



Vehicle Standards: Consultation paper for the taxi, hackney and limousine fleet.

Submission by the Competition Authority to the National Transport Authority

S-11-007

5 August 2011



The Competition Authority
An tÚdarás Iomaíochta

1. INTRODUCTION

- 1.1 One of the Competition Authority's main roles is to promote competition in the Irish economy. It does this by identifying public restrictions on competition, advising the Government and its Ministers about the implications for competition of proposed legislation or regulations, and by informing public authorities and the general public about competition issues.
- 1.2 Since the Irish High Court decision in 2000 to deregulate entry to the taxi industry, the Competition Authority has consistently stated that the removal of the limits on the number of operators in the taxi industry has greatly benefitted consumers and business users of these services. The benefits include more trips being taken by consumers and reduced waiting times.
- 1.3 At the same time, the Competition Authority recognises the need to regulate driver and vehicle standards (i.e. qualitative regulations) to ensure that service quality is high. While these regulations may in effect make it harder to gain access to, or remain in the taxi industry, once they are proportionate and apply equally to all, they are unlikely to present major competition concerns.
- 1.4 It is within this context that the Competition Authority makes this submission. Our submission will focus on three main areas:
 - 1. Vehicle age**
 - 2. Vehicle branding**
 - 3. The overall effect of qualitative regulations**

2. VEHICLE AGE

- 2.1 To improve vehicle standards, the former Commission for Taxi Regulation (now the Taxi Directorate of the National Transport Authority ("NTA")) introduced, in 2010, a "nine-year rule" which stipulated that any taxi or hackney driver seeking to renew their licence had to drive a vehicle that was less than nine years old.
- 2.2 The NTA nine-year rule was revoked earlier this year in respect of any driver renewing their taxi or hackney licence in 2011, but who had come into the industry before 1 January 2009. However, it continues to apply to those who entered the industry after that date. The rule has the following features:
- A taxi or hackney licence issued after 1 January 2009 will only be renewed in respect of a vehicle that is less than nine years old;
 - All new taxi and hackney licence applicants must drive a vehicle that is less than nine years old;
 - If a driver changes their vehicle, the replacement vehicle must be less than nine years old, regardless of when the licence was first issued;
 - A transfer of licence ownership must be made using a vehicle that is less than 3 years old at the time of application.
- 2.3 Two new proposed options have been outlined in the consultation paper:
- **Option 1:** A nine-year age limit for taxi, hackney and wheelchair accessible vehicles when changing vehicle or applying for a new licence. No age limit for renewal of licences first issued prior to 1 January 2009. However, if these vehicles are older than 9 years, they will be subjected to a 6-monthly licence period and associated inspections.
 - **Option 2:** The same as the above, but with an ultimate vehicle age limit of 14 years for renewal of licences.
- 2.4 If the nine-year rule is being phased in, the complete grandfathering of pre-2009 licence holders seems a very long time lag. Moreover, recent entrants to industry (i.e. those after 1 January 2009) could justifiably argue that under either of these options the regulations are not being applied equally to all, and they are being placed at a competitive disadvantage compared to earlier entrants to the industry (i.e. those before 1 January 2009). Their vehicle must always be less than 9 years old, whereas earlier entrants can drive older vehicles. The same applies to those seeking a transfer of licence whose vehicle must be less than 3 years old.

Issue 1: Vehicle standards should be applied equally to all, and should not place recent or potential entrants at a competitive disadvantage.

3. VEHICLE BRANDING

- 3.1 The NTA is seeking views on introducing a form of distinctive external branding or signage on all taxis to make it easier for the consumer to identify vehicles for hire on the street.
- 3.2 In contrast to the nine-year-rule, there is no reasoning or evidence outlined in the appendix to support the introduction of this measure. This makes it difficult to make any substantive comments on the issue. Nonetheless, the Competition Authority feels that the benefits of universal branding are worth investigating, particularly if it makes it easier for enforcement authorities and customers to identify taxi drivers that are operating illegally.
- 3.3 However, branding could also act as a barrier to entry, and its effect in this regard would need to be investigated closely. For example, the cost of introducing universal branding should not be prohibitively high.

Issue 2: While there are potential advantages associated with universal branding, its ability to act as a barrier to entry needs to be carefully considered.
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4. OVERALL EFFECT OF QUALITATIVE REGULATIONS

- 4.1 A combination of a number of qualitative regulations like vehicle or driver standards can create barriers to entry. For example, while the nine-year rule may not raise serious competition concerns (once applied equally to all), the combination of this regulation coupled with other qualitative regulations – namely the current requirement that all new taxi and hackney entrants have a wheelchair accessible vehicle – potentially creates a significant barrier to entry.
- 4.2 Under the current regulations, new entrants to the taxi or hackney industry must either buy a wheelchair accessible vehicle in order to obtain a new licence, or buy a car that is less than 3 years old and try to get a licence transferred to them from another driver. These regulations make it extremely difficult for new entrants to enter the industry.
- 4.3 The Competition Authority recognises the importance of increasing the number of wheelchair accessible vehicles, but the current regulation that all new entrants must drive wheelchair accessible vehicles appears excessive, and is having a very limited effect on increasing the number of wheelchair accessible vehicles operating in the market. The Competition Authority would encourage the NTA to further pursue the grant scheme route or adopt other similar measures as a way of meeting their percentage target. We would also encourage the NTA to remove the current requirement that all new taxi and hackney entrants must have a wheelchair accessible vehicle as soon as this target has been met.
- 4.4 The importance of not creating barriers to entry through a combination of qualitative regulations cannot be overstated. If a combination of these regulations acts as a barrier to entry, and stricter standards force existing drivers out of the market, there will be no new drivers in a position to replace them. This will be to the detriment of competition and the consumer.

Issue 3: A combination of qualitative regulations like vehicle or driver standards can create significant barriers to entry.

5. CONCLUSION

Issue 1: Vehicle standards should be applied equally to all, and should not place recent or potential entrants at a competitive disadvantage.

Issue 2: While there are potential advantages associated with universal branding, its ability to act as a barrier to entry needs to be carefully considered.

Issue 3: A combination of qualitative regulations like vehicle or driver standards can create significant barriers to entry.

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