

TRANSPORT FOR LONDON

BOARD

SUBJECT: TAXI FARES

MEETING DATE: 6 FEBRUARY 2008

1 Purpose

1.1 The purpose of this paper is to seek approval for changes to taxi fares and other regulations to take effect on Saturday 5 April 2008.

2 Decision Required

2.1 It is recommended that the Board:

- (1) APPROVES the proposed taxi tariff changes and the making of a London Cab Order, to be signed by the Commissioner of Transport for London on behalf of Transport for London, to implement the new fares with effect from Saturday 5 April 2008; and
- (2) APPROVES the making of a London Taxi Sharing Scheme Order, to be signed by the Commissioner of Transport for London on behalf of Transport for London, to implement the new fixed-fares with effect from Saturday 5 April 2008.

3 Background

3.1 Taxi fares are normally revised each April based on changes to a cost index in use since 1981. The index, agreed with the trade, combines changes in operating costs with national earnings to produce a change in average fares aimed at maintaining drivers' real earnings net of operating costs and fluctuations in overall demand. The index was reviewed in 2004-05 and some changes introduced from 2006, with the agreement of taxi trade bodies.

3.2 In April 2007, fares were increased by 3.2% (excluding a 20p environmental charge) across all three tariffs. This was in line with the increase in the cost index. This compared with the year-on-year increases of 4.4% in the headline retail price index and 3.9% in average national earnings.

4 Cost Index

4.1 Details of the current cost index are given in Appendix 1. The year-on-year increase is 4.7%.

- 4.2 Operating costs have increased by 5.6%, the most significant contributor being diesel fuel prices, which have increased by 13.3% over the last year, accounting for over a quarter of the total cost index increase.
- 4.3 Concern has been expressed about the treatment of the costs of used vehicles in the cost index, as there are current short-term issues that significantly affect their prices and distort the calculation of costs. Because of these difficulties, used vehicle prices have been excluded from the cost index calculation this year.

5 Main Tariffs: Proposed Changes for April 2008

5.1 There are three taxi tariffs:

- Tariff 1 applies Monday to Friday 6.00am to 8.00pm;
- Tariff 2 applies Monday to Friday 8.00pm to 10.00pm, and Saturday and Sunday 6.00am to 10.00pm; and
- Tariff 3 applies 10.00pm to 6.00am each night and on Public Holidays.

5.2 This year it is proposed to increase fares with effect from Saturday 5 April 2008 (excluding the 20p environmental supplement) by 4.7%, in line with the increase in the cost index. This compares with the latest year-on-year increases of 4.3% in the headline retail price index and 2.1% in the consumer price index for November 2007. Average national earnings for Quarter 3 2007 increased by 4.1%.

5.3 It is proposed to implement this by increasing the flagfall (the fixed, minimum part of the fare) by 20p, and adjusting the distance and times allowed for each 20p increment in the fare so that the average fare (excluding the environmental charge) increases in line with the cost index.

5.4 The effect of the proposals on average fares, together with examples of the impact on a range of fares across each of the three tariffs, is attached at Appendix 2. Full details of the tariff charging rates are also included in Appendix 2. Most fares will increase by no more than 4.0%, although for very short journeys a few will increase more and some will not change, depending on their length in relation to where the 20p fare steps occur.

5.5 The flagfall was increased from £1.40 to £2.00 in April 2003, and raised to £2.20 in April 2005 with the introduction of the environmental charge (see section 6 below).

6 Environmental Charge

6.1 The environmental charge of 20p on the flagfall was introduced in April 2005 with a commitment to review whether or not it should continue after three years. The proposal is to discontinue it from April 2008.

6.2 The aim was to help taxi owners to meet the requirements of the taxi emissions strategy by either buying new vehicles or converting their taxis to meet the Euro 3 standards. The PCO is confident that all taxis working in London will meet the required standard by the end of June 2008.

- 6.3 The cost index normally includes the costs of both new and used taxis, which make up about 10% of the overall cost index. This element now reflects the costs of compliance with the emission standards. Any additional costs or changes in costs will affect the index in the normal way.
- 6.4 The combined effect of increasing the basic flagfall by 20p while removing the supplementary 20p environmental charge is to keep the minimum fare at £2.20.

7 “Extra” Button Increment

- 7.1 Drivers add authorised extras, at 20p increments, by pressing the appropriate button on the taximeter at the start of the journey. The following are authorised extras:
- (1) Up to £2 for journeys from Heathrow Airport to destinations in Greater London.
 - (2) Up to £2 for journeys booked by telephone.
 - (3) £4 for journeys on Christmas and New Year holidays.
- 7.2 In order to simplify these transactions, it is proposed to increase the unit from 20p to 50p. This will make it quicker for drivers to add the appropriate extra, and it will make it easier for drivers to explain what is taking place to passengers.

8 Additional Charges: Telephone Booking Fee

- 8.1 The additional charge of up to £2 for telephone bookings was last increased from £1.20 in July 2002. There are mixed views within the taxi trade about the usefulness of this booking fee. Some circuits want to see it increased whilst others are content to leave it at its present level.
- 8.2 Research among taxi customers shows that, although the majority are satisfied with the overall level of taxi fares, this booking extra is seen as fairly poor value for money. For this reason there are no proposals to make changes to this fee.

9 Fixed Fare Sharing Arrangements

- 9.1 There are a number of fixed fare taxi sharing arrangements operating in London. The fixed fares have been set to give a balance in the benefit from the sharing scheme, with the driver receiving more than the metered fare and each passenger paying less than they would pay for an exclusive journey. Passengers also benefit from reduced waiting time for taxis, and there is a general community benefit from more efficient utilisation of taxis reducing congestion, noise and emissions.

9.2 As a result of representations made by trade representatives it is proposed to make the following changes to some of the schemes:

(1) Increase the fixed fare for shared trips from Wimbledon station and from Southfields station to Wimbledon tennis tournament from £2.00 to £2.50. The price has not changed for five years.

(2) Increases of 50p in a number of fares from Paddington station and from Buckingham Palace.

9.3 In many cases these increases broadly reflect the general increase in fares since these fixed fares were last changed. Higher increases are proposed where necessary to ensure that drivers are adequately rewarded for taking part in these schemes.

9.4 The proposed changes are set out in Appendix 3.

10 Consultation and Research

10.1 Taxi trade organisations, together with London TravelWatch and the London Chamber of Commerce and Industry, were asked to provide written responses to the proposal for across the board fare increases in line with the increase in the cost index and other proposals. They were also invited to suggest and justify other changes.

10.2 Responses have generally been supportive of basing the increase on the cost index and maintaining the current differential rates between day, evening/weekend and night tariffs, and of most other proposals.

10.3 Trade associations have argued that the environmental charge should be retained, chiefly because of uncertainty about the effects of emissions-related modifications on running costs. They have also argued that retaining the 20p supplement would be compensation for the costs connected with the mid-year safety inspection, such as downtime whilst vehicles are off the road. These concerns are not judged to be sufficient to justify the continuation of the charge, although further research may be undertaken to refine the assumptions about running costs used in the cost index. Discussions with the trade continue in respect of mid-year inspections introduced for the first time in October 2007.

10.4 Other responses have been reflected in the proposals above.

11 Options

11.1 Options to implementing the proposed tariff changes are as follows:

(1) Not applying any revision this year, or applying an increase below the cost index level. This would be contrary to long established practice. It would mean a real cut in 25,000 drivers' incomes and meet extreme opposition from the trade.

(2) Increasing fares by more than the cost index. This would result in taxi drivers' net earnings increasing faster than that of the workforce in general, assuming that levels of demand are unchanged, rather than maintaining them, which is the intention of the cost index.

(3) Maintaining the environmental charge. This would mean an additional burden on taxi customers and over-reward most drivers and vehicle owners for the investment in emissions-compliant vehicles.

12 Impact on Crime & Disorder

12.1 TfL must assess its activities for impact on crime and disorder under Section 17 of the Crime & Disorder Act 1998.

12.2 Keeping the differentials between day, evening and night fares, as proposed, will help maintain the supply of licensed taxis at night, to support their role as a safe all-night service.

13 Equalities Impact

13.1 The equalities implications are assessed in relation to funding and the impact on customers using the Taxicard scheme.

14 Impact on Funding

14.1 There is no direct impact on TfL except regarding Taxicard journeys, as passengers pay for fares. There is no TfL subsidy for general taxi journeys.

14.2 TfL makes a substantial contribution to the Taxicard scheme. Under the proposed tariff changes the average fare for Taxicard trips will rise by a maximum of 37p per trip. Only a small proportion of trips exceed the subsidy threshold, so most of this increase (about £0.5m, if trips remain at 1.4m per year) will be funded jointly by TfL and the boroughs. There is provision for TfL's share of this within the TfL Taxicard budget.

15 Recommendations

15.1 It is recommended that the Board:

(1) APPROVES the proposed taxi tariff changes and the making of a London Cab Order, to be signed by the Commissioner of Transport for London on behalf of Transport for London, to implement the new fares with effect from Saturday 5 April 2008; and

(2) APPROVES the making of a London Taxi Sharing Scheme Order, to be signed by the Commissioner of Transport for London on behalf of Transport for London, to implement the new fixed-fares with effect from Saturday 5 April 2008.

Projected Licensed Taxi Cost Index Changes 2008

Index Component ¹	Cost Increase ²	Weight ²	Contribution to Total ³	Data availability ⁴	
		Last Year		Current	Normally used
Vehicle Cost ⁵	3.1%	9.5%	0.3%	Nov 07	Nov 07
Parts	3.0%	3.8%	0.1%	Nov 07	Nov 07
Tyres	0.0%	0.5%	0.0%	N/A	Mid Nov
Garage & servicing – premises	4.3%	0.6%	0.0%	3 rd ¼ '07	3 rd ¼ '07
Garage & Servicing – labour	4.1%	1.9%	0.1%	Oct 07	Oct 07
Fuel	13.3%	9.6%	1.3%	Oct – Dec/Jan	Oct Dec/Jan
Insurance	1.3%	3.2%	0.0%	Dec 07	Dec 07
Miscellaneous	-1.9% ⁸	1.2%	0.0%	Jan 08	Jan 08
The Knowledge	4.1%	5.6%	0.2%	3 rd ¼ '07	3 rd ¼ '07
Social Costs	4.1%	2.9%	0.1%	3 rd ¼ '07	3 rd ¼ '07
Total Operating Costs	5.6%	38.8%	2.2%		
Average national earnings	4.1%	61.2%	2.5%	3 rd ¼ '07	3 rd ¼ '07
Grand Total	4.7%	100%	4.7%		

Notes

1. The index components are as normally used in the cost formula. Further details are available on request.
2. 'Weight' is the proportion that the component contributes to the total cost per mile.
3. 'Contribution to total' indicates the importance of each component's cost change in determining the overall cost change. It is calculated for each component as the product of its percentage cost increase and its weight. The Grand Total is the sum of the individual components' contributions.
4. The 'current' column under 'Data availability' indicates the dates to which data in the 'cost increase' column relates. The 'normally used' column shows the dates relating to the data normally used for the final cost index update.
5. The vehicle cost reflects the change over the last year in the total cost over twelve years of purchasing a new taxi. Difficulties in establishing representative prices of second hand vehicles have led to their exclusion from the index this year.

TfL Fares & Ticketing 7 January 2008

2008 Example Tariff Changes – 4.7% increase

Average Fares (excluding the current 20p environmental charge)

	Current average ¹	New average ²	Increase (£)	Increase (%)
Tariff 1	£9.39	£9.82	£0.44	4.7%
Tariff 2	£10.88	£11.39	£0.51	4.7%
Tariff 3	£12.77	£13.37	£0.60	4.7%
All Week	£10.37	£10.86	£0.49	4.7%

“Current average” excludes the 20p environmental charge

“New average” incorporates the proposed removal of the 20p environmental charge and the 20p increase in flagfall.

Average Fares (including the current 20p environmental charge)

	Current average ¹	New average ²	Increase (£)	Increase (%)
Tariff 1	£9.59	£9.82	£0.24	2.5%
Tariff 2	£11.08	£11.39	£0.31	2.8%
Tariff 3	£12.97	£13.37	£0.40	3.1%
All Week	£10.57	£10.85	£0.29	2.7%

“Current average” includes the 20p environmental charge

“New average” incorporates the proposed removal of the 20p environmental charge and the 20p increase in flagfall.

Tariff Rates

	Tariff 1		Tariff 2		Tariff 3	
	Current	New	Current	New	Current	New
minimum fare ¹	£2.20	£2.20	£2.20	£2.20	£2.20	£2.20
minimum units	2	2	2	2	2	2
metres/unit < 6 miles	154.5	149.8	125.5	121.3	101.5	97.9
secs/unit < 6 miles	33.2	32.2	27.0	26.1	21.8	21.0
metres/unit > 6 miles	108.3	105.0	108.3	105.0	108.3	105.0
secs/unit > 6 miles	23.3	22.6	23.3	22.6	23.3	22.6
Units at lower rate	62	64	76	79	95	98
Metres at lower rate	9579.0	9587.2	9538.0	9582.7	9642.5	9594.2
changeover fare	£14.40	£14.80	£17.20	£17.80	£21.00	£21.60

Values for “current” fares include the 20p environmental charge. Values for “new” fares do not include the charge, but do include a 20p increase in the flagfall. Hence the minimum fare remains at £2.20

Example Fares

Journey length Miles	Tariff 1			Tariff 2			Tariff 3		
	Current	New	Change	Current	New	Change	Current	New	Change
minimum ¹	£2.20	£2.20	0.0%	£2.20	£2.20	0.0%	£2.20	£2.20	0.0%
0.5	£3.00	£3.00	0.0%	£3.20	£3.20	0.0%	£3.40	£3.60	5.9%
1.0	£4.00	£4.00	0.0%	£4.40	£4.60	4.5%	£5.00	£5.20	4.0%
1.5	£5.00	£5.20	4.0%	£5.80	£5.80	0.0%	£6.60	£6.80	3.0%
2.0	£6.00	£6.20	3.3%	£7.00	£7.20	2.9%	£8.20	£8.40	2.4%
2.5	£7.20	£7.20	0.0%	£8.40	£8.60	2.4%	£9.80	£10.20	4.1%
3.0	£8.20	£8.40	2.4%	£9.60	£9.80	2.1%	£11.40	£11.80	3.5%
3.5	£9.20	£9.40	2.2%	£10.80	£11.20	3.7%	£13.00	£13.40	3.1%
4.0	£10.20	£10.40	2.0%	£12.20	£12.60	3.3%	£14.60	£15.00	2.7%
4.5	£11.20	£11.60	3.6%	£13.40	£13.80	3.0%	£16.20	£16.60	2.5%
5.0	£12.40	£12.60	1.6%	£14.80	£15.20	2.7%	£17.80	£18.40	3.4%
6.0	£14.40	£14.80	2.8%	£17.40	£17.80	2.3%	£21.00	£21.60	2.9%
7.0	£17.40	£17.80	2.3%	£20.20	£21.00	4.0%	£23.80	£24.60	3.4%
8.0	£20.40	£21.00	2.9%	£23.20	£24.00	3.4%	£26.80	£27.80	3.7%
9.0	£23.40	£24.00	2.6%	£26.20	£27.00	3.1%	£29.80	£30.80	3.4%
10.0	£26.40	£27.00	2.3%	£29.20	£30.20	3.4%	£32.80	£33.80	3.0%
11.0	£29.40	£30.20	2.7%	£32.20	£33.20	3.1%	£35.80	£37.00	3.4%
12.0	£32.20	£33.20	3.1%	£35.20	£36.20	2.8%	£38.80	£40.00	3.1%
13.0	£35.20	£36.20	2.8%	£38.20	£39.20	2.6%	£41.80	£43.00	2.9%
14.0	£38.20	£39.40	3.1%	£41.00	£42.40	3.4%	£44.80	£46.20	3.1%
15.0	£41.20	£42.40	2.9%	£44.00	£45.40	3.2%	£47.60	£49.20	3.4%
16.0	£44.20	£45.40	2.7%	£47.00	£48.40	3.0%	£50.60	£52.20	3.2%
18.0	£50.20	£51.60	2.8%	£53.00	£54.60	3.0%	£56.60	£58.40	3.2%
20.0	£56.00	£57.80	3.2%	£59.00	£60.80	3.1%	£62.60	£64.60	3.2%

Values for “current” fares include the 20p environmental charge. Values for “new” fares do not include the charge, but do include a 20p increase in the flagfall. Hence the minimum fare remains at £2.20.

All example fares assume entire journey charged on distance rates

Proposed changes to shared fixed fares

Fare zone	Current fare (Tariff 1)	Date last changed	Proposed fare
Between Wimbledon AELTC and Wimbledon & Southfields Stations	£2.00	Pre-2005	£2.50
Paddington to:			
W1 (North)	£4.50	2006	£5.00
WC1	£6.00	Pre-2005	£6.50
WC2	£6.00	Pre-2005	£6.50
SW	£6.00	Pre-2005	£6.50
City (North)	£8.00	2006	£8.50
City (South)	£8.00	2006	£8.50
Buckingham Palace to:			
W1 (South)	£3.00	Pre-2005	£3.50
Waterloo	£3.00	Pre-2005	£3.50
WC2	£3.00	Pre-2005	£3.50
W1 (North)	£4.50	2006	£5.00
WC1	£4.50	2006	£5.00
City	£4.50	2006	£5.00