

Hackney Carriage Fare Calculations Methodology

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Introduction

This is the Council's procedure for setting taxi fares for distance and time and other charges in connection with the hire of a taxi.

The Local Government (Miscellaneous Provisions) Act 1976 allows the Council to set the maximum costs and fares that drivers may charge the public for journeys taken in a taxi. In this context "the Council" means the Executive by virtue of The Local Authorities (Functions and Responsibilities) (Wales) Regulations 2007.

In setting taxi fares, the Council has to balance any increase of taxi fares against the needs of the travelling public.

If we decide to vary the rates or fares, we will advertise the proposed changes in a local newspaper. This will contain the date on which the new fares will take effect. We will receive objections for a period of 14 days from the notice. We will also make a copy of the notice available for inspection at the Council's offices for the same period.

Where we do not receive any objections to the proposed changes the amended fares and charges will take effect on the date specified in the notice.

If we receive objections, the Licensing Committee will consider them within two months and approve the final table of fares.

This procedure sets out the process we will use for calculating taxi fares and other charges, which includes a methodology (a process that sets out cost factors relevant to operating a taxi in Denbighshire); calculator (an excel spreadsheet which contains the formulae for calculating the fares) at Appendix 1; and table of fares (a document setting out the charges and other costs that a taxi driver may demand for each journey) at Appendix 2.

This procedure also sets out the factors that we use when calculating the costs associated with operating a taxi in Denbighshire. The values of these may change each year.

The Council's calculation of taxi fares has been reviewed periodically using a variety of formats. Concerns have been expressed that the rates should be further reviewed and recommendations were made that the council should implement a tariff calculator as is used widely in other authorities. The calculator has been designed by Guilford Council and they have permitted other local authorities to use the template in their own areas.

The figures given by the calculator will be consulted upon, with the objections considered and decision taken to implement the new fares.

Members will wish to note that the decision to adopt the new fares using this method was subject of a Judicial Review by the taxi trade, who obtained an emergency injunction preventing the implementation of the fares until the Judicial Review had been concluded.

The challenge was dismissed in December 2017 with the judge finding comprehensively in Guildford Council's favour.

There are a number of points in the judge's decision which will assist in defending any challenge against future reviews:

- The Council had gone to considerable lengths to try to ascertain the correct costs for running a taxi in Guildford by consulting the trade. The judge considered it reasonable, in the absence of consultation data from the trade, to take the average costs of owning and running a normal vehicle in a relevant price band as a starting point for considering what costs to allow in the calculation of the table of fares.
- The Council was justified in selecting the AA data over other sources, provided it was adjusted to the taxi trade as necessary.
- The judge also took the view that if the trade believed the Council's estimates of the costs that such a driver incurs were wrong, the operators of hackney carriages in Guildford have only themselves to blame for not submitting sufficient reliable evidence on such costs in the consultations that the Council conducted.

It should be noted that there is specific reference to the AA Motoring Report throughout the methodology. Officers wish to highlight this document was last published in 2014 and will only be used where there is an absence of sufficient information provided by those in the trade. However, wherever it is used the figures will be adjusted in line with published RPI Motoring costs year on year.

Methodology

The Council will use the following process to calculate the total running costs associated with operating a taxi in Denbighshire.

The Costs of Running a Taxi

We use the Automobile Association (The AA) values contained in the annual motoring costs report for 2014 that are relevant to a new diesel vehicle within the £22,000 to £26,000 price bracket (Motoring RPI adjusted this equates to £31,000 - £36,000), when calculating the running costs associated with operating a taxi in Denbighshire. This is supported by findings that the primary vehicle used in Denbighshire's fleet is a Skoda Octavia using diesel fuel and fall within this price bracket when new.

The total annual cost of running a taxi per mile is variable and we will identify this value as item B on the fare calculator.

The AA divides the cost of running a car into charges and costs. Standing charges are the basic costs of keeping the vehicle ready for use on the road. The running costs are those that depend directly on using the vehicle.

The standing charges are:

- depreciation
- cost of capital
- annual cost of insurance
- cost of road tax
- cost of breakdown cover

The running costs are:

- cost of fuel per litre

- cost of replacement tyres
- cost of replacement parts
- cost of parking and tolls

Adjustment for Inflation

One of the main elements of challenge to the Judicial Review was that the AA data was out of date. The data used for the 2016 fares was the AA Running Costs 2014, published by the AA in July 2014. At the time using this data was not disadvantageous to the taxi trade as the [ONS RPI Motoring Expenditure Costs Index](#) had shown a sustained deflation of the cost of motoring between March 2014 to May 2016.

The AA has however ceased producing its annual “Running Costs” upon which the methodology is based. Since the 2018 fare review, Guildford Council has calculated fares using the previously approved 2014 figures, adjusted for inflation using the ONS RPI Motoring Expenditure Costs Index. We consider this a reasonable approach in the absence of supported local data.

Standing Charge: Depreciation

- Different vehicles lose value at different rates depending on their make, age, mileage and condition.
- The AA motoring costs assume depreciation over 4 years at a variable value per year. We use the AA value when calculating the overall cost per mile, adjusted for annual RPI figures.

Standing Charge: Cost of Capital

- The value used represents the loss of income from the owner having money tied up in a vehicle, which could otherwise be earning money in a deposit account.
- The AA calculation of the cost of capital may vary each year. We use the AA value when calculating the overall cost per mile, adjusted for annual RPI figures

Standing Charge: Annual Cost of Insurance

- The value used by the AA is a UK average for a fully comprehensive policy with 60 per cent no-claims discount.
- Where information is provided by licensed drivers we will use the average cost of from those respondents. Should this not be the case then we will use the AA value when calculating the overall cost per mile, adjusted for annual RPI figures

Standing Charge: Cost of Road Tax

- The primary fuel type of Denbighshire licensed vehicles is that of diesel fuel.
- We will use the standard annual tax for a diesel vehicle

Standing Charge: The Average Cost of Breakdown Cover

- Where information is provided by licensed drivers we will use the average cost of from those respondents. Should this not be the case then we will use the AA business rate for the current year

Running Cost: The Average Cost of Fuel per Litre

- The AA uses values based on the national average fuel cost per litre. We use the values from the latest AA fuel price reports.
- We recognise that fuel prices often change throughout the year. It is not practical to recalculate the running costs of a taxi each time the fuel costs increase or decrease. Therefore, in addition to the average cost of diesel we include an additional 5 pence per litre to allow for any upward changes to the cost of fuel that may occur during the year.

Running Cost: Cost of Tyres

- The AA quotes the average tyre life at approximately 20,000 miles front and 40,000 miles rear. Where information is provided by licensed drivers we will use the average cost of from those respondents to ascertain the cost per mile for tyres. Should this not be the case then we will use the AA value when calculating the overall cost per mile, adjusted for annual RPI figures

Running Cost: Service Labour Costs

- The Service Labour costs cover normal servicing and parts replacement taking UK average labour rates. We have included here the costs for cleaning a vehicle.
- Where information is provided by licensed drivers we will use the average costs from those respondents to ascertain the cost per mile for servicing. Should this not be the case then we will use the AA value when calculating the overall cost per mile, adjusted for annual RPI figures

Running Cost: Replacement Parts

- Replacement parts are items that may require replacement through normal driving conditions such as brake materials, oils, filters, bulbs, wipers etc.
- Where information is provided by licensed drivers we will use the average cost of from those respondents to ascertain the cost per mile for servicing. Should this not be the case then we will use the AA value when calculating the overall cost per mile, adjusted for annual RPI figures

Additional Costs

We will use the following additional costs associated with operating a taxi in Denbighshire.

Average Annual Salary (Median)

We include an appropriate level of remuneration for taxi drivers that is relevant to Denbighshire. The Council uses the most recent information published by the Office for National Statistics in its Annual Survey of Hours and Earnings (ASHE) in relation to Denbighshire.

We use the average (median) gross weekly earnings by Welsh local areas and year and is calculated on a 48-week year i.e. four weeks' holiday

The value of the average salary is variable and we will identify this as item A and Item 1 on the fare calculator.

Inclusion of Annual Fees

The Council will also include the following variable annual costs associated with running a taxi in Denbighshire:

- the cost of the annual vehicle licence and vehicle test fees. We identify this as Item D on the fare calculator.
- the cost of the annual driver's licence fee. We use the pro-rata annual rate and identify this as Item H on the fare calculator.

Taxi Roof Sign and Meter Costs

All taxis have to be equipped with a roof sign and meter. There is a one off cost of supplying a roof sign and meter, and the meter has to be adjusted annually to the current tariff.

Where information is provided by licensed drivers we will use the average cost from

those respondents to ascertain the cost of roof signs and meters. These costs will be apportioned across an average 7-year life span of a vehicle i.e. the time which vehicles can remain on fleet.

The value of these additional costs is included as item I in the calculator.

The Cost of a Card Payment Device

Although the cost of a card meter is determined by usage where information is provided by licensed drivers we will use the average cost from those respondents to ascertain the cost of a card payment machine.

Additional surcharges are not permitted for the individual use of card by taxi users. Applying a cost in the tariff will mean that this cost is apportioned across all users therefore allowing choice of payment method. Licensed drivers are not mandated to have card payment devices but are encouraged.

The value of this additional costs is included as item I in the calculator.

The Average Annual Mileage (Mean)

We use the mean value of the annual number of miles travelled by each taxi driver when we calculate the cost per mile.

The value of the mean annual mileage is variable and we will identify this as item E on the fare calculator.

In the absence of recorded mileages, we obtain the annual number of miles travelled by taxis by taking a random representative sample from the current taxi fleet and use the last recorded mileages from the MoT records available online.

We then divide the total number of miles travelled in this sample by the number of licensed taxis in the same sample to provide the mean annual mileage.

Dead Mileage (Mean)

Dead mileage is the number of miles travelled by a taxi without a fare paying passenger but excludes:

- the number of miles travelled by each driver to and from work
- the number of miles travelled by each driver on private journeys
- the number of miles travelled by each driver on unmetered journeys

The value of the dead mileage is variable and we identify this as item F2 on the fare calculator.

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:

- taxis do not always return empty to the point of initial departure
- taxis may travel with a customer from point A to point B and then from point B to point C thus not enduring any dead mileage
- the taxi may be flagged down whilst returning empty to point A therefore the dead

- mileage will not always be the same distance as the initial paid mileage
- taxis may operate by being pre-booked and this 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
- taxis drivers use the vehicle travelling to and from work
- some drivers use their taxi for personal journeys away from work

We express the maximum level of dead mileage as a percentage of the overall mileage and we identify this at item F1 on the fare calculator.

If a taxi takes a customer from point A (the rank) to point B and the taxi always, returns to point A without a customer on board the dead mileage would be approximately 50 per cent of the total mileage. We therefore use 50 per cent as the starting point for the calculation.

It is however impossible to gauge an accurate measure of dead mileage due to the differing variables identified for each driver above.

Information supplied by HMRC shows that the level of dead mileage will vary between council areas and cannot therefore, be stated as a fixed percentage. HMRC is aware that taxi journeys carried out on contract such as home to school trips or pre-agreed fares to airports will not always be recorded on the taximeter and could appear to be dead mileage when in fact there is a fare paying passenger in the vehicle. HMRC also 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. Both of these factors therefore reduce the amount of dead mileage that can be included in the overall calculation.

Information in other areas of the country indicate that dead mileage accounts for between 33 per cent and 50 per cent of the total mileage travelled by the taxi.

A number of factors will cause this initial percentage to reduce such as travel to and from work, private journeys and unmetered journeys.

A driver who is resident in Denbighshire can ply for hire immediately within the county district in which the driver is licensed. However, the driver who is not resident in Denbighshire cannot ply for hire until the driver is within Denbighshire. Therefore, any mileage travelled before entering Denbighshire cannot be included in the dead mileage calculation.

Insufficient evidence to provide a definitive figure but respondents at a working group unanimously felt that 50% was an accurate figure.

Average Live Mileage (Mean)

The average live mileage is the number of miles travelled by a taxi with a fare-paying passenger. We calculate the average live mileage by subtracting the dead mileage from the total mileage.

The value of the average live mileage is variable and we will identify this as item 4 on the fare calculator.

Typical Distance per Journey (Mean)

Where information is provided by licensed drivers we will use the average of those journey lengths. Current indications estimate this to be 3 miles for each journey.

The value of the typical distance is variable and we will identify this as item J on the fare calculator.

Average Number of Journeys (Mean)

We will calculate the mean number of journeys travelled in a year by a taxi in Denbighshire by dividing the average live mileage by the average distance per journey.

The value of the average number of journeys is variable and we will identify this as Item K on the fare calculator.

Calculation of Total Cost per Mile

We then calculate the total cost per mile by dividing the total of the standing charges and running costs by the average annual mileage.

The value of the total cost per mile is variable and we will identify this as item B on the fare calculator.

Calculation of the Fare Charged per Mile

We then use the taxi fare calculator at Appendix 2 to determine the charge for each distance unit.

Total Cost per Mile

We use the values of each factor set out above to calculate the cost per mile of running a taxi in Denbighshire (Item 5 on the calculator). The formula is set out below:

To calculate the average running costs (Item 2 on the calculator) we:

- Multiply the cost per mile of running a diesel car (Item B on the calculator) by the annual average mileage of a Denbighshire taxi (Item E on the calculator) and add
- Items C, D, H and I

To calculate the total running costs (Item 3 on the calculator) we add the annual salary (Item 1 on the calculator) to the average running costs (Item 2 on the calculator).

To calculate the cost per mile (Item 5 on the Calculator) we divide the total running costs (Item 3 on the Calculator) by the average live mileage total (Item 4 on the calculator)

Total Charge per Mile

We identify the total charge per mile as Items 6(a) and 6(b) on the fare calculator.

The fare for each journey will always include a fixed cost for an initial distance. This is the 'flag drop'.

We prevent the flag drop from artificially exaggerating the cost per mile when setting the total that charge per mile. We achieve this by using the following calculation:

- subtract the average number of journeys (Item K on the Calculator) multiplied by the 'flag drop' (Items T1, T2, T3 and T4 on the Calculator) from the total running

costs (Item **3** on the Calculator) and then

- divide this figure by the average live mileage (Item **4** on the Calculator) to give the Total Charge per Mile (Items **6(a)** and **6(b)** on the Calculator).

The Unit Charge

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. We identify this as Items N, 7(a) and 7(b) on the fare calculator.

Calculation of the Distance Unit

The distance unit is the number of yards travelled for each unit charge. We identify the distance unit as Item L on the fare calculator.

We calculate the distance unit by dividing 1760 yards (1 mile) by the total charge per mile (Item **6** on the Calculator) and then multiplying by the unit charge (Item **N** on the Calculator).

Calculation of Distance Units per Mile

We identify the number of distance units per mile as Item M on the fare calculator.

We calculate the number of distance units per mile by dividing 1760 (1 mile) by the unit distance.

Calculation of Charge by Time per Unit

We calculate the charge by time per unit by dividing 5 minutes and 10 seconds by the number of units per mile (Item M on the fare calculator).

We identify the charge by time per unit as Items 8(a) and 8(b) on the fare calculator.

Table of Fares

Flag Drop

The 'flag drop' is the fixed cost that can be charged for an initial distance. It is universal in its application and is included in the cost of all journeys. It offers the taxi driver a minimum return for every journey. In the absence of a flag drop, all journeys would start at zero.

The flag drop encourages the supply of journeys that cover a short distance. If the cost is set too high, it can discourage overall demand for taxis and must be set at an appropriate level.

We identify the flag drops as Items T1 to T4 and 8(b) on the fare calculator.

Extras

In addition to the charge per mile, we will apply an extra charge for each passenger

carried in excess of four. We base this on current practice and local circumstances and this assists the drivers of larger vehicles, which have a lower fuel economy. We identify this extra charge as Item 9 on the fare.

The soiling charge is necessary to enable proprietors or drivers to recover the costs of cleaning the vehicle. We set the extra charge to reflect current costs. We identify this extra charge as Item 10 on the fare calculator.

Appendix 1

Denbighshire Hackney Carriage Fares Calculator 2024

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 Tariff 1	A	Average Salary
2	Average Running Costs (B X E) + (C + D + G + H + I)	T2 Tariff 2	B	Costs of Running Diesel Car (per mile)
3	Total Running Costs (1 + 2)		C	Additional Allowance for Insurance
4	Average Live Mileage (E - F)		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)		H	Annual Cost of Driver's Licence (Pro-Rata)
7	Item L yards (L) =	Tariff 1	I	Average annual cost of Roof Sign, Meter
8	Round to nearest 10 pence	Tariff 2	J	Average Journey Distance (Miles)
9	Rounded Charge per Mile		K	Average number of journeys
	Charge for time per unit		L	Distance unit = Unit charge x (1760/charge per mile)
	Charge for time. One mile or		M	Units per mile (1760/Unit Distance)
	and		N	Charge per unit (input values from 7)
	Date fare chart effective from		O	For each passenger in excess of one (pence) (As agreed by officers in consultation with trade)
			P	Soiling the carriage leaving it unfit (pounds) (As agreed by officers in consultation with trade)

Appendix 2

DENBIGHSHIRE HACKNEY CARRIAGE FARE CHART effective DD MM YYYY					
FARES FOR DISTANCE & TIME					
All distance and time charges include uncompleted parts thereof.					
Tariff 1: DAYTIME RATES:		Tariff 2: NIGHT AND HOLIDAY RATE:		3. EXTRA CHARGES:	
Rate per mile - Item 6(a) - after first mile		Rate per mile - Item 6(b) - after first mile			
HIRINGS BETWEEN 6am and midnight		HIRINGS BETWEEN midnight AND 6AM AND NATIONAL PUBLIC/BANK HOLIDAYS, Easter Sunday, Christmas Day, Boxing day and New Year's Day to be charge at Tariff 2 all			
Item T1	Maximum charge up to (Item L) yards or (Item 10(a)) seconds	Item T2	Maximum charge up to (Item L) yards or (Item 10(b)) seconds	For each passenger in excess of <u>Four</u> or each domestic pet or each item luggage outside passenger compartment:	Item O
Item 8(a)	For each additional (Item L) yards or (Item 10(a)) seconds	Item 8(b)	For each additional (Item L) yards or (Item 10(b)) seconds	Soiling the carriage leaving it unfit for immediate subs hiring:	Item P
ALL LUGGAGE CARRIED INSIDE THE PASSENGER COMPARTMENT IS FREE OF CHARGE. ANY ASSISTANCE DOG IS CARRIED FREE OF CHARGE. PAYMENT BY CREDIT/DEBIT CARD IS FREE OF CHARGE.					
IMPORTANT					
If the journey takes the taxi outside the Denbighshire area, the driver MUST still charge in accordance with the above scale unless he/she has agreed otherwise with the hirer before the journey has started. These are the maximum fares chargeable.					
COMPLAINTS					
Any complaints about a taxi or driver should be directed to: Licensing Team, County Hall, Wynnstay Road, Ruthin, LL15 1YN. Email: licensing@denbighshire.gov.uk ; quoting, if possible, the taxi plate number and/or the driver's badge number.					

Hackney Carriage (Taxi) Table of Fares Methodology and Procedure 2024

(This mechanism and process has been reproduced with permission of Guildford Council)

1. This methodology has been created to provide a transparent process for calculating taxi fares. The information provided in this document is supported by factual evidence. If statistical data is not available, the calculations are based on reasoned argument.
2. In determining the factors, consideration has been given to the fact that taxi proprietors often have differing business practices. Consequently, it is accepted that running costs may vary between businesses and it is not intended to compensate some proprietors for bad business practice or for figures that differ greatly from the average (e.g. higher salaries, costs of diverting telephones etc., not charging the full tariff amount). For this reason, an average calculation has been used.
3. All factors that are relevant to running a taxi have been considered following consultation with the taxi trade. This methodology and the relevant factors have been recommended by consultants and legal advisors and independently audited in other councils and judicially reviewed in 2018. The factors include:

An allowance for an annual salary for the taxi driver	£28,329
The average annual mileage of a licensed Denbighshire taxi	28,000 miles
The amount of mileage without a fare paying passenger. This is referred to as the 'dead' mileage.	14,000 miles
The amount of mileage with a fare paying passenger. This is the average live mileage	14,000 miles
The average travelled for each fare paying journey	3 miles
The average number of journeys travelled with a fare paying passenger in the taxi	4,666.6 Journeys
Costs of running a diesel car in the £22,000 to £26,000 (AA Report 2014) price bracket when new per mile.	
Depreciation per annum	£ 3,708.47
Cost of Capital	£607.69
Annual cost of insurance	£1,500
Cost of road tax	£190
Average breakdown cover	£150
The average cost of fuel per litre	157.8p
Cost of tyres	£600
Service labour costs AND vehicle cleaning costs	£2,250
Replacement parts	£1,002.40
Cost of providing a roof sign and meter, and annual meter change (per year	£64.28
Vehicle Licence and Test Fees	£310
Driver's Vehicle Licence Fee	£161
Cost of Card Payment Device	£200

4. Unless additional factors are identified they will remain constant each year however it is anticipated that the values will change annually.

5. The values will be entered in to the Denbighshire Hackney Carriage Fares Calculator which will be used to calculate the charge per mile for the relevant year.
6. Any changes to the value of the charge per mile will be entered into the table of fares which will be considered by Licensing Committee and approved by the Lead Member for the Licensing function.

The Average Wage

7. The proprietor (owner) of a taxi will not necessarily be the driver. Consequently, different arrangements may exist regarding any income from the use of the vehicle as a taxi. An owner and driver will retain all the income; however, a driver may pay the owner a sum of money to rent the vehicle on a weekly or monthly basis. The non-owner driver will then retain the remaining income obtained from taxi fares.
8. Therefore, in determining the taxi fares an appropriate level of remuneration must be established that recognises that different arrangements exist but which does not take individual circumstances and business practices into account.
9. The median annual gross salary for Denbighshire is £28,329 per annum which has been obtained from data published by the Office for National Statistics:
<https://statswales.gov.wales/Catalogue/Business-Economy-and-Labour-Market/People-and-Work/Earnings/medianweeklyearnings-by-welshlocalareas-year>.
10. Consideration was given to using the National Minimum Wage based on a 40 hour working week. The national minimum wage was increased to £11.44 per hour in April 2024. Assuming a person works 40 hours per week for 48 weeks of the year the minimum annual wage is equal to £21,964.80.
11. If the national minimum wage is used the average running costs for a taxi would significantly reduce and the fares would therefore significantly reduce.
12. It is therefore proposed that the published wage is used for Denbighshire obtained from the website of the Office for National Statistics.

The figure that should be used for calculations is the average of the four data sets shown in 9 above.

In respect of 2024 this is:

£28,329

This is shown as Item (A) on the Fares Calculator

The Average Annual Mileage

13. The average annual mileage is relevant in determining taxi fares because it can

be used to determine the annual cost of running a taxi.

14. This average annual mileage is obtained from the odometer readings from a random selection of vehicles licensed by Denbighshire Council using the recorded mileage from publically available data on the government website.
15. In due course, mileage evidence will be obtained from recorded mileages at compliance tests with the average annual mileage per vehicle being divided by the number of licensed drivers to provide a true reflection of the average annual mileage per driver. This will address the issue of vehicles being used by multiple drivers. Until sufficient data is available it is proposed to simply relate to the total miles to the number of vehicles in the random sample.
16. The total number of miles of this random selection (33%) was 1,933, 000 miles. This figure gives an average number of miles per vehicle of 28,426.

The figure that should be used for calculations is the average mileage shown in 16 above.

In respect of 2024 this is:

28,000 miles

This is shown as Item (E) on the Fares Calculator

Dead Mileage

17. A taxi does not travel all of its mileage with a fare paying passenger on board. This is usually referred to as “dead mileage”. It is not possible to calculate the exact amount of dead mileage travelled by each taxi.
18. For example, if customers are taken from point A (the rank) to point B and the taxi always returns to point A without a customer on board the dead mileage would be approximately 50 per cent of the total mileage therefore this is the starting point for the calculation.
19. However, if customers are taken from point A to point B and the taxi occasionally returns to point A with a customer the dead mileage would be less than 50 per cent of the total mileage.
20. In addition, a number of other factors should be taken into account as follows:
 - 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 from point B to point C thus not enduring any dead mileage
 - c. the taxi may be flagged down whilst returning empty to point A therefore the dead mileage will not always be the same distance as the initial paid mileage
 - d. taxis may operate by being pre-booked and this 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. taxi drivers use the vehicle travelling to and from work
 - f. some drivers use their taxi for personal, social and domestic journeys away from work
21. By increasing the dead mileage, the cost of running a taxi will increase. Consequently, the cost of the fare and income will increase. Careful consideration should therefore be given to the figure allowed for dead mileage.
 22. Information supplied by HMRC shows that the level of dead mileage will vary between council areas and cannot therefore, be stated as a fixed percentage. HMRC is aware that taxi journeys carried out on contract such as home to school trips or pre-agreed fares to airports will not always be recorded on the taximeter and could appear to be dead mileage when in fact there is a fare paying passenger in the vehicle. HMRC also 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. Both of these factors therefore reduce the amount of dead mileage that can be included in the overall calculation.
 23. Information in other areas of the country indicate that dead mileage accounts for between 33 per cent and 50 per cent of the total mileage travelled by the taxi.
 24. A number of factors will cause this initial percentage to reduce such as travel to and from work, private journeys and unmetered journeys.
 25. A driver who is resident in Denbighshire can ply for hire immediately within the county. However, the driver who is not resident in Denbighshire cannot ply for hire until the driver is within Denbighshire. Therefore, any mileage travelled before entering Denbighshire cannot be included in the dead mileage calculation.
 26. Insufficient evidence to provide a definitive figure but respondents at a working group unanimously felt that 50% was an accurate figure.

The percentage that should be used for calculations is 50 per cent as shown in 26 above.

In respect of 2024 this is:

14,000 miles

This is shown as Item (F) on the Fares Calculator

Average Live Mileage

27. The average live mileage is calculated by subtracting the dead mileage (F) from the Annual Average Mileage (E).
28. 28,000 minus 14,000 is 14,000 miles.

The mileage that should be used for calculations is shown in 28 above.

In respect of 2024 this is:

14,000 miles

This is shown as Item (4) on the Fares Calculator

Average Distance per Journey

29. The average distance travelled for each fare paying journey does not affect the cost per mile of running a taxi in Denbighshire however the figure is relevant when calculating the amount that may be charged by a taxi driver.
30. Information provided by licensed drivers indicate the average journey length is 3 miles for each journey

The distance that should be used for calculations is shown in 30 above.

In respect of 2024 this is:

3 miles

This is shown as Item (J) on the Fares Calculator

Average Number of Journeys

31. The average number of journeys travelled by a taxi in Denbighshire can be calculated by dividing the average live mileage (4) by the average distance per journey (J).
32. 14,000 divided by 3 equals 4,666.6 journeys.

The number of journeys that should be used for calculations is shown in 32 above.

In respect of 2024 this is:

4,666.6 Journeys

This is shown as Item (K) on the Fares Calculator

Costs of Running Diesel Car

33. The average costs of running a diesel car have been calculated without taking individual or differing business practices into account.
34. The AA calculates the running costs of a vehicle from various sources and quotes the figures as typical. However, the figures do not represent all types of vehicle

and conditions of use. The AA Motoring Costs 2014 are calculated on the purchase price of the car when new and fall into 5 brackets

- a. Up to £16,000
- b. £16,000 to £22,000
- c. £22,000 to £26,000
- d. £26,000 to £36,000
- e. Over £36,000.

35. Denbighshire has a mixture of saloon and purpose built wheelchair accessible vehicles in the licensed taxi fleet. The most popular make and model of the fleet is a Skoda Octavia which, when new, falls between brackets £31,000 - £36,000. Adjusting these figures based on RPI Motoring costs indicate this value to be in the £22,000 to £26,000 of the 2014 report (see paragraph 38 below). Running costs vary considerably between each bracket and therefore the higher figure has been used to reflect the vehicles being used as taxis rather than purely for domestic use.
36. There are 224 Licensed taxis in 2024 within Denbighshire using the following fuel:
- a. Diesel (173)
 - b. Petrol (21)
 - c. Hybrid (17)
 - d. Electric (12)
 - e. Biofuel (1)
37. In view of the high number of diesel vehicles we consider it appropriate to use the motoring costs for a diesel vehicle rather than an average of the running costs for diesel and petrol cars. AA figures are not available for hybrid vehicles.
38. **Adjustment for inflation:**

This process of tariff setting is used in many local authorities across the country. In the absence of direct information being available the calculator will use data from AA motoring reports. This process was subject to a Judicial Review in 2018 following challenge by licensed drivers on the basis that AA data was out of date. The Review found the process to be an appropriate method to determine costs where necessary.

The AA has however ceased producing its annual "Running Costs" upon which the methodology is based with 2014 being the latest published version. Any figures used from this report will be adjusted by the RPI Motoring costs published by the Office of national Statistics.

We consider this a reasonable approach and will use the price bracket in the 2014 AA Motoring report for a vehicle worth £22,000 - £26,000. This, in 2024 equates to a figure around £31,000 to £36,000.

The costs associated with a vehicle in the bracket below (AA 2014 report) should be used for calculations and then adjusted for inflation using ONS RPI Motoring Expenditure Cost.

£22,000 to £26,000

in real terms in 2024 this means a vehicle in the price bracket of £31,000 - £36,000

This is included in item (B) on the Fares Calculator

Depreciation

39. Different vehicles lose value at different rates depending on their make, age, mileage and condition.
40. The AA figures (adjusted for inflation) assume depreciation over 4 years at £3708 per year.
41. It must be noted that a significant proportion of the licensed fleet are already over 4 years old. Therefore, these vehicles have already depreciated beyond the level of the figures used and any depreciation beyond this point is not usually considered for accounting purposes.

Depreciation associated with a vehicle in the £22,000 to £26,000 (AA Report 2014) bracket adjusted for inflation should be used for calculations.

£ 3,708.47

This is included in item (B) on the Fares Calculator

Cost of Capital

42. This sum represents the loss of income from the owner having money tied up in a vehicle which could otherwise be earning money in a deposit account.
43. The purchase of vehicles is funded in different ways. Some vehicles are paid for with cash, some on Hire Purchase Finance, some vehicles are leased. The decision on how to purchase or lease a vehicle is an individual decision for the proprietor and differing business practices have not been taken into account.

Cost of capital associated with a vehicle in the £22,000 to £26,000 (AA Report 2014) bracket adjusted for inflation should be used for calculations.

£ 607.69

This is included in item (B) on the Fares Calculator

Annual Cost of Insurance

44. All insurance policies are different and some proprietors pay more than others depending on individual circumstances.

45. In the absence of any information from licensed drivers on costs of insurance then we will use the AA value when calculating the overall cost per mile, adjusted for annual RPI figures
46. Information provided by licensed drivers responding to consultation indicate an average costs for insurance to be £1,500.

Cost of insurance.

£ 1,500

This is shown as Item (B) on the Fares Calculator

Cost of Road Tax

47. For diesel vehicles this is based on the standard cost of road tax associated with vehicles registered after 2017.

Cost of road tax associated with a vehicle registered after 2017 with current tax brackets should be used for calculations.

£190

This is included in item (B) on the Fares Calculator

Cost of Average Breakdown Cover

48. In the absence of any information from licensed drivers on costs of insurance then we will use the AA value when calculating the overall cost per mile, adjusted for annual RPI figures.
49. Information provided by licensed drivers responding to consultation indicate an average costs for breakdown are £150

Cost of breakdown cover.

£ 150

This is included in item (B) on the Fares Calculator

The Average Cost of Fuel per Litre

50. The figures used by the AA are based on the national average fuel cost for garages and supermarkets for Wales. The latest figures available (published March 2024) show the average cost of diesel at 152.8 pence per litre
51. In addition to the cost of diesel (March 2024) an additional 5 pence per litre has been factored in to allow for any future changes upwards to 157.8 pence per litre.

Figures were obtained the latest AA Fuel Price reports.

<https://www.theaa.com/driving-advice/driving-costs/fuel-prices>

Average cost of diesel fuel for garages and supermarkets for Wales should be used for calculations with an additional 5 pence per litre.

157.8 pence per litre

This is included in item (B) on the Fares

Cost of Tyres

52. AA figures give an Average tyre life of approximately 20,000 miles front and 40,000 miles rear. Given the average mileage is 28,000 miles it is appropriate to consider a full set of tyres each year
53. Where information is provided by licensed drivers we will use the average cost of from those respondents to ascertain the cost per mile for tyres. Should this not be the case then we will use the AA value when calculating the overall cost per mile, adjusted for annual RPI figures
54. Information provided by licensed drivers responding to consultation indicate an average annual costs for tyres is £600.
55. £600 divided by 28,000 miles = 2.14 pence per mile for tyres

Average annual cost of tyres.

£600

This is included in item (B) on the Fares Calculator

Service Labour Costs

56. The Service Labour costs cover normal servicing and parts replacement taking UK average labour rates.
57. Where information is provided by licensed drivers we will use the average cost of from those respondents to ascertain the cost per mile for servicing. Should this not be the case then we will use the AA value when calculating the overall cost per mile, adjusted for annual RPI figures
58. Information provided by licensed drivers responding to consultation indicate an average annual costs for servicing is £750
59. We are adding to this section an amount to cover costs for vehicle cleaning with an assumption of weekly costs at £30 each for an annual amount of £1,500

60. £750 plus £1,500 divided by 28,000 miles = 8.02 pence per mile for service / cleaning

Average service labour costs and vehicle cleaning costs.

£2,250

This is included in item (B) on the Fares Calculator

Replacement Parts

61. Replacement parts items that may need to be replaced through normal driving conditions such as brake materials, oils, filters, bulbs, wipers etc.
62. Where information is provided by licensed drivers we will use the average cost of from those respondents to ascertain the cost per mile for replacement parts. Should this not be the case then we will use the AA value when calculating the overall cost per mile, adjusted for annual RPI figure
63. Information provided by licensed drivers responding to consultation was inconclusive.
64. Cost per mile of is obtained from the AA running costs for a diesel vehicle in the £22,000 to £26,000 (2014 AA Motoring Report) price bracket is 2.58 pence per mile. Adjusted for inflation this works out at 3.58 pence per mile
65. 28,000 miles multiplied by 3.58 is £1,002.40

Average replacement parts costs associated with a vehicle in the £22,000 to £26,000 (AA Report 2014) bracket adjusted for inflation should be used for calculations.

£1,002.40

This is included in item (B) on the Fares Calculator

Other Factors

66. Additional costs associated with running a taxi in Denbighshire are also included in the overall costs:
- The annual vehicle licence fee 2024 applies to all vehicles. This is currently £200. All vehicles require two compliance tests at around £55 each. Total £310 (Item **D** on the Calculator).
 - The tri-annual driver's licence fee (Item **H** on the Calculator). The total fee is £483 (made up of Dual driver licence plus DBS plus DVLA check plus Group 2 Medical (estimated top range fee) which is £161 per year

(pro-rata).

- c. The cost of providing a taxi roof sign and taxi meter. (Item **I** on the Calculator). All taxis have to be equipped with a roof sign and meter. There is a one off cost of supplying a roof sign and meter, although the meter has to be adjusted as the tariff changes. Information provided by licensed drivers responding to consultation indicate an average costs for meters and roof sign to be £450. Responses to lifespan were variable and for this purpose the length of time outlined in the vehicle policy is used i.e. new to fleet at 5 years and remove at 12 years. Therefore, over a 7-year life of a vehicle these this is a cost of £64.28 per year.
- d. Cost of Card Payment Device Licensed drivers are not mandated to have card payment devices but an option for ease. Although the cost of a card meter is determined by usage information is provided by licensed drivers responding to consultation indicates the average annual costs are around £200

As a taxi can only charge in accordance with the Councils fixed table of fares and as legislation prohibits including additional card payment fees on prices, in order to recover this cost it must be included as part of the running costs.

Therefore, the total running costs (Item **3** in the calculator) can be uplifted in order to recover this cost.

Additional costs associated with operating a taxi in Denbighshire should be used for calculations.

Vehicle Licence and Test Fees £310

This is included in item (**D**) on the Fares Calculator

Driver's Vehicle Licence Fee £161

This is included in item (**H**) on the Fares Calculator

Cost of Roof sign / Meter £64.28

This is included in item (**I**) on the Fares Calculator

Cost of Card Payment Device £200

This cost is included in the Total Running Cost item (**3**) on the Fares Calculator

Calculation of the Fare that should be Charged per Mile

67. Each of the factors outlined in this methodology are then used to calculate the average cost per mile of running a taxi in Denbighshire.
68. To calculate the average running costs:
- a. Multiply the cost per mile of running a diesel car (Item **B** on the Calculator)

- by the annual average mileage of a Denbighshire taxi (Item **E** on the Calculator) and add
- b. Items **C, D, H** and **I**

69. To calculate the total running costs (Item **3** on the Calculator) add the Annual salary (Item **1** on the Calculator) to the Average Running Costs (Item **2** on the Calculator).
70. To calculate the cost per mile (Item **5** on the Calculator) divide the total running costs (Item **3** on the Calculator) by the average live mileage total running costs (Item **4** on the Calculator)
71. The cost that should be charged per mile can then be calculated.
72. Each journey will include an initial fare that may be charged for any distance up to the 660 yards. This fare is called the "Flag Drop". Once the first 660 yards has been completed an amount may be charged for each 220 yards (eighth of a mile) or part thereof.
73. In order to prevent the flag drop artificially exaggerating the cost per mile, the fare that should be charged for each mile should also take the flag drop into account. To achieve that the following calculation should be used:
- subtract the average number of journeys (Item **K** on the Calculator) multiplied by the 'flag drop' (Item **T1** on the Calculator) from the total running costs (Item **3** on the Calculator) and then
 - divide this figure by the average live mileage (Item **4** on the Calculator) to give the Charge per mile (Item **6** on the Calculator) then
 - divide the charge per mile (Item **6** on the Calculator) by 8 and multiply by 100 to produce a figure in pence
 - This figure should then be rounded to the nearest 10 pence (Item **7** on the Calculator).
74. This figure should be multiplied by 5 and added to the Flag drop to obtain the value that may be charged for one mile (1,760 yards)
75. Any subsequent miles (or part thereof) can be calculated by multiplying (Item **7** on the Calculator) by 8.

Extras

76. In addition to the charge per mile, the existing extra charges of 20 pence for passenger in excess of four may be applied to each journey.
77. This will assist the larger vehicles which have a lower fuel economy.
78. Further permitted extras will include:
- Luggage at 20 pence per item
 - Pets at 20 pence per pet
 - Soilage at £100
79. These can be charged as relevant and are approved through the Lead Member alongside the overall tariff