



Report of the State Comptroller of Israel | November 2024

Ministry of Transportation and
Road Safety

The Taxi Sector in Israel



The Taxi Sector in Israel

Background

Each year, tens of millions of taxi rides take place in Israel. According to estimates by the Ministry of Transportation and Road Safety, there are approximately 72 million rides annually. Based on data from the Israel Tax Authority, revenues in the taxi sector totaled approximately NIS 6.5 billion in 2022. There are two main types of taxis in Israel: special taxis which are reserved for the transportation of the individual requesting the ride, and service taxis which collect passengers along fixed routes. As of the end of 2023, there were 25,050 taxi-operating licenses in Israel.

The taxi sector in Israel is regulated by the Road Transport Ordinance and the Road Transport Regulations, 1961, which govern *inter alia* the types of vehicles permitted to operate as taxis; safety requirements and signage for taxis; the process for obtaining a taxi-operating license and transferring it to another party; obligations of taxi operators; and oversight of fare rates nationwide.

The Ministry of Transportation is in charge of formulating and implementing policies in the transportation sector, as well as overseeing transportation services across sea, air, and land. In addition, it serves as the primary regulator of the taxi sector through the following entities:

1. The **National Public Transport Authority** deals with the planning, licensing, and operation of public transportation. The Transportation Superintendent is responsible for issuing operating licenses for special taxis and service taxis, ensuring the quality of service provided to users, and conducting nationwide supervision and oversight of service lines for buses and taxis.
2. The **National Prosecution** Unit is in charge of law enforcement across all areas of oversight within the Ministry of Transportation's jurisdiction.
3. The **Division of Vehicles and Maintenance Services** is in charge of ensuring and approving that the models proposed for operation as taxis meet mandatory requirements. Additionally, it verifies compliance by way of the annual vehicle licensing test for vehicles used as taxis.
4. The **Licensing Division** oversees the professional training of drivers of commercial vehicles, including drivers of taxis. Additionally, it handles the registration of vehicles designated for taxi use.

In recent years, the Israeli government has implemented deliberate changes in the taxi sector, including reforms in the regulation of service taxis and updates to fare rates for special taxis.



In March 2016, the Ministry of Transportation and the Ministry of Finance began advancing a reform in taxi fares, which are regulated by the Price Committee in accordance with Prices of Commodities and Services Law, 1996. In March 2018, the Price Committee presented the public with a new fare structure, and a new pricing method took effect in May 2018. In 2016, the government initiated a process to reorganize the service taxi sector. In August 2016, Government Resolution 1851 was adopted, entitled: Opening the Taxi Sector to Ridesharing and Developing the Service Taxi Sector. In February 2018, Amendment No. 120 to the Road Transport Ordinance was enacted (Law No. 120, 2018), forming the basis for the reform in the service taxi sector, which is still being implemented. According to this law, licenses to operate service taxi routes are to be granted to corporations established in Israel through a "competitive, equitable, and transparent process," i.e., a tender conducted by the Ministry of Transportation.



Key Figures

72 million

Special taxi rides in 2017 according to Ministry of Transportation estimates

25,050

Number of taxi operating licenses in Israel as of the end of 2023

70%

Of the public complaints submitted to the National Public Transport Authority in the period 2019–2023, (4,668 of 6,641) focused on the following: overcharging – 1,761 complaints (26.5%); failure to use the meter – 1,448 complaints (21.8%); driver behavior – 1,459 complaints (22%)

NIS 5,136

Cumulative additional costs borne by taxi drivers in the years 2020–2023, due to the difference between the diesel price calculated in the government-set fare and the diesel price reported by the Central Bureau of Statistics (CBS), additional costs that were not reflected in fare rates

Only 3 inspectors

full-time inspectors and two additional inspector-investigators employed by the Enforcement Division of the Ministry of Transportation to monitor taxi drivers' compliance with regulations governing 72 million annual taxi rides. In 2023, 2,261 proactive enforcement actions were conducted, a 50% decrease compared to 2019

Only 59 service taxis

are currently in operation. On the eve of the reform in the sector, 844 service taxis were in operation, compared to the goal of 2,500 service taxis set by the reform

Only 152 indictments


were filed against taxi drivers in 2023. In 2023, 2,041 complaints against taxi drivers were filed with the Public Inquiries Department of the Ministry of Transportation. Additionally, 2,261 proactive enforcement actions were conducted, out of approximately 72 million annual taxi rides

165 service taxis

In violation of the Road Transport Ordinance and Regulations, 31 licensing centers subject to oversight by the Ministry of Transportation conducted roadworthiness tests in 2023 for 165 service taxis whose licenses to operate on service routes were invalid




Audit Actions

 From August 2023 to May 2024, the State Comptroller examined the processes for issuing licenses to operate taxis and for licensing vehicles used as taxis. The audit also reviewed the ongoing oversight and monitoring of taxi operations and the handling of public complaints. Additionally, the State Comptroller evaluated the work processes for implementing deliberate changes in the taxi sector, including the reform of service taxi regulation and updates to fare rates for special taxi. The audit was conducted within various units of the Ministry of Transportation. Complementary examinations were carried out at the Israel Airports Authority (IAA), the Ministry of Environmental Protection, the Ministry of Finance, the Ministry of Justice, the Ministry of Labor, and the Tax Authority.


Chapter One: Special Taxes

Key Findings



 **Oversight of Taxi Operating License Holders** – The Road Transport Ordinance requires the Taxi Committee to examine the background of individuals applying for a taxi-operating license, as well as those to whom a license is to be transferred from another individual. However, the audit revealed that the Ministry of Transportation lacks an administrative directive for monitoring taxi-operating license holders to ensure they continue to meet the eligibility criteria required for obtaining the license. Moreover, the Ministry of Transportation does not conduct follow-up checks on existing license holders, which could result in situations where a license holder continues to retain their license even if they were convicted (after receiving the license) of an offense that could have disqualified them from obtaining a new license or eligibility to receive a taxi-operating license from another person. In the absence of such monitoring, a license holder's status may change after obtaining the license, including committing an offense that would disqualify them from holding a license, yet they may still retain their operating license.



 **Supervision of Renting out of Taxi-Operating Licenses** – The National Public Transport Authority in the Ministry of Transportation does not supervise the renting out of taxi-operating licenses. In the absence of regulation on this matter, a license holder



may rent out their license to another person who does not meet the requirements set forth in the Traffic Ordinance for obtaining a taxi operating license. Such rentals are neither reviewed by the Taxi Committee within the Ministry of Transportation nor documented by the Licensing and Emergency Economy Division under the National Public Transport Authority. Consequently, individuals who rent operating licenses but are not taxi drivers – and therefore have not undergone the training required for a D1 license¹ – can easily bypass the existing controls established by the Ministry of Transportation.

Monitoring of Fee Payments by the Ministry of Transportation – The computerized system of the Division of the National Public Transport Authority responsible for granting licenses, allows for the issuance of a license without automated verification of the fee payment. Confirmation of payment is instead checked manually by the Licensing and Emergency Economy Division within the Authority. The computerized systems do not document these manual verifications of fee payments. In the absence of automated controls or documentation of the manual verification within the government payment system, there is no audit trail to ensure that fees have indeed been paid. Therefore, the current process does not provide sufficient safeguards to detect fraud or identify unpaid fees.

Complaints Against Taxi Drivers – In the years 2019–2023, the majority of complaints submitted to the National Public Transport Authority in the Ministry of Transportation concerned "overcharging" (1,761 complaints, 26.5%), "failure to operate the meter" (1,448 complaints, 21.8%), and "driver behavior" (1,459 complaints, 22%). Together, these complaints account for approximately 70% of all complaints in the taxi sector. It was further noted that the number of complaints in 2022–2023 increased compared to 2019–2021, despite the number of taxi operating licenses at the end of 2023 (25,050) being similar to the number at the end of 2019 (24,552). Out of the 6,641 complaints against taxi drivers submitted in the years 2019–2023, only 2,346 complaints (35%) included details allowing identification of the taxi's license plate and car-roof number – which are necessary for continuing any investigation. Of these 2,346 complaints, 2,205 complainants initially expressed willingness to testify at the time of submitting the complaint; however, only 1,374 complainants (62% of those willing to testify and 20.6% of all complaints) made their appearance in order to provide testimony in the investigation. The low percentage of complaints containing the required identifying details and the low attendance rate for testimony may indicate that the Ministry of Transportation does not sufficiently inform the public of its obligation to record the two identifying details in order to file a complaint against a taxi driver. It also suggests that the public may not be aware that in order for the Ministry to investigate complaints, the complainant must appear in person at the Investigation Department offices to provide

¹ A taxi, patrol vehicle, and a public minibus with a permitted total weight of up to 5,000 kg and up to 16 seats, excluding the driver. Source: [Ministry of Transportation website](#).



their version of the event. Furthermore, the obligation to provide testimony in person may deter many complainants, leading them to abandon their complaints.

📌 Enforcement Conducted Solely Through Criminal Proceedings – In 2023, the Ministry of Transportation received 2,041 complaints about taxi drivers. Of these, 760 complaints (37%) included the details required for further action, and in 643 of the complaints that included these required details (85%), the complainants expressed their willingness to provide testimony, which is an integral part of the criminal enforcement process – the only enforcement route at the time. In other words, only 643 out of 2,041 complaints (32%) submitted in 2023 proceeded to further investigation, as they met the threshold for initiating an inquiry. However, only 278 out of 643 complainants (43%) who initially agreed to provide testimony actually appeared to do so. Simultaneously, the Inspection, Monitoring, and Service Quality Unit at the Ministry of Transportation conducted 2,261 enforcement actions, and findings from approximately 400 of these actions were referred for investigation. In total, the Prosecution Unit received 1,055 cases, but only 152 indictments (14%) were filed. This enforcement effort occurred in the context of an estimated 72 million annual taxi rides, according to the Ministry of Transportation.

📌 Promoting Administrative Enforcement – The audit revealed that the Ministry of Transportation and the Ministry of Justice both agree that introducing administrative enforcement alongside the currently applied criminal enforcement would be more effective, enabling faster and more efficient enforcement while deterring violations. It was found that a number of proposals for legislative amendments aimed at implementing this approach had been attempted. As of the conclusion of the audit in May 2024, enforcement in the taxi sector was still conducted exclusively through criminal proceedings. It should be noted that on August 7, 2024, following the audit's conclusion, the Administrative Traffic Violations Law, 2024 ('the new law') was published in the Official Gazette. The law establishes administrative enforcement as the default for behaviors defined as "traffic violations" (currently categorized as "fineable offenses"). The law is set to take effect 15 months after its publication. However, it was found that common violations in the taxi sector, such as overcharging and failure to operate the meter, are not defined in the new law as "traffic violations" and will therefore continue to be enforced solely through full criminal proceedings. Additionally, it was noted that these frequent violations are included in draft regulations that the Ministry of Transportation has yet to finalize after three years, in order to classify the violations as administrative offenses under the Administrative Offenses Law, 1985 (Draft Regulations on Administrative Traffic Fines, 2024).

📌 Regulation of Taxi Fares – The regulation of taxi fares in Israel is determined under the Supervision of Prices of Commodities and Services Law, 1996. This law stipulates that the minister in charge of the sector in which the authority to set a maximum price for a good or service is exercised, in coordination with the Minister of Finance, is



authorized to issue an order setting a price or maximum price for a good or service. The State Comptroller's audit identified shortcomings in the work of the Pricing Committee regarding the preparation of the fare structure for the taxi sector, as detailed below:

- **Economic Summary Document** – The Pricing Committee of the Ministries of Transport and Finance failed to produce a document summarizing the economic model it presented in March 2018. Such a document was supposed to have detailed the updated fare structure, the full methodology for establishing the basis for fares, the calculations underpinning the decisions made, and the rationale for these decisions. In the absence of a summary document, relevant information for the public is not readily accessible and requires searching through multiple public records. Furthermore, significant documents necessary for understanding the fare model are not publicly available, such as the economic consultancy report that formed the basis for many of the working assumptions. Additionally, the calculation sheets prepared by the Pricing Committee are not publicly available either.
- **Average Taxi Utilization** – Although utilization data is highly important for determining fares, the Pricing Committee's protocol from the Ministries of Transport and Finance which explains the key methodology underlying the determination of utilization rates, does not detail the calculation method or the rationale for setting the rate at approximately 57.7%. A preliminary analysis of taxi trip data conducted for the Ministry of Transportation in 2023 revealed a significant discrepancy between the utilization rate assumed in the fare model (57.7% of trips are with a passenger, according to the Ministry's model) and the utilization rate based on a preliminary analysis of actual trip data (indicating that only 21.4% of trips are conducted with a passenger). This discrepancy suggests that the estimated annual trip volume in the fare model (6,500 trips per taxi per year) may be overstated, potentially resulting in a fare that is too low and does not accurately reflect the actual cost of a typical taxi ride.
- **Price of Diesel** – The Pricing Committee of the Ministries of Transport and Finance set the base price of diesel at NIS 5.87 per liter, based on a survey conducted by it in March 2018 among 19 gas stations, rather than using the diesel price reflected in data from the Central Bureau of Statistics (CBS), which was NIS 6.40 per liter – 53 agorot higher than the base price ultimately determined by the committee based on its survey. The State Comptroller's calculation (based on the diesel price published by the CBS and the applicable refund amount for 2018) showed that the annual diesel cost was approximately NIS 1,170 higher than the annual diesel cost set by the Pricing Committee. Consequently, the total cost of operating a taxi in 2018 would be NIS 1,160 per year higher than according to the model used by the Pricing Committee.
- **Return on Equity from Purchasing and Operating a Taxi** – According to the Ministry of Finance's price supervision methodology, the rate of return to be




determined varies by sector, depending on the level of risk associated with activity in that sector. This allows investors in regulated firms operating within the sector to achieve a fair return on their investment. However, the audit found that the Pricing Committee of the Ministries of Transport and Finance did not present supporting data or a detailed explanation of how they set the rate of 8% return on equity for purchasing and operating a taxi. The lack of justification is inconsistent with the principles of administrative law and supervisory methodology, which require clear explanations of how the return on equity rate was established, including the method for determining the variables comprising it. In the absence of justification, it cannot be determined whether the return on equity set for taxi owners reflects the appropriate return they should receive.

- **Return on Foreign Capital Invested in Taxi Purchases** – Changes in Interest Rates – The interest rate in the economy fluctuates according to decisions by the Bank of Israel, and in general, car loans are issued at rates linked to the prime interest rate. However, the audit found that the interest rate model in the fare structure framework of the Pricing Committee of the Ministries of Transport and Finance does not include an adjustment mechanism linked to changes in the prime interest rate, but rather is only linked to the Consumer Price Index (CPI). Linking solely to the CPI has resulted in lower fare updates compared to what would have been determined if the interest rate in the fare model had been linked to the prime rate. As a result, when the prime rate increases faster than the CPI, an additional cost may be imposed on taxi drivers for loan interest, which is not accounted for in the economic model. Calculations by the State Comptroller estimated that the future value of recognized costs for return on borrowed capital for the years 2020–2023, based on the Pricing Committee's 2023 interest rate model, amounts to approximately NIS 4,001. In contrast, calculations that include linkage to the prime rate estimate future costs at NIS 5,797 (prime + 1%) or NIS 5,059 (prime + 0.5%) for 2023. These amounts are, respectively, NIS 1,796 and NIS 1,058 higher than the estimates in the Pricing Committee's fare model. These differences represent the additional financing costs borne by taxi drivers for obtaining loans to purchase vehicles, compared to the price set by the Pricing Committee, and are not reflected in corresponding fare increases.
- **Technological Changes** – An analysis of taxi propulsion types reveals that in 2018, 96.1% of taxis were diesel-powered, while 3.3% were hybrid. By 2022, the proportion of diesel-powered taxis decreased to 67.4%, while the proportion of hybrid taxis increased to 30.5%. Additionally, about 0.4% of taxis were electric. Hybrid taxis, and especially electric ones, differ from diesel-powered taxis in terms of vehicle costs, energy consumption, and routine maintenance. Despite this technological shift in the taxi sector – marked by a transition from diesel-powered vehicles to a fleet where roughly a third are hybrids – the economic model used by the Pricing Committee of the Ministries of Transport and Finance, which serves as





the basis for deriving fare rates, remains centered on a single typical vehicle powered by diesel.

- **Updating the Fare Rate Basis** – Although the price supervision methodology recommends updating an economic model used to establish regulated prices every one to five years, seven years have passed since the preparation of the economic analysis addressing fare rates for special taxis in 2017. As of May 2024, an updated analysis to replace the existing fare rate basis with a new one for the special taxi sector has yet to be completed by the National Public Transport Authority in the Ministry of Transportation and the Pricing Committee of the Ministries of Transport and Finance.

 **BI System for Analyzing Data from Smart Meters** – As of the audit's conclusion in May 2024, nearly four years after the introduction of a requirement to install smart meters capable of collecting data (introduced in May 2020), the Ministry of Transportation has not yet implemented a computerized BI (Business Intelligence) system for retrieving and analyzing the data. Consequently, no comprehensive analysis of the data has been conducted, which could have facilitated broad insights into the sector.

 **Special Fare Rates for Key Destinations** – The audit revealed that in six major cities worldwide (London, Rome, Madrid, Barcelona, Berlin, and New York), in addition to standard fare rates based on travel time, distance, or a combination of both, special fare rates are applied to key destinations such as airports. This practice is observed even in metropolitan areas with characteristics similar to those of the Tel Aviv metropolitan area, such as New York and Barcelona, which feature multiple cities and dense populations. In contrast, in Israel, the Ministry of Transportation and the Pricing Committee have not established special fare rates for key destinations, including travel to Ben-Gurion Airport (TLV). Determining a dedicated fare rate for Ben-Gurion Airport could alleviate concerns regarding the cost of travel for tourists as well as Israeli passengers unfamiliar with the taxi payment system, including the obligation to use the meter.

 **Air Pollution from Taxis** – Taxis are characterized by significantly higher mileage, up to more than four times that of a regular private vehicle. Despite accounting for only about 0.6% of the total vehicle fleet, their total mileage constitutes 2.4% of road travel. As of the end of 2022, the majority of taxis (over 15,000, or 67% of all taxis) were diesel-powered, a propulsion method associated with particularly high air pollution levels. Taxis frequently operate in urban centers, covering large distances and running during most hours of the day, contributing disproportionately to nitrogen oxide emissions compared to their share of the total vehicle fleet in Israel.

 **Low-Emission Taxis** – According to data from the Central Bureau of Statistics, by the end of 2022, there were 195 taxis in Israel powered by gas, electricity, or plug-in hybrid systems, constituting less than 1% of all taxis (about 22,400). The Ministry of



Transportation and the Ministry of Finance have not advanced the use of fully electric taxis ("clean vehicles") as outlined in Government Decision 529, adopted in 2015, which aimed to grant public rights for 500 fully electric special taxis in exchange for half the standard fee. A draft bill to implement this decision was released for public comment by the Ministry of Transportation only in 2022. It was found that the decision was supported by the recommendation of the Ministry of Transportation, an RIA document from 2021, and a recommendation by the Ministry of Environmental Protection from 2020. However, it was advanced only to the stage of a draft bill and has not matured into a formal legislative proposal even nine years after its preparation. Additionally, Government Decision 542, which stipulated that starting in 2023, no new operating licenses for special taxis would be issued unless they are clean vehicles, has not been promoted by the Ministry of Transportation into legislation, thereby exceeding the timelines set by the government decision. Moreover, the purchase tax policy implemented by the Ministry of Finance and the Tax Authority, formed through coordination with the Ministry of Transportation, does not provide a meaningful tax incentive to encourage the purchase of cleaner taxis. This tax policy, which caps the maximum tax rate for taxis at 8% compared to a maximum purchase tax rate of 83% for private vehicles, effectively provides no significant tax incentive to purchase low-emission taxis. Even for vehicles with a low environmental rating, the tax rate remains capped at 8%, offering little motivation to transition to cleaner taxis. This approach is inconsistent with government decisions aimed at reducing air pollution and greenhouse gas emissions and transitioning to a low-carbon economy.



Incentives for Transition to Electric Taxis – Various cities worldwide (London, Barcelona, Stockholm, Amsterdam), as well as the Canadian government, are promoting a transition to electric taxis by offering financial incentives to drivers and developing infrastructure for charging taxis in public spaces. In Israel, no legislation has been advanced to support the replacement of existing taxis with zero-emission taxis.

Key Recommendations



It is recommended that the Ministry of Transportation implement a monitoring mechanism to ensure that license holders continue to meet the conditions required for obtaining a license.



The Ministry of Transportation is advised to extend its oversight to include the renting out of licenses, thereby ensuring compliance with the regulations established by the state for the operation of taxis.



It is recommended that the National Public Transport Authority within the Ministry of Transportation incorporate technological measures to verify fee payments, thus ensuring



that licenses are issued only after payment confirmation. Until computerized monitoring is implemented, it is recommended to record in writing every verification of payment completion for each license issued.



It is recommended that the Ministry of Transportation inform taxi passengers about the process for filing a complaint and the details required for its submission in cases of driver misconduct. This could include placing informational signs inside taxis. Moreover, given the high rate (65%) of complaints lacking two identifying details, it is advised to deal with complaints even when only one identifying detail is given, provided it allows for precise identification of the subject (e.g., the taxi's license plate number, which identifies the vehicle owner).



The Ministry of Transportation and the Ministry of Justice are advised to promote legislation (either primary or secondary) that would establish administrative enforcement alongside regular criminal enforcement for additional traffic regulations not currently addressed by the new law. It is recommended that the Ministry of Transportation and the Ministry of Justice prepare for the implementation of the new law, update operational procedures, and make the necessary adjustments to the Ministry of Transportation's enforcement activity to ensure its application upon commencement within 15 months.



In light of exogenous changes, audit findings regarding the base price of diesel, newly available trip data, and the recommendation in the pricing supervision methodology to conduct model reviews at least every five years, it is recommended that the Ministry of Transportation and the Pricing Committee promptly update the fare base model. This update should include the preparation of a comprehensive report detailing the complete economic model, including the underlying assumptions and rationale for the determined values. The report should also address the methodology for determining recognized costs and taxi utilization.



The Ministry of Transportation should act to implement government decisions regarding the reduction of air pollution from taxis, including promoting the relevant legislation. It is also recommended that the Ministry of Transportation explore additional measures to encourage the adoption of low-emission vehicles in the future. It is further recommended that the Ministry of Transportation, the Ministry of Finance, and the Israel Tax Authority optimize the tax mechanism of the purchase tax imposed on taxis to enhance incentives for purchasing low-emission taxis. Additionally, the Ministry of Transportation, the Ministry of Finance, and the Ministry of Environmental Protection should study international practices on supporting the acquisition of zero-emission taxis and adapt these practices for implementation in Israel, with the necessary modifications.



Chapter Two: Service Taxis

Key Findings



The Reform in the Service Taxi Sector – The reform promoted by the Ministry of Transportation in the service taxi sector, designed to reverse the decline in their operation and increase their number threefold to 2,500 taxis, failed and did not achieve its goals. On the contrary, the number of service taxis plummeted by 93%, from 844 in 2017 to 59 in 2023. This decline in activity persisted in the years 2018–2023 and intensified from January 2022 onwards. As of December 31, 2021, many routes had not undergone tender processes and continued operating under the old framework based on existing operating licenses. Due to the Ministry of Transportation's failure to complete competitive processes on time and its decision not to extend the previous arrangements beyond December 31, 2021, dozens of service taxi operators who had previously worked under state licenses were involuntarily turned into illegal operators before many had the opportunity to legalize their status through tenders. As a result of the reform's failure, service taxis do not provide a complementary transportation solution in large parts of Israel.



Operation of Service Taxis by Geographic Division – As part of the service taxi reform, the Ministry of Transportation awarded tenders for service taxi operations in 10 out of 24 geographic clusters (42%). By the end of the audit (May 2024), only 59 out of the 400 taxis (15%) designated to serve the public in these clusters were operational. Of the ten clusters where a tender process was conducted and winners were selected, six did not commence any operations, while four began partial operations. Despite the Ministry of Transportation's plan to allocate clusters across a wide geographic area, from Nahariya to Eilat, licensed service taxis operated in only four of the 24 planned clusters in 2023. These active clusters were exclusively in the Tel Aviv and Central Region. Service taxi lines do not operate in the following clusters: Eilat, Ashkelon-Ashdod, Be'ersheva and Northern Negev, Tel Aviv-Jerusalem, Urban Jerusalem, Haifa-Nazareth, Tiberias, Akko-Nahariya area, Ono Valley, Sharon area, Urban Netanya, Intercity Netanya, Regional Netanya, Petah Tikva, Urban Rishon LeZion, Urban and Regional Rehovot, Gush Etzion-Jerusalem, Jerusalem-Allenby Bridge, Ben-Gurion Airport-Jerusalem area, and Ben-Gurion Airport-Central area.





Supervision of Service Taxis – It was found that, in contravention of the provisions of the Traffic Ordinance and its Regulations, 165 service taxis without the appropriate



license to operate on a service route, as required by Amendment 120 to the Ordinance, underwent an annual licensing test at 31 licensing institutes subject to supervision by the Vehicle Division of the Ministry of Transportation. It was also found that there is no computerized control tool to verify that service taxis have an active license in line with the updated provisions.

Key Recommendations

-  It is recommended that the Ministry of Transportation revalidate the entire operational concept for service taxis, considering current market needs – including with regard to the need for supplementary services through service taxis or through the addition of public transport services with small buses in areas with topographical limitations or low demand for travel. It is recommended that the Ministry of Transportation translate the results of its examination into a renewed operational concept and implement it as a practical plan. If, following the examination, the Ministry of Transportation concludes that there is a need to change the framework established by the government in 2016 and legislated in 2018, it should promptly formulate recommendations and submit them to the government to determine a new policy in the service taxi sector.
-  It is recommended that the Ministry of Transportation, based on the audit findings, identify and take action regarding taxis whose licenses to operate as service taxis were renewed following an annual licensing test even though they are not operated by a corporation holding a service line license according to Amendment 120 of the Traffic Ordinance. It is also recommended to examine how these "service taxis" were able to receive approval from licensing centers for passing the annual licensing test and to address this deficiency. Furthermore, it is recommended that the Ministry of Transportation establish and operate a computerized control tool to monitor the validity of service taxi operating licenses and that the Licensing and Emergency Management Division verify whether all license plate numbers appearing in the computerized system were issued following tender awards and are assigned to service lines, as required by the legislation.



Chapter Three: Taxi Operations at Ben-Gurion Airport

Key Findings



Special Taxi Operations at Ben-Gurion Airport – Following the failure of the tender conducted by the Israel Airports Authority (IAA) to manage and operate a comprehensive taxi passenger service from Ben-Gurion Airport to destinations across the country, special taxis operated for six years (June 2017 – August 2023) under an “open market” model, meaning they were managed directly by IAA without a managing taxi corporation. The absence of a contracted taxi corporation effectively contributed to an increase in the activity of unauthorized taxis (“pirates”) at Ben-Gurion Airport. Without a managing corporation, there was a decline in the quality of service provided to passengers, an increase in various violations by taxi drivers, and challenges in enforcement.



Enforcement by the Airports Authority Regarding Special Taxi Driver Conduct at Ben-Gurion Airport – In recent years, IAA has struggled with recurring violations by taxi drivers, including passenger solicitation (a prohibited behavior under Regulation 517 of the Traffic Regulations, 1961: “No person shall solicit passengers to travel in a taxi from the terminal or transport their luggage in any manner, including by calling out, signaling, or similar actions”), refusal to perform rides, failure to operate the meter, fare overcharging, and even incidents of violence. Documents provided by IAA to the State Comptroller revealed that it does not fully utilize the enforcement tools at its disposal and lacks enforcement authority over some of the offenses committed on its premises.



Delays in Service Taxi Tenders at Ben-Gurion Airport – The reform in the service taxi sector was initiated in 2018; however, by the end of 2023, the Ministry of Transportation had yet to publish a tender for the service lines operating at Ben-Gurion Airport. In 2018, the Ministry began planning tenders for service lines across the country, including from Ben-Gurion Airport to the Jerusalem and Central Regions only. The audit revealed that no tender was planned for the Region of Haifa and the North, despite the existence of an operational service line to this area, which still requires formal regulation. The failure to extend the transitional provisions, which had permitted service taxi lines to operate under the old framework until the end of 2021, combined with delays in tender processes for regulating the lines under the new framework, rendered the operators of these lines – including those at Ben-Gurion Airport – illegal. Some of these operators have yet to be given the opportunity to formalize their status through tenders.



Negotiations have been held between IAA and the Ministry of Transportation over the regulation of service lines in the Ben-Gurion Airport area; however, they have yet to result in a formal arrangement, and the lines continue to operate without a legal framework.

📌 A Legal, Lower-Cost Alternative to Special Taxi Fares – Despite Ben-Gurion Airport operating 24/7, regular public transportation services (trains and buses) do not operate around the clock, and service taxis in the Ben-Gurion Airport area currently operate without a license from the Ministry of Transportation. The Ministry has not provided the public with a legal alternative at a cost lower than that of special taxis in the hours when regular transportation services are unavailable.

📌 Signage at Ben-Gurion Airport Regarding Service Taxis – During the audit, it was found that in the taxi waiting areas at Ben-Gurion Airport, several signs bearing the logo of the government-owned Israel Airports Authority were displayed, showing fare rates and schedules for service taxis. However, the licenses for service taxis operating in the Ben-Gurion Airport area expired at the end of 2021. The Israel Airports Authority stated in its July 2024 response to the State Comptroller's Office that it accepts this criticism and has removed the sign identified during the audit.

Key Recommendations

- 💡 Given the selection of a corporation to manage the taxi transport system and the experience gained by the Israel Airports Authority (IAA) during the seven years it operated the taxi area under the "open market" model, it is recommended that IAA implement an ongoing and effective supervision process of the new transport system, applying the lessons learned from its direct management experience.
- 💡 It is recommended that IAA exercise its existing enforcement powers regarding taxi operations in line with relevant legislation and IAA regulations.
- 💡 It is recommended that the Ministry of Transportation, in collaboration with IAA, examine the enforcement powers required at Ben-Gurion Airport to ensure that taxi drivers comply with the applicable regulations and maintain public order. Additionally, the Ministry and IAA should monitor the performance of the corporation selected to manage the taxi transport system at Ben-Gurion Airport. Collaboration with the police should also be initiated, as needed, to ensure proper and orderly conduct at Ben-Gurion Airport, which serves as the main gateway into Israel.
- 💡 It is recommended that IAA prepare for the implementation of the Traffic Violations (Administrative Penalties) Law, 2024, under which violations of traffic regulations related to taxi operations at Ben-Gurion Airport (such as soliciting passengers and parking

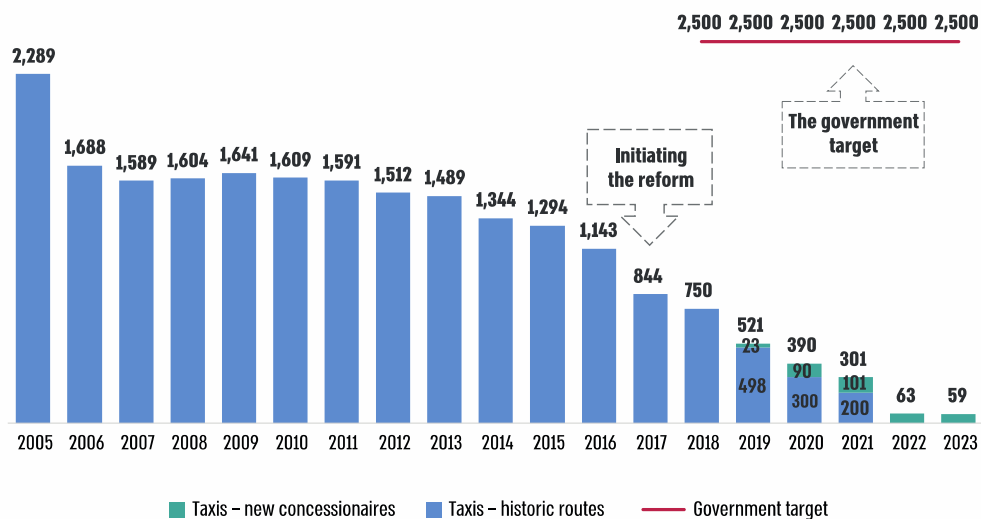


arrangements) will be enforced via administrative procedures as a default. For this purpose, it is recommended to authorize IAA employees as inspectors, as permitted by law.



It is recommended that the Ministry of Transportation expedite the issuance of a tender for operating service taxi lines in the Ben-Gurion Airport area, given the continuous flow of passengers, including during non-standard hours when buses and trains are either unavailable or operating on a limited schedule.

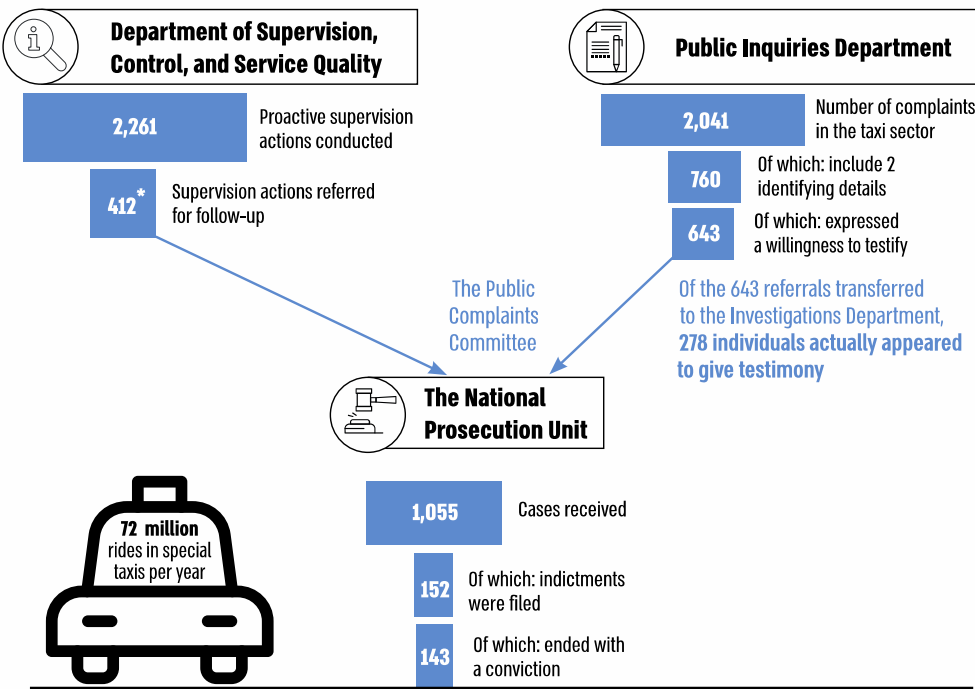
Number of Service Taxis in Israel, 2005–2023



Based on data from the National Public Transport Authority, processed by the State Comptroller's Office.



Summary of Oversight and Enforcement Actions in the Taxi Sector in Israel, 2023



Source: data received from the Public Inquiries Department of the National Public Transport Authority.

* The data regarding enforcement actions referred to the Prosecution Unit is not recorded in the Michael system; rather, it is calculated based on other data.



Summary

According to Ministry of Transportation estimates, approximately 72 million taxi rides take place annually, generating revenues of approximately NIS 6.5 billion. The Ministry of Transportation serves as the primary regulator of the sector, determining the technical specifications for vehicles used as taxis, the requirements for operating a taxi, the conditions for obtaining a taxi driver's license, driver conduct regulations, and drivers' obligations. Additionally, in collaboration with the Ministry of Finance, it sets fare rates and taxation policies.

The audit revealed that improving passenger service involves enhancing regulation in several aspects, primarily including oversight of the issuance of operating and driving licenses to drivers who interact with the public, continued regulation of enforcement measures for violations in the sector, fair pricing of fares for both drivers and passengers, increased transparency regarding taxi drivers' rights and obligations, reducing air pollution caused by the operation of taxis, and regulating the activity of the service taxi sector in Israel as well as taxi operations in the Ben-Gurion Airport area.

The State Comptroller recommends that the Minister of Finance and the Minister of Transportation, in consultation with the joint Pricing Committee of the Ministry of Transportation and the Ministry of Finance, update the base fare rates for special taxis, while presenting a summary document explaining the economic model and underlying assumptions from which the fare updates are derived.

The Ministry of Transportation, the Ministry of Finance, the Tax Authority, and the Israel Airports Authority (IAA) should act within their respective areas of responsibility and collaborate as necessary to address the deficiencies noted in this report.

Implementing the recommendations outlined in the report may improve regulatory processes in the taxi sector and lead to an overall improvement in service levels for citizens, including broader availability of transport services, fair and regulated pricing, reduced taxi-related air pollution, and enhanced passenger safety.