



Taxi Fare Increase: Targeted Public Consultation

Consultation response by the Consumer Council

15 October 2021

1. Introduction

1.1 The Consumer Council is a non-departmental public body (NDPB) established through the General Consumer Council (Northern Ireland) Order (The Order) 1984. Our principal statutory duty is to promote and safeguard the interests of consumers in Northern Ireland.

1.2 We are an insight-led, evidence based organisation:

- Providing consumers with expert advice and confidential guidance.
- Engaging with government, regulators and consumer bodies to influence public policy.
- Empowering consumers with the information and tools to build confidence and knowledge.
- Investigating and resolving consumer complaints under statutory and non-statutory functions.
- Undertaking best practice research to identify and quantify emerging risks to consumers.
- Campaigning for market reform as an advocate for consumer choice and protection.

We have specific statutory duties in relation to energy, postal services, transport, water and sewerage, and food affordability and accessibility. These include considering consumer complaints and enquiries, carrying out research, and educating and informing consumers. Our non-statutory functions educate and empower consumers against unfair or discriminatory practices in any market from financial services to private parking charge notices. Across all our areas of work, we pay particular regard to consumers:

- who are disabled or chronically sick;
- who are of pensionable age;
- who are on low incomes; and
- who live in rural areas.

1.3 Under Section 16(3) of the Taxis Act (Northern Ireland) 2008 (the Act), the Department for Infrastructure (DfI) must consider any recommendations by the Consumer Council in regard to regulation of fares. Furthermore under Section 50(2) of the Act before publishing

information in connection with the provisions of the Act DfI must consider any recommendations made by the Consumer Council.

- 1.4 The Consumer Council uses a set of eight core principles that are commonly used by consumer organisations for working out how particular issues or policies are likely to affect consumers. These are:



- 1.5 The Consumer Council welcomes the opportunity to respond to DfI regarding this consultation.

2. Summary and recommendations

- 2.1 The Taxi Action Plan and attendant proposal on an increase to the maximum fare is a welcome initiative by DfI to tackle the shortage of taxi drivers in NI. It is clear that currently the maximum fare is not based on up-to-date evidence and a comprehensive review is due. However, there is no certainty that the proposal in the consultation will increase the number of taxi drivers and without other action being taken may cause an increase in taxi fares for rural, low income and disabled consumers who use taxis as an essential service. We would welcome the opportunity to meet DfI to discuss our response and its recommendations.

2.2 We recommend:

1. As soon as possible DfI commence a comprehensive review of the maximum taxi fare based on current evidence, with the aim of implementing it before Christmas 2021 if possible, and in any event by 31 March 2022. A comprehensive review should include an equality screening exercise, a review of the current day and time rate structure which addresses both the working of unsocial hours by drivers and price protection for low income, disabled and rural consumers and consider other potential measures to mitigate the impact of a fare increase on Section 75 groups who use taxis as an essential service.
2. Reviewing the taxi licence application process to see if there any changes that can be made that will make it more attractive for new drivers to apply without reducing customer service, accessibility and safety standards.
3. Review the regulations regarding Class C taxis to ensure it is not used to avoid price regulation which could reduce customer service standards and produce excessive price surging to the detriment of consumers.

3. The Consumer Principles

3.1 In considering the interests of consumers, (including those who are disabled or chronically sick, of pensionable age, low incomes and live in rural areas), we have viewed the proposal through the lens of four of the Consumer Principles. These are Access, Choice, Safety and Fairness:

- **The Consumer Principle of Access** is defined as whether people can get the goods and services they want. The proposed increase attempts to address this by providing an incentive for new drivers to enter the industry and thereby increase the supply of taxis. Whilst the fare review is well over due and an increase will provide some incentive to new drivers, there is no certainty that this proposal will achieve this on its own. Discussions we have had with taxi industry would suggest that the biggest barriers to new drivers entering the industry is the new driver licensing process which in its view is cumbersome and expensive and the lack of any real financial incentive within the

maximum fare structure for drivers to work unsocial hours combined with the maximum fare being based on outdated costs.

- **The Consumer principle of Choice** put simply asks does the proposal provide a choice for consumers. The public transport network does not cover many rural areas and provides a limited service at night often making taxis the only viable travel option. Without evidence we cannot comment on how much choice there is for consumers at all times of day and in all geographical locations. However, anecdotal evidence suggests that currently at peak times and in many locations, particularly urban areas, demand heavily outstrips supply and choice is limited. The COVID 19 pandemic caused many taxi drivers to leave the industry. As we emerge from the pandemic and the demand for taxis grows, drivers lost during the pandemic are not returning in sufficient numbers, exacerbating the shortage of taxis to the detriment of consumers. Whether the proposed fare increase can address this is dependent on whether it can increase the supply of taxis.
- **The Consumer Principle of Safety** considers whether the goods or service are dangerous to health, welfare or sustainability. In this instance, we need to consider whether a lack of supply of taxis presents a danger to consumers. Consumer Council research in 2017 reported that ‘consumers with a disability, and those on a low income are likely to be more reliant on taxis for attending medical appointments and shopping for groceries’¹. For convenience we have provided this report as Annex 1 to this consultation response. If a shortage of taxis is a cause of disabled and medically vulnerable consumers missing medical appointments this will compromise the principle of safety. Furthermore taxis provide a safe environment for people travelling late at night compared to walking, particularly if someone is travelling alone. In advice it gives the public on protecting themselves the PSNI advise that ‘Taxis are a great, safe way to get home after a night out.’² As stated earlier, the public transport network does not cover many rural areas and provides a limited service at night often making taxis the only viable option. Therefore a lack of supply of regulated taxis will present an increase in the risk of harm

¹ Consumer Views on Taxi Services in Northern Ireland June 2017. Link: [Taxi Services in Northern Ireland Report | Consumer Council](#)

² [Protecting Yourself - Taxis and Public Transport \(psni.police.uk\)](#)

to consumers. Again, whether the proposed fare increase can address the risk to consumers' safety depends on whether it can increase supply.

- **The Consumer Principle of Fairness** considers whether some consumers are unfairly discriminated against. The proposal is to increase the maximum fare at all rate types at all hours of the day. This does not take into account disabled consumers, rural consumers and consumers on a low income for whom taxis are an essential service as they either cannot access public transport or it is not available to them. As taxi operators are not required to charge the maximum fare an increase in supply may have the effect of increasing competition and creating a downward pressure on fares. However, as an increase in the supply of taxis is not certain under the proposal there is a danger that it may simply increase prices for those consumers who have no alternative means of transport.

4. Consultation question 1 – Do you agree with proposed fare?

- 4.1 We do not agree with the proposed 7.6% fare increase as it is not based on up-to-date cost base evidence and in the absence of other changes to taxi regulation is not certain to increase the supply of taxis and may increase the taxi fare for consumers who use it as an essential service. Our recommendation is for a comprehensive review to be undertaken as soon as possible and for it be implemented before Christmas 2021 if possible, and in any event by 31 March 2022.

5. Consultation Question 2 – other comments

- 5.1 The consultation is limited in scope and makes only one proposal regarding the maximum fare. However, it should be seen within the context of the Taxi Action Plan announced by Minister Mallon on 10 September 2021. This announced that on top of the £16.7m of support to existing drivers, DfI will provide financial support to cover the fees for new drivers who successfully obtain their taxi driver and vehicle licences from April 21 to March 22. This support provides a saving of over £370. In addition the DfI will waive the DVA fees for one taxi meter test required to implement the fare change.
- 5.2 The aim of the proposed increase to the maximum fare is to encourage new drivers to enter the industry. By proposing to use the outcome of the outdated, but existing 2019

review, the aim is to implement an increase urgently, and before the 2021 Christmas period.

5.3 It is clear that the maximum fare does need to be reviewed. The current maximum fare is based on costs from 2011 and is therefore 10 years out of date. There clearly will have been changes to the cost base, possibly both up and down, over this period. This is evidenced alone by the 2019 review which concluded that a 7.6% increase was an appropriate increase from the 2011 cost based maximum fare. It is a fundamental flaw of the proposal that it would introduce a fare that is based on out of date figures. As a compromise and short term solution it may provide some level of incentive to encourage new drivers into the industry. However, on balance we do not believe it is in the interest of consumers as it unlikely to achieve its aim of increasing taxi numbers before Christmas 2021 and it could lead to a detriment to essential taxis users.

5.4 Fundamentally the regulated maximum fare needs to be the subject of a comprehensive review as a matter of urgency, because the maximum fare needs to be based on robust and up-to-date evidence. We understand that due to resources and logistics a comprehensive review may not be possible to complete and implement before Christmas 2021, but it should in any case commence as soon as possible.

6. A time table for implementation of a new maximum fare

6.1 The consultation document states that the benefit of using the proposed 7.6% change to the fare structure is that it could be implemented before the Christmas period 2021. According to the Licensed Taxi Operators Association (LTOA) there are circa 8,000 licensed taxi drivers in NI with circa 5,000 currently active. It is our understanding that all taxis have to attend a DVA Centre to complete meter recalibration. The DVA needs to consider whether it is realistic to be able to complete recalibration of all operational taxi meters between mid- October and mid- December 2021, particularly considering the ongoing issue the DVA has with delayed MOT testing.

6.2 According to the LTOA it currently takes between four and six months for a taxi driver to become licensed. On this evidence a new applicant will not become licensed before Christmas 2021. However, existing licensed drivers who are not currently active within the industry would be able to re-enter the industry at any time if they wished to do so.

7. Other issues

7.1 The current proposal is undermined because it is uncertain how successful it will be on its own in driving up the number of new drivers by the numbers we wish to see. The view within the industry is that the causes of the current scarcity of regulated taxi drivers in Northern Ireland are not being addressed by this proposal. They believe that the shortage of drivers is caused by a combination of factors, of which the outdated maximum fare is one. The others are:

- The current driver licence application process is too complex with a pass rate in 2020 of only 24%.
- There is insufficient incentive within the maximum fare structure for drivers to work unsocial hours when they are most needed.
- Unregulated Class C taxi operators are exploiting a loophole to undermine the metered class operators.

7.2 The Consumer Council is also of the view that there are issues additional to increasing the maximum fare that if addressed could contribute to an increase in the supply of regulated taxi drivers and at the same promote and protect the interests of consumers. These are:

- **Reviewing the taxi licence application process.** This should be undertaken with the aim of identifying if there are any changes that can be made that will make it more attractive for new drivers to apply. The Consumer Council recognises the importance of ensuring the integrity of testing and training in order to maintain high standards. We would not support any changes to the application process or regulation of taxis that would reduce or compromise the high customer service and safety standards that the current system provides.

- **A review of the Rates Structure.** A comprehensive review of the maximum fare should include a review of the Rates Structure. This should have two aims. One aim is to provide an incentive to drivers to work unsocial hours where the supply shortage is most acute. The other is to provide price protection for those consumers who have no alternative but to use taxis as an essential service for medical appointments and shopping. These essential activities are not usually done at the unsocial hours where demand for taxis is at its peak.
- **A review of the operation of Class C.** The Taxi Act was introduced in 2008 to regulate the whole taxi industry and at that time Class C was designed for funeral, wedding, and novelty vehicles and chauffeur services – not taxis. Whilst the number of taxi drivers operating under classes A and B is decreasing the number operating under class C is increasing. The number of Class C taxis has risen from 465 in 2016 Q1 to 1,189 in 2021 Q1. Taxis operating under Class C are not subject to a maximum tariff and are not required to have a meter or a roof sign to identify them as a taxi. Taxis operating under Class C typically use ‘surge pricing’ at peak demand times when the supply of regulated taxis cannot meet demand. The outcome is often a final price to consumers that is well in excess of the regulated maximum fare. This loophole in the legislation was identified as a problem in 2016 when Chris Hazzard, then the Minister for Infrastructure, stated that he would be moving promptly to resolve the matter. However, the issue remains unresolved. This practice acts as a disincentive to drivers to enter the regulated class A and B taxi sector.

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