

**TITLE: HACKNEY CARRIAGE FARES - CONSIDERATION OF REQUEST FROM TRADE TO INCREASE FARES**

**COMMITTEE: LICENSING COMMITTEE**

**DATE: 20 JUNE 2018**

**AUTHOR: SENIOR LICENSING OFFICER**

[T33]

**1.0 ISSUE**

- 1.1 To consider increasing the fares payable by members of the public to use an East Cambridgeshire District Council taxi following a formal request from members of the taxi trade.

**2.0 RECOMMENDATION(S)**

- 2.1 That Members consider the report, and authorise Officers to run the necessary consultation process using the proposed table of fares contained in **Table 7** of this report, and implement the recommended changes (subject to their being no comments received).

**3.0 BACKGROUND**

- 3.1 Section 65 of the Local Government (Miscellaneous Provisions) Act 1976 ("the 1976 Act") gives the Council power to set fares within the district for the time and distance travelled and all other charges in connection with the hire of hackney carriages. Such fares are specified in a "table of fares" which may be varied from time to time.
- 3.2 Hackney Carriage Drivers are at liberty to charge fares lower than the specified table of fares, but are not permitted to charge higher fares for journeys taking place wholly within the district. Journeys commencing outside of the district (due to the driver undertaking a pre-booked journey) do not need to be charged in accordance with the approved fare chart. However, journeys commencing within the district and ending outside of the district must be charged by the meter unless an agreement to pay more than the metered fare is made with the customer in advance of the journey commencing.
- 3.3 The law requires that any change to the "table of fares" must be advertised publicly in at least one local newspaper for a period of not less than 14 days before the proposed change takes effect. The public notice must also be available at the Council offices for inspection free of charge at all reasonable hours during the consultation period.
- 3.4 If no objections are received during the consultation period then the changes outlined in the notice will come into effect on a date to be stated in the public

notice. If objections are received and not withdrawn, they must be considered by the Council and a decision made to set a date for the proposed changes to the table of fares (with or without modification having taken into account any such objections) such change to take effect not later than two months from the original effective date stated in the public notice referred to in paragraph 3.3 above.

- 3.5 The Council last varied its table of fares in 2013, with the current table of fares (**Appendix 1**) coming into effect on 1 November 2013.

#### 4.0 DISCUSSION

- 4.1 Whenever fares are discussed, it is important to balance the right of the trade to earn a living, whilst at the same time reflecting that any upwards movement will have an impact on the very people the trade rely on to make their living.
- 4.2 With this in mind it is important to take into account as much information as possible when arriving at a decision. The following paragraphs attempt to provide the necessary facts for Members to make an informed decision.

#### **Fuel**

- 4.3 Tables 1 and 2 below illustrate the fluctuations in the petrol and diesel prices between January 2013 and April 2018. Overall these tables show a steady fall in petrol prices between the summer 2013 high of £1.37 and £1.42 (the point at which the last fares increase took place) and the winter 2016 low of £1.02 and £1.01, and then shows prices steadily rising again throughout 2016, 2017 and early 2018.

**Table 1 - Petrol**

Month	2013	2014	2015	2016	2017	2018
January	132.9	130.1	108.2	102.3	115.2	121.7
February	137.9	129.6	108.0	102.0	120.1	121.2
March	138.9	129.6	111.7	103.0	119.2	119.8
April	136.7	129.7	113.8	107.2	118.3	121.5
May	133.8	130.0	116.2	109.3	116.7	
June	134.4	130.6	116.9	111.6	115.9	
July	135.8	131.3	116.9	111.9	114.7	
August	137.4	129.5	114.7	110.5	116.6	
September	137.3	129.0	110.7	111.9	119.3	
October	132.1	126.4	108.9	114.9	118.1	
November	130.4	123.0	107.7	115.6	120.2	
December	130.8	117.1	104.6	115.5	120.8	

**Table 2 - Diesel**

Month	2013	2014	2015	2016	2017	2018
January	140.5	137.7	115.4	102.8	121.7	124.4
February	144.3	137.0	114.8	101.1	122.3	123.9

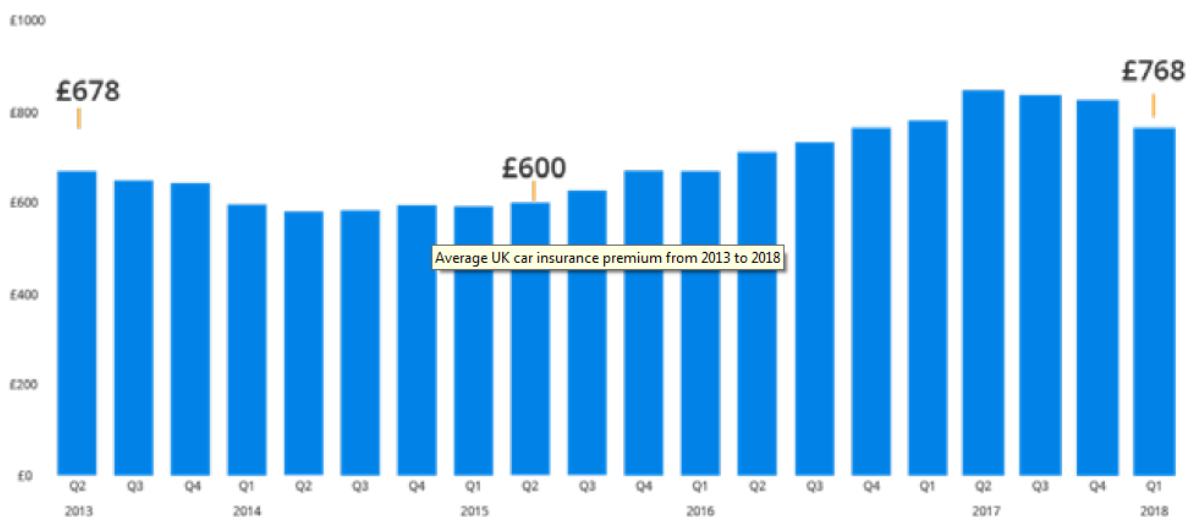
March	145.5	136.7	117.9	103.2	121.2	122.6
April	141.6	136.2	119.0	106.8	120.1	124.2
May	138.5	136.2	120.5	109.3	118.0	
June	139.1	136.0	120.8	111.8	116.8	
July	140.2	135.8	118.5	112.4	115.4	
August	141.7	133.8	112.5	111.6	117.4	
September	142.1	133.2	110.1	113.1	120.0	
October	139.0	130.6	110.4	116.5	120.3	
November	137.8	127.5	110.0	117.6	122.6	
December	138.3	122.7	107.7	118.0	123.3	

4.4 In real terms this means that it was costing an average taxi driver with a standard people carrier type vehicle running on diesel £99.40 to fill their tank in the summer of 2013, £70.70 in the winter of 2016, and is currently costing £86.80.

4.5 A quick check of our database suggests an average taxi driver drives approximately 35,000 a year.

### Insurance

4.6 It is not possible to obtain specific taxi insurance price information over the 2013 to 2018 period, however, the following table obtained from a web-based comparison website shows that standard vehicle insurance premiums have followed a similar trend to petrol prices over this period.



4.7 Whilst this is not scientific, this trend does appear to reflect the impact of Insurance Premium Tax rate increases which have increased from 6% in 2013 to 12% in 2017 and the impact of Government reforms to deal with compensation claims which have seen premiums drop in late 2017 and early 2018.

- 4.8 As taxi insurance premiums are significantly higher than standard insurance policies, it is estimated that an average driver would have paid £1,500 per annum in 2013 for their insurance, and will now be paying in the region of £1,800 per annum.

### **Vehicle maintenance**

- 4.9 The cost of a compliance test in 2013 varied from garage to garage as it does now, but was approximately £55.00 every 6 months for vehicles over 3 years of age, and every 12 months for vehicles under 3 years of age, or on the change of a vehicle.
- 4.10 The current cost again varies but is around £50 to £60 per test, and the testing is now every 6 months for vehicles over 6 years, and every 12 months for vehicles under 6 years of age. This increase in time before a second test is required has benefitted some but not all vehicle proprietors.
- 4.11 A general phone around a number of our approved garages suggested that due to there being a very competitive market for vehicle servicing and maintenance they have not increased their hourly rates, or compliance fees since before 2013. Other general running costs like brakes, tyres and oil have also remained static throughout this period.

### **Licence fees**

- 4.12 In 2015 a decision was made to increase all discretionary fees to cost recovery levels. As a result of this, all taxi fees have been increased year on year since October 2015. Table 3 below illustrates the fees payable by a licence holder (who holds a driver licence and is the proprietor of one vehicle) from 2013 through to the current fees which came into force in December 2017:

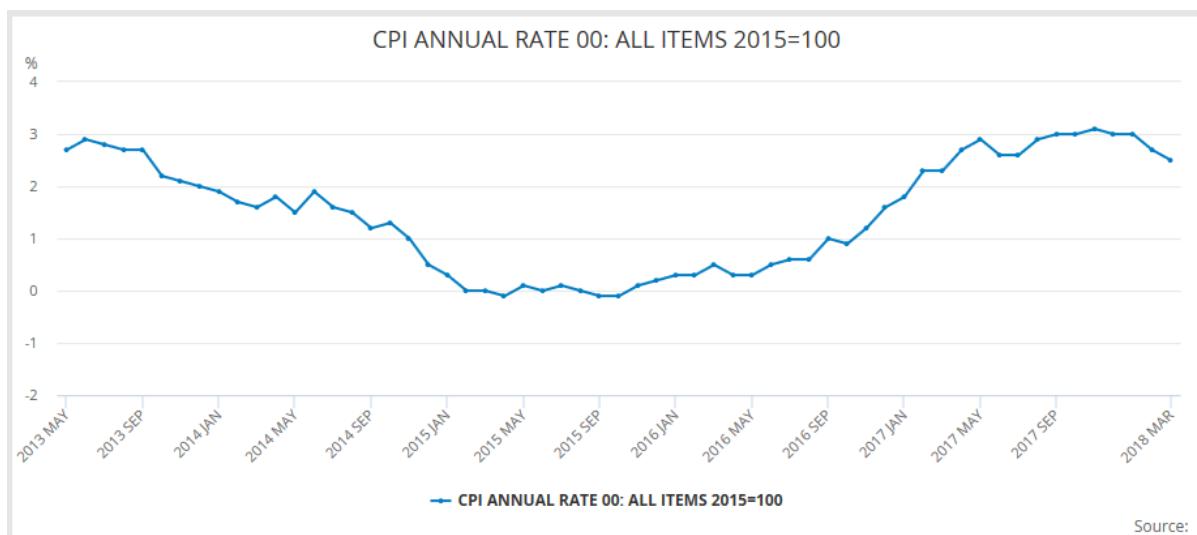
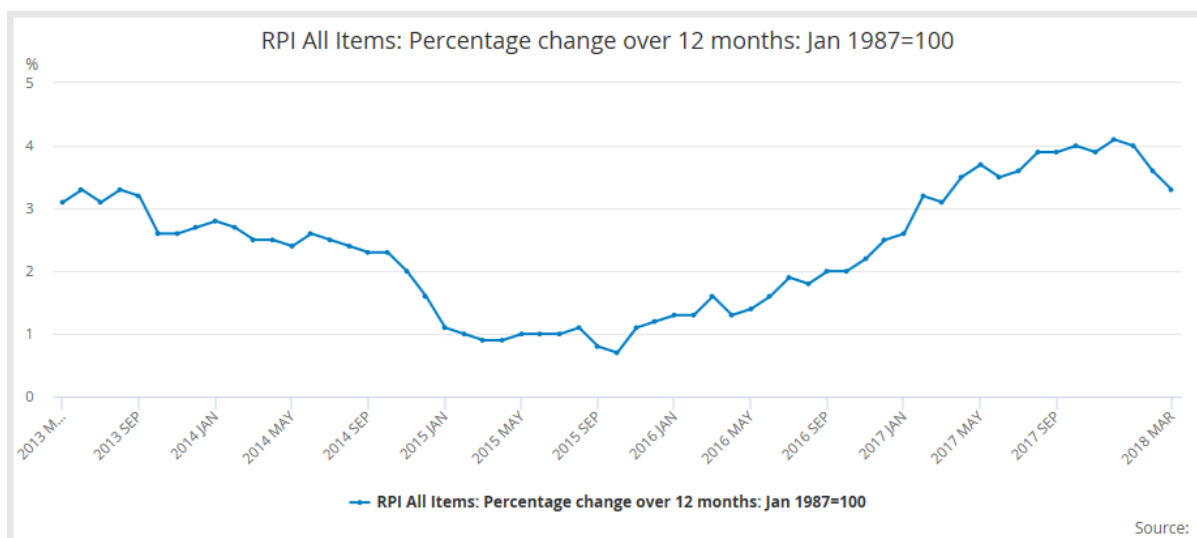
**Table 3 – Licensing fee increases**

Year	Driver licence	Vehicle licence	Total annual cost	Cost per week
2013	£60	£150	£210	£4.04
2014	£60	£150	£210	£4.04
2015	£77	£192	£269	£5.17
2016	£100	£234	£334	£6.42
2017	£150	£250	£400	£7.69
Increase	£90	£100	£190	£3.65

- 4.13 In addition to the licence fees, insurance and vehicle compliance testing, licence holders also have to provide a medical certificate every three years, pay for DVLA licence check annually, and subscribe to the DBS update service. It is estimated that these costs are approximately £45 to £50 per annum.

## Inflation

- 4.14 Given that fuel availability and pricing is a major influencing factor over inflation, it is perhaps not surprising that the RPI and CPI inflation charts below mirror the fuel price fluctuations over the same period. These indicators suggest real world costs have risen over the past 5 years but not excessively so. The indicators suggest an average annual increase of 1.36% year on year since 2013 meaning £1000 in 2013 would be worth approximately £933.82 in 2018.



- 4.15 It is difficult to estimate how much of an impact this has had on the trade's overall income, as there are so many variances with working practices. Table 4 below attempts to calculate an average income using the Department for Transport's 2017 Private Hire and Taxi Statistics document, which suggests amongst other things the % of total trips by duration.
- 4.16 We already know from our database that an average full time taxi driver in the district covers approximately 35,000 a year, but this is total miles covered, not total chargeable miles. To provide a more accurate figure of earning potential it

is necessary to reduce this figure by 50% to take into account so called “dead miles” where a driver returns to the rank, or returns to their home with no paying passengers on board.

The mileage rate in brackets reflects the average mileage cost.

**Table 4 – Estimated inflationary impact on income**

Total chargeable mileage on Rate 1	17500
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Duration of trips	% of total trips by duration	Total mileage to be charged	Total estimated income
Under 1 mile	3	525	£1837.50 (£3.50 per trip)
1 to 2 miles	21	3675	£10,106.25 (£2.75 per mile)
2 to 5 miles	48	8400	£19,320.00 (£2.30 per mile)
5 to 9 miles	17	2975	£6426.00 (£2.16 per mile)
10 to 25 miles	9	1575	£3244.50 (£2.06 per mile)
25 or higher	2	350	£721.00 (£2.06 per mile)

Total estimated income in 2013	£41,655.25
Total equivalent income in 2018 after inflation adjustment	£38,898.68
Difference	-£2,756.57

4.17 Table 5 below shows a summary of estimated gains and losses over the past five years.

**Table 5 – Effect of savings and costs over past five years**

	Fuel (Total cost per annum based on 38mpg av.)	Associated licensing costs	Insurance	Inflation adjustment on earnings	Total
2013 costs	£5,937.00	£260.00	£1,500.00	£41,655.25	+£33,958.25
2018 costs	£5,185.16	£450.00	£1,800.00	£38,898.68	+£31,463.52
+/-	-£751.84	+£190.00	+£300.00	+£2,756.57	-£2,494.73

## 5.0 DISCUSSION

5.1 There is no evidence to suggest that car maintenance costs have increased since the last fare increase in 2013, and it is clear that the savings on the cost of fuel since the fares were last increased is still benefitting the taxi trade to this day. Furthermore, it is clear that although the costs of holding a licence have

increased throughout this period, for the majority of licence holders the increase in costs is more than covered by these fuel savings.

- 5.2 However, as Table 5 under paragraph 5.17 above suggests, taxi drivers are no less exposed to the general increases in the cost of living experienced by all members of the community, and when looked at as a whole, the figures would suggest that a taxi driver is 7.34% worse off now than they were in 2013.
- 5.3 It should be noted that when it comes to looking at inflationary factors all members of the community are affected, and so it would not be appropriate to consider increasing fares to a point where taxi drivers are the only members of the community who are ring fenced from these economic pressures. However, it would also not be appropriate to ignore this impact entirely.
- 5.4 Members of the public choose to use a service when it is reliable, and affordable, and so increasing fares can have a negative impact on a drivers take home pay. Essentially, taxi proprietors only receive an income if they receive a fare paying passenger, whether this is off the rank, the street, or a pre-booked fare. If the price is not affordable people will opt for alternative modes of transport; this may be a private hire vehicle willing to work for a lower fare, or it may see them taking a bus, bike, car share, or even choosing to walk if the journey is reasonably short.
- 5.5 With deregulation it is now much easier to obtain the services of taxis and private hire vehicles from outside the East Cambs district. The current table of fares places us 3<sup>rd</sup> on the daytime tariff amongst our neighbouring councils, but we have the lowest overall evening tariff (Rate 2) (see Table 6 below).

**Table 6 – Neighbouring authority fares comparison**

<b>Council</b>	<b>2 mile fare (Rate 1)</b>	<b>2 mile fare (Rate 2)</b>	<b>Last increased</b>	<b>Flag rate (Rate 1) (Rate 2 in brackets)</b>
Fenland	£5.30 (6)	£7.90 (2)	2012	£3.30 (£4.90) - 1760 yards (1 mile)
South Cambs	£6.30 (2)	£7.30 (4)	2018	£2.90 (£3.90) - 100.6 yards
Hunts	£5.60 (3)	£6.20 (6)	2011	£4.10 (£4.70) - 234.66 yards
Cambs City	£6.50 (1)	£7.50 (3)	2017	£2.90 (£3.90) - 98.43 yards
Forest Heath	£5.60 (3)	£6.80 (5)	2014	£2.60 (£3.10) - 718 yards
St. Edmundsbury	£5.40 (5)	£8.10 (1)	2015	£3.80 (£5.70) - 1760 yards (1 mile)
<b>East Cambs</b>	<b>£5.50 (4)</b>	<b>£6.00 (7)</b>	<b>2013</b>	£3.50 (£4.00) - 1760 yards (1 mile)

- 5.6 The main difference with the fare cards appears to be flag rate distance used. This is important as it is the point at which the immediate hire charge is incurred. For example, a one mile journey in East Cambs (Railway Station to Market Place) would cost £3.50 in the day, whereas the same journey in South Cambs would cost £4.55 (£2.90 (100.6yrds + 8 \* £0.20 per additional 200yrds). The point at which the “flag” is set can have a significant impact on how members

of the public perceive the overall cost of their journey, as they will see the meter almost continually clicking over. The full versions of our neighbouring authority's fare cards can be found in **Appendix 2**.

- 5.7 Table 6 above also provides an insight as to why the number of vehicles operating in the evenings in the district is significantly lower than those working during the day. The current night-time tariff only compensates a driver with an additional £0.50 per journey, regardless of the length of the journey, at a time when they are more likely to deal with unreasonable/unsocial behaviour.

## 6.0 CONCLUSION

- 6.1 The evidence suggests that the time is now right to increase the fares that can be lawfully charged by the taxi trade in order to offset some of the financial burdens that they have been subjected to over the past five years, however, it is recommended that this should also be a considered increase to reflect that all members of the community have also felt the impact of these financial constrictions on their own take home pay which is ultimately used to fund their travel.
- 6.2 After a number of years of wage stagnation, and austerity measures, most sectors have seen minimal 1% cost of living wage increases over the past two to three years, and the figures suggest that an adjustment in line with this could be considered justifiable.
- 6.3 The evidence also suggests that there is a need to consider the level of compensation provided by Rate 2 (currently 7pm until 7am), and to a lesser extent the level of compensation afforded for providing a service on Bank Holidays.
- 6.4 It is suggested that lowering the drop yardage from 176yards to 167.6yards, and increasing the flag rate would be able to achieve a balance between the trade and the general public, and that this combined with amending the tariff switch time to 11pm would incentivise the trade to offer a better service into the night-time economy period. Table 7 (below) illustrates how this could be achieved, and Table 8 (on the next page) shows the current fares chart:

**Table 7 – Recommended ECDC table of fares**

Rate	First mile	For each 167.6 yards or uncompleted part thereof	Waiting time per minute	Two mile cost	Five mile cost
1 (7am to 11pm)	£3.70	£0.20	£0.40	£5.80	£12.10
2 (11pm to 7am)	£5.55	£0.20	£0.40	£7.65	£13.95
3 (Bank Holidays)	£7.40	£0.30	£0.40	£10.55	£20.00
Persons carried in excess of 4 persons			£0.50 per additional person, per trip		
Soiling charge			Not to exceed to £150		



**Table 8 – Current ECDC table of fares**

Rate	First mile	For each 176 yards or uncompleted part thereof	Waiting time per minute	Two mile cost	Five mile cost
(1) 7am to 7pm Mon to Fri & 7am to 1pm Sat	£3.50	£0.20	£0.40	£5.50	£11.50
(2) 7pm to 7am Mon-Sat & 1pm Sat to 7am Mon	£4.00	£0.20	£0.40	£6.00	£12.00
(3) Bank Holidays	£5.50	£0.20	£0.40	£7.50	£13.50
(4) Christmas Day	£6.00	£0.35	£0.40	£9.50	£20.00
Luggage carried outside passenger compartment £0.25 per bag			Each passengers above one £0.25 per trip		
Bookings other than from a rank £0.50 booking fee					
Soiling charge - not to exceed to £90					

6.5 The above changes will see a nominal increase in charges to those using the service during the day, who are arguably the more vulnerable members of society using the service for essential purposes, and it would reflect the additional risks a driver may face when providing a late night service. It also has the potential to stagger the arrivals at the station, as there will no longer be a requirement to arrive prior to 7pm to avoid Rate 2 fares, although it is accepted that the existing £0.50 increase is perhaps not making a significant difference in this regard. The increase in soiling charge reflects a truer cost of having to take a vehicle out of service whilst the issue is resolved. Baggage charges have been removed as anecdotally these are rarely used, and can cause confusion as to when they can be legally charged, and when they can't. The majority of the vehicles in the fleet carry four persons, and there is no tangible cost difference incurred in carrying one passenger or four passengers in these vehicles. The amendment of the additional person charge from more than one passenger to more than four passengers reflects a more accurate way to recover the costs associated with providing a larger vehicle.

6.6 It is also recommended that the Council should move to requiring all meters to be calendar controlled so the tariffs automatically change, which removes the potential for the wrong tariff to be used accidentally or purposely.

## 7.0 FINANCIAL IMPLICATIONS

7.1 It is very difficult to analyse the exact impact of the recommendation in this report on the different parties involved due to the way in which the taxi trade works. However, it is possible to make calculated assumptions based on the core information.

- 7.2 From a customer point of view, the raising of the flag price and the shortening of the click yardage will have a nominal impact on persons using a taxi during the main working day. It is estimated an average trip would cost £0.30 more.

Commuters returning to the city prior to 11pm will see a nominal saving in equivalent terms of £0.20 per trip, but members of the community who use taxis in the night-time economy hours (11pm to 7am), and on Bank Holidays will see larger increases which reflect the additional socio-economic factors involved in providing at service at these times.

- 7.3 From a taxi proprietor's point of view, depending upon when they choose to work the recommendation will have a differing impact on their earnings. The raising of the tariff 1 rate will see an increase in their income between 7am and 7pm, but those choosing only to work the 7pm to 11pm shift will see a minor reduction in income due to tariff 2 not commencing until 11pm. However, those who choose to work between 11pm and 3am catering for those enjoying a nightout in the city or arriving back from a night out via the railway station, will see a significant increase in the income generated at this time. Table 9 below uses the same information as Table 4 above regarding percentage and length of trips, but adds a column to compare the impact of the recommendation on potential income, if adopted:

**Table 9 – Impact comparison on income if recommendation is followed**

Total chargeable miles on Rate 1		17500		
Duration of trips	% of total trips by duration	Total mileage to be charged	Total estimated income 2013	Total estimated income 2018
Under 1 mile	3	525	£1837.50 (£3.50 per trip)	£1942.5 (£3.70 per trip)
1 to 2 miles	21	3675	£10,106.25 (£2.75 per mile)	£10,657.50 (£2.90 per mile)
2 to 5 miles	48	8400	£19,320.00 (£2.30 per mile)	£20,328.00 (£2.42 per mile)
5 to 9 miles	17	2975	£6426.00 (£2.16 per mile)	£6,783.00 (£2.28 per mile)
10 to 25 miles	9	1575	£3244.50 (£2.06 per mile)	£3,402.00 (£2.16 per mile)
25 or higher	2	350	£721.00 (£2.06 per mile)	£756.00 (£2.16 per mile)
Total estimated income			£41,655.25	£43,869.00
Difference			+£2,213.75	

- 7.4 In reality most drivers will undertake trips of varying lengths, and varying times of the day, and so it is perceived that all drivers will benefit from the recommendation.

- 7.5 As mentioned in paragraph 3.3 of this report, any change made to the table of fares must be advertised and any comments received as a result of this consultation must be considered by Members at a further committee which must be held within two months of the date of commencement specified in the original notice published. Due to this, it is further recommended that the 1 August 2018 is used as the date of commencement.
- 7.6 Officer time has been required to prepare this report, and will be required to deal with the consultation exercise. Member time has been required to consider this report, and may be required if comments are received. These costs will come out of the Licensing Department's budget.
- 7.7 An Equality Impact Assessment (EIA) has been completed showing there is no adverse impact on the community if Members follow the Officer recommendations.
- 8.0 APPENDICES
- 8.1 Appendix 1 Existing ECDC Table of Fares  
Appendix 2 Full versions of neighbouring authority's taxi fare cards.

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**Background Documents**

**Location**

**Contact Officer**

The Local Government  
(Miscellaneous Provisions) Act  
1976

Room SF208  
The Grange,  
Ely

Stewart Broome  
Senior Licensing Officer  
(01353) 616477

Department for Transport's -  
2017 Private Hire and Taxi  
Statistics