Office of Utilities Regulation

Route Taxi Operators Fare Application

Recommendation to the Minister of Transport and Works

OFFICE OF UTILITIES REGULATION

October 14, 2009

DOCUMENT TITLE AND APPROVAL PAGE

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DOCUMENT TITLE: Recommendation to the Minister of Transport and Works on Route Taxi Application

PURPOSE OF DOCUMENT: This document provides the Office's Recommendation on the Route Taxi Fare Application.

ANTECEDENT DOCUMENTS

APPROVAL

This document is approved by the Office of Utilities Regulation.

On behalf of the Office:

Ahmad Zia Mian
Director General

October 14, 2009

Contents

SUMMARY OF RECOMMENDATIONS

I. BACKGROUND

There are approximately fifty three (53) Taxi Associations across the island. These Associations represent approximately 14,000 licensed Route Taxi Operators. Most Taxi Associations have membership with an umbrella group; the three main umbrella groups are National Association of Taxi Operators (NATO), National Council of Taxi Association (NCOTA) and Route Taxi Association of Jamaica (RTAJ). Representatives from these umbrella groups had requested a fare increase in May of 2009.

Specifically, in a letter to the Minister of Transport and Works dated May 04, 2009, NATO, NCOTA and RTAJ requested that the Ministry grants a 30% increase in public transportation fares. They also requested that the full or a portion of the tax imposed on gas be rolled back. NATO, in the application justified that the increase is needed because since June 2008, taxi operators have had to absorb a 10% point loss in operating cost as they had applied for a 35% increase but only 25% was granted by the Minister.

The Transport Authority began the review of the application for a fare increase by collecting data on the operational cost of Taxi Operators and, as customary, referred the matter along with the data collected to the OUR for a recommendation on the economic fare to be charged. The referenced review was submitted to the Office on May 20, 2009.

II. **Opportunity for Public Comment**

Pursuant to its obligations to grant parties that are affected by its decisions the opportunity to be heard, the Office engaged in public consultation with respect to the application received. Specifically, advertisements were placed in the major newspapers[1] inviting comments on the proposal submitted by the umbrella associations. The Office received only one response. That response (from a commuter) argued that fares should not be allowed to increase because of the current economic condition. It further submitted that any increase in taxi fares will cause undue strain on commuters who are the lower income earners in Jamaica.

The OUR has reviewed the application and the supporting information provided by NATO, NCOTA and RTAJ. Its analysis of cost is as set out below.

[1] The Daily Observer September 2009, the Chat September 11, 2009, The Gleaner September 09, 2009 and the Weekend Star of Sept. 11, 2009.

III. OUR'S ANALYSIS OF THE TYPICAL ANNUAL COST OF OPERATING A TAXI

Cost Structure			
	Variable Cost per km J$/km	**Fixed Cost J$**	**Total Cost J$**
Depreciation	-	212,000	212,000
Interest	-	131,970	**131,970**
Fuel Cost	8.63	-	518,018
Lubricants Cost	0.27	-	18,860
Drivers wages	-	520,000	520,000
Insurance costs	-	212,048	212,048
Maintenance costs	3.18	-	219,380
Tyre costs	0.44	-	30,400
Licence costs	-	78,925	78,925
Subtotal	**12.53**	**1,154,943**	**1,941,600**
Overheads	1.88	-	129,654
Profits	1.88	173,241	302,895
Total	**16.29**	**1,328,184**	**2,374,150**
Variable cost per passenger (km)	**4.07**		
Fixed cost per passenger		**55.34**	

Base Stage Fare = (fixed cost per passenger) + (2 * variable cost per passenger kilometre). Base Stage Fare = 63.48

Consequent on the above analysis, the Office's recommendations are as follows:

i. Base Stage Fare equates to **$63.48**

ii. A charge of **$4.07** is applicable for each additional kilometre after the initial two kilometres.

iii. There should be a review of the above fares in the event that there is a 25% combined change in fuel price and exchange rate changes.

iv. For practical purposes, fares of $65 for the Base Stage and $4.00 for each kilometre thereafter could be implemented.

CHAPTER 1: INTRODUCTION

I. BACKGROUND

The Ministry of Transport and works has the responsibility of approving fares in the Transport sector, while the Transport Authority and the Office of Utilities Regulation exercise regulatory remit over the sector.

In a letter to the Minister of Transport and Works dated May 04, 2009, NATO, NCOTA and RTAJ requested that the Ministry grant a 30% increase in fares. NATO's justification for the requested increase is that Taxi Operators have had to absorb a 10% loss in operating cost since their last fare increase in June 2008 as they had applied for a 35% increase but were only granted 25%.

The National Council of Taxi Association (NCOTA) and the Route Taxi Association of Jamaica (RTAJ) also provided data on the costs incurred by route taxis in support of the application for a fare increase. Although the figures differ for each organisation, they serve as a good indication of costs incurred by operators during the period March 2008 to April 2009.

The Transport Authority referred the application to the OUR on May 20, 2009, requesting its recommendations.

II. LEGAL AND REGULATORY FRAMEWORK

1.1 Under existing legislation, there are three main regulatory bodies for the public passenger transport sector. These are the Ministry of Transport and Works (MTW), the Transport Authority (TA) and the Office of Utilities Regulation [(OUR) / "the Office"].

1.2 The MTW is responsible for the overall policy decision-making in the sector.

1.3 Section 16 of the Transport Authority Act provides that the Authority may set fares for the sector 'with the approval of the Minister'. The Transport Authority regulates through the following Acts of Parliament:

- The Public Passenger Transport (Kingston Metropolitan Transport Region) Act;
- The Public Passenger Transport (Rural Area) Act;
- The Transport Authority Act; and
- The Road Traffic Act.

1.4 The OUR is mandated to regulate the sector through the Office of Utilities Regulation (Amendment) Act 2000. Section 4(4) provides that: *"The Office shall have the power to determine, in accordance with the provisions of this Act, the fares which may be charged in respect of the provisions of a prescribed utility service."* The First Schedule defines "Public Transportation by road, rail or ferry" as a prescribed utility service.

1.5 It is evident therefore that there is an overlap of the responsibilities of the OUR and the Transport Authority under the provisions of the various Acts. Until the legislative changes are enacted to harmonise the situation, the policy of the government is that the role of the Office is limited to that of advisor to the Minister on the economic regulation of the public passenger transport sector. The Transport Authority's responsibility for the sector extends beyond economic regulation. The Authority has responsibility for the licensing of all public passenger vehicle including taxis. In addition, the Authority is mandated to develop, implement and enforce quality-of-service standards for all operators in the sector.

III. PURPOSE OF DOCUMENT

1.6 The three main umbrella groups representing Taxi Associations Island wide submitted an application on behalf of all Route Taxi Operators to the Minister of Transportation and Works and the Transport Authority. The Transport Authority began the review process by requesting data on the operational cost of taxi operators. In this regard sample Operational Expense Sheets were circulated to various Taxi Associations for completion by a representative sample of the associations' membership. The Transport Authority then referred the application to the Office of Utilities Regulation along with the submissions of the associations for assessment.

This document sets out the recommendations of the Office to the Minister for a new fare regime for route taxi operators.

CHAPTER 2: PROPOSALS FROM TAXI ASSOCIATIONS

NATIONAL ASSOCIATION OF TAXI OPERATORS (NATO) PROPOSAL

2.0 The association notes that the request for a fare increase in 2008 was partially predicated on the rise in world oil prices from an average of $47.00 to $75.00 per litre. It noted that although there has since been a steady decline in world oil prices, it could not be passed on to consumers due to the continued increase in operating costs. The association also submitted that the newly imposed gas tax has further increased the costs that operators face. It proposed that the recently imposed tax on gas be rolled back either partially or fully as the national and international crisis is impacting everyone, especially commuters.

2.1 For its part, NATO argued that the association's members have had to absorb an annual operating loss of approximately $214,000 as a result of being given a fare increase below that requested in 2008. The association expects that if the requested increase is granted taxi operators will be able to provide a more efficient service to commuters as well as eliminate a portion of the operating loss that they are currently experiencing.

2.2 NATO proposed that based on the increases in cost experienced over the period since the last fare review, taxi operators can only recover their costs if a 30% increase is approved.

NATO has requested that fares be increased by 30%.

Table 1 shows NATO'S submissions on changes in operating costs over the years.

Table 1

Price Adjustment on Average - NATO		
Items	**Cost as at June 2008**	**Cost as at June 2009**
Gas per qt	-	-
Oil	J$340	J$410
1 Tyre	J$3,000	J$3,800
Battery	J$10,000	J$12,000
Insurance Third Party	J$35,000	J$40,000
Road Licence Renewal Fee	J$9,300	J$10,800
Fitness Fees	J$1,500	J$2,500
Parking Fees Per Day	J$70	J$150
Association Fees	J$4,000	J$6,000
Car Care (Wash) Twice Wkly	J$600	J$700
Mechanic (Labour) Monthly	J$1,800	J$2,500
Uniform	J$3,200	J$5,200
Licensee Fee	J$2,750	J$4,125
Examination Fee	J$1,500	J$3,000
TOTAL COST	**J$ 73,060**	**J$ 91,185**

NATO's proposed Fare Structure

Table 2

Details	Existing Rate $	Proposed Rate $
Base Stage rate	55.00	71.50
Per Kilometer Charge	3.00	3.90

NATIONAL COUNCIL OF TAXI ASSOCIATIONS (NCOTA) AND ROUTE TAXI ASSOCIATION OF JAMAICA (RTAJ) JOINT SUBMISSION

2.3 The National Council of Taxi Associations (NCOTA) and the Route Taxi Association of Jamaica (RTAJ) made a joint submission outlining operation costs using two scenarios. The first scenario as shown in Table 2 shows statistics for the Montego Bay to Rosehall route and indicates that expenditure has increased by 13.9 %[2] in 2009 relative to 2008. This has resulted in average operators' loss of $238,245. Operators have sought to absorb this by doing extra time on the road.

2.4 For the purposes of their submission, the Associations advised that they employed a Toyota Corolla, as a typical taxi. This is regarded as the most common car used by taxi operators. The submission assumed a 6-day work week for operators. On average, a driver makes 10 round trips per day with 4 passengers per trip. It was also communicated that operating vehicles depreciates by 20% each year.

[2] Re –calculation shows that NCOTA/RTAJ submission indicated that total expenditure was$2,029,570.40 in 2008, and not $2,020,270.4 as stated. This seems to be a simple error in calculation.14.

Table3

Submission of Income and Expenditure by NCOTA and RTAJ[3]		
Items	**Cost as at June 2008**	**Cost as at June 2009**
Road License	J$9,300	J$10,800
Tyres - four sets changed per year	J$40,000	J$57,600
Struts - 2 sets changed (4 each change)	J$26,400	J$32,000
Misc Parts (engine mount, gas and water pump, wheel bearing, etc.)	J$15,000	J$20,000
Plug Wires - one set changed	J$2,500	J$3,000
CV Joints - one change	J$11,200	J$13,000
Rack and Pinion - one Change	J$9,500	J$11,000
Tie Rod End - twice per year	J$3,400	J$4,800
Ball Joint - twice per year	J$2,400	J$3,000
Disc Pads - 6 changes per year	J$7,200	J$8,400
Brake Shoes - twice per year	J$4,400	J$5,200
Oil and Filter Change - average of 9 changes per year	J$13,050	J$16,020
Transmission Oil and Filter - twice per year	J$12,000	J$15,400
Professional Maintenance Fees	J$130,000	J$150,000
Battery	J$8,000	J$11,500
Examination Fee Fitness - twice per year	J$4,000	J$6,000
Depreciation - 20%	J$200,000	J$250,000
Licensing Fee	J$2,750	J$4,125
Parking	J$28,800	J$28,800
Gas	J$1,193,270.40	J$1,296,000.00
Insurance	J$220,000.00	J$250,000.00
General Washing and Cleaning	J$86,400.00	J$115,200.00
Total	**J$2,029,570.40**	**J$2,311,845.00**
Less Income	J$2,073,600.00	J$2,073,600.00
Surplus/Deficit after Expenses	**J$44,029.60**	**-J$238,245.00**

2.5 In the second scenario, NCOTA and RTAJ presented an income and expenditure statement for the period March 2008 to April 2009 based on the operations of a taxi on the Mandeville to Spaulding route. The reference vehicle used in this scenario was a 1998 Honda Partner.

The summary Income and Expenditure Statement indicated a $611,000 or 51% increase in expenditure per taxi over 2005 when the last fare adjustment was granted. NCOTA noted that the average car being purchased to operate as a Taxi now costs on average $1,000,000 and has a depreciation rate of 20-25% per year as a car generally lasts for about four years.

NCOTA further stated that when the last fare increase was granted, gas was $26.00 per litre compared to the current level of $70.00 per litre.

[3] Representative of a taxi operation on the Montego Bay to Rose Hall route

NCOTA SUBMISSION Scenario 2

Table 4

Expenditures	**March 2008 - April 2009**
Ball Joint (2 sets)	12,000
Tie Rod End	5,000
Engine	40,000
Engine Mount	22,000
Plugs	3,500
Tyres	36,000
Gasoline (6dys@3,000)*52	936,000
Engine Oil & Filter	13,600
Disc Pads	8,500
Strut	14,000
Shocks	14,000
Brake shoe	6,200
Transmission oil & filter	7,800
Control Arm Bushing	4,000
Tyre Repairs	3,000
Park Fee (6dys @$100)	31,200
Insurance	60,000
Fitness	6,000
Registration	4,125
Road License	10,800
Mechanic Fee	50,000
Body Work	15,000
CV Joint	7,000
Association Cost	3,750
Uniform (3 shirts)	3,600
Rack & Pinion	14,000
Wash & Clean	125,000
Total	**1,456,075**
Less Income $4,500 per day @313 dys	**1,408,500**
100% working time loss	**-47,575**

2.6 NCOTA stated that the information in the table above represents the cost associated with a taxi plying the route Mandeville to Spaldings. The reference vehicle used is a 1998 Honda Partner. They also indicated that calculations are done on the basis that the vehicle will be on the road 6 days every week. This NCOTA stated, is a best-case scenario, as there are times when the vehicle will be in the repair shop.

2.7 The proposal also stated that the taxi operators on this route will be faced with the cost of replacing their engine and transmission on a yearly basis.

2.8 The proposal also indicated that a cost of $125,000 per year should be included in computing the tariff. This would go towards paying "back up men". This they argue represents a true cost as the vehicles are unable to operate without accepting this service.

CHAPTER 3: REVIEW BY TRANSPORT AUTHORITY

3.0 In the last Route Taxi Operators Fare review, the Transport Authority conducted research including a survey on the level of expenditure incurred in operating a taxi. Its findings were communicated to the Office and the results were taken into consideration when determining a rate to be charged.

The Transport Authority did not conduct a research or survey for this tariff review. In assessing the rates that have been proposed, the Office has therefore relied solely on research done by its staff.

CHAPTER 4: OUR'S ANALYSIS

METHODOLOGY

4.0 The methodology used for the calculation of an efficient fare is the rate of return methodology. This methodology allows taxi operators to fully recover their costs as well as earn a fair return on their investment.

4.1 The fare structure for route taxis consists of two parts, a Base Stage Rate and a Variable Rate for each additional kilometre travelled. The Base Stage Rate is calculated based on the fixed costs incurred by Taxi Operators and also includes the first two kilometres of travel. On the other hand, the variable rate recovers costs that are a function of distance travelled.

4.2 In addition to costs, the operating characteristics of a typical taxi operator had to be established in order to derive the unit cost of operation. The Office used the details presented by NATO, NCOTA and RTAJ along with updates of assumptions made in the last recommendation to the Minister. Mini surveys taken by the OUR were also used in order to obtain adequate and detailed information relating to operating characteristics.

4.3 There were wide variations in the levels of line items of expenditure submitted by the associations. The Office relied on market surveys to project the costs charged for major parts and services rendered to taxi operators. For other specific costs, modification or additions were done where the Office accepted the estimates submitted by one or more of the associations.

OPERATING CHARACTERISTICS

Number of seats

4.4 The number of available seats was determined to be four, based on the normal legal seating capacity for motor cars. The requirement of the route taxi licence is for a passenger seating capacity of four.

Load factor

4.5 The load factor applied to the calculation is that of 100% based on the practice that a vehicle does not depart from its base until it obtains maximum seating capacity.

The Office did not take into account the effects of drop-offs and picks-ups along the taxi route as it is assumed that all passengers travelling will incur at least the base stage fare. There was also no adjustment for the impact of discounted fares for children.

Number of Operating days per year

4.6 In NCOTA's and RTAJ's joint submission, income is calculated on the basis that a taxi operates for 6 days a week. The Office agrees with this as it is the norm for a worker to receive a day-off from work if they are operating in an industry that requires a seven-day work week. Therefore, calculations were based on the fact that a taxi operates for 300 days per year or 50 weeks.

Kilometres operated per day to earn revenue

4.7 This is the number of kilometres charged for each day. The Office has used NCOTA's and RTAJ's joint submission of 10 round trips per day as typicial. This gives an estimated 200 operating kilometres per day, which is equivalent to 60,000 kilometres per year.

Operating distance is a driver for both cost and revenues and as suggested by one association, operators are working excessive hours to obtain additional revenues to cover rising costs. This, however, may be counter-productive if there is a more than proportionate increase in operation and maintenance charges. The Office is of the view that, in the interest of the safety of passengers, operators should be able to cover costs over a moderate level of driving time. The Office is of the view that 200 kilometres per day is a reasonable estimate of revenue potential, and that this estimate should guide the level of costs allowed to taxi operators.

Kilometres travelled per day

4.8 In estimating the total kilometres travelled per day the Office has assumed an additional 15% of dead mileage or distance travelled and not charged for. This takes into account travel to and from points of operation, detours and administrative usage. The total Km travel per day is 230km, which would means that total Km travelled per year is 69,000km.

Number of passengers per year

4.9 The number of passenger per year represents the total customer base of taxi operators. This is calculated as: (2 * number of round trips * seating capacity * number of operating days per year * load factor).

The total number of passengers per year for the typical operator is calculated at 24,000 passengers.

Depreciation rate

4.10 The Model car used in this analysis is a 2003 Toyota Carolla costing $1,060,000. This motor vehicle is depreciated over five years at 20% per year based on the straight line method. Total depreciation charged per year is $212,000.

Kilometres travelled per quart of lubricant

4.11 An estimated oil change of four quarts every 6,000 kilometres amounts to 1,500 kms per quart of lubricant.

Kilometres travelled per litre of fuel

4.12 This was estimated to be 8.85 km/litre of the equivalent of 25 miles per imperial gallon. The US Department of Energy estimates that a 2003 Toyota Corolla has a fuel efficiency of 25 miles per US gallon (30 miles per imperial gallon) for city travel and 34 mpg (40 miles per imperial gallon) for highway travel. The OUR's estimate is lower than that of the Department of Energy as it takes into consideration the terrain and the road conditions in Jamaica, which oftentimes require travelling at low speed.

Revenue earning kilometres per litre of fuel

4.13 To derive an estimate for this parameter the total kilometres travelled per litre of fuel is adjusted by the percentage of dead mileage.

Mathematically:

$$\text{Revenue earning km per liter} = \text{Km travel per litre} * \frac{\text{Km operated per day}}{\text{Km travelled per day}}$$

Number of tyre change per year

4.14 The number of tyres changed annually is estimated to be eight tyres. This is based on benchmarking data received from the UK Automobile Association which states that for a front wheel drive car, the minimum life of a front tyre is 20,000 miles and that of a back tyre is 40,000 miles[4]. This means that a front tyre will last for approximately 32,186 kilometres and a back tyre 64,375km. However, it is important to take into consideration the condition of Jamaica's road surfaces, when determining tyre changes. Base on these analyses it is assumed that a Taxi will change two sets of tyres annually.

[4] www.theaa.com/motoring_advice/safety/tyre-life-and-age.htm

Operational Assumptions for Route Taxi Operations

Table 5

OPERATIONAL ASSUMPTIONS FOR ROUTE TAXI OPERATORS	
Number of seats	4
Presumed average load factor	1
Assumed operational days per year	300
Assumed km operated per day	200
Assumed km travelled per day	230
Number of round trips per day	10
Assumed # of passengers per year	24,000
Annual Depreciation rate (%)	20
Km travel per quart lubricant	1,500
Km travel per litre fuel	8.85
Operating Km per litre of fuel	7.70

FINANCIAL ASSUMPTIONS

Exchange rate

4.15 A monthly average exchange rate of US$1 to J$88.98 is assumed; the applicable rate for August 2009 which represents the base month for the determination.

Interest rate

4.16 Loan interest is assumed to be at 20.75%. This represents the interest rate charged on loans to finance a seven-year old motor vehicle with a repayment period of two years. It should also be noted that this specific commercial bank only finance 60% of the cost of a seven-year old motor vehicle.

Capital cost of vehicle

4.17 Operators typically purchase used vehicles whether imported or sourced locally for the purpose of operating a taxi. The Office believes that in order to derive the capital cost of a vehicle, the market value of the reference vehicle should be estimated. Therefore, an analysis was done in order to determine the price range of a 2003 Toyota Corolla. It was determined that this model was being sold on the market from a low of $880,000 to a high of $1.12M. The Office has allowed a mean of $1.06M. This vehicle is to be depreciated at 20% per annum and has a useful life of 5years.

OPERATING EXPENDITURES

Annual insurance

4.18 Based on the joint submission of NCOTA and RTAJ, the annual insurance premium is estimated as $250,000. The Office believes this figure is somewhat high. The Office obtained quotes from various insurance companies for vehicles of the type and value issued in order to obtain a fair insurance cost. The average of these quotes was used to calculate the annual insurance cost. The annual insurance cost allowed is $212,048.

Vehicle servicing and maintenance

4.19 The level of servicing and maintenance expenditure correlates with the number of kilometres operated. The Office is of the view that a vehicle servicing and maintenance cost should be calculated based on the chargeable kilometres operated. That is, on the basis of 60,000 of operating kilometres and 72,000 of total kilometres travelled; the Office has allowed the following expenditure for servicing and maintenance:

Vehicle Servicing and Maintenance cost	
Servicing	48,000
Parts	102,200
Other repairs	11,680
Battery	7,500
Washing & cleaning	50,000
New Tyre Cost	30,400
Annual Vehicle service & maintenance	249,780

Tyre cost

4.20 Based on data received from various automobile companies that sell tyres, the average price per tyre is estimated at $3,800. This is also the figure proposed by NATO for the cost of a tyre. Total tyre cost for the year is $30,400 based on the assumption of 8 tyre changes per year as explained in the previous section.

Driver wages and benefits

4.21 The Office has no objections to the $520,000 proposed by NATO for owner's salary. This is in keeping with the figure determined in the last recommendation to the Transport Authority.

Fees and dues

4.22 This is made up of regulatory and other operational fees that regulators and/or the various Taxi Associations may charge.

Total Expenditure estimated by the OUR

OUR Approved Expenditures		
Annual Insurance (Ja$)		**212,048**
Servicing	48,000	
Parts	102,200	
Other repairs	11,680	
Battery	7,500	
Washing & cleaning	50,000	
New tyre cost (Ja$)	30,400	
Annual Vehicle service & maintenance	-	**249,780**
Direct Wages: Drivers Salary	-	**520,000**
Road Licensing fee	10,800	
Badge/uniform	5,200	
Lform	1,800	
Vehicle registration	4,125	
Fitness	6,000	
Taxi association dues	6,000	
BusPark/ car park fees	45,000	
Total fees and dues		**78,925**
Other Overheads		**137,716**
Total Expenditures		**1,198,469**

OVERHEADS

4.23 The Office is mindful that there are some overhead expenses that cannot be gauged at the time service is provided; and it is important to make provision for these expenses. Therefore, an allowance of 15% on variable costs is made for overheads. Overheads include: indirect wages, radio servicing and other casual expenses.

PROFIT MARGIN

4.24 The Office has included interest on the capital invested in the allowed Expenditures, however, the operators will need an outlay of working capital to cover ongoing expenses. The Office has allowed a mark-up of 15% on total expenditures.

UNIT COST OF OPERATION

4.25 The Office has allocated expenditure into fixed costs (items that do not vary with the level of operation) and variable costs. The unit variable cost was derived by dividing the variable cost by the kilometres operated and the passenger cost per kilometre was derived by dividing the variable cost by the seating capacity.

4.26 The unit fixed cost was derived by dividing the fixed cost by the annual passenger load.

4.27 Base Stage Fare = (fixed cost per passenger) + (2 * variable cost per passenger kilometre).

4.28 Base Stage Fare equates to **$63.48**.

4.29 A charge of **$4.07** is applicable for each additional kilometre after the initial two kilometres.

Tariff Structure			
	Variable Cost per km	**Fixed Cost**	**Total cost**
	J$/km	**J$**	**J$**
Depreciation		212,000	212,000
Interest		131,970	131,970
Fuel Cost	8.63		518,018
Lubricants Cost	0.27		18,860
Drivers wages		520,000	520,000
Insurance costs		212,048	212,048
Maintenance costs	3.18		219,380
Tyre costs	0.44		30,400
Licence costs		78,925	78,925
Subtotal	12.53	1,154,943	1,941,600
Overheads	1.88		129,654
Profits	1.88	173,241	302,895
Total	**16.29**	**1,328,184**	**2,374,150**
Variable cost per passenger (km)	**4.07**		
Fixed cost per passenger		**55.34**	

4.30 The table above indicates that fuel comprises approximately 50% of variable costs. There is also the fact that foreign exchange movements will also significantly affect other expenditure items.

4.31 The Office recommends that a combined movement of 25% from the assumed fuel price and exchange rate should trigger a review of the rates.

CHAPTER 5: CONSULTATION

5.0 The Office in accordance with its duty to consult with stakeholders that may be affected by its decisions invited comments on the proposal by means of advertisements placed in the print media. Details of the route taxi associations proposal was made available on the Office's website and the detailed submissions were made available in the Information Centre of the OUR. The print and electronic media also gave prominent coverage of the story. Only one response was received by the Office.

CHAPTER 6: RECOMMENDATIONS

The Office recommends

1. A Base Stage fare of **$63.48** for the first two kilometres of travel

2. A charge of **$4.07** for each additional kilometre thereafter

3. A review of the fares in the event that there is a combined 25% change in fuel price and exchange rate

For practical purposes, fares of $65.00 for the Base Stage and $4.00 for each kilometre thereafter should be implemented.