



Regulatory Committee Report TAXI TARIFF REVIEW 2022

Report author

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Exempt / confidential / not for publication	No
Wards affected	All wards

Executive summary

InDepth Consultancy Limited was instructed to review the current Taxi Tariff in August 2022. The aims of the review were to:

- Review the current Taxi Tariff and fare setting procedure.
- Engage with the Taxi Trade to seek their views.
- To identify improvements to the structure of the Taxi Tariff.
- To adjust and set the Taxi Tariff, if appropriate.
- To identify a methodology for the Council to use moving forward.

The engagement from the Taxi Trade during this process was not sufficient to make a properly evidence based decision on the setting of the Taxi Tariff. A Tariff was produced for Public Consultation, following a meeting of the Working Group. This Tariff was indicative of the approximate costs as submitted by the attendees of this group, with missing data supplemented by ONS Statistics for the UK. The response at Consultation was overwhelmingly negative to an increase to the Council's existing Taxi Tariff.

However, a number of positive comments were received regarding structural changes at consultation and a methodology for reviewing the Tariff were detected. To summarise, the following changes are recommended:

- The introduction of three Tariffs for Taxis that seat four people and a tariff for taxis that seat five or more people.
- The rounding of the tariff unit rate, to 10s of pence to eliminate the use of copper coins.
- A yearly fare increase/decrease, in line with the Retail Price Index for Motoring.
- Adoption of the proposed methodology.



1. Proposed Decision

- 1.1 In the course of this review, it became apparent that more specific and relevant data is required to properly justify either an increase, or decrease, to the Taxi Tariff. There are a number of recommendations that require the assent of the committee, that would allow the Council to properly consider and justify any action. It is not currently appropriate to raise the taxi tariff, as evidenced by the responses to the consultation.
- 1.2 The Committee may resolve that:
 - a. Further work be undertaken to require more specific data from the Proprietors of Hackney Carriages in the County, to properly justify an increase/decrease in the taxi tariff, and/or;
 - b. The additional recommendations of this report be implemented, in part or in full, or;
 - c. No further action or work be undertaken until a new request from the trade is received to review the taxi tariff.

2. Why is the decision needed?

- 2.1 Taxi and Private Hire (PHV) licensing in England and Wales is undertaken by licensing authorities (district and unitary councils), which have the responsibility for ensuring the public travel in safe, well maintained vehicles driven by competent drivers, as well as providing a fair and reasonable service for the taxi and PHV trade.
- 2.2 Taxi and PHV licenses are two distinct and separate licences. This report is solely focussing on the Taxi (or Hackney Carriage) Tariff, not Private Hire Tariff/Fares.
- 2.3 To deliver their responsibilities the Council's core function in taxi and PHV licensing can be summarised as:
 - a. Setting the local framework, which can include safeguarding standards, fares, vehicles standards or limits on vehicle numbers.
 - b. Considering applications and safeguarding the public by issuing, reviewing, or revoking licenses.
 - c. Undertaking inspection and enforcement activities to ensure the required standards are being maintained.
- 2.4 By setting this framework, the Council has a duty to ensure that the Taxi Tariff is properly calculated, to ensure fair and reasonable income for the Taxi Trade whilst ensuring that the travelling public are protected from unscupulous pricing practices.

- 2.5 The Tariff sets a maximum limit on the fare charged by a Hackney Carriage. There is nothing to stop a Proprietor from charging less than the agreed rate, or setting their meters to a specified rate lower than the maximum. This approach is supported by the Department for Transport's Best Practice Guidance, Section 52 to 54 (Annex A).
- 2.6 It is important to note that of the over 270 licensed drivers in the district that were approached for comment, less than 10 engaged with the review.

3. Implications of the decision

Financial	Y	Human rights, equalities, diversity	N
Legal	N	Policies or Council Plan	N
Communication	Y	Procurement	N
Energy Efficiency	N	Workforce	Y

a) Financial

The financial implication of the recommendation of this report is in staff hours and additional work required to ensure that the proper data be collected from Taxi Drivers in the district, to properly inform any decision on the Taxi Tariff.

b) Communication

Substantial public communications will be required between the Council, Taxi Drivers and the travelling public. This may mostly be done online, but there will also be the requirement to properly serve notice to drivers through post to encourage co-operation and to communicate the risk that a lack of data poses to this issue.

c) Workforce

If the recommendations of this report are endorsed, then there will be a substantial burden placed on the Licensing Team. There are a number of avenues open to collect the data required, but it is expected that a substantial commitment of time would be required to gather it.

4. Methodology

- 4.1 The following Methodology is proposed as a means of providing a fair, transparent approach to how fares are set by the Council. This process allows the Council to calculate the total running costs associated with running a Taxi in Denbighshire.
- 4.2 The table below shows the calculator, adjusted for use for Denbighshire County Council:

Denbighshire County Hackney Carriage Fares Calculator 2022

ITEM	Average Running Costs Per Vehicle	Flag Drop	ITEM	Enter Variable Data in Pink Boxes on this sheet and "Calc for running costs"
1	Annual Salary (A)	T1	A	Average Salary
2	Average Running Costs (B X E) + (C + D + G + H + I)	T2	B	Costs of Running Diesel Car (per mile)
3	Total Running Costs (1 + 2)	T3	C	Additional Allowance for Insurance
4	Average Live Mileage (E - F)	T4	D	Annual cost of Hackney Carriage Licence
5	Cost per mile 3 ÷ 4		E	Annual Average Mileage
6	Total Charge per Mile (3 - K x T1) ÷ 4		F	Dead Mileage
	Charge for each Distance Unit is: (incorporating flag drop)		G	Annual Station Rank Fee
	Item L1 yards (L) = (6 ÷ M)		H	Annual Cost of Driver's Licence (Pro-Rata)
7	Round to nearest 10 pence		I	Average annual cost of Livery, Roof Sign and Meter
	Rounded Charge per Mile		J	Average Journey Distance (Miles)
	Charge for time per unit		K	Average number of journeys
	Charge for time. One mile or and		L	Distance unit = Unit charge x (1760/charge per mile)
	Date fare chart effective from		M	Units per mile (1760/Unit Distance)
			N	Charge per unit (input values from 7)
			O	For each item of luggage outside the passenger compartment (pence) (Set by DCC)
			P	Soiling the carriage leaving it unfit (pounds) (Set by DCC)

4.3 Average Annual Salary (Item 1) This item should be input using Office of National Statistics data in its 'Annual Survey of Hours and Earning (ASHE), United Kingdom for Professional Drivers' to identify an appropriate level of remuneration for taxi drivers, by using the industry standard for a professional driver which is £30,887.

4.4 Average Running Costs per vehicle (Item 2) Working out the average running costs for a taxi is not a simple process. Taxis come in many shapes and sizes, with different makes/models and specification levels, different age and emission policies, different maintenance standards, and regional variations between the costs of maintenance. As such, it is impossible to cater for every variation. Annex C shows the average costs of economy diesel vehicles is £30,768.

4.5 Standing charges:

- a. Depreciation (at HMRC rate for hackney carriages: 18%)
- b. Cost of capital
- c. Annual cost of insurance
- d. Cost of road tax
- e. Cost of breakdown cover

4.6 The running costs:

- a. Cost of fuel per litre
- b. Cost of replacement tyres
- c. Cost of replacement parts
- d. Cost of parking and tolls

4.7 Additional Running Costs: The following variable annual costs are associated with operating a taxi:

- a. Vehicle insurance (Item C).

- b. Annual vehicle licence and test fees. (Item D).
 - c. The cost of the annual Railway Station Taxi Rank permit, which is currently nil. (Item G).
 - d. Annual driver's licence fee (pro rata). (Item H).
 - e. Policy costs, including livery, roof signs, meter (Item I).
- 4.8 Average Live Mileage (Item 4): Live mileage is the number of miles travelled by a taxi with a fare-paying passenger. Live mileage is calculated by subtracting the dead mileage from the total mileage.
- 4.9 Average Annual Mileage (Item E): It is suggested to use the average annual number of miles travelled by each taxi driver when calculating cost per mile. The average annual mileage is derived from the mileage of each taxi (recorded during vehicle tests) and publicly available MOT mileage information. The mileage is divided between all licensed drivers within the County to provide the average annual mileage. This accounts for drivers sharing vehicles.
- 4.10 Dead Mileage (Items F1 and F2): Dead mileage is the miles travelled by a taxi without a fare paying passenger. A number of factors prevent an exact calculation of dead mileage. If a taxi takes a customer from A to B and always returns empty to A, the dead mileage will always be half of the total mileage. The factors are:
- a. Taxis do not always return empty to the point of initial departure.
 - b. Taxis may travel with a customer from point A to point B and then onto point C avoiding any dead mileage.
 - c. Taxis may be flagged down when empty.
 - d. Pre-bookings can reduce the amount of dead mileage for example from Point A to the taxi rank and then from the taxi rank to point B.
 - e. Taxis drivers use the vehicle travelling to and from work.
 - f. Some drivers use their taxi for personal journeys.
- 4.11 Note that HMRC state that any travel to and from the taxi drivers place of work is not deemed to be dead mileage for the purposes of calculating tax liability. Dead mileage is expressed as a percentage (item F1) of the overall mileage (item F2), currently set at 50% due to the rural nature of Denbighshire and the need for taxis to often travel to commence fares. More thorough data is needed to verify this.
- 4.12 Typical Journey Distance (Item J): More information is required from the taxi trade to properly inform this value. Consultation with the trade yielded a figure of 10 miles for an average journey, but there are pre-booked long distance airport journeys that skew this figure.
- 4.13 Average Number of Journeys (Item K): Calculated by dividing the average live mileage by the average distance per journey.

4.14 Total Cost per Mile (Item B): The total cost per mile is calculated by dividing the total of the standing charges and running costs by the average annual mileage.

5. Calculation of the Fare Charged per Mile

5.1 A taxi fare calculator is used to determine the charge for each distance unit.

5.2 Total Cost per Mile (Item 5): The values of each factor set out above to calculate the cost per mile of running a taxi as set out below:

- a. Average Running Cost (Item 2) = Running Cost per mile (Item B) x Average Annual Mileage (Item E) + Items C, D, G, H and I
- b. Total Running Costs (Item 3) = Annual Salary (Item 1) + Average Running Costs (Item 2)
- c. Cost per mile (Item 5) = Total Running Costs (Item 3) ÷ Average Live Mileage (Item 4)

5.3 Total Charge per Mile (Items 6a and 6b): Total Charges per mile are the pivotal point of fares and calculated as shown:

$(\text{Item 3}) - (\text{Average number of Journeys (Item K)} \times \text{the 'flag drop' (Items T1, T2, T3 and T4)}) \div \text{Average live mileage (Item 4)}$.

5.4 However, as fares will always include a fixed initial cost (flag drop) it is important to note that the formula used to establish the charge per mile is structured to prevent the flag drop from artificially exaggerating the cost per mile.

5.5 The Unit Charge (Items N, 7a and 7b): The unit charge is the cost to travel each distance unit or part of each unit. It can be any value as long as it is a multiple of 10 pence.

5.6 Calculation of the Distance Unit (Item L): The distance unit is the number of yards travelled for each unit charge. We identify the distance unit as on the fare calculator. The distance unit is calculated by dividing 1760 yards (1 mile) by the total charge per mile (Item 6) and then multiplying by the unit charge (Item N).

5.7 Calculation of Distance Units per Mile (Item M): Calculated by dividing 1760 (1 mile) by the unit distance. Calculation of Charge by Time per Unit (Items 8(a) and 8(b)) Calculated by dividing 5 minutes and 10 seconds by the number of units per mile (Item M).

6. Recommendations

6.1 Following a trade and public consultation (Annex C and D) a number of practical changes were identified, and are suggested for implementation.

6.2 The introduction of three Tariffs for Taxis that seat four people and a tariff for taxis that seat five or more people was a recurring theme through consultation, and is often found in tariffs around the UK. This is sometimes done as a flat rate additional per passenger charge, but this doesn't account for long distance travel.

As such, an additional Tariff 4 (included in the day rate section) has been established with a 25% rise on Tariff 1.

- 6.3 The rounding of the tariff unit rate, to 10s of pence to eliminate the use of copper coins was suggested in the trade consultation and has been proposed for implementation. It is important to note that the use of this rounding tool does mean that journeys are not charged “per mile” but at a number of units per mile.
- 6.4 A yearly fare increase/decrease, in line with the Retail Price Index for Motoring with the end result being rounded to ensure point 6.3. This mechanism could be implemented, with the function being delegated to Officers. It is suggested that a short 14 day consultation period be used to allow for objections to the raise, to be heard by the committee if any arise.
- 6.5 Adoption of the proposed methodology will allow the Council to make a calculated and evidencable judgement on a tariff, providing it has the specific data required to fill the table. A calculator has been provided to allow the council to automate this process.
- 6.6 The proposed tariff structure is embedded in the calculator, and an example has been attached in Annex E.

List of annexes

Annex A

Department for Transport: Taxi and Private Hire Licensing Best Practice
<https://www.gov.uk/government/publications/taxi-and-private-hire-vehicle-licensing-best-practice-guidance>

Annex B

Short Survey of New Diesel Estate Cars (page 8)
Open source information.

Annex C

Table of Feedback from Drivers

Annex D

Table of Public Consultation Feedback

Annex E

Proposed Example Structure for Taxi Tariff

Annex B

Short Survey of New Diesel Estate Cars

Car Model	Cost
BMW 5 Series Touring	£42,710
Skoda Superb Estate	£30,860
Ford Focus Estate	£22,215
Mercedes E-Class Estate	£42,100
VW Arteon Shooting Brake	£34,370
Audi A6 Avant	£42,735
Volvo V90	£42,045
Peugeot 508 SW	£27,970
Skoda Octavia Estate	£22,680
<u>Average estate cost</u>	<u>£30,768</u>

Open source information.