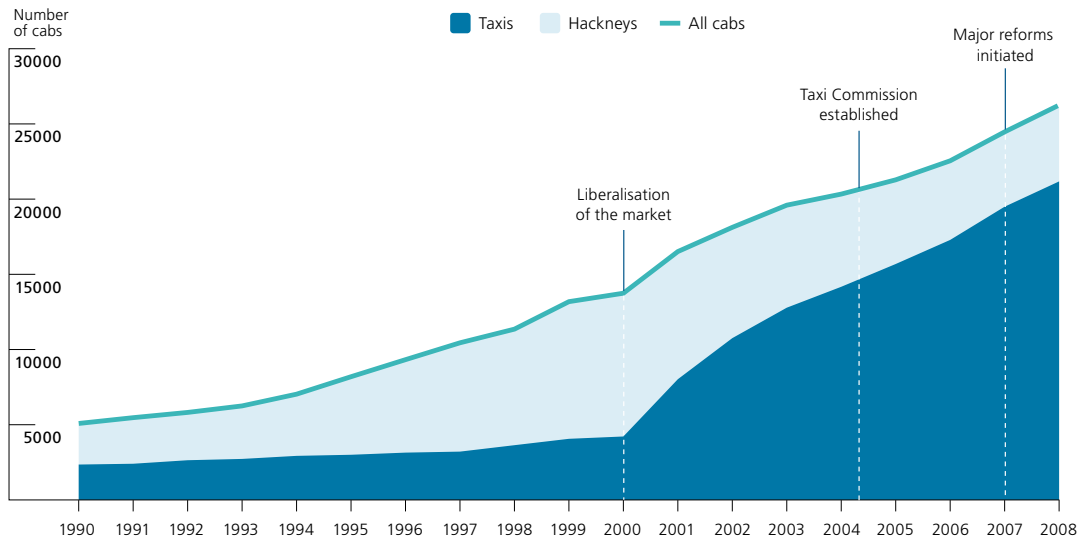
Throughout the period 1993 to 2007 the number of cabs in Ireland grew significantly (see Figure 4.1 and Table 4.3). By 2008, the total number of SPSVs in the country totalled 27,429. Between 1993 and 2000, when liberalisation occurred, the number of licensed cabs increased from a base of 6,144 to reach 13,637 (an increase of 122 per cent). There was a slightly smaller increase in the number of licensed cabs in the years post-liberalisation, namely 101 per cent over the 2000–2008 period. The corresponding increases in cab numbers in the Dublin cab market over the same periods were 155 and 111 per cent respectively. See Figure 4.2.

It is noteworthy that immediately after liberalisation, over the period 2001–2002 there was a very substantial increase in the number of licensed cabs, of the order of one-third. This reflects the level of pent-up historical demand for cabs that existed at the time. Since 2002, the growth in the number of licensed cabs annually has been generally in single-digit figures.

¹⁹ There is no reliable source of information as to whether taxi licence holders experience difficulties selling their taxi licences.

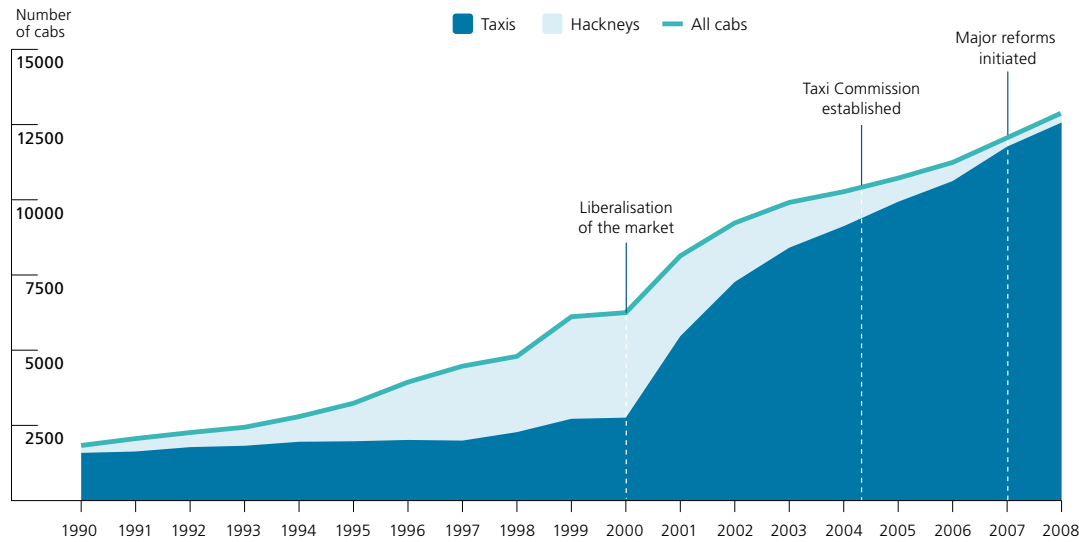
²⁰ The cost of purchasing hackney and limousine licences was increased from €250 to €1,000 in 2008.

Figure 4.1
Trends in Cab Numbers in Ireland 1990–2008



Source: Vehicle Registration Unit, Department of Transport (VRU 1993–2006) and Commission for Taxi Regulation (2007–2008)

Figure 4.2
Trends in Cab Numbers in Dublin 1990–2008



Source: Vehicle Registration Unit, Department of Transport (VRU 1993–2006) and Commission for Taxi Regulation (2007–2008)

Table 4.3

Number of Cabs in Use 1993–2008 Ireland and Dublin

	Ireland				Dublin			
Year	Taxi*	Other	Total	Annual (%) Change	Taxi*	Other	Total	Annual (%) Change
1993	2,726	3,418	6,144		1,822	643	2,465	
1994	2,929	3,996	6,925	12.7	1,955	863	2,818	14.3
1995	3,002	5,084	8,086	16.8	1,972	1,291	3,263	15.8
1996	3,145	6,074	9,219	14.0	2,016	1,949	3,965	21.5
1997	3,212	7,128	10,340	12.2	1,994	2,502	4,496	13.4
1998	3,639	7,610	11,249	8.8	2,276	2,546	4,822	7.3
1999	4,063	9,013	13,076	16.2	2,719	3,420	6,139	27.3
2000	4,218	9,419	13,637	4.3	2,757	3,518	6,275	2.2
2001	8,025	8,522	16,547	21.3	5,465	2,767	8,232	31.2
2002	10,757	7,495	18,252	10.3	7,270	2,096	9,366	13.8
2003	12,781	7,075	19,856	8.8	8,407	1,655	10,062	7.4
2004	14,171	6,573	20,744	4.5	9,123	1,348	10,471	4.1
2005	15,686	6,202	21,888	5.5	9,934	1,077	11,011	5.2
2006	17,287	5,293	22,580	3.2	10,623	792	11,415	3.7
2007	19,496	6,199	25,695	13.8	11,768	728	12,496	9.5
2008	21,177	6,252	27,429	6.7	12,568	676	13,244	6.0

* Includes wheelchair accessible taxis

Source: Vehicle Registration Unit, Department of Transport (VRU 1993–2006) and Commission for Taxi Regulation (2007–2008)

4.3.2 Geographic Distribution of Cabs by Type

Dublin accounts for 48 per cent of all cabs and 59 per cent of all taxis nationally. However, it is likely that these figures underestimate the proportion of the fleet operating in Dublin. This is because vehicles tend to be licensed in the county in which the vehicle owner is resident. Therefore, vehicles licensed in Louth, Meath, Kildare and Wicklow could be operating in Dublin, assuming drivers have passed the SPSV driver knowledge test for Dublin. County Cork provides the next largest cab market.

While taxis are the predominant type of cab overall, hackneys are still in the majority in ten of the 26 counties. This trend is at least partly explained by the low degree of urbanisation in these counties. Figure 4.3 overleaf and Table 4.4 illustrate this.

Figure 4.3
Number of Cabs by County, 2008

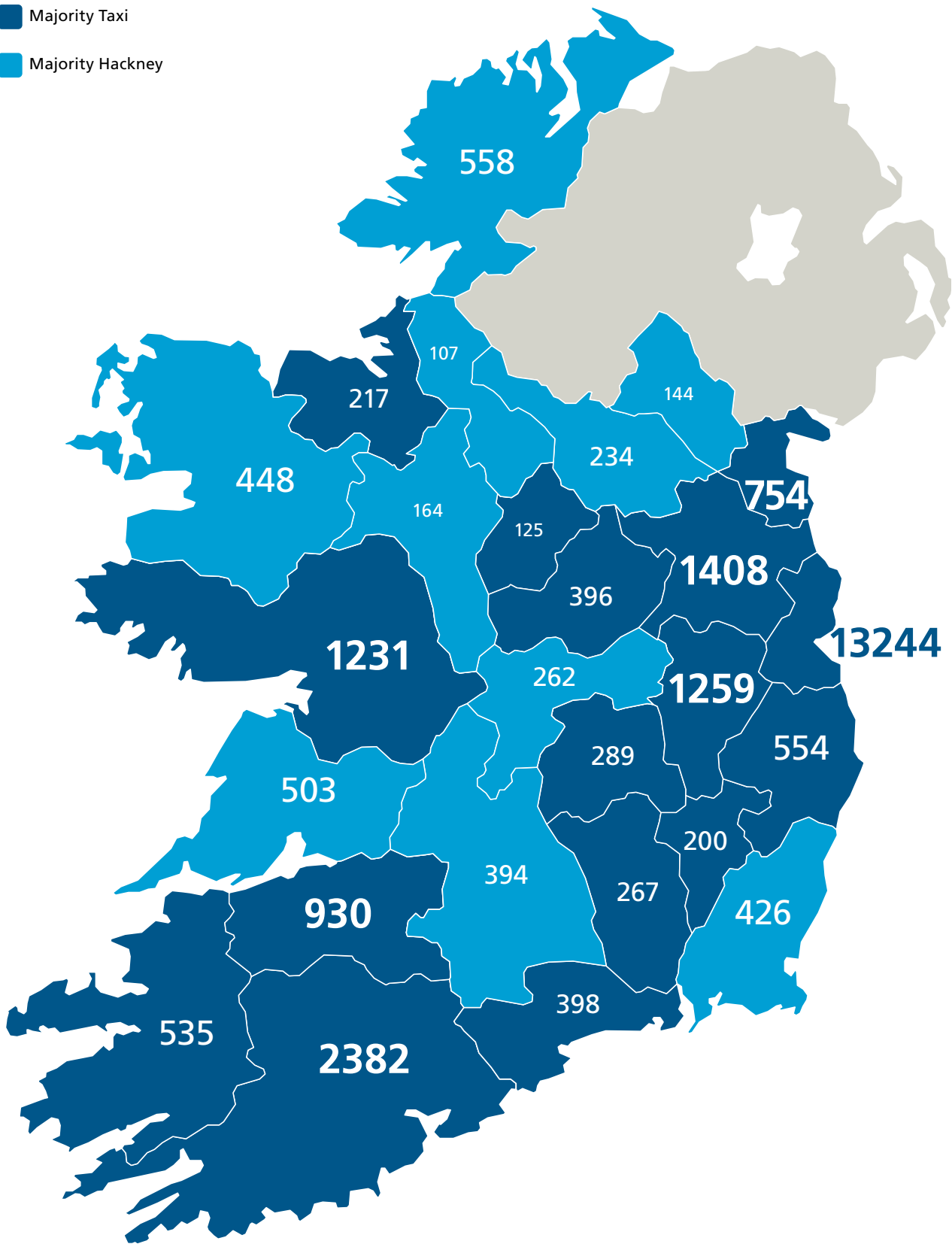


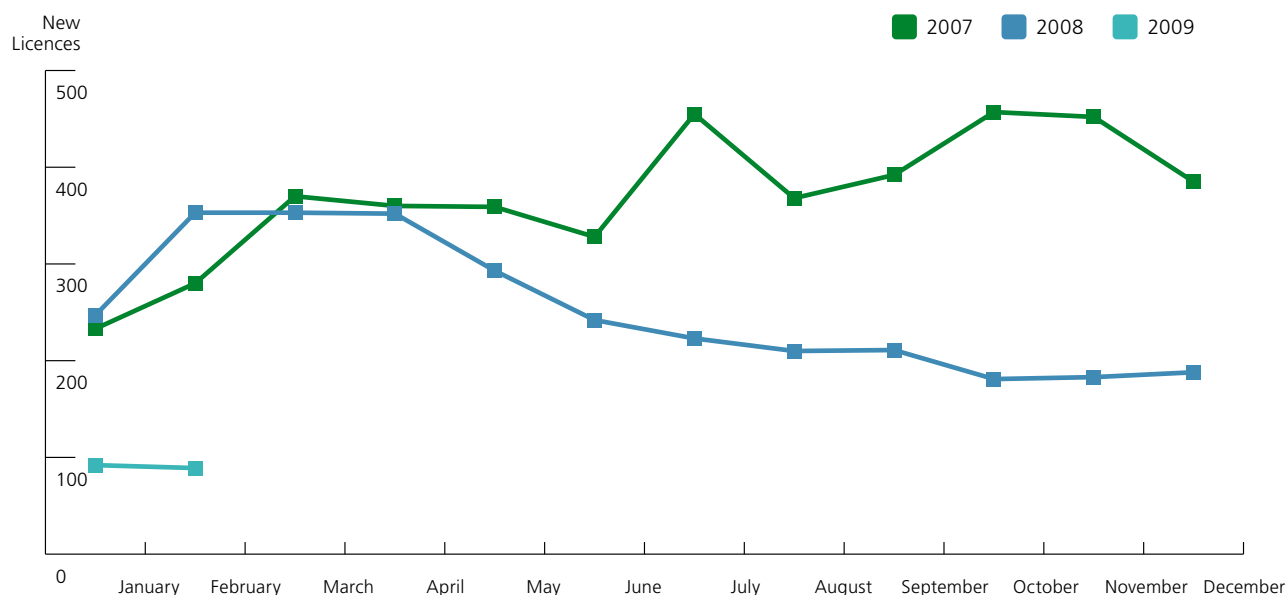
Table 4.4
Number of Cabs by County, 2008

County	Taxi	Wheelchair accessible taxi	Hackney	Limousine	Total
Carlow	111	26	58	5	200
Cavan	99	13	119	3	234
Clare	206	14	237	46	503
Cork	1,376	88	751	167	2,382
Donegal	203	25	314	16	558
Dublin	11,831	737	255	421	13,244
Galway	699	102	383	47	1,231
Kerry	223	17	222	73	535
Kildare	759	95	309	96	1,259
Kilkenny	162	28	60	17	267
Laois	151	42	88	8	289
Leitrim	27	13	62	5	107
Limerick	613	42	219	56	930
Longford	76	11	35	3	125
Louth	509	47	154	44	754
Mayo	184	18	218	28	448
Meath	1,075	90	181	62	1,408
Monaghan	8	8	118	10	144
Offaly	80	18	148	16	262
Roscommon	33	10	113	8	164
Sligo	141	14	41	21	217
Tipperary	39	4	319	32	394
Waterford	230	30	83	55	398
Westmeath	283	42	61	10	396
Wexford	151	32	205	38	426
Wicklow	308	34	161	51	554
Total	19,577	1,600	4,914	1,338	27,429

Source: Commission for Taxi Regulation

Figure 4.4

New Vehicle Licences Issued, January 2007–February 2009



Source: Commission for Taxi Regulation

4.3.3 Trends in New Vehicle Licences

Figure 4.4 shows the number of new licences issued each month during 2007 and 2008. For the overall net changes to vehicle licence numbers please see Table 4.3 above. From a peak of approximately 450 licences issued in July 2007, the general trend has been downward, with fewer than 200 licences issued in December 2008. The data for January and February 2009 indicates that the trend of reduction in the number of new vehicle licences issued monthly has been reinforced, with 92 vehicle licences being issued in January and 89 in February, compared to 188 in December 2008.

4.3.4 Trends in Cab Type

As Table 4.3 indicates, these overall trends in cab numbers mask different trends with regard to taxis as distinct from hackneys.²¹ In 1993, other cabs (mainly hackneys) accounted for the major share of the cab market in Ireland, namely 55.6 per cent of the total 6,144 cabs then licensed. By the year 2000, the dominance of hackneys had increased to approximately 69 per cent of the total cab fleet. Since liberalisation, hackney numbers have declined and now amount to 18 per cent of the total. In contrast, taxi numbers have surged to 21,177 from a base of 4,218 in the year 2000. Figure 4.5 presents an overview of the

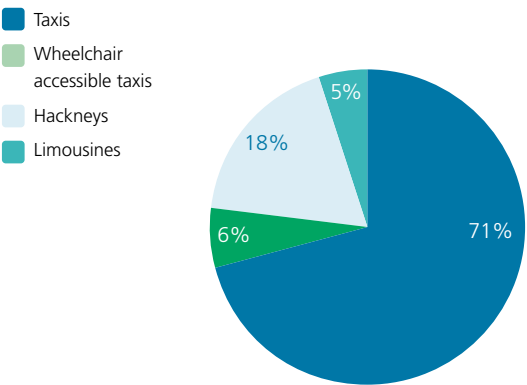
changes in the market breakdown of cab types over the period 2000–2008.

These trends were mirrored in the Dublin area, although hackneys have never played as strong a role there as they do nationally. In 1993, hackneys accounted for 643 vehicles or 26 per cent of the total fleet of 2,465 cabs in Dublin. By the year 2000, hackney numbers had risen to 3,518 or 56 per cent of the total. By the year 2008, hackneys were playing a very minor role in the Dublin market, with only 255 licences or 2 per cent of the total market.

With regard to limousines specifically, although the market share is quite small, it is worth noting that there has been a steady growth in limousine numbers over the last eight years. In 2001 limousines accounted for 0.85 per cent of the cab market or 141 licences, by 2004 this had risen to approximately 2.5 per cent and as of the end of 2008 limousines accounted for approximately 5 per cent of the overall cab market or 1,338 licences. This steady but slow increase in the market share of limousines is a reflection of the fact that limousines operate in a niche market but could also indicate that operators are less likely to enter this market without due consideration to the costs of entering and likely returns from the limousine trade. Wheelchair accessible taxis account for only 6 per cent of the overall cab market at present.

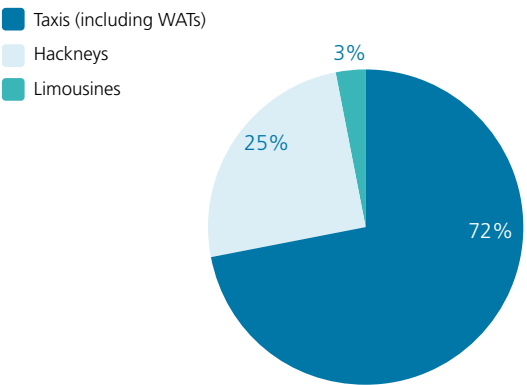
²¹ Limousines are included in 'hackneys' for the purposes of this discussion, unless otherwise stated.

Figure 4.5
Breakdown of Cab Types Nationally, 2008



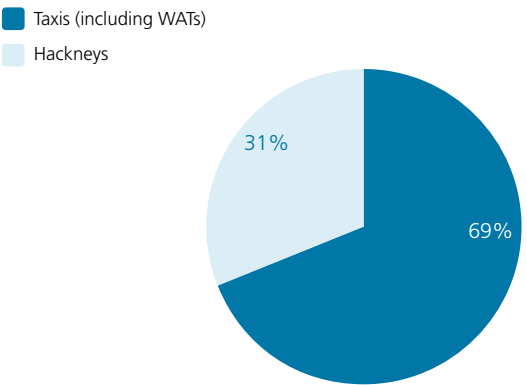
Source: Commission for Taxi Regulation

Breakdown of Cab Types Nationally, 2005



Source: VRU Data

Breakdown of Cab Types Nationally, 2000



Source: VRU Data

4.3.5 Age and Investment in Cab Fleet

In 2008, 3.7 per cent of the total cab fleet (including taxis, hackneys and limousines) was bought new during the year. Regarding taxis, 728 taxi vehicles, or 3.4 per cent of the total taxi fleet, were bought new during that year. This level of investment lags significantly behind the level of investment in the private passenger car fleet where new vehicles typically represent 10 per cent of the overall fleet (9 per cent in 2007, the most recent year for which such data is available).

Figure 4.6 sets out a comparison of the age profile of the cab fleet in Ireland in 2004 and 2008. In both years, 35 per cent of the fleet was five years old or less. However, when the proportion of the fleet more than nine years old is analysed in both years, it emerges that there has been a slight decline in the level of investment in the cab fleet. In 2008, a total of 24.5 per cent of the cab fleet was more than nine years old, compared to 22.9 per cent of the fleet in 2004.

4.4 Effects of Competition on Structure of Supply

The increased numbers entering the market have brought significant changes. As was demonstrated in Section 3, the demand for cab services has grown rapidly. Part of this demand growth is likely to have been induced by the additional supply, as consumers were enticed to undertake more cab trips as their availability increased.

In the year 2000, taxis accounted for 31 per cent and hackneys accounted for approximately 69 per cent of the total cab fleet. Since liberalisation, hackney numbers have declined and now represent 18 per cent of the total. However, hackney numbers continue to exceed taxi numbers in counties with few urban centres.

These trends were mirrored in the Dublin area, although hackneys have never played as strong a role there as they do nationally. In the year 2000, hackney numbers were 56 per cent of the total. By 2008, hackneys were playing a very minor role in the Dublin market, with only 2 per cent of the total market.

It might be expected that increasing cab availability would give rise to more price competition. There is some evidence of increased price competition eg, through advertised discounting by dispatch operators and the quoting of flat fares by cab operators in certain towns. However, widespread fare competition is not evident.

Table 4.5

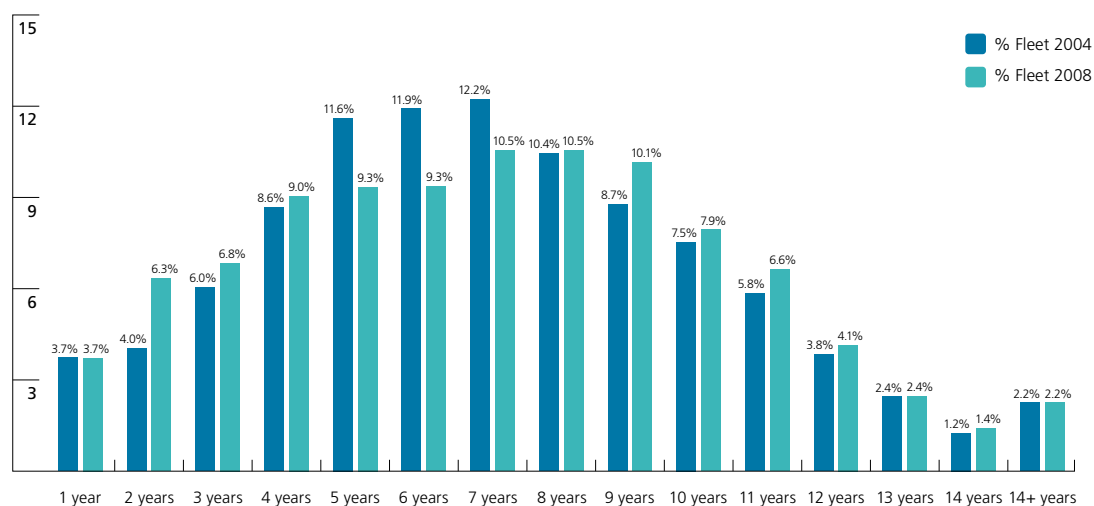
Distribution of Cab Fleet by Year since First Registration, 2008

County	Taxi	Wheelchair accessible taxi	Hackney	Limousine	Total	% of Total
<=1994	281	5	105	215 ²²	606	2.2
1995	284	0	81	13	378	1.4
1996	483	4	153	23	663	2.4
1997	820	14	251	37	1122	4.1
1998	1,253	176	331	48	1808	6.6
1999	1,465	230	410	56	2161	7.9
2000	1,962	181	520	104	2767	10.1
2001	2,096	190	498	92	2876	10.5
2002	2,144	110	526	89	2869	10.5
2003	1,922	89	443	98	2552	9.3
2004	1,929	121	410	87	2547	9.3
2005	1,816	131	411	103	2461	9.0
2006	1,318	128	286	140	1872	6.8
2007	1,161	136	291	149	1737	6.3
2008	643	85	198	84	1010	3.7
Total	19,577	1,600	4,914	1,338	27,429	100

Source: Commission for Taxi Regulation

Figure 4.6

Distribution of Cab Fleet by Year since First Registration, 2008



Source: Vehicle Registration Unit, Department of Transport (2004) and Commission for Taxi Regulation (2008)

²² Includes vintage vehicles used for ceremonial purposes.

Survey evidence shows that, while approximately two-thirds of consumers regard cab fares as good value, they also identify cheaper fares as the single most important factor that would encourage them to use cabs more often. With regard to taxis, the maximum fare may be a factor inhibiting consumers from seeking lower fares. They may view the maximum fare as the legally established fare, rather than a maximum that can be subject to downward negotiation. If taxi fares are not subject to discounting, then hackney fares are likely to be maintained at similar levels. A recent report has confirmed that hackney fares reflect the maximum taxi fare.

Increased competition has undoubtedly made it more difficult for drivers to achieve high earnings. This is particularly the case for those taxi drivers that enjoyed low levels of competition in the market place prior to liberalisation.

More recent trends in earnings are explored in Section 5 which presents evidence that, while earnings have declined in the Dublin market, high earnings are still available to some drivers, particularly those that do not compete exclusively in the street market.

Any increase in numbers and the competitive pressures may induce some cab operators to abuse the regulations so as to avoid costs and boost revenue. Section 7 sets out the steps that the Commission is taking to avoid this outcome, which is a concern in other liberalised markets.

With regard to the future, it might be expected, as economic conditions are expected to deteriorate in the short term, that there may be further large-scale entry into the industry. To date, the decline in new entrants does not support this view. An alternative possibility is that the numbers of cabs will stabilise. However, given the anticipated further decline in the economy, demand for cab services may fall. This would mean that, while current operators might not face competition from large numbers of new entrants, they may find their revenues coming under pressure. In these circumstances, operators that adapt to the market by identifying and servicing niche and under-supplied market segments will tend to do better.

4.5 Conclusions

The cab industry in Ireland is a highly competitive and contestable industry where there are no significant barriers to entry or exit.

Overall market supply

- After liberalisation of the market in 2000, a large increase in the number of cabs occurred
- By 2008, the number of cabs in the country totalled 27,429 and as of end February 2009 it totalled 27,383
- However, for the period since 2000 as a whole, cab numbers have increased broadly in line with their rate of increase prior to liberalisation
- The number of new entrants to the cab market is in decline, which suggests that overall cab numbers are stabilising

Market share in the cab industry

- Liberalisation of the cab industry has, however, brought profound changes in the relative market share of hackneys and taxis in Ireland.
- Since liberalisation, taxi numbers have increased rapidly and hackney numbers have declined.
- This suggests that prior to liberalisation, there was a substantial imbalance between cabs serving the street and call-out markets, with the former being under supplied.
- However, hackneys are still dominant in ten counties.
- There has been steady but slow growth in limousine numbers over the last eight years. Limousines accounted for only 0.85 per cent of the cab market in 2001 and now account for approximately 5 per cent of the overall cab market.
- Wheelchair accessible taxis account for only 6 per cent of the overall cab market.

Investment in the cab industry

- In 2008, 3.7 per cent of the total cab fleet represented vehicles bought new during that year.
- This level of investment lags significantly behind the level of investment in the private passenger car fleet where new vehicles typically represent 10 per cent of the overall fleet.
- The level of investment in the cab fleet has fallen slightly between 2004 and 2008; 24.5 per cent of the cab fleet was more than nine years old in 2008, compared to 22.9 per cent of the fleet in 2004.

5

STRUCTURE OF CAB INDUSTRY SUPPLY

5.1 Introduction

This Section of the Review discusses the supply of cab services. It begins with an examination of the structure of the industry. This is followed by analysis of the level of supply and a profile of the cab drivers that provide this supply, in terms of their earnings and hours of work.

5.2 Structure of the Industry

Since the market was liberalised, the practice of ‘cosying’ has greatly diminished and the vast majority of drivers own and operate their cabs. While definitive data is not available, market intelligence suggests that only a small minority of drivers are renting as opposed to owning a licensed vehicle.

Dispatch operators offer cab-booking services and individual operators may choose to be affiliated to dispatch companies with a view to securing business in the telephone-booked market. It is estimated that approximately 40 per cent of drivers nationwide are affiliated.²³ Affiliation levels tend to be higher among drivers working in urban areas.

There is evidence, however, that the level of affiliation has declined in Dublin. In 2005, 51.2 per cent of Dublin taxi drivers were affiliated as compared with 38.4 per cent in 2008.

There are over 400 dispatch operators registered with the Commission, with two-thirds of them operating ten vehicles or fewer (See Table 5.1). Only five per cent of dispatch operators have more than 100 affiliated vehicles. In total, there are approximately 10,000 vehicles affiliated with dispatch operators in Ireland.

Table 5.1
Estimated Profile of Dispatch Operators by Size, 2008

Size of Dispatch Operators in terms of Vehicle Numbers	Number of Dispatch Operators	Proportion of Dispatch Operators (%)
1	72	16.8
2–5	148	34.5
6–10	67	15.6
11–15	24	5.6
16–20	22	5.1
21–50	53	12.4
51–100	20	4.7
100+	23	5.4
Total	429	100

Source: Commission for Taxi Regulation

Dispatch companies are important in creating economies of scale in the industry. The fact that there are so few large dispatch companies in Ireland limits the extent to which economies of scale are being realised. The number and size of dispatch operators in Ireland is adversely affected by the small scale of many local cab markets and the recent introduction of taxis to many of these smaller and more rural markets for the first time.

Achievement of economies of scale by dispatch operators is dependent on:

- Critical mass of drivers in the area willing to affiliate
- Consumers recognising that larger dispatch companies may offer higher levels of service
- Incentives in place to encourage drivers to affiliate

²³ Based on the Goodbody Survey of Taxi Drivers.

Table 5.2

Distribution of Annual Mileage by Licence Type

	Miles/Year <10k (%)	Miles/Year 10K–20K (%)	Miles/Year 20K–40K (%)	Miles/Year 40K–60K (%)	Miles/Year 60K–80K (%)	Miles/Year 80K+ (%)	Miles/Year Total (%)	Miles/Year Average
Taxi	5.5	9.6	47.9	27.2	6.7	3.1	100	34,892
Hackney	3.9	11.6	37.1	29.9	13.4	4.1	100	37,828
Limousine	23.1	15.6	19.8	23.5	18.0	0.0	100	30,320
All Cabs	5.4	10.3	44.3	27.8	8.8	3.3	100	35,602

Source: Goodbody Survey of Drivers

5.3 Cab Industry Level of Supply

The cab industry operated an estimated 986 million vehicle miles in 2008 (1,585 million vehicle kilometres). The average annual mileage of all cabs was approximately 36,000 (57,800 vehicle kilometres)²⁴. This level of mileage is broadly unchanged from the levels reported in 2005²⁵ (36,067 miles per annum).

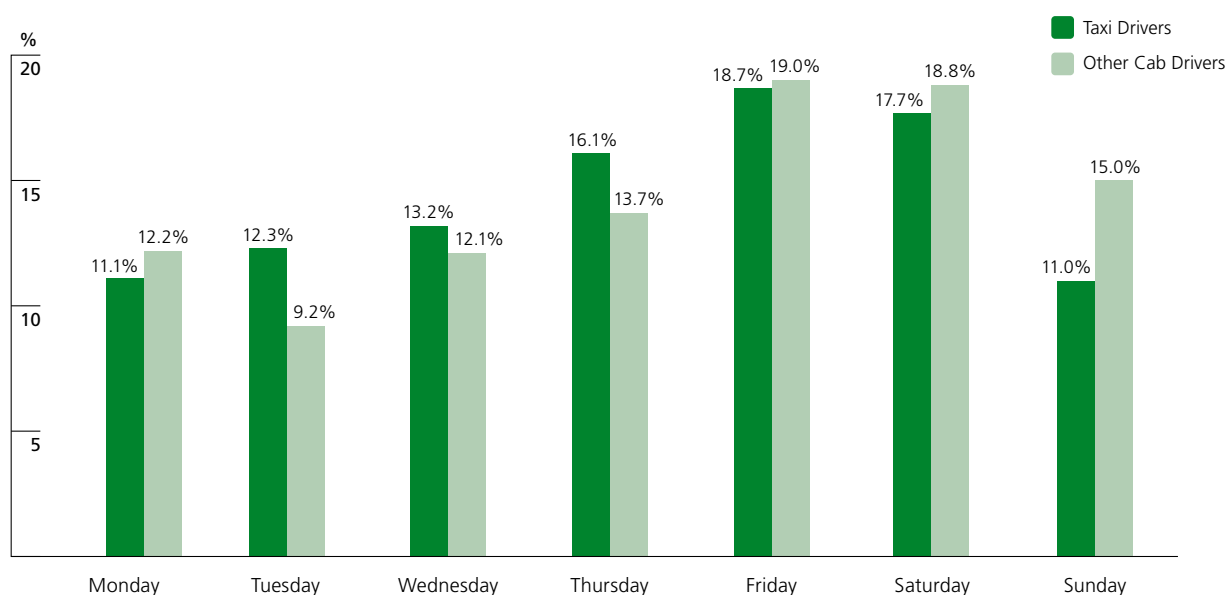
Table 5.2 shows that taxis performed slightly lower annual mileages than cabs as a whole. With regard to limousines, some 23 per cent operated for less than 10,000 miles (16,000 kilometres) annually.

SPSVs undertake some 8.7 million work shifts per annum (2008), comprising an estimated 68.6 million working hours.

Taken together with the demand analysis of Section 4, these data suggest that demand is very peaked around the Thursday to Saturday period and particularly at night time, but that while supply is also peaked around those times, it is less peaked than demand.

Figure 5.1

Distribution of Drivers Shifts by Day of Week, 2008



Source: Goodbody Survey of Cab Drivers 2008

²⁴ Based on survey data and confirmed by National Car Testing Data.

²⁵ As part of the National Review of Taxi, Hackney and Limousine Services, 2005.

Table 5.3

Distribution of Shifts by Time and Day of the Week, 2008

	Taxi %	Others %	All Drivers %
Monday Daytime	8.1	8.5	8.2
Tuesday Daytime	8.7	6.9	8.1
Wednesday Daytime	8.9	8.4	8.7
Thursday Daytime	8.8	8.5	8.7
Friday Daytime	8.8	9.4	9.0
Saturday Daytime	6.8	8.0	7.2
Sunday Daytime	5.2	7.0	5.8
Monday Night	3.0	3.7	3.2
Tuesday Night	3.6	2.3	3.1
Wednesday Night	4.3	3.7	4.1
Thursday Night	7.3	5.1	6.6
Friday Night	9.9	9.6	9.8
Saturday Night	10.9	10.8	10.9
Sunday Night	5.8	7.9	6.5
Total	100	100	100

Source: Goodbody *Survey of Cab Drivers*, 2008

5.4 Temporal Pattern of Supply

In order to gauge the pattern of supply that cab operators provide, the survey of cab drivers asked drivers to indicate the days of the week on which they provided services and whether they operated day or night shifts, or both. Figure 5.1 depicts the distribution of shifts worked by day of the week. For taxi drivers, Thursday, Friday and Saturday are the busiest days of the week. Just over half of shifts occurred on those three days. Hackney drivers have a slightly different pattern, with Sunday being slightly more important than Thursday.

In Section 3, it was noted that demand for cabs is very peaked and that over 85 per cent of cab trips took place during the period Thursday to Saturday inclusive. Therefore demand is apparently more peaked than supply.

Table 5.3 sets out the proportions of cabs drivers operating daytime and night time shifts in 2008. The greatest proportion of shifts provided by both taxi drivers and other cab drivers are on Friday and Saturday nights. The data shows that 44.2 per cent of shifts are offered at night time. Again this is somewhat lower than the proportion of demand occurring at night time.

Taken together with the demand analysis of Section 3, this data suggests that demand is very peaked around the Thursday to Saturday period and particularly at night time, but that while supply is also peaked around those times, it is less peaked than demand.

5.5 The Earnings of Drivers

5.5.1 Gross Earnings

Based on survey data, there are a number of ways of estimating gross fare revenue arising from cab driving. The first approach is to use average weekly fare revenues reported by cab drivers in the Cab Driver Survey. In 2008, the reported average weekly earnings by all full-time cab drivers were €704 per week, which is equivalent to €33,810 per annum.²⁶

This estimate was based on the number of paid trips and average fares as reported by cab drivers in October 2008. There is the likelihood that these estimates were biased downwards. For example, the average reported fare was a little over €9, which seems low when compared with the initial charge, at that time, of €3.80 or €4.10 and minimum per kilometre charges of €0.95 or €1.25 per kilometre.²⁷ This is also lower than the average taxi fare of €15 reported in the *Household Survey*.

Table 5.4
Estimates of Cab Drivers' Earnings Nationally, 2008

Estimation Method	Estimated Weekly Gross Earnings €	Estimated Annual Gross Earnings €
Based on Earnings Reported by Drivers	704	33,810
Based on Fares Estimated from the <i>Household Survey</i>	1,210	58,010

Source: Goodbody Estimates

Another approach to estimating cab drivers' earnings is to estimate average fares for both standard and premium rate journeys using data from the Household and Cab Drivers surveys. This avoids direct use of average fare estimates. This alternative approach yielded an estimate of €1,210 per week or €58,010 per annum. The results of the two estimation methods are summarised in Table 5.4.

There is a substantial difference between the estimates, with the *Household Survey* based estimate being substantially in excess of the cab driver estimate. A similar divergence in cab driver earnings estimates emerged from the analysis undertaken at the time of the 2005 National Review. If the earnings of taxi and hackney drivers are separately analysed, the indications are that hackney drivers on average have earnings some 20 to 30 per cent above their counterparts in the taxi industry.

Table 5.5 compares the results contained in that review for Dublin taxi drivers with a revised estimate for 2008. As the survey took place a month before the 8 per cent increase in taxi fares introduced in November 2008, the adjusted drop in gross earnings is approximately 5 per cent from 2008 to 2005 for Dublin taxi drivers.²⁸

Table 5.5
Estimated Change in Dublin Taxi Drivers' Annual Gross Earnings, 2005 and 2008

Estimation Method	2005 €	2008 €
Based on Fares Reported by Drivers	38,300	33,380
Based on Fares Estimated from the <i>Household Survey</i>	54,600	47,520

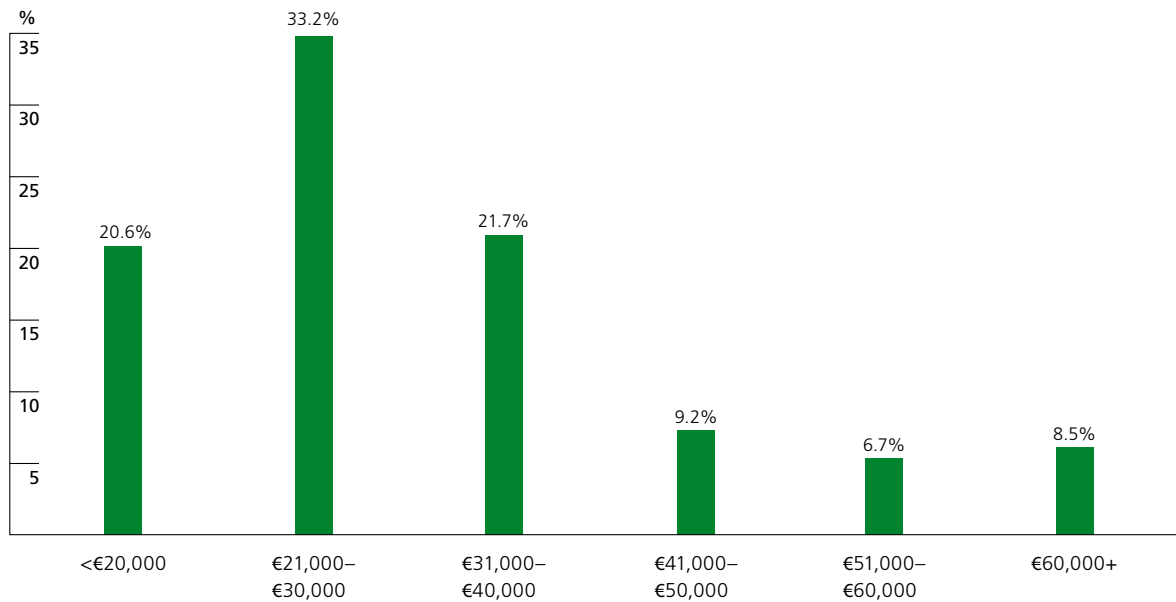
Source: Goodbody Estimates

²⁶ Full-time drivers are those working more than 30 hours per week; an annual working year of 48 weeks is assumed. The estimates are prior to the 2008 fares increase; no gratuities are allowed for.

²⁷ The survey of cab drivers was conducted in October 2008, prior to the introduction of the new taxi fare in November 2008.

²⁸ 2005 earnings data not available for drivers outside of Dublin.

Figure 5.2
Distribution of Cab Drivers Reported Gross Earnings 2008



Source: Goodbody Survey of Cab Drivers 2008

5.5.3 Variability in Gross Earnings

The above estimates of gross earnings are averages. However, individual cab drivers achieve different levels of success in terms of earnings outcomes. Figure 5.2 shows the distribution of gross earnings as reported by cab drivers. This indicates that while the average reported earnings are €33,810, one quarter of drivers reported earnings of over €40,000 per annum.

5.5.2 Costs of Operation and Net Earnings

The above data refers to gross earnings. In this review, net earnings denote earnings less the costs of operation but before income tax has been deducted. A recent estimate (2008) of the costs of operating taxis put the standing cost at €10,291 per annum and the running costs at €7,372 per annum, making a total of €17,663.²⁹ The annual costs of operating a hackney would be similar. Based on these costs, the 2008 net earnings of cab drivers can be estimated at approximately €16,147 per annum based

on the lower gross earnings estimate and €40,347 on the higher estimate. This data suggests that nominal net earnings of Dublin taxi drivers have declined somewhat since 2005.³⁰

Average hourly earnings in the manufacturing industry (referred to as the industrial wage) were €19.60 in mid-2008 and the minimum wage was set at €8.65. As full-time cab drivers work for an average 52 hours per week, assuming net earnings are approximately mid-way between the minimum levels reported by the industry and upper levels calculated based on fares estimated from the *Household Survey*, the net hourly earnings of cab drivers in 2008 is approximately €11,³¹ which is below the average industrial wage and above the minimum wage.

²⁹ PA Consulting. Review of the National Maximum Taxi Fare. October, 2008.

³⁰ Operating costs in 2005 stood at approximately €17,749.

³¹ On the basis of a nine hour average working day, the daily rate suggested by taxi unions to insurance companies for loss of earnings of €90 would substantiate hourly earnings of €11.

5.6 The Role of Part-Time Drivers

If part-time drivers are defined as working less than 30 hours, then approximately 15.6 per cent of cab drivers were working part-time in the industry in 2008, according to the Cab Driver Survey.³² Part-time working is particularly prevalent in the hackney (26.9 per cent) and limousine trade (49.5 per cent). Part-time drivers tend to be older than full-time – 12 per cent of all part-time drivers are over 65 years, compared to 4 per cent of their full-time counterparts. However, part-time drivers are present among all driver age groups. Approximately half of part-time drivers have another occupation.

Of taxi drivers that entered the industry over the last five years, 12 per cent are part-time drivers. Among the drivers that are in the industry for over five years, the corresponding proportion is 8.7 per cent. When other cabs are analysed in the same manner (the majority of which are hackneys) we see that approximately 40 per cent of drivers that have entered the industry during the last five years work part-time, compared to 21 per cent of drivers who have been in the industry for periods exceeding five years (See Table 5.6). Therefore, part-time driving is becoming more prevalent.

Section 3 has confirmed that Fridays and Saturdays are days of peak demand. Part-time drivers are much more likely to supply services on those days than are their full-time counterparts. Over 51 per cent of shifts operated by part-time drivers occur on those two days as against 36 per cent by full-time drivers. Therefore, part-time drivers make a valuable contribution to meeting peak demands.

Table 5.6

Distribution of Part-time and Full-time Drivers by Years in the Industry, 2008

Years in Industry	Part-time (%)	Full-time (%)	Total (%)
Taxis			
Less than 5 Years	12.1	87.9	100
Over 5 Years	8.7	91.3	100
Other Cabs			
Less than 5 Years	38.9	61.1	100
Over 5 Years	21.0	79.0	100

Source: Goodbody Survey of Cab Drivers 2008

Table 5.7

Distribution of Drivers by Hours Worked, 2008

Hours	Taxis (%)	Other Cabs (%)	All Drivers (%)
<20	5.6	14.6	8.6
21–30	4.6	12.3	7.0
31–40	15.1	14.5	14.8
41–50	13.8	19.5	15.5
51–60	34.1	17.8	28.9
61–70	16.6	8.1	14.0
>70	10.4	13.1	11.2
Total	100	100	100
Average Hours	54	47	52

Source: Goodbody Survey of Cab Drivers 2008

Table 5.8

Distribution of Dublin Taxi Drivers by Hours Worked, 2005 and 2008

Hours	Dublin Taxi Drivers 2005 (%)	Dublin Taxi Drivers 2008 (%)
<20	4.8	7.3
21–30	6.4	2.4
31–40	17.6	13.4
41–50	22.4	17.1
51–60	28.0	37.8
61–70	16.8	12.2
>70	4.0	9.8
Total	100	100
Average Hours	50	54

Source: Goodbody Survey of Cab Drivers, 2005 and 2008

³² Because the 2008 cab driver survey was administered as a self-completion questionnaire, it is conceivable that the response rate was biased in favour of those with a greater vested interest in the industry, namely full-time drivers. Based on consultations held with representatives in the industry during the course of this study, there may be a substantially higher proportion of part-time drivers operating in the industry than the 2008 survey results would suggest.

Table 5.9
Distribution of Drivers with Two Occupations
by Total Hours Worked

Hours	Taxis (%)	Other Cabs (%)	All Cabs (%)
<15	0.0	0.0	0.0
15–30	6.8	3.6	4.8
30–45	7.6	10.8	9.6
45–60	34.9	27.3	30.3
60–75	31.3	38.6	35.8
75+	19.3	19.6	19.5
Total	100	100	100

Source: Goodbody Survey of Cab Drivers 2008

5.7 The Role of Cab Drivers
with Another Occupation

Just over 14 per cent of cab drivers have another occupation. From the point of view of cab operators who have two occupations, benefits are incurred to the extent that the income provided from cab operations permits them to ensure adequate weekly levels of income.

Hackney drivers are much more likely to have another occupation relative to their taxi driver counterparts: 25.1 per cent and 8.7 per cent respectively. Some 6 per cent of full-time drivers hold another occupation, which suggests such individuals may be working very long hours.

In contrast to part-time cab drivers, cab drivers with another occupation tend to be younger. They are most over-represented in the 35–44 age group. A large proportion of cab drivers with another occupation are in the transport business (29.1 per cent) with building and construction (12.6 per cent) and agriculture (17.9 per cent) also being prevalent other occupations.

Cab drivers with another occupation are also more likely to be providing services at peak times than other cab drivers. However, their contribution to serving the Friday and Saturday peak is not as substantial as part-time cab drivers.

There appears to be an upward trend in the proportion of cab drivers with another occupation; 48.2 per cent of drivers with another occupation are in the cab industry

for less than five years. The equivalent proportion of cab drivers with no other occupation is 30.8 per cent.

5.8 Cab Drivers and Working Hours

Table 5.7 sets out the proportion of drivers by the hours they work weekly as cab drivers. One in four of all cab drivers (25.2 per cent) is currently working in excess of 60 hours weekly. The corresponding proportion of taxi drivers is 27 per cent. A significant minority of cab drivers (11.2 per cent) are working long hours in excess of 70 hours per week.

When the results of the 2008 survey are compared to the 2005 survey results (for Dublin taxi drivers only), it can be seen that the proportion of drivers working in excess of 60 hours weekly has increased only marginally from 20.8 per cent to 22 per cent. The proportion of drivers working in excess of 50 hours weekly, however, has increased from 48.8 per cent to 59.8 per cent and the proportion working more than 70 hours has doubled from 4 per cent to 9.8 per cent.

Of taxi drivers who have another occupation, approximately one third are working between 30–45 hours per week in that occupation. This increases to 53.5 per cent among other cab drivers with another occupation. The total hours worked in a week for individuals with two occupations is also illustrated Table 5.9. Approximately one in five cab drivers with two occupations is working in excess of 75 hours per week. This compares to only 8 per cent of all cab drivers (both those with and without another occupation) working in excess of 75 hours per week.

5.9 Conclusions

Industry size

- The cab industry operated an estimated 986 million vehicle miles in 2008 (1,585 million vehicle kilometres).
- The average annual mileage of all cabs was approximately 36,000 (57,800 vehicle kilometres).
- Cabs undertake some 8.7 million work shifts per annum (2008), comprising an estimated 68.6 million working hours.

Market Structure

Operator Profile

- Since the market was liberalised, the practice of 'cosying' has greatly diminished and the vast majority of drivers own and operate their cab.
- While definitive data is not available, market intelligence suggests that only a small minority of drivers are renting as opposed to owning a licensed SPSV.

Dispatch Operator Profile

- There are over 400 dispatch operators in Ireland, with two thirds of them operating ten vehicles or fewer.
- Only five per cent of dispatch operators have more than 100 affiliated vehicles. Dispatch companies are important in creating network economies of scale in the industry.
- The fact that there are so few large dispatch companies in Ireland limits the extent to which economies of scale are being realised.
- The achievement of economies of scale is dependent on consumers recognising that larger dispatch companies offer higher levels of service and incentives to encourage drivers to affiliate.
- It is estimated that approximately 40 per cent of drivers nationwide are affiliated to a dispatch company.
- There is evidence, however, that the level of affiliation has declined in Dublin. In 2005, 51.2 per cent of Dublin cab drivers were affiliated as compared with 38.4 per cent in 2008.

Market Supply and Demand

- The supply structure of the cab industry is undergoing significant change. This involves increased part-time working and an increased proportion of drivers with another occupation.
- At a minimum 15.6 per cent of drivers are part-time and 14.1 per cent have another job.
- Supply of cab services peaks in the period Thursday to Saturday.
- Demand is even more peaked around the Thursday to Saturday period and particularly at night time, so that supply is less peaked than demand.
- Friday and Saturdays are days of peak demand.
- Part-time drivers are much more likely to supply services on Friday and Saturday than full-time drivers. Over 51 per cent of shifts operated by part-time drivers occur on those two days as against 36 per cent by full-time drivers.
- Therefore, part-time drivers make a valuable contribution to meeting peak demands.

Driver working hours

- Cab drivers are providing more work shifts and working longer hours.
- The average working week of all cab drivers is 52 hours, with one in four drivers working in excess of 60 hours a week.
- Between 2005 and 2008, the proportion of Dublin taxi drivers working more than 70 hours has grown from 4 per cent to 9.8 per cent.
- Of taxi drivers who have another occupation, approximately one third are working between 30–45 hours per week in that occupation.
- This increases to 53.5 per cent among other drivers.
- Approximately one in five individuals with two occupations is working in excess of 75 hours per week.
- This compares to only 8 per cent of all drivers working in excess of 75 hours per week.
- Drivers with another occupation are also more likely to be providing services at peak times than other cab drivers. However, their contribution to serving the Friday and Saturday peak is not as substantial as part-time drivers.

Driver Earnings

- The average gross earnings of cab drivers is independently estimated at €58,010 per annum; or €40,350 after costs but before tax
 - Reported earnings by cab drivers indicated average gross earnings of €33,810, or €16,150 after costs but before tax. These reports appear low on the basis of the average fare reported
 - There is evidence that hackney drivers on average have earnings some 20 to 30 per cent above their counterparts in the taxi industry.
 - Data from the Dublin market indicate that both gross and net earnings of taxi drivers have declined somewhat in nominal terms. This reduction would have been mitigated significantly by the 8.3 per cent increase in fares implemented in late 2008. This adjusted drop in gross earnings is approximately 5 per cent for Dublin taxi drivers from 2005 to 2008.
-

6

QUALITY OF CAB SERVICES

6.1 Introduction

This section looks in detail at the quality of service offered by cabs. Three broad aspects of quality of service are examined, namely:

- The availability of cabs
- The quality of cab vehicles
- Value for money

The various surveys undertaken as part of this study recorded the perceptions of the quality of cab services as experienced by general users, business users and people with disabilities. These perceptions are reported in this section of the report, as is the data available on the complaints made by the public to the Commission in relation to the cab services provided to them. In addition, waiting times are a key indicator of availability and the surveys also recorded consumers’ experiences in that regard.

6.2 Waiting Times

Waiting times for cabs relate not only to the length of time it takes to get a cab on the street, through either hailing or at a rank, but also, in relation to pre-booked services, the length of time consumers are waiting for a taxi over and above the specified arrival time.

6.2.1 Consumer Waiting Times

Table 6.1 presents data on cab waiting times in 2008, based on consumers’ experiences in relation to the last cab journey that they took. Over half (51.5 per cent) of all consumers had to wait just five minutes or less for a cab. The proportion of consumers who had to wait for ten minutes or less was 81.1 per cent. Relative to 2005, waiting times for cabs have reduced considerably.

Table 6.1
Distribution of Consumers by Length
of Wait Experienced, 2005 and 2008

Waiting time	2005 (%)	2008 (%)
<5 minutes	34.6	51.5
5–10 minutes	32.1	29.6
11–20 minutes	23.5	13.0
21–30 minutes	6.0	5.1
31–60 minutes	2.7	0.9
>60 minutes	1.2	0.0
Total	100	100

Source: Goodbody Survey of Households 2008

Table 6.2 sets out average waiting times reported by consumers by the time of day their most recent cab journey was taken. According to the results of the consumer survey, average waiting times are greatest between midnight and 09:00, and in particular between the 03:00 and 06:00 when average waiting times total 12.1 minutes. Average waiting times are shortest between 18:00 and 21:00.

Table 6.2

Distribution of Cab Consumers by Average Waiting Time and Time of Day, 2008

Time of Day	2008 Average Waiting Time (Mins)
00.01–09.00	8.8
09.01–12.00	5.8
12.01–15.00	6.1
15.01–18.00	6.2
18.01–21.00	4.9
21.01–24.00	5.5

Source: Goodbody Survey of Household 2008

Similar data has been collected for Dublin consumers over the period since 1997. This data shows sharp reductions in waiting times post-liberalisation of the market. Whereas prior to liberalisation 58 per cent of consumers had waiting times of less than 10 minutes, this had risen to 86 per cent by 2008.³³

There are also continuing improvements in the reliability of cabs. In 1997, 5.9 per cent of respondents reported a wait of over 30 minutes; this proportion had decreased to 1.2 per cent in 2008.³³

Table 6.4 sets out average waiting times reported by consumers in Dublin by the time of day their most recent cab journey was taken. According to the survey results, average waiting times in Dublin are also greatest between midnight and 09:00 and in particular between 03:00 and 06:00 when average waiting times total 14.5 minutes. Average waiting times in Dublin broadly mirror national waiting times, but exceed national waiting times during the hours of 18:00 and midnight.

Table 6.3

Distribution of Dublin Cab Users by Waiting Times: 1997, 2001, 2005 and 2008

Waiting time	1997 (%)	2001 (%)	2005 (%)	2008 (%)
<5 minutes	23.0	47.5	40.2	50.3
5–10 minutes	35.3	22.7	33.9	35.4
11–20 minutes	29.4	17.4	18.0	11.2
21–30 minutes	5.9	6.4	5.8	1.9
31–60 minutes	5.9	4.6	1.1	1.2
>60 minutes	0.0	1.4	1.1	0.0
Total	100	100	100	100

Source: Goodbody Survey of Households, 1997, 2001, 2005 and 2008

³³ In 1997 and 2001, this question was only asked of people who had telephoned for a cab immediately. In 2005 it was asked of all people who had telephoned for a cab immediately, who had gone to a rank, or hailed a taxi on the street. In 2008 it was asked of all people who had telephoned for a cab immediately, who had gone to a rank, or hailed a taxi on the street or had to wait beyond the agreed time.

Table 6.4
Distribution of Dublin Cab Consumers by
Average Waiting Time and Time of Day, 2008

	2008 Average Waiting Time (Mins)
00.01–09.00	7.9
09.01–12.00	5.9
12.01–15.00	5.1
15.01–18.00	6.2
18.01–21.00	5.7
21.01–24.00	5.7

Source: Goodbody Survey of Household 2008

6.2.2 Business Waiting Times

The distribution of businesses by their waiting time experiences for cabs is set out in Table 6.5. In 2008 the vast majority of businesses (96.4 per cent) reported cabs arriving always or most of the time within a reasonable time. Relative to 2005, there has been a minor reduction in the proportion of businesses reporting cabs arriving within a reasonable time, all of the time. There has been a corresponding increase in the proportion of businesses reporting cabs arriving within a reasonable time, most of the time.

Table 6.5
Frequency with which Cabs Ordered Arrive within
a Reasonable Time, 2005 and 2008

	2005 (%)	2008 (%)
All of the time	55.6	50.0
Most of the time	40.8	46.4
Some of the time	2.4	3.6
Rarely/never	1.2	0.0
Total	100	100

Source: Goodbody Survey of Business, 2005 and 2008

6.3 Availability of Cabs

The section sets out the perceptions of cab users with respect to the availability of cabs services.

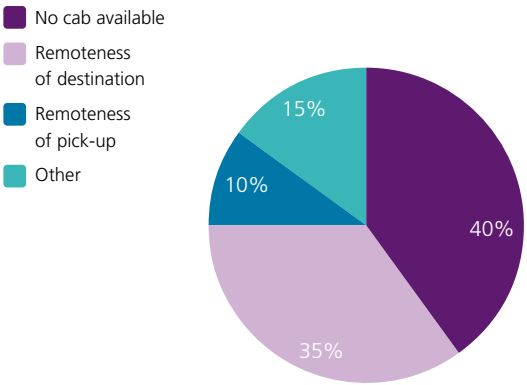
6.3.1 Availability of Cabs for Consumers

One in two adults (54.2 per cent) surveyed as part of the *Household Survey* was of the opinion that cabs are easily hired at busy periods. In total, 29.7 per cent of adults felt that this was not the case.

There are significant regional variations in the perceptions of cab availability levels. Whereas the proportion of respondents who believe it easy enough to hire cab at busy periods was 70.1 per cent in Dublin, it fell to 44.8 per cent in Munster and further to 34.2 per cent in Leinster. Since 2005, the perception in ease of hiring a cab has remained the same in Munster but has fallen by 17 percentage points in Leinster. This has occurred despite the fact that cab numbers has increased by approximately 40 per cent in both regions.

When respondents were asked if a taxi or dispatch operator had ever refused to provide them with a service, 7.7 per cent agreed that they had experienced this. The most usual reason given by a company for not providing a service was that they had no cars available, and this was apparent across all areas. The next most common reason given was the remoteness of the destination.

Figure 6.1
Distribution of Adults by Reasons given by Dispatch
Operators for Refusing to Provide a Service, 2008



Source: Goodbody Survey of Households 2008

Table 6.6

Distribution of Adults by Perception of Ease with which Cabs can be hired, 2005 and 2008

Taxis/hackneys are easily hired at busy periods	All Adults (%)	Dublin (%)	Rest of Leinster (%)	Munster (%)	Connaught/ Ulster (%)
2008					
Agree strongly	10.6	15.0	5.7	3.7	18.3
Agree	43.6	55.1	28.5	41.1	46.3
Neither	16.1	12.0	24.4	19.6	7.3
Disagree	21.1	12.6	28.5	24.3	23.2
Disagree strongly	8.6	5.4	13.0	11.2	4.9
Total	100	100	100	100	100
2005					
Agree strongly	4.8	4.9	8.2	2.0	4.0
Agree	41.4	42.9	43.3	40.6	35.2
Neither	16.7	15.1	16.8	22.3	9.6
Disagree	28.9	29.9	22.1	28.9	37.6
Disagree strongly	8.2	7.1	9.6	6.3	13.6
Total	100	100	100	100	100

Source: Goodbody *Survey of Households* 2008

6.3.2 Availability of Cabs for Businesses

Businesses were also asked their views regarding the availability of cab services. In total, 44.4 per cent of the businesses surveyed in 2008 perceive that there are particular times of day when they experience difficulties or delays when booking a cab. This represented a reduction from 52.8 per cent in 2005. The reduction in the perception that there are times in the day when cabs are difficult to obtain was experienced mainly in Dublin.

In all areas of the country the reported worst time of the day in terms of difficulty in obtaining a cab was between 16:00 and 18:00. However, businesses in Dublin were twice as likely to perceive this time (between 16:00 and 18:00) as the most difficult time in obtaining a cab, relative to their counterparts outside of the city.

Table 6.7
Existence of Times of the Day when Cabs Difficult to Obtain, 2005 and 2008

	2005			2008		
	Total Sample (%)	Dublin (%)	Rest of Ireland (%)	Total Sample (%)	Dublin (%)	Rest of Ireland (%)
Yes	52.8	56.0	49.2	44.4	42.8	46.9
No	47.2	44.0	50.8	55.6	57.2	53.1

Source: Goodbody *Survey of Businesses*, 2005 and 2008

6.3.3 Availability of Cabs for People with Disabilities

As part of the survey of people with disabilities, respondents were asked about the willingness of dispatch operators to provide a service and the occurrence of refusal of service. The majority of all respondents (68.7 per cent) find that dispatch operators are willing or very willing to provide a service. Among full-time wheelchair users this figure drops to 60 per cent. In total, 20 per cent of full-time wheelchair users find dispatch operators unwilling to provide a service, which is significantly higher than non full-time users at 6.5 per cent.

When asked if they had ever been refused a cab service, 26.1 per cent of people with disabilities indicated that they had been informed by dispatch operators that they could not be provided with a service. This proportion rose substantially to 44.4 per cent among full-time wheelchair users, compared to 13.8 per cent among non full-time users.

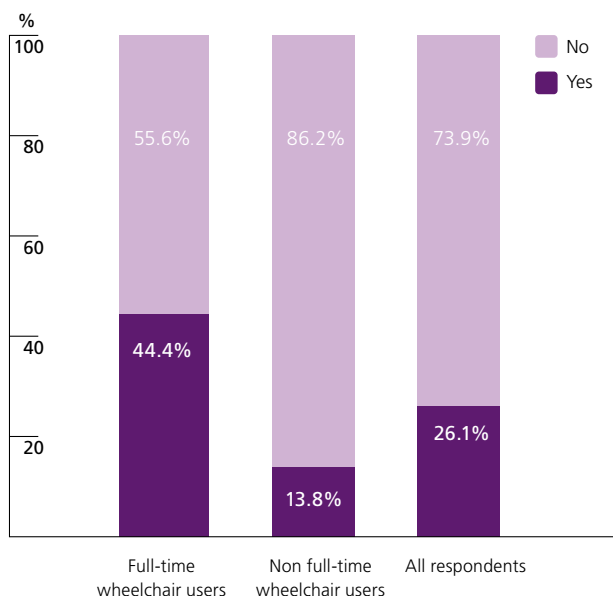
The most common reason provided to people with disabilities for service refusal was there being no wheelchair accessible cabs available at the time (63.4 per cent of respondents). An additional 22 per cent of all respondents cited the absence of a wheelchair accessible cab in the fleet.

Table 6.8
Distribution of Respondents by Perception of Dispatch Operators’ Willingness to Provide a Service, 2008

Category	Proportion % (Full-time users)	Proportion % (Non full-time)	Proportion % (All respondents)
Very willing	27.3	44.7	37.4
Willing	32.7	30.3	31.3
Neither willing or unwilling	20.0	18.4	19.1
Unwilling	7.3	3.9	5.3
Very unwilling	12.7	2.6	6.9
Total	100	100	100

Source: Goodbody *Survey of People with Disabilities* 2008

Figure 6.2:
Distribution of Respondents by Refusal of Service, 2008



Source: Goodbody *Survey of People with Disabilities*, 2008

6.4 Vehicle and Driver Aspects of Quality of Service

6.4.1 Introduction

The perception of cab users, with respect to the vehicle and driver aspects of the quality of service provided to them, is set out here. With regard to vehicles, an aspect of the cab trade is that the vehicles used are generally much older than the cars in use by the population as a whole. In 2008, just 728 taxi vehicles, or 3.4 per cent of the total taxi fleet, were bought new during the year. The equivalent proportion in 2004 was 3.5 per cent. This level of investment lags significantly behind the level of investment in the private passenger car fleet where new vehicles typically represent 10 per cent of the overall fleet. The use of more aged vehicles by the cab trade raises the possibility that some vehicles may be offering poor levels of comfort to the consumer.

6.4.2 Perception of Quality of Service by Consumers

As part of the *Household Survey* consumers were asked the extent to which they agreed or disagreed with a number of statements relating to cab services.

The majority of adults are quite satisfied with the overall level of service provided, as well as vehicle quality, vehicle cleanliness and the helpfulness of drivers. Therefore, in general, consumers are happy with the quality of service that cabs provide. See Table 6.9.

Table 6.9
Consumer Perception of Cab Services, 2008

	Agree Strongly (%)	Agree (%)	Neither Agree nor Disagree (%)	Disagree (%)	Disagree Strongly (%)
Taxis/hackneys generally provide a good service	20.6	67.1	8.5	3.3	0.4
Taxis/hackney vehicles are generally clean and tidy	19.3	65.3	11.6	3.5	0.2
Taxis/hackney vehicles are of good quality	20.1	64.8	10.8	4.1	0.2
Taxi/hackney drivers are generally helpful and friendly	22.5	61.9	9.8	4.8	1.0

Source: Goodbody *Survey of Households* 2008

6.4.3 Perception of Quality of Service by Businesses

As part of the business survey businesses were asked the extent to which they were satisfied with the dispatch operator they used most often. Ninety per cent of businesses were satisfied or very satisfied with the level of service provided. Satisfaction levels were slightly higher outside Dublin.

6.4.4 Perception of Quality of Service by People with Disabilities

People with disabilities were also asked their views regarding the level of cab service provided to them. The reported perceptions were mixed. While between 65 and 72 per cent of respondents agreed that cabs generally provide a good service, that cabs vehicles are of good quality and that the layout and seating of cabs is satisfactory, between 10 and 17 per cent were not in agreement. People with disabilities were more favourable in terms of their perception of the helpfulness of drivers.

Table 6.10
Distribution of Businesses by Level of Satisfaction with Dispatch Operator Used Most Often, 2008

	2008		
	Country as a Whole (%)	Dublin (%)	Rest of Ireland (%)
Very satisfied	56.0	51.3	63.5
Satisfied	34.0	36.2	30.2
Neither	9.6	12.5	5.2
Dissatisfied	0.4	0.0	1.0
Very dissatisfied	0.0	0.0	0.0

Source: Goodbody *Survey of Businesses* 2008

Table 6.11
Distribution of Respondents' Perceptions of Cab Services, 2008

	Agree Strongly (%)	Agree (%)	Neither Agree nor Disagree (%)	Disagree (%)	Disagree Strongly (%)
Cabs generally provide a good service	21.8	50.0	18.5	7.3	2.4
Cab drivers are generally helpful and friendly	22.0	61.8	9.8	4.9	1.6
Cab vehicles are of good quality	16.9	46.8	25.8	6.5	4.0
The seating arrangements in wheelchair accessible cabs are satisfactory	16.4	52.6	18.1	9.5	3.4
The physical layout of wheelchair accessible cabs (ie. door width, ceiling height etc) is satisfactory	15.5	50.0	17.2	12.9	4.3

Source: Goodbody *Survey of People with Disabilities* 2008

Table 6.12

Distribution of Adults by Perception of Value for Money, 2008

Taxis/hackneys offer good value for money	All Respondents (%)	Dublin (%)	Rest of Leinster (%)	Munster (%)	Connaught/Ulster (%)
Agree strongly	12.2	13.7	4.0	11.9	22.0
Agree	50.4	57.1	33.6	59.6	50.0
Neither	15.1	10.7	24.0	14.7	11.0
Disagree	19.0	11.9	35.2	12.8	17.1
Disagree strongly	3.3	6.5	3.2	0.9	0.0
Total	100	100	100	100	100

Source: Goodbody Survey of Households 2008

6.5 Value for Money

In addition to waiting times, cab availability and quality of service, cab users were also asked their views on the value for money associated with cab services.

6.5.1 Perception of Value for Money by Consumers

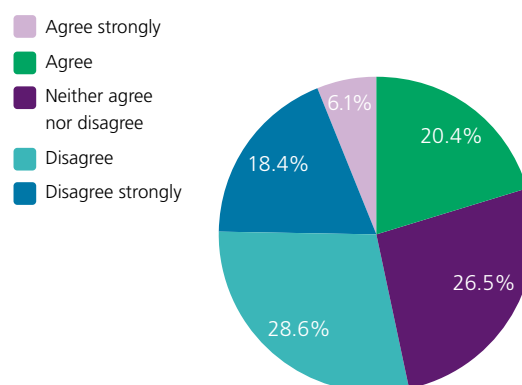
As Table 6.12 indicates, 62.6 per cent of all adult respondents questioned as part of the household survey agreed that cabs do offer good value for money, compared to 22.3 per cent who disagreed. The proportion of respondents who disagreed increased to 38.4 per cent in Leinster, but was lower in the other areas where it fell to 18.4 per cent in Dublin and 17.1 and 13.7 per cent in Connaught/Ulster and Munster respectively.

6.5.2 Perception of Value for Money by People with Disabilities

As part of the survey of people with disabilities, respondents were asked if they considered that taxi fares were affordable. It is noteworthy that 47 per cent of respondents consider cab fares not to be affordable.

Figure 6.3

Distribution of Full-Time Wheelchair Users Perceptions on Cab Affordability, 2008



Source: Goodbody Survey of People with Disabilities 2008

6.6 Consumer Complaints

In September 2006, the Commission took over the processing and administration of Section 51 complaints regarding cab services from An Garda Síochána. These complaints are categorised according to whether they relate to:

- The condition and cleanliness of vehicles
- The conduct and behaviour of operators/driver
- Overcharging or other matters relating to fares
- Matters relating to the hiring of a cab

The number of complaints received by the Commission over the 2006–2008 period is set out in Table 6.13. A total of 763 complaints were received by the Commission for the year 2007 as a whole with 601 complaints received in 2008. This is a very low level of complaints especially in view of the estimated 94 million³⁴ cab trips made annually by Irish residents. The most significant number of complaints received by the Commission relates to overcharging or other fare-related matters as well as the conduct of cab drivers.

6.7 Conclusions

- Service levels for consumers:**
- The general perception of consumers is that the overall level of cab service provided in Ireland, as well as vehicle quality, vehicle cleanliness and the helpfulness of drivers is good.
 - Nationally, 62.6 per cent of consumers agree that cabs do offer good value for money.
 - Just over 20 per cent of consumers feel that cabs do not offer good value for money. However, this increases to 38 per cent among consumers in the part of Leinster outside Dublin.
- Service for people with disabilities:**
- People with disabilities receive a significantly poorer level of service relative to other cab users.
 - Approximately 44 per cent of full-time wheelchair users have had some experience of dispatch operators reporting not being able to provide a service, compared to just 7.7 per cent of the general population. The most common reason given is that the dispatch operators do not have any accessible vehicles available at the time requested.
 - Overall, 71.8 per cent of people with disabilities feel that cab services are generally good and 83.8 per cent find drivers helpful and friendly.
 - However, 47 per cent of people with disabilities feel cab fares are not affordable.

Table 6.13
Complaints Received by the Commission, 2006–2008

	2006 (%) ³⁵	2007 (%)	2008 (%)
Conditions and cleanliness of vehicle	13	6	11
Conduct of vehicle operator	27	45	29
Matters relating to hiring of vehicle	25	14	17
Overcharging or fare matters	35	35	43
Total number of complaints	145	763	601

Source: Commission for Taxi Regulation

³⁴ This is an estimate based on Irish population levels, the proportion of adults using cabs and their estimated annual frequency of usage of cabs.
³⁵ Data for 2006 relates to the months of October, November and December.

Waiting times for consumers:

- Waiting times for cabs in Ireland have improved significantly over recent years with 51.5 per cent of consumers reporting having to wait less than 5 minutes for their most recent taken cab journey in 2008, an increase of 16.9 percentage points on 2005.
- Data for Dublin alone also shows sharp reductions in waiting times post-liberalisation of the market. In particular, whereas prior to liberalisation, 58 per cent of consumers had waiting times less than 10 minutes, this had risen to 86 per cent by 2008.
- There are also continuing improvements in the reliability of cabs in Dublin. In 1997, 5.9 per cent of respondents reported a wait of over 30 minutes and this proportion had decreased to 1.2 per cent in 2008.³⁶
- One in two cab users in Ireland is of the opinion that cabs are easily hired at busy periods. However, 29.7 per cent of adults feel that this is not the case.

³⁶ In 1997 and 2001, this question was asked only of people who had telephoned for a cab immediately. In 2005 it was asked of all people who had telephoned for a cab immediately, who had gone to a rank, or hailed a taxi on the street. In 2008 it was asked of all people who had telephoned for a cab immediately, who had gone to a rank, or hailed a taxi on the street or had to wait beyond the agreed time.

7

REGULATION OF THE SYSTEM

7.1 Introduction

The Commission for Taxi Regulation has introduced a number of significant reforms to the SPSV industry in recent years, which are discussed in this section. These take the form of the introduction of improved standards on the one hand and administrative reforms on the other. The Commission has adopted a planned strategic approach to reform in this area outlined in a series of publicly available action plans and based on widespread public consultation. This section commences with an overview of the reform targets that the Commission set itself. This is followed by an assessment of the progress made. Finally, an evaluation of the impact of the reform process on the cab market is set out.

7.2 Background

Since its establishment in 2004, the Commission for Taxi Regulation has engaged in extensive research into the SPSV industry. In 2005, Goodbody Economic Consultants was appointed by the Commission to carry out a national review of services provided by taxis, hackneys, and limousines. The key objectives of the study were to assess the extent and quality of services provided and to make recommendations that would inform the development of quality consumer-orientated licensing systems for SPSVs and their drivers. In the same year the Commission engaged the Dublin Institute of Technology (DIT) to undertake a national review of SPSV vehicle standards. The principal aim of this study was to investigate and analyse vehicle quality and safety regulations and to make recommendations that would inform the future development of quality regulations. As part of both the Goodbody and DIT reviews, extensive consultations were carried out including public meetings throughout the country, face-to-face meetings with a range of stakeholders, and consultation with the Advisory Council to the Commission. Written submissions were also received and analysed.

On the basis of the research and consultation outlined above, as well as three consultation papers issued by the Commission,³⁷ the Commission developed its first action plan in 2006 entitled *Driving Forward*, in which it set out the reforms the Commission proposed to make to the industry over the 2006–2007 period. This Plan was superseded in 2007 by *Always Driving Forward*, the Commission's action plan covering the period 2008–2009.

³⁷ One consultation document was issued as part of the National Review process. In response to the National Review, a second consultation document was issued by the Commission, setting out areas where the Commission believed change was necessary in the industry. The third consultation document was issued in October 2005 in relation to taximeter areas and taxi fares. The Taxi Regulation Act 2003 imposes a statutory obligation on the Commission to consult specified stakeholders before introducing certain changes.

7.3 Agenda for Industry Reform

The reforms envisaged by the Commission, as set out in its action plans, are summarised below under the headings:

- Driver quality
- Vehicle quality
- Service quality
- Licensing and Administrative systems

Progress to date against each of these areas is outlined below in Section 7.4.

7.3.1 Driver Quality

Skills Development Programme

When the Commission was established in September 2004 there was no consistent or comprehensive training programme for SPSV drivers in Ireland. Rather, as part of the application process for a SPSV driver licence, applicants underwent a test commonly referred to as a local area knowledge test. The test generally included a local area knowledge section and a section on the rules and regulations associated with the SPSV industry. However it varied significantly across the country in its content and complexity.

As part of *Driving Forward* the Commission committed itself to the development of a mandatory Skills Development Programme for all existing and new SPSV drivers, as well as for dispatch operators. According to the Commission's action plan, on successful completion of the programme participants would be awarded a Commission Skills Development Certificate for the SPSV industry. The Skills Development Programme would replace the existing Garda test and would represent the first uniform approach to the training of SPSV operators in Ireland.

7.3.2 Vehicle Quality

National Vehicle Standards

As part of its action plan the Commission set out a number of areas where improvements were to be implemented in relation to the quality of the SPSV fleet. In particular, the Commission stated it would be putting in place new vehicle standards covering a number of areas including vehicle condition, basic vehicle specification, as well as comfort and safety.

7.3.3 Service Quality

As part of its action plan the Commission made a number of commitments related to the quality of service provided in the SPSV industry.

National Complaints System

The Commission stated it would be putting in place a new national complaints system, so as to have one single repository of complaints to assist with the monitoring of compliance with SPSV regulations. Under the system that existed at the time, complaints were administered through regional PSV offices by the Gardaí and consequently, depending on the SPSV region, the collating of information on, and follow-up to, complaints differed across the country. There was no central record of complaints and no overview available of the number of complaints being made annually.

Enforcement

To ensure maximum compliance with all SPSV Regulations, the Commission stated it would be developing a system of fixed-charge penalties. The Commission also committed itself to appointing authorised officers for the purpose of enforcement, whose job it would be both to work with the Gardaí and other enforcement agencies and to work independently to ensure compliance with regulations within the industry.

In-vehicle Information

As part of its action plan the Commission committed itself to developing a customer charter setting out customer rights and responsibilities as well as other customer information to be displayed in all SPSVs.

Additional Industry Information

As part of its Action Plan the Commission also committed itself to providing passengers and drivers with easy access to a range of information regarding the industry on its website: www.taxiregulator.ie. Consumers would be provided with lo-call, text, email and fax options which would provide easy access to a range of information on customers' rights and responsibilities, fares and systems of redress. The Commission also committed itself to providing consumer and industry information guides.

Accessible Services

Regarding the quality of services available to wheelchair users, the Commission stated that all actions across its action plans would be examined to measure their impact on the contribution to improved accessibility.

Operational Standards for Dispatch Operators

The Commission also stated that operational standards for dispatch operators would be put in place which among other things, would require dispatch operators to put in place a complaints process for their customers, a booking system, as well as training for staff. As part of the standards, it would also be a requirement for all dispatch operators to ensure that they were registered with the Commission. Dispatch operators would also be responsible for ensuring all affiliated drivers and vehicles were properly licensed and compliant with SPSV Regulations.

Quality Assurance Scheme and a Quality Mark

Finally, the Commission committed itself to the development and implementation of a quality assurance scheme and a quality mark, so as to encourage, recognise and reward the provision of quality service within the industry in the areas of vehicle standards, driver standards and booking services provided.

7.3.4 Administration and Licensing Systems

Prior to the establishment of the Commission in 2004, the vehicle and driver-licensing processes in operation in the country were fragmented. In addition, there were no central sources of information regarding the numbers of licensed SPSV vehicles and drivers.

National Registers of SPSV Vehicles and Drivers

One of the commitments made by the Commission in *Driving Forward* included the development and maintenance of a national register of vehicle licences as well as a national register of SPSV driver licences.

National Vehicle Licensing System

The Commission also committed itself to the development of a new national vehicle licensing system that would be implemented in the SPSV industry. As part of the new system, vehicle licensing would be carried out on behalf of the Commission (the single licensing authority

in the country) by the National Car Testing Service Ltd (NCTS), thereby replacing the process under which over 80 local authorities were the licensing authorities.

The new system would represent a more efficient and consistent approach to the licensing of SPSVs owing to the fact that the number of organisations involved in the licensing process would be reduced. The licensing process would be available at all NCT centres throughout the country, at the time of the NCT test or another time of the applicant's choosing. The Commission also set out details of a new national vehicle licensing numbering system under which each vehicle licence holder would be issued with a new national five-digit licence number unique to the vehicle and licence holder and which would be able to uniquely identify the licence holder in the National Register of Licences.

National Driver Licensing System

The Commission also committed itself to the development of a more streamlined SPSV driver licence application process. The Commission would take responsibility for the administration of the application process and the issue of driver licences, while the Gardaí would continue to manage character vetting.

Driver and Vehicle Identification

As well as taking over responsibility for the administration of driver licence applications, the Commission committed itself to replacing the driver licence certificate and badge with a smart card which would have enhanced security features to allow it to be scanned for enforcement and would be a form of ID for customers. In addition to the smart card, the Commission committed itself to providing each SPSV licence holder with an identification card to include a photograph of the driver, the driver licence number and expiry date of the licence for display on the dashboard of the vehicle. All licensed vehicles would also be issued with a tamper-proof disc which would have to be affixed to all vehicles, containing details of the vehicle's registration, the SPSV licence number, the expiry date and the number of passengers the vehicle is licensed to carry.

7.4 Progress in Implementing Change

7.4.1 Driver Quality

Skills Development Programme

The Commission is currently finalising the development of a Skills Development Programme, the successful completion of which will be a prerequisite for new applications for SPSV driver licences from May 2009 and renewals of driver licences from 1st January 2012. The learning materials are currently being finalised and are expected to be released at the end March 2009. The Commission anticipates the first tests will begin in May 2009. Once the Skills Development Programme is operational, the Gardai will cease administration of the local area knowledge tests.

The new Skills Development Programme test will take the form of a multiple choice exam in electronic format with a touch-screen facility, of approximately one hour and forty five minutes in length³⁸. It will incorporate both a general test relating to the SPSV industry, as well as a relevant local area knowledge test for a county. Questions will be chosen randomly from a bank of questions.

The Skills Development Test, once implemented, will represent the first consistent approach to the training of SPSV operators in Ireland.

7.4.2 Vehicle Quality

National Vehicle Standards

The Commission has developed a detailed set of standards that all vehicles operating in the SPSV industry must comply with, which are set out in the document '*National Vehicle Standards*', published by the Commission in November 2007. The Commission's standards supersede the standards previously set by the Department of Transport. They apply to all standard taxi and hackney vehicle licences from 1st January 2009, and, following a period of transition, to all new and renewed SPSV vehicle licences from 1st January 2012. They include minimum standards for capacity, accessibility, comfort, and safety. The Commission has produced a model report for most of the vehicles available on the Irish market. The model report indicates compliance (or non-compliance) with the basic vehicle parameters set out in *National Vehicle Standards*, such as seating accommodation and luggage capacity.

The principal new requirements for a standard taxi or hackney are that the vehicle must:

- Be less than 9 years old
- Have a luggage capacity of at least 420 litres
- Have a rear shoulder width of at least 1,360mm

When fully operational, the vehicle standards will ensure that only compliant vehicles will be licensed and hence operational within the industry, thereby guaranteeing a minimum level of vehicle quality within the industry. The Commission has indicated that it intends to review vehicle standards on an ongoing basis.

7.4.3 Service Quality

Since its establishment, the Commission has implemented a number of reforms to improve the quality of service provided in the industry.

National Information Line and Complaints System

One of those reforms relates to the putting in place of a national consumer information line providing information on the hiring of SPSVs and advising callers on making a complaint. The Commission has also put in place a national central electronic complaints system,³⁹ which deals with all complaints made in relation to the SPSV industry in a consistent manner. All complaints are tracked electronically which facilitates the speedy identification of drivers against whom repeated complaints have been made. The Commission monitors trends in complaint types and outcomes on an area basis. The types of complaints the Commission is responsible for include:⁴⁰

- Complaints in relation to the condition and cleanliness of vehicles
- Complaints in relation to the conduct and behaviour of operators/drivers
- Overcharging or other matters relating to fares
- Matters relating to the hiring of a cab

³⁸ Although some participants may prefer to attend an instructor-led course, there is no requirement for current or potential SPSV drivers to attend a training course. The training material is designed to enable drivers to learn at home at their own pace.

³⁹ Prior to this the only official means of making a formal complaint in relation to cab services was through the PSV Inspectorate of the Gardai. In Dublin, the PSV Inspectorate resided in the Carriage Office; elsewhere the function was carried out by individual officers. There were up to 30 inspectors in the Gardai.

⁴⁰ By virtue of Section 51 of the Taxi Regulation Act 2003.

Complaints are investigated by the Commission's enforcement team and can result in:

- Advice being issued
- A formal warning
- A prosecution
- A fixed-charged penalty
- No further action

Some complaints are referred to the Gardaí or other relevant agencies if the nature of the complaint is not within the remit of the Commission for Taxi Regulation.

Enforcement

Since February 2007, the Commission has also put in place a team of nine enforcement officers whose role is to enforce SPSV Regulations throughout the country. The team is involved in investigating complaints, checking compliance through nationwide operations, issuing on-the-spot penalties for fixed-charge offences, issuing formal warnings and pursuing prosecutions in the District Court against persons not complying with SPSV Regulations. The enforcement team is in regular contact with An Garda Síochána to seek assistance in investigations and complaints, where appropriate. Local joint operations with the Gardaí average two per month. Prior to each enforcement operation, the responsible enforcement officer submits a plan for the Head of Enforcement providing details of the location, date and objective of the operation. The enforcement team also assists SPSV drivers with the provision of information regarding compliance.

In-Vehicle Information

The Commission has developed a customer charter of rights and responsibilities of both the driver and passenger which must be displayed in all SPSVs operating in the industry. In addition, taxis are required to display the national maximum taxi fare. Charters are supplied free of charge to all SPSV licence holders.

Additional Industry Information

Information on all aspects of the SPSV industry is available on the Commission's website, www.taxiregulator.ie.

In December 2007 the Commission published a national consumer information guide providing information on the differences between hiring a taxi, wheelchair accessible taxi, hackney and limousine; consumer rights and responsibilities; as well as information on making a complaint and locating lost property. The Commission is currently finalising the Skills Development Programme manual which is near completion at the time of writing. The manual will provide a comprehensive outline of the SPSV industry in Ireland, the role of each sector within the industry and equip operators with the range of skills necessary to operate an SPSV licence.

Accessible Services

The Commission has also issued a new vehicle specification for wheelchair accessible vehicles as part of its *National Vehicle Standards* document. These new specifications include engineering-test-led requirements in anticipation of forthcoming vehicle legislation across the EU, which for the first time will create an approval category for wheelchair accessible vehicles. Such improvements, likely to be required of vehicle coachbuilders will undoubtedly add to the already relatively high costs of accessible vehicles.

The Commission has always recognised this and has made submissions to the Department of Transport seeking financial assistance towards the costs associated with purchasing, and providing a service, utilising wheelchair accessible vehicles. In the absence of any such assistance package the existing fleet is likely to suffer from a lack of replacement or upgrade investment and by 2012 could be significantly depleted.

The Commission has, in 2008, put in place a system whereby all service providers licensed to provide wheelchair accessible services are required to register their contact details and hours of operation with the Commission. They are required to give priority to the people with disabilities in providing SPSV services. There is still a significant proportion of unmet demand reported to the Commission on a regular basis due to a limited supply of wheelchair accessible taxi services.

Registration and Licensing of Dispatch Operators

The Commission has commenced the development of a national register of dispatch operators in 2008. As of January 2009, 429 dispatch operators have returned registration forms and are listed as active on the Commission's dispatch operator register. The licensing of dispatch operators will commence in 2009. Once licensing is complete the Commission will have a full breakdown of dispatch operators by size and area in the country.

In order to be licensed as a dispatch operator with the Commission the dispatch operator will have to among other things ensure that at least one nominated person from the dispatch operator business holds the Commission Skills Development Certificate. This person will then train other base operators in customer care, customer complaints, fare structure and assisting persons with disabilities.

Once licensed, the dispatch operators will have to comply with the following requirements as laid out by the Commission:

- Maintain up-to-date records of bookings and drivers affiliated to the dispatch operator. The dispatch operators will be responsible for ensuring that vehicles used as part of their operation are licensed and insured. They will also be required to keep records of all of their drivers' contact details and licence and insurance information. They will be required to make these records available to the Commission on request.
- Keep the last six months of booking and complaints records for inspection by the Commission.
- Maintain up-to-date driver and vehicle records for the previous six months.
- Develop a staff training plan and maintain staff training records for base operators.

The Commission's enforcement team will conduct on-site spot checks of licensed dispatch operators. Repeated serious complaints against dispatch operators will potentially lead to suspension or revocation of a dispatch operator's licence. Once the initial licensing period has been completed, the Commission will prosecute any unlicensed dispatch operators found to be providing dispatch operator services.

Quality Assurance Scheme and Quality Mark

Finally, the Commission will in 2009 be implementing a quality assurance scheme and quality mark on a pilot basis through dispatch operators⁴¹. When fully implemented, excellent services by both dispatch operators and service providers will be eligible for the quality mark which will be awarded for vehicle quality, driver standards or quality of booking service provided. When introduced, the quality mark is to be accompanied by a strong marketing and awareness campaign as well as innovative features, such as, Dispatch Operator of the Year, Driver of the Year and Most Accessible Service.

7.4.4 Licensing and Administration Systems

Since 2004, the Commission has put in place a series of reforms to streamline and improve the licensing and administration processes associated with the SPSV industry.

National Register of Vehicle Licences

In September 2006, the Commission commenced the development of a national register, in electronic database form, of all SPSVs licensed in the country. The register permits the Commission to provide up-to-date statistics on the number of active licences in any given region at any time. An online version of the national register is well advanced and will provide instant public access to the status of all SPSV vehicle licences. The public form of the register will not contain contact details of licensed operators for the protection of the driver.

National SPSV Vehicle Licensing System

In 2006, the Commission became the sole SPSV vehicle licensing authority for the country, replacing the various local authorities who were previously responsible for the role. Since September 2006, the Commission has operated a national licensing system for SPSV vehicles. The system is administered on the Commission's behalf by the NCTS using the NCT test centre network (43 centres throughout the country).

⁴¹ Subsequent to their licensing.

The vehicle licensing system is more streamlined than previously, owing to the fact that the NCTS also provides (at the time of writing):

- The general roadworthiness test (which is required by all road vehicles, including SPSVs)
- A suitability inspection that ensures that vehicles are suitable for use as SPSVs
- Taximeter verification from a selected number of NCTS centres

The first two of these tests are operated under contract from the Road Safety Authority. The third is operated under contract from NSAI/Legal Metrology. A suitability inspection is currently a requirement of any first application to have a vehicle licensed as an SPSV, including situations where an existing SPSV vehicle licence is being transferred to a vehicle which is being licensed as an SPSV for the first time. From 1st January 2010, a suitability inspection, to be known as the licence renewal assessment, will be required every year, as part of the vehicle licensing renewal process.

All SPSV licences must be renewed annually. Licences are renewed on production of a valid NCT road worthiness certificate; a valid SPSV insurance certificate; a valid tax clearance certificate; and the appropriate licence renewal fee. Each current vehicle licence holder receives a reminder from the Commission 12 weeks in advance of the renewal date of the licence. A further reminder is issued six weeks in advance, if the licence has not been renewed in the intervening period.

As part of the national vehicle licensing system, the Commission has introduced a new five-digit national vehicle licensing numbering system in 2006, replacing the old numbering system under which there was replication of numbers across local authorities and therefore no unique identifier.

National Register of Driver Licences

During 2007, in close co-operation with the Gardaí, the Commission developed a national SPSV driver licence register. At the end of 2008 there were 46,845 active SPSV driver licences on this register.

National SPSV Driver Licensing System

The Commission will in the future take over the processing of applications for SPSV driver licences from An Garda Síochána. The Commission and the Gardaí have agreed in principle that their responsibilities will transfer, but the Commission has not yet received sanction for additional staff to assume the responsibility currently undertaken by approximately 25 Garda personnel nationally. Transitional stages from the current position are in place that will aid the migration to the total takeover of the driver licensing process by the Commission. The full takeover is dependent on a sanction for extra staff for the Commission.

The system in operation by An Garda Síochána varies slightly from region to region, however it can be broadly outlined as follows. The licence fee, which amounts to a total of €15, is payable to the Motor Tax Office. As part of the process, an application form is completed by the applicant, and in most cases, the applicant submits their application to their local Garda station and the applicant is then vetted. The application is forwarded to the regional PSV office. Some regions accept applications on a monthly basis and others on a quarterly basis. If an application is in order and the candidate passes vetting, they are invited to undergo a test commonly referred to as a local area knowledge test. The test generally includes a local area knowledge section and a section on the rules and regulations associated with the SPSV industry. There is variation across the country in relation to the content and complexity of this test. After successful completion of the test, applicants are issued with a SPSV driver certificate and badge.

When the Commission takes over the driver licensing process, it will be streamlined. There will be one centralised, consistent application and appeals process across the country. All applications will be made to the Commission. Under the new system, the Commission will forward vetting forms to one single location, namely the Garda Vetting Office in Thurles. In addition, the current local area knowledge test will be replaced by a Skills Development Certificate which will be mandatory nationwide.

New Driver and Vehicle Identification System

A new driver identification system was introduced in 2007 by the Commission which, for the first time, created a consistent national SPSV driver ID card. The card, which is required to be displayed on the dashboard of all SPSV vehicles, provides passengers inside the vehicles with a picture of the driver, their licence number and the corresponding licence expiry date. Facing towards the windscreen is information on where the driver is licensed to ply or stand for hire as a taxi. The Commission has also provided SPSV drivers with smart cards which they must carry with them when operating as SPSV drivers. This card can be requested by enforcement officers and checked with hand-held devices and is a form of ID for customers.

In addition to the driver ID, the Commission also introduced for the first time a requirement to display a disc on the front and rear windows of the licensed SPSVs. On successful completion of the licence application or renewal process, NCT staff members affix tamper-proof licence discs with:

- Details of the vehicle registration
- The SPSV licence number
- The expiry date of the SPSV licence
- The number of passengers for which the vehicle is licensed to carry

Roll-out of new colour coded discs will be completed in April 2009. The discs are required to remain in place in the SPSV for the duration of the SPSV licence. The discs are visible to passengers and enforcement agencies from inside and outside the front and back of the vehicle. They contain a hologram and advanced security features making transfer, replication or forgery very difficult.

7.5 Cost and Benefits of Regulatory Changes

From the perspective of SPSV drivers, the reforms introduced by the Commission and the improvements in standards will increase the professionalism of the industry owing to a national consistent approach to training that

is shortly to be implemented. The phasing out of older vehicles will also improve the image of the industry, which is important from the viewpoint of promoting the cab market. In the future, the introduction of the quality mark will increase the capacity of dedicated SPSV drivers to attract more business. It is notable that these initiatives will be achieved at little cost to the cab industry.

In November 2007, Fitzpatrick Associates Economic Consultants prepared a Regulatory Impact Analysis⁴² (RIA) of the Commission's proposed⁴³ vehicle standards for SPSVs.⁴⁴ The proposed standards published by the Commission in a consultation paper⁴⁵ included:

- New standards for all SPSVs, including standards on vehicle condition, communication aids, cabin temperature, safety equipment, interior lighting, spare wheels and in-vehicle information.
- Specific new standards for taxis and hackneys, including standards on general vehicle requirements, luggage capacity, interior size and seats, vehicle age, transparent windows, audible taximeters, use of roof signs, use of meters and use of advertising.

The most significant aspect of the proposed new standards for taxis and hackneys related to vehicle age, whereby all vehicles would be no more than nine years old, from the date of first registration.⁴⁶

As part of the RIA, Fitzpatrick estimated the costs that were likely to be associated with the Commission's proposed vehicle standards. The cost estimates it prepared were based on a number of assumptions including the extent to which the SPSV fleet already complied with the proposed standards; the current and future age profile of the taxi and hackney fleet; the likely future growth levels in the fleet; typical vehicle types purchased; depreciation levels; and the initial and ongoing costs associated with meeting the required standards. Assuming the age limit of nine years was introduced for new entrants to the market in 2008 and existing licence holders in 2012, Fitzpatrick estimated that the cost of introducing the new standards would be just under €4.4 million annually, which is minimal given the size of the fleet.

⁴² *Regulatory Impact Analysis: Vehicle Standards' Final Report*, Fitzpatrick Associates Economic Consultants, November 2007.

⁴³ The actual vehicle standards outlined by the Commission in November 2007 differ only marginally to those used by Fitzpatrick's as part of the RIA.

⁴⁴ The proposed standards for wheelchair accessible vehicles and limousines were excluded from the RIA because the issue of a subsidy regarding wheelchair accessible vehicles had not been finalised, and also the Commission was considering further changes to the vehicle standards for limousines.

⁴⁵ *'Vehicle Standards'* Consultation Paper No. 4, Commission for Taxi Regulation, December 2006.

⁴⁶ A series of other options were also considered, including the colour coding of vehicles. However, as part of the *National Review of Taxi, Hackney and Limousine Services* in 2005 it was determined that the recognition of cabs was not a particular problem among the domestic cab using population. Just 2 per cent of cab users stated they found cabs non-distinguishable. As such the problem was considered not of a scale to warrant standardising the colour of vehicles.

Cab operators have also benefited from the administrative reforms that have been put in place. The streamlined vehicle licensing system has reduced the complexity of the system for operators and has led to reduced down-time as licensing can now be accomplished in a shorter period.

Section 6 of this report indicated that consumers have generally positive views of the quality of cab services. From the perspective of these consumers, the improvements in standards introduced by the Commission have resulted in better educated and more aware consumers and better and more consistent systems of redress. In future, consumers stand to benefit from:

- a more professional service
- a more consistent vehicle quality
- safer vehicles
- More environmentally-friendly cabs

7.6 Future Needs and Actions

In Section 8 of this report, it is recognised that the provision of quality services constituted a form of market failure in so far as it is not easy for persons using cabs to make informed decisions regarding their quality before using them. This is because consumers cannot exercise effective choice based on the quality of the service offered. Section 8 of this review also establishes that in other jurisdictions where entry to the market was liberalised, there was a heavy emphasis, either at the time of liberalisation or thereafter, on ensuring that standards were maintained and enhanced. The active and substantial programme of reform that the Commission has embarked on is therefore to be welcomed and will help to ensure the success of the current regulatory approach.

In implementing its strategy to improve standards, the Commission has two main options. The first is to establish stringent and mandatory standards. Such an approach would be likely to impose substantial costs on the trade. To date the Commission, guided by regulatory impact assessments it has commissioned as well as formal industry representations, has not taken this approach. The second approach is to adopt a lighter touch in terms of mandatory requirements and to seek to incentivise the industry to adopt higher standards.

The costs imposed from the lighter regulations implemented by the Commission have not been substantial.

In this regard, it is noted that although consumers are broadly happy with the overall quality of the current service, the market failure in respect of service quality arises because drivers cannot signal in advance that they are providing a quality service and consumers cannot therefore exercise choice. If quality could be signalled then drivers could derive a commercial gain from their investments in providing a quality service. In this regard, the quality mark would appear to be a valuable device for signalling quality and obtaining a commercial return. When the quality mark is in place, as well as signalling to potential customers, it will open up opportunities to provide a number of other rewards for quality. Examples that could perhaps be considered include preference for quality mark services or when the public sector is procuring cab services. This would also allow those operators who invest more in their vehicles and services to gain a competitive advantage and differentiate themselves in a challenging marketplace.

7.7 Conclusions

Reform in the Industry

- The Commission has embarked on an ambitious programme aimed at enhancing cab industry standards and reforming the administration of the system, and is making substantial progress in implementing this programme.
- The emphasis on highlighting quality and differentiating those operators who meet a higher set of standards addresses the fact that the market does not automatically reward the industry for improvements in quality, ie. consumers generally cannot distinguish in advance between the comparative quality of competing services.
- In pursuing further improvements the Commission should continue to adopt a light approach in terms of mandatory requirements and to seek to incentivise the industry to adopt higher standards.

Effects of Industry Reform

- The streamlining of administration of the system has been of benefit to operators.
 - Consumers have already benefited from a more coherent system of redress and will in future benefit from the higher standards that the industry will adopt.
 - Future planned reforms will continue to benefit the industry and will be implemented at relatively low cost to cab operators.
 - The quality mark would appear to be a valuable device for signalling quality.
 - When the quality mark is in place, as well as signalling to potential customers, it will open up opportunities to provide a number of other rewards for quality.
 - Initiatives that could perhaps be considered include preference for quality mark services when the public sector is procuring cab services.
-

8

ECONOMIC RATIONALE FOR REGULATION OF THE CAB MARKET

8.1 Introduction

It is generally recognised that if there is free entry to the cab market, it will tend to deliver substantial benefits to the consumer and potential entrants to the cab trade. However, there has been and continues to be a debate internationally on the appropriate degree of regulation in the taxi industry. It is commonly accepted that some form of regulation of the taxi component of the industry is required, although views on the extent and nature of that regulation vary. Most jurisdictions tend to regulate the industry to a certain degree, so that the market in any one jurisdiction cannot be precisely defined as wholly regulated or non-regulated.⁴⁷

Regulation of the industry normally relates to three aspects: market entry, fares, and driver and vehicle quality standards. Each of these aspects can be regulated to different degrees. At one extreme, a heavily regulated market will encompass restrictive entry, fare and quality standards, while a lightly regulated market will have unrestricted entry, free fare setting and minimal quality standards. Different jurisdictions across the world adopt different positions on this regulatory continuum. Regulation of the industry can also be extended to the hackney (private hire) market. However, in general, this is normally a more lightly regulated market, with both unrestricted entry and unregulated fare setting being the norm, although relatively stringent vehicle and driver quality standards are normally applied to this segment of the market.

8.2 Economic Theory and Market Regulation

Economic theory suggests that if certain conditions are fulfilled, then free or unregulated markets for goods and services rather than heavily regulated markets will be most likely to increase economic welfare. Free markets are said to be perfectly competitive, if the following conditions obtain:

- Both service providers and consumers are numerous
- Service providers produce a homogeneous product
- Both service providers and consumers have perfect information about the market place
- Entry into and exit from the market is free for both service providers and consumers

The benefits of a perfectly competitive market in the case of services are lower prices, and a wider choice for consumers. In this way, consumer welfare is maximised under perfect competition. An additional benefit of competition is that it has the dynamic effect of stimulating innovation as competitors strive to produce new and better products for consumers. From the point of view of the

⁴⁷ In describing markets, it might be more accurate to refer to degree of market liberalisation. However, in this Section we refer to regulation and non-regulation, as this is the way in which discussion of this topic has been characterised.

service provider, a competitive market in which there is free entry benefits those providers who would otherwise be unable to enter the market. They benefit from the fact that they have the opportunity to engage in economic activity which increases their welfare over and above alternative activities.

A cab market is characterised by large numbers of both consumers and suppliers and a relatively homogeneous product. This means, other things being equal, that the cab market could be expected to be perfectly competitive and that no intervention by regulatory authorities in the market should be needed. In practice, however, there are a number of reasons why cab markets fail to be perfectly competitive. These potential market failures relate to imperfect and asymmetric information on the one hand and external costs or benefits on the other.

Information problems arise where consumers have either insufficient information to make an informed choice, or they have an information deficit relative to suppliers of cab services. Similarly, suppliers may have insufficient information regarding earnings within the industry.

External costs arise where the supply of cab services gives rise to costs to society as a whole (typically congestion, environmental costs, and road safety impacts) for which suppliers are not charged.

External benefits arise from network externalities. In the cab market, this occurs in the telephone dispatch market in particular. The larger the dispatch operator, the greater the level of service to consumers, as the probability that there are available cabs close to the requested pick-up location rises. The linking of an additional cab operator to a dispatch operator increases the value of dispatch affiliation to all operators, as consumers choose that company more frequently because of its greater size. Without intervention to support affiliation to dispatch companies, such companies will fail to achieve optimum size. The benefits of incentivising affiliation to dispatch companies are particularly significant where entry to the market is restricted. This is because any measure that increases cab utilisation rates in such circumstances is highly prized. Some jurisdictions in Canada and the USA, where entry is restricted, have made affiliation to a dispatch operator mandatory.

Market failure due to imperfect information arises in an unregulated cab trade in a number of situations:

- Consumers suffer from a lack of price information in the on-street market. For example, in the absence of fare control, they would often not be aware whether the fare quoted is fair and reasonable.
- Consumers face considerable transaction costs in exercising choice. For example, the stopping of taxis on the street in order to seek an economical fare would be time consuming, and consumers with urgent travel needs could not afford to undertake this practice.
- If, nevertheless, consumers were to engage in this practice, it would give rise to increased congestion for other road users, as stopping taxis would hinder the flow of traffic.
- Tourists would be at a particular disadvantage as they have little knowledge of the local environs and would not be in a position to assess whether the proposed fare is reasonable.
- Cab users cannot easily ascertain in advance the quality, safety and security of cab services on offer.

These potential market failure problems mainly refer to information on fares and in relation to the hiring of taxis on the street. This suggests, in turn, that there is a strong economic case for fare regulation of the taxi (street) market. In contrast, the argument for fare regulation of the hackney market is much weaker. Hackneys are normally hired by telephone, and consumers have an opportunity to shop around to compare prices.

The second observation is that as the quality, safety and security information gap applies to all cabs, regulation of these attributes of cab services as a whole is warranted. However, such regulation should directly address these elements and there is no reason to believe that controlling the numbers of entrants would redress these potential market failures.

8.3 Entry Regulation

8.3.1 Introduction

The case for control on numbers of entrants must rest on evidence that two potential market failures outweigh the benefits of competition. The first failure refers to any external costs or societal loss arising from large-scale entry to the market. The second derives from a lack of market information on the part of suppliers. This is where potential entrants to the cab market have either imperfect information about the earnings potential in the cab market, or choose to discount such information even when they do have it.

8.3.2 External Costs

The argument in relation to potential external costs is that, if cab numbers grow rapidly, they may contribute to road congestion as they go about their business.

In so far as they add to traffic volumes while picking up or carrying their passengers, they are performing an economic service that is arguably more valuable than other categories of road users (for example leisure car users) and constraints on the latter's road use would be more appropriate. Therefore, this externality is only an argument for controlling taxis that may add to congestion by standing at ranks or plying for hire. Even here, the argument has to be tempered by the benefits of such vehicles in alleviating congestion by encouraging commuters to leave their cars at home.

8.3.3 Early Exit or Excessive 'Churning'

Liberalised markets are usually characterised by significant entry and exit. This is not a problem provided it does not become excessive. The fact that incumbent cab drivers' average earnings are driven down by large-scale entry to the market is regarded as a normal effect of competition and is not an argument for control of cab numbers. Therefore, while there can be sympathy for incumbent drivers who have seen their incomes decline or who have to work longer hours, this is not an issue that should influence policy on control of numbers of entrants. Moreover, any such decline in incomes for incumbents must be set against the additional incomes earned by new entrants.

From the point of view of economic theory, excessive or negative churning could occur if new entrants made decisions to enter based on poor information as to market conditions and or poor decision-making.⁴⁸ For those who enter the market in this way, the risk of an early exit is considerable. Where entrants to the market stay for a short period only, the market is said to exhibit excessive churning.

However, even if entry and exit rates for cabs were higher than norms for other industries, it does not follow that churning is contributing to losses in economic welfare that warrant entry restriction. New entrants to any market bring benefits to consumers in the form of additional competition in the market place, a wider range of products, and technical innovations that can spill over to other market participants. In the context of the cab market, new entrants could lead to higher levels of service especially at unsocial hours, fare reductions, enhanced service provision to people with disabilities, or innovative services through market segmentation. If irrational entry is taking place (in that entrants are overestimating their potential earnings), these benefits must be set against the negative consequences of entry, which are the losses to irrational entrants and the squeezing out of the market of other rational potential entrants. A recent survey of the issue of churning has concluded that entry restrictions in response to churning run the risk of diminishing economic welfare, particularly because a general restriction on entry bars rational as well as irrational entrants.⁴⁹ It is further argued that other measures aimed at addressing irrational entry behaviour directly, such as education and training, are more appropriate.

Once again, it should be emphasised that the existence of churning – or the possibility that it would arise – is not an argument for entry restriction as an ongoing policy. This is because if entry were permanently restricted, the financial returns in the industry would be such that churning would not arise. Consideration would also have to be given to the use of qualitative controls on entry or other measures that could constitute a more effective response.

⁴⁸ That is, potential entrants exhibit 'bounded rationality'.

⁴⁹ A. Tor. The Fable of Entry: Bounded Rationality, Market Discipline, and Legal Policy. *Michigan Law Review*. Volume 101, 2002.

8.3.4 Difficulties in Identifying Optimal Entry Restriction

Even in the event that entry restriction was deemed to be economically justified, there remains the problem of establishing and enforcing the optimal degree of restriction. For example, if the scale of external costs were to justify a restriction, a decision on the extent of that restriction would require knowledge of both the relationship between cab numbers and external costs on the one hand and cab numbers and the benefits of competitive pressures on the other. Other jurisdictions have found it difficult to determine the appropriate number of taxis so as to match supply to demand. Entry restrictions are also deemed anti-competitive under current legislation. The Competition Authority in Ireland has emphasised this position in recent policy discussions on the matter.⁵⁰

8.4 Implications of Economic Theory for Market Regulation

The above analysis provides a set of strong conclusions with regard to market regulation:

- Regulation of quality, safety and security aspects of market supply is warranted in respect of both taxis and hackneys.
- Fare regulation in the taxi market but not in the hackney market is strongly supported.
- Permanent entry regulation in either the taxi or hackney markets is not warranted.
- There may be arguments for moratoria on entry to the taxi market if external costs such as congestion or churning are excessive, but the case for such a course of action requires careful evaluation. Protection of cab driver's earnings is not an argument for such a policy.
- There are practical difficulties in identifying and implementing optimal entry restrictions.

It is noteworthy that recent analyses carried out for the OECD and the World Bank broadly support these conclusions.

The OECD conclusion was:

"Restrictions on entry to the taxi industry constitute an unjustified restriction on competition."⁵¹

With regard to the World Bank analysis, it concluded that:

"In the cruising market, neither total regulation (fare and entry) nor total deregulation is likely to be as effective as partial regulation involving fare control accompanied by quality-controlled free entry."⁵²

The current regulatory framework in Ireland is in keeping with the conclusions derived from economic theory in that:

- Strong regulation of quality, safety and security standards is being put in place for all cab vehicles and their drivers.
- The hackney market is only controlled in relation to quality standards and is neither entry nor fare controlled.
- The taxi market is fare controlled, but has unrestricted entry.

8.5 The Irish Regulatory Framework in a Comparative Context

8.5.1 Overview

A review of taxi regulation in other jurisdictions reveals that the regulatory approach adopted in Ireland is replicated in a number of other jurisdictions. Three countries – Austria, Netherlands and Japan – have broadly the same regulatory structure as Ireland, as well as approximately half of the local authorities in the UK. Sweden and New Zealand operate a more liberal structure in which fares are also deregulated. Switzerland employs a number of models, with some cantons (local regions) operating deregulated entry and fares. Norway is unique in that it has entry restrictions but free fare setting.

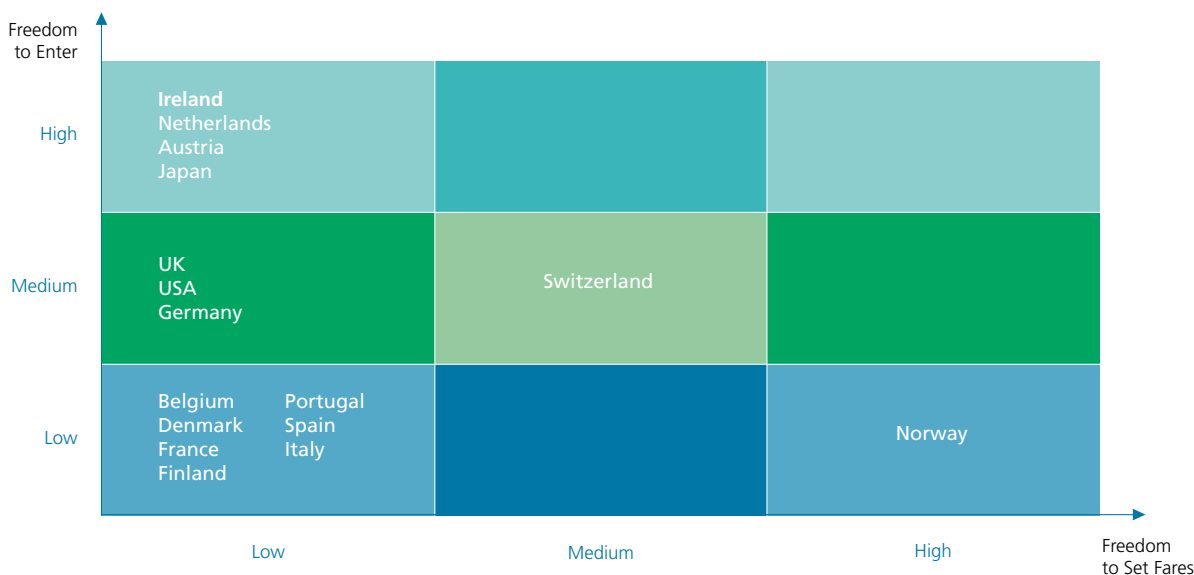
Many countries continue to control both entry and fares. These include Belgium, Denmark, France, Finland, Portugal, Spain and Italy. Most jurisdictions in Germany and the USA operate a similar system, although the full range of regulatory approaches exists in the latter country. Figure 8.1 on the next page provides an overview of taxi regulatory structures abroad.

⁵⁰ For example, its presentation to the Joint Oireachtas Committee on Transport, 21st May 2008.

⁵¹ OECD. Taxi Services: Competition and Regulation, 2007.

⁵² KM Gwilliam. Regulation of Taxi Markets in Developing Countries: Issues and Options. Transport Note No. TRN-3. The World Bank, 2005.

Figure 8.1
Overview of Taxi Regulating Structures Abroad



8.5.2 Experience of Countries with No Entry Restriction

Two types of experience are of particular use in informing this review:

- The experience of countries which, like Ireland, have recently deregulated.
- Countries where control of entry varies across different local jurisdictions.⁵³

With regard to the first group of countries, the OECD notes that the impact depends on the deregulation position. Where entry was controlled but supply was maintained close to free entry equilibrium, then significant new entry does not occur. For example, in the Netherlands the numbers of taxis increased by 25 per cent in the four years after deregulation in 2000, while in Japan a ten per cent increase took place in a five year period. The OECD suggests that the very large increase in taxi numbers in Ireland and New Zealand post-liberalisation indicates that there were severe restrictions on supply prior to deregulation. Other aspects associated with entry deregulation abroad include:

- A diversification in service supply occurs, with greater specialisation on the part of dispatch companies.
- The increase in supply is concentrated in the on-street market.
- There is usually an increased emphasis on ensuring that service quality does not decrease and compliance with the regulations is enforced.
- The introduction of heavier penalties for non-compliance, for example the revoking of drivers’ licences.

With regard to the UK the experience of local jurisdictions is noteworthy.⁵⁴ In the UK, local authority areas without control on numbers of entrants have on average 30 per cent more taxis per head of the population. These areas have consumer waiting times that are up to 10 per cent below those in entry-restricted areas. In entry-deregulated areas, there has been an immediate increase in street work at the expense of telephone-booked work. Overcrowding at ranks has been observed in deregulated areas, but this problem dissipates over time as drivers concentrate on other areas, such as residential areas. There is little evidence that the quality of service has decreased in areas that have deregulated.⁵⁵

⁵³ Unless otherwise indicated, the data and information in this sub-section is from the OECD report to which reference was made above.

⁵⁴ The USA also has a variety of experience with regard to entry regulation; however, there are apparently no information sources which review the comparative performance of cities with different regimes.

⁵⁵ Office of Fair Trading. *The Regulation of Licensed Taxi Services and PHVs in the UK*, 2003.

8.5.3 Experience of Countries with Entry Restriction

The OECD survey of countries that have restricted entry indicates that:

- Taxi numbers tend to remain relatively static and to decline on a *per capita* basis
- Licences or plates acquire a substantial value
- Excess demand becomes evident.

However, jurisdictions with entry restrictions tend to vary in the extent to which these impacts arise. This is the result primarily of fact that:

- Complete entry restriction is often not possible
- Different economic circumstances prevail
- The nature of the cab market, particularly the demand for street services differs
- The capacity of private hire to make good any supply shortfall varies.

The OECD notes that there is an increasing, although not universal, trend towards regulatory reform in countries that have traditionally restricted entry. The OECD favours this trend but recommends that it be accompanied by strong quality regulation measures to ensure high vehicle and driver standards.

An interesting point of comparison in light of the above is the case of New York City and Washington. Section 9.4.2 outlines the differing experience of these two states.

8.6 Conclusions

- The benefits of a competitive market in which there is free entry are lower prices, better products, and a wider choice for consumers. From the point of view of the producer, free entry benefits those producers who would otherwise be unable to enter the market;
- The regulatory structure for the cab industry in Ireland closely follows that suggested by economic principles in that there is free entry to the market, but maximum fare control in respect of taxis.
- Economic theory suggests that affiliation to dispatch companies yields substantial economic benefits.
- The emphasis by the Commission on enhancing vehicle and driver standards addresses a potential market failure that is particularly valuable in an entry-deregulated market and is being followed in other jurisdictions.
- Other countries that have adopted regulatory models close to that in Ireland have experienced greatly improved supply, while (in the main) retaining quality standards.
- The OECD favours the approach to regulation adopted in Ireland and emphasises the value of quality regulation combined with entry-deregulation.
- Departures from the current regulatory structures must be based on the view that there are potential market failures that can be addressed by regulatory change.
- The fact that incumbent cab drivers' earnings are driven down by large-scale entry to the market is regarded as a normal effect of competition and is not an economic argument for control of numbers.
- The potential market failures that might require correction are those relating to the external effects of large-scale market entry and the possibility of 'churning'.
- Even in the event that entry restriction was deemed to be economically justified, there remains the problem of establishing and enforcing the optimal degree of restriction. It is also deemed to be anti-competitive, which is in direct conflict with legislation in that area.

9

EVALUATION OF THE ISSUES

9.1 Introduction

This section of the report evaluates the issues that have arisen from the data collection and the consultations in so far as they impact on the economics of the cab market. It begins with a summary of the findings in relation to liberalisation of the market. The issues raised during the course of the study are then considered, concluding with a consideration of a moratorium.

9.2 Impact and Benefits of the Current Regulatory Structure**9.2.1 The Regulatory Structure**

The regulatory structure for the cab industry in Ireland closely follows that suggested by economic principles in that there is free entry to the market, but maximum fare control in respect of taxis. Other countries that have adopted regulatory models close to that in Ireland have experienced greatly improved supply, while (in the main) retaining quality standards. The regulatory structure in Ireland is that favoured by both the World Bank and the OECD.

9.2.2 Performance of the Cab Industry

Since the new regulatory structure was introduced consequent to liberalisation of the market in 2000, the number of cabs in the country has more than doubled. Taxi numbers have increased particularly rapidly. This suggests that prior to liberalisation, there was a substantial imbalance between cabs serving the street and call-out markets, with the former being under supplied. This view is borne out by the sharp decline post-liberalisation in hackney numbers in Dublin, where a strong street market exists.

An estimated minimum of approximately 100 million cab trips were made nationwide in 2008. This represents an increase of over one-quarter compared with 2005. One in two adults has made a trip by cab in the last six months. Demand for cabs is high relative to demand for other modes of transport. Based on an average trip value of €15 as indicated by the *Household Survey*, the value of the industry is estimated at €1.5 billion in 2008.

9.2.3 Benefits to Consumers

Liberalisation of the market has resulted in significant benefits to consumers. This is most evident in a very substantial reduction in waiting times. Over half of cab journeys now involve a waiting time of less than five

minutes. There is waiting time data for the Dublin market both prior to and after liberalisation. These show sharp reductions in waiting times and improvements in the reliability of cab services post-liberalisation of the market. The value of the post-liberalisation reduction in waiting times to Dublin cab users is €300 million at a minimum.⁵⁶ On a proportionate basis, the benefit of waiting time reductions to consumers throughout the country is estimated at €780 million. The estimates do not fully capture the benefits that arose from the increase in taxis offering street-hire services. Given the very substantial increase in taxi numbers that has occurred, these benefits are likely to be considerable, especially in Dublin and other urban areas.

These benefits have been achieved without any significant reduction in the quality of services. The general perception of consumers is that the overall level of service provided, as well as vehicle quality, vehicle cleanliness and the helpfulness of drivers is good.

9.3 Issues Raised by the Cab Industry

9.3.1 Introduction

Despite the huge benefits that have arisen for consumers, the cab industry has raised a number of impacts of liberalisation that in its view argue for a change in current regulatory policies. These are discussed below.

9.3.2 Impact on Cab Driver Earnings

Precise data on cab drivers is difficult to obtain. Analysis indicates that full-time cab drivers report net earnings of approximately €16,150 per annum, whereas a more independent estimate, based on *Household Survey* data, suggests a net figure of €40,350. The reported earnings by drivers is unduly low, as it is based on very low reported average fares.

Comparison of estimated earnings over time indicate that full-time Dublin taxi drivers experienced a decline in nominal earnings in the period 2005 to 2008, but this has been mitigated to a degree by the fares increase granted in late 2008. It is clear, therefore, that drivers' earnings are not collapsing as some industry sources would suggest. Section 5.5 provides specific figures in relation to this.

However, this is not to deny that cab drivers have to work long hours to achieve their income targets and that on

an hourly basis they are earning well below the average industrial wage rate.

However, even a very substantial fall in real earnings for incumbent drivers would not in itself be a reason for Government to intervene.⁵⁷ Many sectors of the economy experience step changes in competition from time to time, with negative implications for the earning capacity of those in the sector. However, this is usually regarded as a normal economic process, not requiring specific intervention from Government.

9.3.3 Supply of Cabs

Cab industry representatives argue that the market is currently oversupplied. On the one hand, it is argued that, because drivers have to work long hours to make their target income, this is an indication of oversupply. However, this is simply a reflection of the degree of competition in the cab market and the tendency for drivers to have a target income that they seek to attain. The impact of new entrants on the degree of competition is further amplified by the particular structure of the Irish cab market, where most operators are self-employed and so do not share their vehicle with other operators to maximise the hours that vehicles are utilised for cab services.

A further argument that is made is that the number of cabs in Ireland is excessive on a per head of population basis. At present, there are 6.4 cabs per thousand of the population in Ireland, with a low of 2.5 cabs per thousand in County Monaghan, with a high of more than 11 cabs per thousand persons in County Dublin.⁵⁸ As entry to the market is not restricted on a quantitative basis in Ireland, this variability across counties shows that there is no basis for establishing a target per head cab level above which cab supply could be said to be excessive. Supply is likely to respond to local demand conditions and adjust accordingly.

Using international comparisons as a basis for determining an appropriate level of supply is especially difficult. Firstly, where entry to the market is restricted on a quantitative basis, cab levels per head simply reflect the severity of the restrictions involved and can in no way be held to reflect underlying demand levels. For example, New York City, where entry to the taxi market is severely restricted, has a cab ratio of 6.3 per thousand of the population. On the other hand, Washington DC, with unrestricted entry on a quantitative basis, has a ratio in excess of 12 per thousand, which is on a par with the ratio for Dublin County.⁵⁹

⁵⁶ See Appendix 2.

⁵⁷ This discussion assumes that legislation to restrict entry to the market would survive legal challenges. There are divided opinions on this matter in light of the High Court to which reference was made in Section 2.

⁵⁸ Estimated by Goodbody based on VRU data and Census of Population.

⁵⁹ See: The New York City Taxicab Fact Book. Schaller Consulting, 2006.

Secondly, such comparisons say little about the quality of the service provided. Where supply is restricted, the quality of service may be poor, with long customer waiting times and poor availability of cabs. Again in New York, there is a high level of consumer dissatisfaction with cab services. Consumers consider cab services to be lower in quality than public transport modes and cited availability of cabs as the worst aspect of cab services.⁶⁰

In practice, the demand for cab services and therefore the number of licences needed in any area is a function of a large range of issues including:

- Personal incomes of consumers
- Car ownership levels
- Availability of public transport modes
- Degree of car restraint in urban areas
- Scale of the tourism industry
- Extent of drink-driving laws
- Land use settlement patterns
- Cultural preferences

While some studies have attempted to estimate the appropriate level of cab supply, they have generally failed to take account of the majority of these factors and are therefore relatively useless as a guide.⁶¹

From the viewpoint of economic theory, over-supply could be said to occur in a number of situations. The first is where there is insufficient demand for goods that are delivered to a market, with the result that there is no point at which the market clears. Inventories then build up and this is a signal to producers to reduce supply. This type of effect cannot occur in the cab market as it is a service that cannot be stored. In effect, in the cab market, the operators will continue to offer their services if their expected marginal revenue exceeds their costs. If the opposite is true, they will withdraw services.

A second situation could occur where there is a lag in supply. This is where the period required to adjust supply is long and market conditions change in the interim. This result is a supply cycle in which demand rises and producers plan to increase production. However, individual producers ignore the production of others with the result that the market is over-supplied and inventories build up rapidly and prices fall. Producers cannot react by reducing supply because they have already embarked on the process of providing increased supply. In the second part of the cycle, the fall in prices causes production to be cut sharply with the result that prices rise sharply again. Such a market

is characterised by significant swings in supply levels and prices. The Irish cab market has not exhibited this feature. Rather, there has been a steady rise in the supply of cabs as evidenced in Section 4.

The final situation in which over-supply occurs is where individual operators misguidedly enter the market and leave again rapidly. This issue of irrational 'churning' is considered separately in Section 9.4.2 below.

9.3.4 Unfair Competition

The allegation that cab drivers are subject to unfair competition is usually made on three grounds, namely that:

- Some new entrants are receiving State support to enter the industry.
- Drivers with another occupation are engaging in unfair competition.
- Some drivers are not complying fully with the law in respect of having the appropriate licences and insurances, using fully compliant vehicles at all times, operating within the area designated on their SPSV driver licence and complying with income taxation requirements.

The Back to Work Enterprise Allowance allows participants to retain a proportion of their social welfare entitlement provided that they take up full-time self employment. It is a condition of the scheme that the enterprise undertaken should not displace an existing enterprise. This scheme is one of a number of employment supports that are in place to encourage the transition to work by social welfare recipients. It has been established that approximately 11 per cent of recipients of the scheme are engaged in businesses involving the carriage of goods or people, although not necessarily in the cab industry.⁶² A range of other businesses are affected by entry supported by the scheme.

The key concern in relation to this issue is that of displacement. If these supports cause incumbents to withdraw from the businesses affected, then not only are the employment objectives of the scheme not being met but the State is also incurring unnecessary costs. In the context of the cab industry, displacement would occur if the industry was subject to 'churning'. If 'churning' is found to be substantial or happening on an irrational basis, then there would be a strong case to discontinue such supports to persons entering the cab industry.

⁶⁰ Op.cit.

⁶¹ See for example: B.Schaller. A Regression model of the Number of Taxicabs in US Cities. *Journal of Public Transportation*, Volume 8, Number 5, 2005.

⁶² Dáil Debates, 11th May 2004.

With regard to the second issue, it is clear that drivers with another occupation face the same costs of entry and operation in the industry as others. Under the current regulatory structures, the cost of entry to the market is relatively low and the market is very contestable. This is the same for all entrants irrespective of whether they have another occupation or not. A second thread of the argument is that entrants with another occupation are able to fund the use of better vehicles by virtue of the incomes that they have in their non-taxi occupation. However, it is also true that the income and wealth status of all those entering the industry varies and is accepted as a normal element in the operation of the market. In addition, even if drivers with another occupation were able to afford better cars, this is not necessarily an advantage in a market where such quality improvements cannot be signalled to the consumer or used to market advantage. It should be noted also, that in certain rural areas the incidence of drivers with another occupation may suit both drivers and consumers, as it affords drivers the opportunity to earn supplementary income while guaranteeing consumers the part-time level of service they require.

With regard to the third issue – non-compliance with legal requirements – this is dealt with in Section 9.4 below.

9.3.5 Fare Competition

There is evidence that reduced taxi fares are being offered to consumers, particularly outside of the Dublin market. This is taking the form of:

- Fixed flat rate fares for short journeys
- The waiving of booking fees
- Long journey discounts

Again, some cab industry representatives view this phenomenon as a negative consequence of liberalisation of the market.

However, the national fare structure provides for maximum taxi fares and discounts can be legitimately offered to consumers. Indeed, this has been a feature of the taxi industry for many years prior to liberalisation. It is not a matter for concern except where fixed flat-rate fares exceed the metered fare and therefore contravene the national maximum taxi fare Regulations.

9.4 Other Issues

9.4.1 Introduction

Section 3 of this report identified a number of potential market failures and aspects of a liberalised market that could cause concern. These include the fact that excessive ‘churning’ might occur, that external costs, such as congestion might arise, and that network economies of scale might not be achieved. It also identified the fact that other jurisdictions that liberalised their markets had to be vigilant in terms of ensuring compliance with the legal requirements governing the licensing and operating of cabs. These and other issues are discussed below.

9.4.2 Economic Losses Due to Excessive ‘Churning’

Liberalised markets are usually characterised by significant entry and exit. This is not a problem provided it does not become excessive. Irrational entry and early exit could occur if new entrants made decisions to enter based on poor information as to market conditions and/or poor decision-making.⁶³ If this were found to be the case, then initiatives to alter entry patterns to the industry would have to be considered.

Table 9.1 presents an analysis of entry to and exit from the cab market for 2007–2008, in terms of the number of persons taking up cab licences. This shows that in the year 2008, a total of 5,029 persons took up licences, representing 18.3 per cent of the total number of licences in that year. With regard to those relinquishing licences, only those transferring licences are likely to be leaving the industry. Lapsed licences largely represent persons who have yet to renew, while surrendered licences largely involve hackney drivers transferring to taxi operation. Therefore, 1,993 persons are estimated to have left the industry in 2008. This is a 7.3 per cent exit rate. It is not possible to determine what proportion of exits is due to decisions to retire or change profession against early exits. The evidence is that the entry rate has declined and the exit rate increased since 2007.

The level of exit from the industry does not appear to be excessively high, given retirements and illness as well as the normal process of job-changing that would occur in any industry. Evidence from New York, for example, indicates that an 8.8 per cent exit rate was experienced in the 1990s, declining to 6.2 per cent in 2005.

⁶³ That is, potential entrants exhibit ‘bounded rationality’.

Table 9.1
Number of Persons Entering the Cab Market, 2007–2008

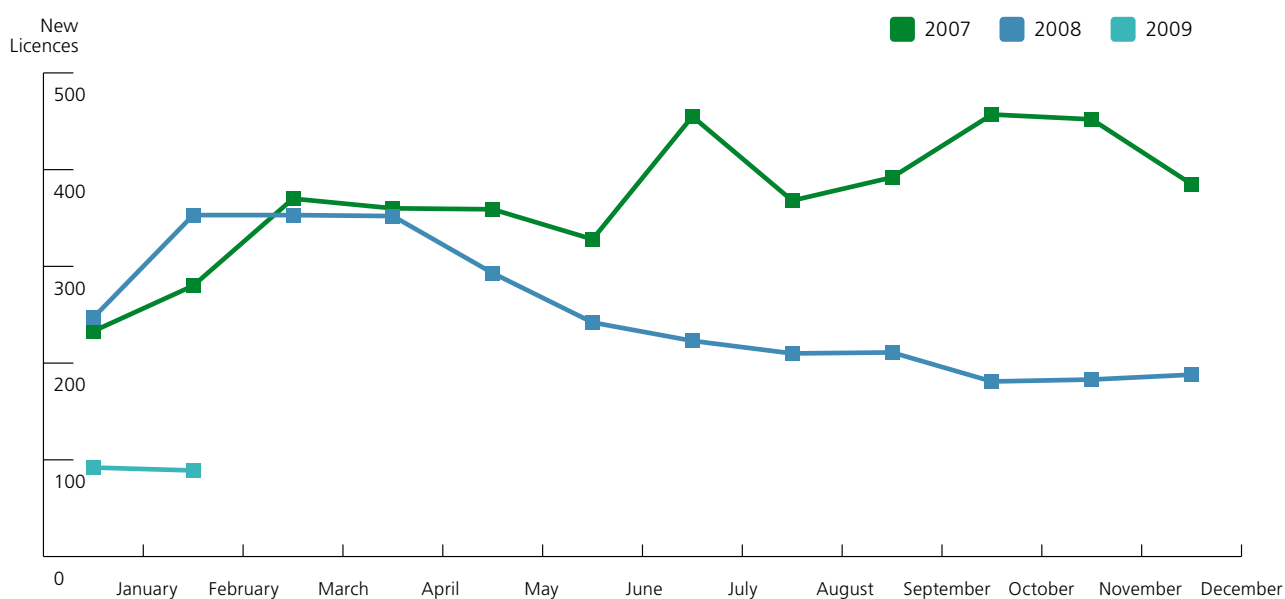
Category	2007	2008
Acquisition of Licences		
1 With New Licence	4,439	3,036
2 With Transferred Taxi Licence	1,328	1,993
3 Total	5,767	5,029
Relinquishing of Licences		
4 Transfer of Taxi Licence	1,328	1,993
5 Total Number of Licensed Cabs	25,695	27,429
Entry Rate per Licensed Cab (3÷5)	22.4%	18.3%
Exit Rate per Licensed Cab (4÷5)	5.2%	7.3%

Source: Goodbody Estimates derived from Commission Data

Obviously, if the entry rate were to remain high and the early exit rate were to increase, this would give rise to concerns that significant ‘churning’ was taking place. At the time of writing, the expectations are that economic growth will be negative in both 2009 and 2010 and that unemployment rates will rise throughout the period. There is, therefore, a danger that persons made redundant during these years will enter the cab market in some numbers. At the same time, the demand for cab services could fall, as the lack of discretionary income impacts on cab trips for leisure purposes, which as has been demonstrated is a major source of demand for cabs. This would be a matter of concern if economic conditions gave rise to high levels of entry and exit.

To date (early 2009), however, the worsening economic conditions have not given rise to increased entry to the cab market. Figure 9.1 shows that the number of new licences issued was declining throughout 2008, and was less than half the equivalent 2007 number by December 2008. The figures for 2009 to date indicate that the downward trend has accelerated, with 92 licences being issued in January, and 89 in February – this compares to 188 in December 2008.

Figure 9.1
New Licences Issued, January 2007–February 2009



Source: Commission for Taxi Regulation

In the context of the cab market, new entrants could lead to higher levels of service especially at unsocial hours, fare reductions, and innovative services through market segmentation. If irrational entry is taking place (in that entrants are overestimating their potential earnings), these benefits must be set against the negative consequences of entry control, which are the losses to irrational entrants and the squeezing out of the market of other rational potential entrants. A recent survey of the issue of 'churning' has concluded that entry restrictions in response to 'churning' run the risk of diminishing economic welfare, particularly because a general restriction on entry bars rational as well as irrational entrants.⁶⁴ It is further argued that other measures aimed at addressing irrational entry behaviour directly, such as education and training, are more appropriate.

If a policy of restraining or cutting cab numbers were to be introduced, the major gains in the quality of service to the consumer, which were identified above, would unravel as cab numbers diminished.

Therefore, while it is possible to empathise with incumbent drivers who have suffered a loss of income, a policy of entry restriction would be a risky policy, especially as there are signs that the market is stabilising. Such a policy would, in all probability, diminish the service supply to the consumer.

With the continuing downward pressure on earnings capacity, lack of market knowledge may give rise to increased 'churning', with consequent economic losses. In this context, the provision of information on the financial return to cab driving to potential entrants is important. The Skills Development Programme that the Commission intends to implement will make a contribution in this regard as it provides business planning advice to would-be entrants.

9.4.3 Congestion and Environmental Pollution Effects

Background

Like other vehicles, cabs contribute to road congestion and environmental pollution. It has been argued that the increases in the number of cabs subsequent to liberalisation have resulted in a significant increase in

road congestion and environmental pollution. The Dublin area, where the number of taxis has risen particularly strongly, is usually cited as being affected by cab-induced congestion and environmental pollution.

Survey results suggest that cab drivers operate an average of approximately 60,000 kilometres annually, taking into account both full and part-time operators. There are 13,200 cabs in the Dublin area, so that cabs contribute 792 million vehicle kilometres to the total Dublin area traffic. In contrast, there are over 470,000 private cars licensed in the Dublin area and while precise figures are not available, cars in Ireland typically complete some 18,500 kilometres annually. This indicates a total of 8,695 million annual car vehicle kilometres. On this basis, cabs contribute some 9 per cent of the total 'car' kilometres in the Dublin area.⁶⁵ It is clear therefore that the number of cabs is such as to potentially contribute to congestion and environmental effects in the major urban areas in the State. Additionally, even casual observation confirms that, at times on Friday and Saturday nights, taxis can dominate the traffic volumes on parts of the urban network, due in part to the lack of taxi ranks and peaked demand.

It must be recognised, on the other hand, that cabs also contribute to reducing traffic congestion by encouraging car owners not to use their vehicles so that the net increase in 'car' traffic volumes would be a more relevant indicator of the scale of the problem. Similarly, the contribution of taxis to traffic volumes will vary by time of day. For example, if the major contribution is at night time when non-taxi volumes are low then the congestion impacts are reduced.

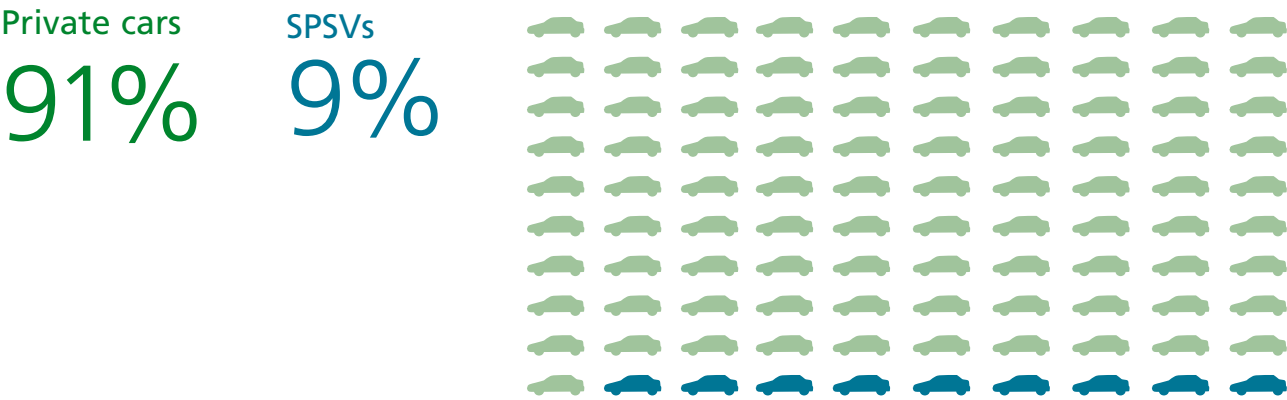
Therefore the scale of this issue would need to be more fully assessed though a comprehensive cost-benefit analysis. Moreover, it is clear that there are a number of steps that could be taken to address this problem that stop short of restricting the number of cabs. These include measures to secure greater affiliation of cabs to dispatch companies to reduce cruising for hire and the provision of additional taxi stands or holding areas.⁶⁶

⁶⁴ A. Tor. The Fable of Entry: Bounded Rationality, Market Discipline, and Legal Policy. Michigan Law Review. Volume 101, 2002.

⁶⁵ It is recognised that this calculation is somewhat imprecise due, for example, to the use of the Dublin area network by cars and cabs registered outside the area.

⁶⁶ A 'first best' solution would involve congestion pricing; however, this is not in prospect in the short term. Additionally, the use of the fare structure to address this problem is made difficult by the national nature of the fare structure and the local nature of negative external effects.

Figure 9.2
Contribution of SPSVs to Traffic Congestion arising from car use in Dublin



Measures

If larger numbers of cabs were affiliated to dispatch companies, then not only would the level of service to consumers be enhanced but there would be a reduction in the numbers plying for hire. At present, it would appear that dispatch companies have insufficient business to accommodate additional drivers. This is presumably because with the increase in the number of taxis, consumers find it more convenient and cheaper to hire taxis in-street.

Some countries require all drivers to affiliate to dispatch companies. In the Irish context, this would weigh heavily on part-time operators and would not be feasible in all markets in Ireland, due to the lack of dispatch companies. As an alternative approach, the Commission should consider a number of initiatives to incentivise consumers to use dispatch companies and drivers to affiliate. These could include:

- Continued advertising focussed on the advantages to the consumer of pre-booking cabs
- Use of dispatch operators to promote the quality mark scheme

It is clear that there is inadequate provision of rank spaces in some Irish cities and towns. It is apparent that there are two types of problems with respect to rank spaces. Some towns, especially those that were not previously designated as taximeter areas, never introduced taxi ranks, or introduced a small number of spaces only. The

second problem has arisen more in major urban areas where the large number of cabs supplying street services has put pressure on rank spaces. Responsibility for this matter resides with the local authorities and not with the Commission. However, the Commission has separately commenced a study of this issue.

Without wanting to pre-empt the findings of that study, it is worth making the following observations. Extra capacity may not be warranted in all areas owing to a lack of or falling demand for on-street hire. In the smaller urban centres particularly, there are few incentives for local authorities to expand the number of ranks. This is because the provision of ranks may take up valuable road space, may be opposed by local businesses, or may reduce income to the local authority from parking charges. Because of these factors, a solution to the problem will most likely entail the following:

- Identification of quantity standards for the provision of permanent rank spaces in urban areas
- Guidelines as to conditions under which temporary ranks should be established
- A legislative onus on the local authorities to plan to meet these rank requirements, especially in the context of local development plans

9.4.4 Road Safety Impacts

Working hours

The increased competition within the cab industry in Ireland has resulted in a situation where drivers are working increasingly long hours. According to Section 6 of this study, one in four cab drivers in the country (25.2 per cent) is currently working in excess of 60 hours weekly, while 11.2 per cent are working in excess of 70 hours weekly. When cab drivers who also have another occupation were analysed separately, the corresponding proportions were found to be 55 per cent and 22.4 per cent respectively.

Accident Rates and Driver Fatigue

Driver fatigue is widely accepted as a major cause of road accidents. Fatigue is the physical and mental impairment brought about by inadequate rest over a period of time. According to the Road Safety Authority (RSA), if a driver persists in fighting sleep while driving, the impairment level is the same as driving while over the drink-drive limit. A driver suffering from fatigue will drift in and out of consciousness and experience 'micro sleeps' which can last for up to 10 seconds. If a driver has a 'micro sleep' for just four seconds while travelling at a speed of 100 km/h the car will travel 111 metres without any driver control.

Research in the UK has found that up to 20 per cent of serious accidents on motorways and monotonous roads are accounted for by fatigue. The UK Government's Road Safety Strategy 'Tomorrow's Roads: Safer for Everyone' has identified driver fatigue as one of the main areas of driver behaviour that needs to be addressed if their target for reducing the number of people killed and seriously injured on UK roads is to be achieved. The European Transport Safety Council (ETSC) states that driver fatigue is conservatively estimated to be a factor in about 20 per cent of road crashes in Europe. In Australia, VicRoads, the road safety organisation in Victoria, has estimated that 25 per cent of road crashes are fatigue-related.

The long hours of work and the fact that fatigue is a contributory factor to road-related accidents, raises concerns about the impact of the cab industry on road safety. However, the evidence for this effect is not strong: a comparative study of regulated and deregulated markets in the UK revealed that taxi accident rates were not higher in jurisdictions where the market was deregulated and long working hours were the norm.⁶⁷ There are a number of possible reasons for this including the nature of cab

work with its absence of continuous driving, and the experience and skills of the drivers themselves. Research on commercial drivers, for example, shows that drivers with more than ten years' experience have a consistently lower accident risk, and that it takes about 10 hours of driving or 11 hours of work before accident risks start to rise.⁶⁸

Similarly, if cab accident rates were high, then it would be expected that this would be reflected in very high insurance premia. Typical annual insurance costs for a full-time taxi driver were of the order of €1,700 in 2008.⁶⁹ As full-time taxi drivers have an annual usage of their vehicle that is some four times that of the average motorist, the level of insurance costs does not indicate a serious problem in relation to cab accident rates.

Existing Legislation

EU-derived working time legislation does not apply to self-employed workers. Therefore, as the vast majority of SPSV drivers are self-employed, there is no Working Time Directive restriction in relation to their work practices.

Regulation 32 of the Road Traffic (Public Service Vehicles) Regulations 1963 (SI No 191 of 1963), as amended,⁷⁰ requires the applicant for an SPSV driver licence to provide a written undertaking to the licensing authority that he/she "shall not drive a public service vehicle for more than 11 hours in any one day in any period of three consecutive days".

Possible Measures

Existing legislation does not fully restrict the hours worked by cab drivers in Ireland. If specific initiatives were to be considered, then it would have to be clear that there is in fact a real problem in this regard and that the benefits of any measure are commensurate with the costs.

As drivers with other occupations work the longest hours, one option would be to require that cab operators do not have a second job. This approach would have the disadvantage that persons working part-time in another job and wished to supplement their earnings by part-time cab working would be barred from the cab industry. This would be inequitable and could be found to be unconstitutional. It could also deprive certain parts of the country of an SPSV service if there is only a part-time need for the service.

⁶⁷ OFT. Op.Cit.

⁶⁸ The Role of Driver Fatigue in Commercial Road Transport Crashes. European Transport Safety Council. 2001.

⁶⁹ PA Consulting. Op.Cit.

⁷⁰ Regulation 11 of SI No 111 of 1977.

It would seem that a direct restriction on cab working hours is required. Such a restriction would have to take account of hours worked elsewhere, as otherwise only full-time cab drivers and not drivers with another occupation would be restricted.

One direct approach would be to require that all cabs be fitted with tachographs⁷¹ or similar measuring devices and set associated maximum working hour limits in the industry. These limits would be higher for full-time drivers than for those with another occupation. Under such a system, cab drivers would be required to self-declare their status as either full-time, part-time with another occupation or part-time without another occupation. The implementation of tachographs or other measuring devices would need to be supported by additional monitoring and enforcement activities to ensure the maximum hour thresholds would not be surpassed. The co-operation of the Revenue Commissioners would also be required to enable the verification of the self-declared status of drivers.

This approach would be a significant and costly step. Before implementing such an approach, there would need to be clear evidence that long cab working hours are contributing to high accident rates. It would also need to be subject to a cost-benefit analysis that would analyse the extent of the fatigue problem, identify a maximum hours of work threshold, and examine whether the cost to industry would be outweighed by reduced accident rates and other benefits.

9.4.5 People with Disabilities

Section 4 established that cab use among people with disabilities is low in Ireland relative to usage among the general population. Almost half of all people with disabilities use cabs less than once a month. The level of usage has also fallen since 2005 for full-time wheelchair users with 55.2 per cent now using cabs less than once a month compared with 40.4 per cent in 2005.

Price and availability of cabs are the two main factors inhibiting use of cabs by people with disability.

As of 2009, there are 1,600 wheelchair accessible taxis (WATs) in Ireland. The numbers are increasing only marginally each year, so that WATs are in decline as a proportion of all cabs. Ireland has 0.36 WATs per thousand people. This is similar to the ratio for the Netherlands and above those for many other European countries.⁷² Only the

UK is a significantly better performer in this regard at 1.89 per thousand. In nearly every country surveyed, there were fiscal incentives and or grants available for the purchase of WATs.

At present, apart from the reduced initial SPSV licence fees for WATs, there are no other incentives for the purchase of WATs in Ireland. In January 2007, the Commission submitted an application to the Department of Transport for a subsidy to assist with the purchase of accessible taxis and hackneys. The subsidy sought is for a maximum of 40 per cent of the open market price of the WAT, subject to a ceiling of €20,000.⁷³ If this subsidy were to be granted, it would serve as a spur to increase the penetration of WATs.

However, even then, a high level of service for people with disabilities will not necessarily ensue. This is because, when a WAT is requested, the vehicles in the fleet in any one dispatch centre are likely to be involved in servicing the routine cab market and may or may not be in the vicinity. At the same time, other dispatch companies could have a WAT available, but the consumer cannot be expected to trawl through a range of dispatch companies seeking WAT services. The Commission intends to require dispatch companies to provide a minimum level of service for people with disabilities.

Additionally, once the number of WATs reached a moderately high level, consideration could be given to providing in major urban areas a publicly-funded call centre for people with disabilities linked to individual dispatch companies. This would ensure maximum use of WATs in the fleet.

In many European countries, the State provides special contracted transport services for people with disabilities, using Large Public Service Vehicles (LPSVs) as well as SPSVs. Sweden and Finland are examples of where significant services of this nature are provided by the State.

In Ireland, there are two types of contracted service for people with disabilities:

- The Rural Transport Programme, which provides subsidised transport services for a range of target groups including people with disabilities. These are usually provided by community-based organisations and involve minibus and to some extent SPSVs.

⁷¹ Tachographs are instruments fitted in vehicles to record the driving times, breaks and rest periods of individual drivers.

In Ireland, the Road Safety Authority is the legal body responsible for issuing digital tachographs.

⁷² See: Improving Access to Taxis. OECD, 2007.

⁷³ An additional subsidy was later sought.

- Other contracted public service transport, which includes transport provided through the Health Service Executive (HSE), schools transport or transport provided by charitable bodies for specific target groups.

Improving the level of service to people with disabilities will require action in respect of these two types of services also. Firstly, with regard to the Rural Transport Programme, although this is outside the remit of the Commission, it is clear that the more resources that are applied by this programme, the better the level of service that will be provided to people with disabilities.

Also, it would be desirable, within the Rural Transport Programme and the HSE, that decisions on whether to use SPSVs or LPSVs to provide services would be based on an assessment of operating economics and not on the assumption that SPSVs are necessarily the more expensive option. This will ensure that there is a market for services provided by WATs, which will be further encouraging of their use. In addition, public bodies, when procuring cab services, could be encouraged to give preference to dispatch companies that have high numbers of WATs.

9.4.6 Enforcement

Enforcement of the Regulations is a vital element in ensuring the provision of quality cab services and maintaining a level playing field for cab drivers. The degree to which illegal operation is a feature of the cab market is very difficult to gauge. However, Gardaí and Commission enforcement activities such as spot checks have indicated low levels of non-compliance.

It has become more difficult to earn a living from cab services and this trend may well continue in the near future as economic conditions deteriorate. In such circumstances, there may be an increased tendency for some drivers to flout the regulations so as to avoid costs and boost revenue. Actions such as failure to comply with vehicle and driver-licensing requirements, driving while uninsured, and poor maintenance of vehicles all result in lower costs for illegal operators.

While the Gardaí have in place a structured approach to SPSV enforcement, with specific resources devoted to annual SPSV operations around the country, the existence and scale of the dedicated inspectorate within the Commission is of the utmost importance. The administrative reforms introduced by the Commission have established a sound basis for enforcement activities. The Commission has acknowledged that it needs more enforcement officers and has requested the additional

resources from Government. In view of the scale of the industry, which is now valued at €1.5 billion, and its changing nature, the Commission needs to be given the opportunity to leverage the administrative advances made through additional resourcing of its dedicated enforcement function.

Finally, to the extent that cab drivers operate in a geographic area for which they do not hold an SPSV driver licence, this constitutes unfair competition. At present, drivers are required to display their driver ID on the dashboard so that their area of operation is visible from the exterior of the vehicle. Where this requirement is complied with, it is often done by affixing the ID to the dashboard with poor external visibility. Consideration should be given to requiring the driver ID to be displayed on the windscreen so that the geographic area details are clearly visible from the exterior of the vehicle.

9.5 A Moratorium on the Issue of Licences

Representatives of the cab industry have called for a moratorium on cab licences. A moratorium is a temporary cessation in the issue of licences.⁷⁴

This report has shown that free entry to the cab industry has yielded large benefits for consumers in terms of higher levels of service without compromising the quality of service on offer. For a moratorium to be acceptable, it has to be demonstrated that there are continuing market failures that would warrant such an approach. The fact that drivers' incomes are falling in real terms or that they are working longer hours is insufficient to justify the introduction of a moratorium.

There are however two conditions that would be reasons for consideration of a moratorium: the existence of a high degree of 'churning' and/or significant external societal costs associated with the cab industry such as congestion. Evidence of any increase in churning or significant external costs would not even then represent a sufficient condition in its own right for the introduction of a moratorium, as the full costs and benefits of such a policy would need to be assessed.

The existence of excessive churning would be supported if there proved to be high levels of both irrational entry to and early exit from the industry. The evidence is that exits from the industry, although increasing, are not at high levels. Also, the rate of entry is in decline, so that the numbers of cabs in the market may stabilise in the near

⁷⁴ It should be noted that it is not within the Commission's powers to introduce such a change, which would require legislation.

future, provided deteriorating economic conditions do not upset this trend.

With regard to external costs, the scale of the cab industry indicates that congestion and environmental impacts associated with the cab industry could become significant if the market continued to grow. However, controlling the numbers of SPSVs is not a recommended solution to congestion on its own given the importance of this sector in the overall public transport network. The peaked demand and supply in the sector, and its particular contribution to reducing reliance on private transport at night time, also mitigate the impact of SPSV operations on overall traffic congestion. A more relevant focus might be measures to minimise cruising by taxis looking for business such as the provision of additional taxi ranks or holding areas and the promotion of affiliation to dispatch centres.

A moratorium could have some unintended negative consequences that would have to be considered in any assessment of costs and benefits. The first of these derives from the fact that cab markets are local with the result that the extent of churning and external costs varies from location to location. Therefore, the general problems that restrictions on entry would bring would be exacerbated in certain markets. This would be very damaging to the efficient operation of cab markets in the State.

Secondly, apart from the impact of a moratorium on competition in the market place, such a policy may have unintended consequences such as concerted industry resistance to any lifting of the moratorium or inflation in the value of licences. The extension of a moratorium would, in turn, cause supply to reduce over time.

Thirdly, a moratorium could apply to all cab licences or on taxis only. With regard to a moratorium on cab licences, this would have a severe impact on supply over time.

Finally, those who support a moratorium as a means to raise drivers' incomes should note that of itself, a moratorium will not raise the earnings of incumbent drivers, unless licences cease to be transferable, which in turn would result in a reduction of supply from the current level. Even then, any increase in the earnings of taxi drivers generally would be limited by the tendency for increased entry by hackney drivers and a possible return to the practice of hiring cossies by some existing drivers.

It is concluded, therefore, that the introduction of a moratorium is not justified at present. However, the key issues of churning and external costs should continue to be monitored.

It may be noted in this regard that Washington DC, a jurisdiction that operates a similar regulatory framework to Ireland, recently decided not to introduce a moratorium because of the benefits of competition and the evidence that the rate of entry to the market was slowing down.⁷⁵

9.6 Conclusions

Cab Industry

- An estimated minimum of approximately 100 million cab trips were made nationwide in 2008. This represents an increase of over one-quarter compared with 2005. The value of the industry is estimated at €1.5 billion in 2008.
- Liberalisation of the market has resulted in significant benefits to consumers. This is most evident in a very substantial reduction in waiting times. The value of the post-liberalisation reduction in waiting times to Dublin cab users is €300 million at a minimum. On a proportionate basis, the benefit of waiting time reductions to consumers throughout the country is estimated at €780 million. The estimates do not fully capture the benefits that arise from the increase in taxis offering on-street hire services.
- These benefits have been achieved without any reduction in the quality of services. The general perception of consumers is that the overall level of service provided, as well as vehicle quality, vehicle cleanliness and the helpfulness of drivers is good.

Cab Drivers' Earnings

- Comparison of estimated earnings over time indicates that full-time cab drivers experienced no increase in nominal earnings in the period 2005 to 2008, but did incur a small reduction in real earnings that has been mitigated to a degree by the taxi fares increase granted in late 2008. It is clear, therefore, that drivers' earnings are not collapsing as some industry sources would suggest.
- This is not to deny that, on average, cab drivers have to work longer hours to achieve their income targets and that on an hourly basis they are earning well below the average industrial wage rate.
- While it is possible to empathise with incumbent drivers who have suffered a loss of income, a policy of entry restriction would be a risky policy, especially as there are signs that the market is stabilising. Such a policy would, in all probability, diminish the welfare of consumers and block entry of rational entrants.

⁷⁵ See: Task Force on Taxicab and Limousine Industry Study Report, District of Columbia Taxicab Commission, November 2008.

Excessive 'churning'

- With the continuing downward pressure on earnings capacity, lack of market knowledge may give rise to increased 'churning' in the cab industry, with consequent economic losses. In this context, the provision of information on the financial return to cab driving to potential entrants is important. The Skills Development Programme that the Commission intends to implement will make a contribution in this regard as it provides business planning advice to would-be entrants.
- However, the level of exit from the industry at 7.3 per cent does not appear to be excessively high, given retirements and illness as well as the normal process of job changing that would occur in any industry. Evidence from New York, for example, indicates that an 8.8 per cent exit rate was experienced in the 1990s, declining to 6.2 per cent in 2005. Also, the level of entry to the cab market in Ireland is in decline.

Road Safety

- Increased competition within the cab industry has resulted in cab drivers working increasingly long hours, with potential concerns for road safety.
- With regard to restricting cab drivers' hour of work, there would need to be clear evidence that long cab working hours are contributing to high accident rates.
- It would also need to be subject to a cost-benefit analysis that would analyse the extent of the fatigue problem, identify a maximum hours-of-work threshold, and examine whether the cost to industry would be outweighed by reduced accident rates and other benefits.

Services for People with Disabilities

- Ireland has 0.36 wheelchair accessible taxis (WATs) per thousand population. This rate is above that in many other European countries. In nearly every country surveyed, there were fiscal incentives and/or grants available for the purchase of WATs. The Commission has submitted an application to the Department of Transport for an operator subsidy to assist with the purchase of accessible taxis and hackneys.
- The Commission intends to require dispatch companies to provide minimum level of service for people with disabilities. Once the number of WATs reached a moderately high level, consideration could be given to providing in major urban areas a publicly-funded call centre for people with disability linked to individual

dispatch companies. This would ensure maximum use of the WATs that are in the fleet.

- It would be desirable within the Rural Transport Programme and the HSE that decisions on whether to use SPSVs or LPSVs to provide services would be based on an assessment of operating economics and not on the assumption that SPSVs are necessarily the more expensive option. In addition, public bodies, when procuring cab services, could be encouraged to give preference to dispatch companies that have high numbers of WATs.

Enforcement

- Enforcement of the regulations is a vital element in ensuring the provision of quality cab services and maintaining a level playing field for cab drivers.
- In view of the scale of the industry, which is now valued at €1.5 billion, and its changing nature, the Commission needs to be given the opportunity to leverage the administrative advances made, through additional resourcing of its dedicated enforcement function.
- The degree to which illegal operation is a feature of the cab market is very difficult to gauge.
- However, Gardaí and Commission enforcement activities such as spot checks have indicated very low levels of non-compliance.

Introduction of a Moratorium

- The existence of excessive 'churning' and large external costs associated with the cab industry would be the basis for consideration of the introduction of a moratorium. The evidence is that exits from the industry, although increasing, are not at extremely high levels. Also, the rate of entry is in decline, so that the number of cabs in the market may stabilise in the near future, provided deteriorating economic conditions do not upset this trend.
- With regard to external costs, the scale of the cab industry indicates that congestion and environmental impacts associated with the cab industry could become significant. However, there are a number of initiatives, such as the provision of additional taxi ranks and the promotion of affiliation to dispatch centre that would help alleviate the problem.
- It is concluded, therefore, that a moratorium is not justified at present. However, the key issues of excessive churning and external costs should continue to be monitored.

10

CONCLUSIONS AND RECOMMENDATIONS

10.1 Introduction

The key objectives of this study were to:

- Undertake a review of the trends shaping the general environment in which the industry operates
- Assess the economic impact of liberalisation of the SPSV sector, in particular on supply, demand and industry earnings.

Some particular areas of emphasis emerged during the course of the review which are considered in this section, namely:

- The impact of the particular regulatory model in place in Ireland on the industry overall, and how this compares to international experience
- An assessment of how the cab market is functioning from the point of view of service providers and service users
- The degree to which supply matches demand
- The impact of competition for existing entrants (earnings and working hours) and new entrants (barriers to entry).

10.2 Trends in the Industry

10.2.1 Scale of the Cab Market in Ireland

A minimum of approximately 100 million cab trips were made nationwide in 2008. This represents an increase of over one quarter compared with 2005. The value of the industry is estimated at €1.5 billion in 2008.

In meeting this demand, the cab industry operated an estimated 1.6 billion vehicle kilometres in 2008. Cabs undertook some 8.7 million work shifts during the year, comprising an estimated 69 million working hours.

10.2.2 Demand for and Use of Cabs

Cabs are used predominately for social and recreational purposes. However, approximately 60 per cent of businesses held one or more accounts with cab companies in 2008, up from 50 per cent in 2005.

Some 77 per cent of national demand for cabs in 2008 was for taxi services with 23 per cent for hackney services. This compares with an equivalent share in 2005 of 72 per cent for taxis, so the demand for taxis is rising proportionately over time. However, hackney operations are predominant in 10 counties.

Nationally, 63 per cent of trips are arranged by phone in 2008, with 37 per cent hired on-street. These proportions have remained relatively static since 2005. With regard to the Dublin market, in 2008, 58 per cent of trips were telephone booked, with 42 per cent street-hired. The data indicates that immediately after liberalisation, the demand for street services increased as a proportion of the total, but that telephone-booked services are now preferred.

The demand for cab services is a peaked demand. Demand peaks on Fridays and Saturdays, which together account for 73 per cent of all trips. This reflects the demand for cabs for social and recreational purposes. The evidence is that this peakedness in demand is increasing.

There is evidence also that demand is peaked by time of day. Over 50 per cent of demand arises between 18.00 and 03:00 hours and the period between midnight and 03.00 accounts for 22 per cent of demand.

Cab use by people with disabilities is lower than the general population with approximately 50 per cent using them less often than once a month. The level of usage for full-time wheelchair users has fallen since 2005 with 55 per cent now using cabs less than once a month compared with 40 per cent in 2005.

10.2.3 Supply of Cab Services

The supply of cab services peaks in the period from Thursday to Saturday. However, in this regard, supply is not as peaked as demand.

In 2008, cab drivers worked more shifts and worked longer hours than three years previously. The average working week of all cab drivers is 52 hours, with one in four drivers working in excess of 60 hours a week. Between 2005 and 2008, the proportion of Dublin taxi drivers working more than 70 hours has more than doubled from 4 per cent to 9.8 per cent.

The supply structure of the cab industry is undergoing significant change. This involves increased part-time working and an increased proportion of drivers with a second job. At a minimum, 15.6 per cent of cab drivers are part-time and 14.1 per cent have another job.

Part-time drivers are much more likely to supply services on days of peak demand than are their full-time counterparts. Over 51 per cent of shifts operated by part-time drivers occur on those two days as against 36 per cent by full-time drivers. Therefore, part-time drivers make a valuable contribution to meeting peak demands.

Of taxi drivers who have another occupation, approximately one-third are working between 30 and 45 hours per week in that occupation. Approximately one in five cab drivers with two occupations is working in excess of 75 hours per week in total. This compares to only 8 per cent of all drivers working in excess of 75 hours per week. Cab drivers with another occupation are also more likely to be providing services at peak times than other cab drivers. However, their contribution to serving the Friday and Saturday peak is not as substantial as part-time drivers.

It is estimated that approximately 40 per cent of cab vehicles nationwide are affiliated to a dispatch operator. There is evidence, however, that the level of affiliation has

declined in Dublin. In 2005, 51.2 per cent of Dublin taxi drivers were affiliated as compared with 38.4 per cent in 2008.

There are over 400 dispatch operators in Ireland currently registered with the Commission, with two-thirds of them operating ten vehicles or less. Only five per cent of dispatch operators have more than 100 affiliated vehicles. Dispatch companies are important in creating economies of scale in the industry. The fact that there are so few large dispatch companies in Ireland limits the extent to which economies of scale are being realised. The achievement of economies of scale is dependent on consumers recognising that many dispatch companies offer higher levels of service and incentives to encourage drivers to affiliate.

10.2.4 Earnings and Hours Worked

Precise data on cab drivers is difficult to obtain.

Analysis indicates that full-time cab drivers report average net earnings (after all costs) of approximately €16,150 per annum, whereas a more independent estimate suggests a figure of €40,350. The first reported earnings figure is unduly low, as it is based on very low reported average fares.

Comparison of estimated earnings over time indicate that full-time Dublin taxi drivers experienced a reduction in nominal earnings in the period 2005 to 2008. This has been mitigated to a degree by the fares increase granted in late 2008. It is clear, therefore, that industry earnings are not collapsing as some industry sources would suggest.

However, this is not to deny that cab drivers have to work longer hours to achieve their income targets and that on an hourly basis they are earning well below the average industrial wage rate.

10.3 Impact of Market Liberalisation and Reform

10.3.1 Regulatory Structures

The regulatory structure for the cab industry in Ireland closely follows that suggested by economic principles in that there is free entry to the market, but maximum fare control in respect of taxis. Other countries that have adopted regulatory models close to that in Ireland have experienced greatly improved supply, while (in the main) retaining quality standards.

The emphasis by the Commission on enhancing vehicle and driver standards is a means of addressing a market failure that is particularly valuable in an entry-deregulated market and is being followed in other jurisdictions. The OECD and World Bank favour the approach to regulation adopted in Ireland and the former emphasises the value of quality regulation combined with entry deregulation.

10.3.2 Impact of Liberalisation

As a result of liberalisation, the cab market in Ireland is highly competitive and has no significant barriers to entry or exit.

Liberalisation of the cab industry has brought profound changes in the relative market share of hackneys and taxis in Ireland. Since liberalisation, taxi numbers have increased rapidly. This suggests that prior to liberalisation there was a substantial imbalance between cabs serving the street and call-out markets, with the former being undersupplied. This view is borne out by the sharp decline in hackney numbers in Dublin, where a strong street market exists.

Estimates for cab trips by residents of the Dublin area suggest that, since liberalisation of the market, demand in the Dublin market has increased from 22 million trips in 1997 to 40 million in 2008, or by some 82 per cent.

Liberalisation of the market has resulted in significant benefits to consumers. This is most evident in a very substantial reduction in waiting times. Data for the Dublin area shows that whereas prior to liberalisation, 58 per cent of consumers had waiting times less than 10 minutes, this had risen to 86 per cent by 2008. There are also continuing improvements in the reliability of cabs: in 1997, 5.9 per cent of respondents reported a wait of over 30 minutes and this proportion had decreased to 1.2 per cent in 2008.

The value of the post-liberalisation reduction in waiting times to Dublin cab users is €300 million at a minimum. On a proportionate basis, the benefit of waiting time reductions to consumers throughout the country is estimated at €780 million.

There is no evidence that the increase in cab use and reductions in waiting times has been at the expense of the quality of the services provided. The general perception of consumers is that the overall level of cab service provided in Ireland, as well as vehicle quality, vehicle cleanliness and the helpfulness of drivers is good.

The fact that incumbent cab drivers' earnings have declined in real terms is regarded as a normal effect of competition and is not an economic argument for control of numbers.

The evidence is that exits from the industry, although increasing, are not at problematically high levels. Also, the rate of entry is in sharp decline, so that the number of cabs in the market may stabilise in the near future, provided deteriorating economic conditions do not upset this trend.

10.3.3 Commission's Reform Process

Since its establishment in 2004, the Commission has embarked on an ambitious programme of reform of the cab industry. The reforms implemented by the Commission relate to vehicle quality, service quality, cab licensing and administrative systems.

The Commission has made substantial progress in implementing its reform programme. This programme will benefit the cab industry and will be implemented at relatively low cost to cab operators.

In 2006, the Commission introduced a uniform national maximum fare structure. This change in fare structures has been broadly accepted by the consumer. There is evidence that consumers find the fare structure easier to understand and believe that the current structure is providing better value for money. Consumers have also benefited from a more coherent system of redress and will in future benefit from the higher standards that the industry will adopt. The streamlining of administration of the cab licensing system has been of benefit to operators.

The increased emphasis the Commission is placing on industry standards is addressing a market failure in that the market left alone will not automatically reward the industry for improvements in quality.

10.3.4 Summary of the Current Regulatory and Reform Model

The current regulatory approach of free entry to the cab market combined with controlled taxi fares has facilitated a significant increase in cab use and service levels with substantial benefits to the consumer. New entrants to the cab market have also benefited from the opportunity to earn a livelihood through participation in the industry. The reform process, which the Commission has embarked on, will increasingly benefit consumers and cab operators alike. There are therefore strong arguments for retaining the

present regulatory structure and continuing to pursue the Commission's reform agenda.

10.4 Recommendations

10.4.1 The Regulatory Structure

The present regulatory structure has worked well and should be retained. There is an insufficient justification at present for an adjustment to the regulatory structure through the introduction of a moratorium.⁷⁶ Rather, free entry to the cab industry has yielded large benefits for consumers in terms of higher levels of service without compromising the quality of service on offer. For a moratorium to be acceptable, it has to be demonstrated that there are continuing market failures that would warrant such an approach. The fact that drivers' incomes are falling in real terms or that they are working longer hours is insufficient to justify the introduction of a moratorium. The existence of excessive 'churning' and large external costs associated with the cab industry would be reasons for consideration of such an approach, however, they are not considered sufficiently problematic at present to justify the introduction of a moratorium. This is particularly the case because the rate of entry to the market has declined sharply during 2008 and early 2009.

10.4.2 Strategic Approach

Given the positive performance of the current regulatory structures, the Commission should now focus, within these regulatory structures, on consolidating the reform process that it has commenced. This consolidation process should have a number of themes:

- The further improvement in quality standards through initiatives that are of low cost to the cab trade
- The further enhancement of enforcement measures so as to maximise compliance with legislation on the part of both the operator and consumer
- The adoption of measures to research and counteract potential market failures
- The implementation of measures to promote industry competitiveness and innovation and address supply deficiencies in particular market segments
- The further development of consumer awareness and understanding of the cab industry

On the basis of consultation with the industry, the Commission has set the reform period to run until 2012 to allow individual operators sufficient time to arrange financial investment or other planning to meet the new standards. Given the support throughout the industry for ensuring quality standards and in light of the importance of maintaining high standards in a liberalised market, it is advised that the Commission revisit these timelines to see if any fast-tracking of individual reforms could be agreed. These would have to be cognisant of financial impact.

10.4.3 Quality Standards

The Commission has an ambitious programme in place aimed at improving quality standards. It is recommended that the Commission consider the following measures:

- Firstly, bringing forward from 2012, the date at which completion of the Skills Development Programme for existing entrants is required.
- Secondly, using the Quality Mark to promote high quality cab services through such initiatives as:
 - The promotion of preference for Quality Mark Services when the public sector is procuring cab services
 - Promoting dedicated booking systems for Quality Mark Cabs
 - Investigating other financial incentives such as reduced insurance premia.

⁷⁶ As mentioned previously, the Commission does not have the authority to make such a change.

10.4.4 Enforcement Measures

Enforcement of the Regulations is vital to ensuring the provision of quality cab services and maintaining a level playing field for cab drivers. In view of the scale of the industry, which is now valued at €1.5 billion, and its changing nature, the Commission needs to be given the opportunity to leverage the administrative advances made through additional resourcing of its dedicated enforcement function. It is also recommended that the Commission continue to collaborate with other relevant bodies, including the Gardaí, the Revenue Commissioners and the Department of Social and Family Affairs to promote maximum compliance with Regulations across the industry.

10.4.5 Market Failures

Market failures associated with excessive 'churning' in the Irish cab industry are not yet evident. However, it is recommended that the Commission develop a formal and transparent process to ensure that early exit is measured separately as part of the overall monitoring of churning. This could be based on an independent calculation of what would be considered a reasonable time period to signify early exit (or irrational entry). It is also recommended that measures such as education and training be engaged in by the Commission to ensure persons entering the industry are aware of the market conditions and potential earnings capacity within the industry. Information on the level of entry and exit in local markets should also be made publicly available to assist would-be entrants to conduct more informed research into market opportunities.

With regard to external costs, the scale of the cab industry indicates that congestion and environmental impacts associated with the cab industry could become significant, albeit as a relatively small proportion of the contribution of cars overall. However, there are a number of initiatives, such as measures to secure greater affiliation of cabs to dispatch companies to reduce cruising for hire and the provision of additional taxi stands in areas with demonstrable unmet demand for street hire that would help alleviate the problem. However, the debate about the extent of external congestion costs is taking place in a relative information vacuum. It is recommended that the Commission research the extent to which external congestion costs are arising in practice and the cost-benefit of mitigating measures. This should be done in

collaboration with wider transport policy development on the issue.

The long working hours of some cab drivers could create a negative spillover in terms of road safety impacts. As there are no easy or cheap solutions to this issue, there would need to be clear evidence that long cab working hours are contributing to high accident rates, before any radical ameliorative measures could be considered. It is recommended that some basic research be conducted to establish whether there is a link between cab driver working hours and road safety. Additionally, the Commission should explore methods of recording hours worked, through the use of the recording capacity of the taximeter or other devices.

10.4.6 Industry Competitiveness and Supply Deficiencies

The cab industry is a highly competitive one. The key to driving further efficiencies is increasing the number and scale of dispatch centres, especially in urban areas. If increased affiliation were to occur then the external congestion costs associated with the street market could be reduced. The key role of dispatch centres has been recognised by the Commission. At present, consumers do not fully understand the role of dispatch companies and benefits arising from purchasing cab services through them. It is recommended that the Commission continues to engage in developing consumer awareness of cab services and dispatch centre services in particular. Additionally, it is recommended that the Commission explore opportunities to incentivise cab operators to affiliate to dispatch centres through measures such as reduced licence fees.

It is also recommended that the Commission should investigate innovative ways through the use of technology to contribute to integration between the booking systems of other transport options and cabs, the potential role of information systems at street level etc. A number of other countries have experimented successfully with such technology, including the Netherlands.

The major supply deficiency facing the industry is that of supply for people with disabilities. There is no one policy initiative that will remedy this situation. Other countries have addressed this problem not only through the cab industry, but also through supports for other community and private hire bus services. The current policy of seeking

to provide financial support for the purchase of wheelchair accessible cabs and ensuring that minimum levels of service are provided to people with disabilities is the correct approach. It is recommended that the Commission engage with a number of other stakeholders in the provision of transport services for people with disabilities with a view to establishing the role for cab services relative to other transport services, so as to support a more integrated and comprehensive response to the transport needs of this user group.

10.5 Overview of the Review's Findings

The Irish cab industry has undergone substantial change since the 1990s. Three periods in the recent development of the industry may be discerned. The Pre-Liberalisation Period existed up to the year 2000 and was characterised by restricted entry to the taxi market, a fragmented administrative structure, and diversity in taxi fare structures and levels across the country. The Post-Liberalisation Period, commencing in 2000, saw the complete liberalisation of entry to the market, but the fragmented administrative and fare structures were retained. The Reform Period, prefaced by the establishment of the Commission for Taxi Regulation in late 2004, began with the introduction by the Commission of a national taximeter area and national fare structure and other reforms in 2006. This period of major reform is continuing apace.

The current regulatory model, which was adopted when the market was liberalised in the year 2000, has solid foundations in economic theory and is that advocated by the OECD and the World Bank. It has brought substantial benefits to consumers and to those service providers who have entered the cab market. The cab market is working well, with high levels of satisfaction expressed by consumers.

The liberalisation of the market has resulted in a much better matching of supply to demand. The previous deficiency in the provision of taxi services has been removed and the increased involvement of part-time service providers has helped ensure that peak demands for cab services are better met.

There are therefore strong arguments for retaining the present regulatory structure. Furthermore, an adjustment to the regulatory structure through the introduction of a moratorium is not warranted at present. The evidence is that exits from the industry, although increasing, do not indicate a problematic level of irrational churning. Also, the rate of entry is in sharp decline, so that the numbers of cab in the market may stabilise in the near future, provided deteriorating economic conditions do not upset this trend. The Commission should monitor industry exits to identify any emerging patterns of excessive churning.

The reform process, on which the Commission has embarked, will increasingly benefit consumers and cab operators alike. The challenge for the Commission is to consolidate the gains already made, through the active pursuit of its current reform agenda.

APPENDIX 1

LIST OF CONSULTEES

The following key stakeholders and interested parties and bodies were contacted during the course of this study:

- An Garda Síochána
 - Athlone Taxi Association
 - Ballina Taxi Association
 - Carlow & County Taxi Association
 - Cavan Town Taxi Owners/Operators Group
 - Commission for Taxi Regulation
 - Competition Authority
 - Consumer Association of Ireland
 - Cork Taxi Association
 - Drogheda Taxi Owners' Association
 - Dublin Airport Authority
 - Ennis Taxi Drivers' Association
 - Fáilte Ireland
 - Health and Safety Authority
 - Independent Workers Union
 - Irish Taxi Drivers' Federation
 - Kilkenny Taxi Association
 - Laois Taxis Limited
 - Legal Metrology Service
 - Letterkenny Taxi Owners' Association
 - Naas Taxi Owners' Association
 - National Disability Authority
 - National Limousine Association of Ireland
 - National Private Hire & Taxi Association
 - National Radio Cabs
 - National Taxi Drivers' Union
 - Newbridge and District Taxi Association
 - Representatives of Limerick Taxi Drivers
 - Road Safety Authority
 - Roscommon Hackney Cabs Association
 - Rural Taxi Alliance
 - SGS Ireland
 - SIPTU
 - Sligo Taxi Association
 - Taxi Company Owners' Association
 - The Allied Taxi Association
 - Thurles Taxi Drivers' Association
 - Tralee Taxi Association
 - Tullamore Taxi Drivers' Association
 - Waterford Taxi Association
 - West Coast Wexford Rural Transport
 - Westport Hackney Association
-

APPENDIX 2

ESTIMATING THE VALUE OF CONSUMER BENEFITS POST-LIBERALISATION

Time Savings to Cab Users

Since deregulation in 2000, consumers have benefited from reduced waiting times for cabs. These reduced waiting times were recorded in the various household surveys undertaken in the period 2000 to 2008 for the Dublin area. The relevant data is set out in Table A2.1. This indicates that the average waiting time in 2008 was 6.2 minutes, representing a saving of 5.3 minutes on pre-liberalisation waiting times. The total number of cab trips for the same dates is also available. This indicates an increase in cab trips from 22.3 in 1997 to 40 in 2008.

Table A2.1

Estimated Time Savings and Cab Trips

Year	Average Waiting Time (mins)	Cumulative Time Saving (mins)	Cab Trips in Dublin (m)
1997	11.5	N/A	22.3
2001	9.2	2.3	26.7
2005	8.3	3.2	27.5
2008	6.2	5.3	40.0

This data was used as a basis for estimating the annual value of time savings that had accrued to cab users since liberalisation. This was done by interpolating the data for years for which surveys were not undertaken

Value of Time

It is normal practice to ascribe values to travel time for the purpose of evaluating transport investments. The Department of Transport has mandated a set of such values.⁷⁷

Based on the mandated values, an estimate of the value of time in 2008 prices can be made. This value differs as between journeys in the course of work and non-work journeys. It also differs as to whether the time savings are in respect of time spent in the vehicle or in waiting for a transport service. Waiting time is valued at 2.5 times in-vehicle time.

Based on the above considerations, the following 2008 values of time were used:

Work time: €24.10 per hour

Non-work time: €21.75 per hour

It was further assumed that 7 per cent of cab trips are in work time.

⁷⁷ See: Parameter Values for Use in Cost-Benefit Analysis of Transport Projects. Goodbody Economic Consultants for the Department of Transport, 2004.

Estimate of Consumer Benefits

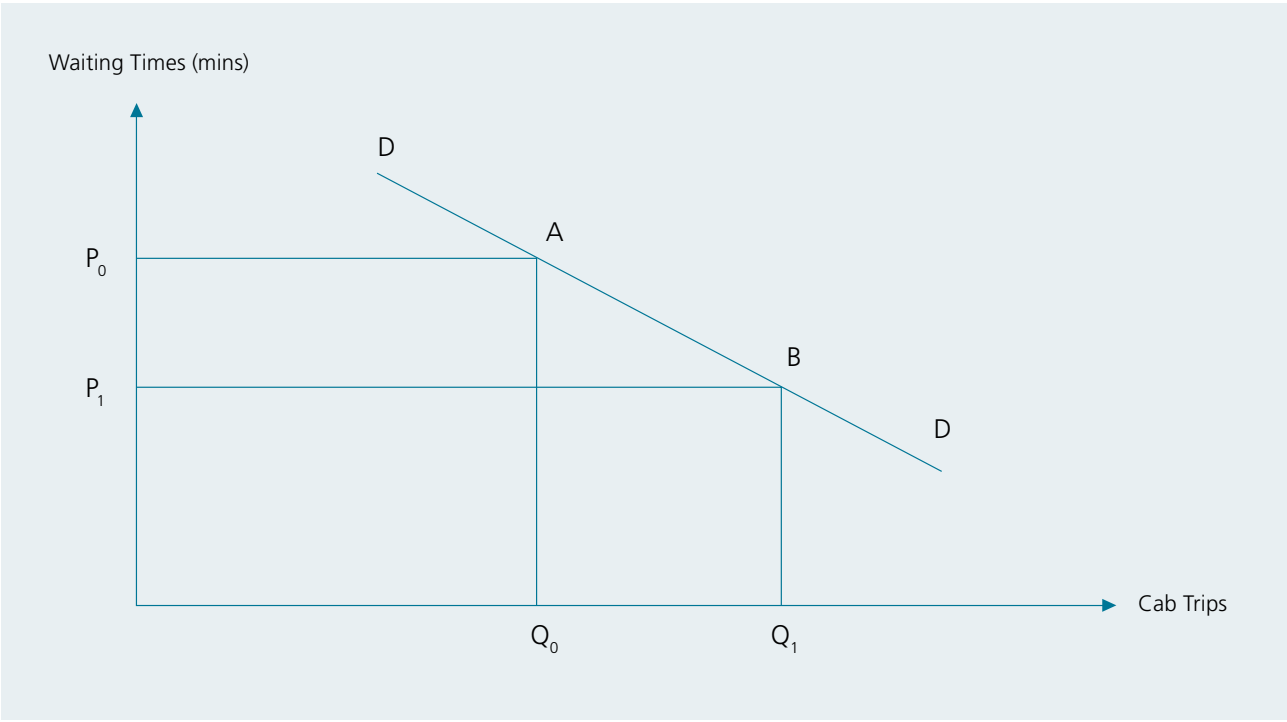
The first estimate of the value of consumer time savings was obtained by simply multiplying the annual time savings by the number of journeys and applying the appropriate value of time. This yielded an accumulated value of time savings of €313 million for the Dublin area.

The second approach to estimating the value of time savings to consumers took account of the possibility that the reduction in waiting times might itself have contributed to the increase in cab trips since liberalisation. If additional cab trips are a result of the reduction in waiting times, then not all of the additional cab users will receive a value equivalent to the time saving. This is because some of the

additional trip-makers would not have required the full reduction in waiting times in order to be attracted to make an additional trip. This situation is depicted in Figure A2.1, which shows how cab trips vary with the level of service as indicated by waiting times.

If the waiting time falls from P_0 to P_1 , then the number of trips increases from Q_0 to Q_1 . The value of the time savings to existing users is $(P_0 - P_1) Q_0$, while that to the additional cab users is $0.5 (P_0 - P_1)(Q_0 - Q_1)$. This Consumer's Surplus calculation indicates that the value of the reduction in waiting times is given by the area P_0ABP or $(P_0 - P_1) Q_0 + 0.5 (P_0 - P_1)(Q_0 - Q_1)$. Applying this formula yields a lower estimate of the accumulated consumer time savings of €284 million.

Figure: A2.1
Valuing Consumer Time Savings





Commission For Taxi Regulation
35 Fitzwilliam Square, Dublin 2, Ireland

An Coimisiún Um Rialáil Tacsaithe
35 Cearnóg Mhic Liam, Baile Átha Cliath 2, Éire

Tel +353 1 659 3800
Fax +353 1 659 3801

commission@taxiregulator.ie
www.taxiregulator.ie