

Item 12: Taxi Fares and Tariffs – Annual Revision

This paper will be considered in public

1 Summary

1.1. This purpose of this paper is to:

- (a) update the Committee on the outcome of the annual taxi fares and tariffs consultation; and
- (b) ask the Committee to recommend that the Board approve the proposed changes to the taxi fares and tariffs with the changes coming into effect on Saturday 6 April 2013.

1.2. The information in this paper could be subject to change before it is submitted to the Board.

2 Recommendations

2.1. The Committee is asked to:

(a) note the paper;

(b) recommend that the Board:

- (i) approve an increase to taxi fares by 1.7 per cent and the making of a London Cab Order to implement the new fares, with effect from Saturday 6 April 2013 to be signed by the Commissioner (or in his absence the Managing Director of Surface Transport);
- (ii) approve a 40 pence additional charge to be implemented only if London retail diesel prices (as measured by the Arval index) reach the threshold level set by TfL of 180.3 pence per litre between Saturday 6 April 2013 and Friday 4 April 2014 and which if implemented would not extend beyond Friday 4 April 2014;
- (iii) approve an 80 pence increase to the Heathrow extra, which is payable for journeys starting at Heathrow Airport, and which would increase the extra from £2.40 to £3.20;
- (iv) approve automatically adding the extra £4 charge payable by passengers for taxi journeys made between 20:00 on 24 December and 06:00 on 27 December or between 20:00 on 31 December and 06:00 on 2 January to the taxi meter; and

- (v) approve no change to the current requirements on drivers accepting card payments or the surcharges for card payments.

3 Background

Taxi fares

- 3.1. The Metropolitan Public Carriage Act 1869 and the London Cab and Stage Carriage Act 1907 allow TfL to make regulations setting taxi fares. TfL may prescribe fares based on time or distance or both and may prescribe different fares for different circumstances.
- 3.2. The London Cab Order 1934 ('the Cab Order') specifies the fares regime that covers most taxi journeys in London. The Cab Order provides that taximeters must be fitted to cabs to calculate the fare, set out the fare structure and provide the maximum fare payable. Drivers can charge lower fares if they wish.
- 3.3. Taxi fares are normally revised every April and the revision is based on changes to a cost index in use since 1981. The index, agreed with the taxi trade, combines changes in operating costs with national earnings to produce a change in average fares aimed at maintaining drivers' earnings net of operating costs. The cost index has worked largely satisfactorily since 1981 to ensure that the fares paid by taxi passengers reflect the costs of the taxi service. Taxi fares are normally changed on the first Saturday of April but sometimes this is deferred for a week to avoid the Easter weekend.
- 3.4. In February 2012 the Board approved an increase in fares of 5.3 per cent.
- 3.5. Under TfL's Standing Orders, any proposal to make, amend or revoke a Cab Order which prescribes fares for taxis is a matter reserved to the Board. Authority to make, amend or revoke other Cab Orders is delegated to the Commissioner, or other officers.

Consultation

- 3.6. Taxi trade organisations, representatives of taxi customers (London TravelWatch (LTW) and Age UK), the London Chamber of Commerce and Industry and other key stakeholders, such as London Boroughs, Greater London Authority Assembly Members and London MPs were asked to provide comments on the proposals through a formal consultation, which was launched on 26 October 2012 and closed on 23 November 2012. The consultation was also published on the TfL website so members of the public could respond.

4 Annual revision – general change in tariffs

- 4.1. The taxi cost index was published to consultees on 26 October 2012 and showed a proposed increase to taxi fares of 1.8 per cent. Since October the cost index has been revised to include the most recent fuel costs and the proposed increase to taxi fares is now 1.7 per cent.

- 4.2. There was support from the Licensed Cab Drivers Club (LCDC), the Licensed Taxi Drivers Association (LTDA), Unite the Union, the taxi radio circuits (Computer Cab, Dial-a-Cab and Radio Taxis) and LTW for using the existing cost index and increasing fares accordingly.
- 4.3. The RMT requested a substantial increase to taxi fares, as a result of rises in living costs. The United Cabbies Group (UCG) requested an increase inline with the Retail Prices Index (RPI), which was at 3.2 per cent in October 2012, and said that the Consumer Prices Index (CPI), which was at 2.7 per cent in October 2012¹, should not be used.
- 4.4. Some respondents requested a freeze of taxi fares or a lower increase and concerns were raised about the impact an increase would have on disabled and elderly taxi users, and Taxicard members who rely on taxi services. One disability group felt that a 1.8 per cent increase was reasonable in relation to RPI and CPI but raised concerns in relation to passengers whose income is from benefits only, such as disabled passengers, and who did not have an alternative or supplementary income stream.
- 4.5. The current cost index provides a reliable and tested method for TfL to review taxi fares and try and ensure that fares are set at a level that enables drivers to recover their operating costs, maintain a level of income which retains drivers but also does not raise fares by so much that taxis are unaffordable for the public, particularly elderly and disabled customers who are heavily reliant on them.
- 4.6. Although some respondents requested a higher or lower fare increase the proposed increase of 1.7 per cent is felt to be reasonable. It was not felt appropriate to depart from the existing cost index, which had been successfully used since 1981, when no alternative formula had been discussed or agreed with stakeholders. Therefore, the Committee is asked to recommend to the Board that it approve an increase of 1.7 per cent for taxi fares.
- 4.7. The taxi fare increase is normally applied evenly across the tariff rates but this year a request was received to consider frontloading the fare increase onto the tariff rates for shorter taxi journeys. A proposal to frontload the increase onto journeys under six miles was included in the consultation.
- 4.8. Although the LCDC, LTDA and Unite supported in principle frontloading an increase they did not support it for this particular fare increase. The majority of other respondents did not support frontloading the fare increase and concerns were raised that it would disproportionately affect disabled and elderly taxi passengers who rely on taxis for short journeys.
- 4.9. As there was not broad support for frontloading the fare increase and there are concerns about how it would affect taxi passengers who make short journeys then it is proposed that the increase will be applied evenly and in the same way as in previous years.

¹ October 2012 CPI and RPI figures, <http://www.ons.gov.uk/ons/key-figures/index.html>

5 Extension of the fuel charge extra

- 5.1. Since July 2008 special provisions have been in place to allow an extra to be added to taxi fares if London average diesel costs reached a threshold level, in order to compensate drivers for significant mid-year rises in fuel costs. This arrangement was extended by the Board in February 2012, with a 40 pence extra for each journey charged if London retail diesel fuel prices (as measured by the Arval index) reached the threshold level of 179.7 pence per litre between 14 April 2012 and 6 April 2013. Diesel prices did not reach the threshold level, the graph in Appendix 4 shows fuel price changes over recent years.
- 5.2. A proposed extension of the fuel charge extra during 2013/14 was included as part of the consultation.
- 5.3. The LCDC, LTDA and Unite supported the extension of fuel charge extra but felt that the extra should be reduced from 40 pence to 20 pence and the fuel threshold figure reduced accordingly. The UCG suggested a different fuel extra arrangement with real-time monitoring of fuel prices by TfL was needed, instead of using the Arval index as there is a delay with fuel prices being published. The UCG also requested that there be an incremental extra (20 pence, 40 pence, etc.) which would increase as fuel prices increased.
- 5.4. The taxi radio circuits supported the extension of the fuel extra and felt that 40 pence was appropriate but requested that specific windows be set for when the extra could be introduced, as this would make it easier to communicate any changes to the public and taxi drivers.
- 5.5. LTW did not support the introduction of an increase in fares between the annual revisions as this was not in the passengers' interest.
- 5.6. This provision should only be implemented for a significant increase in fuel costs and it is proposed that the 40 pence increment be retained as this provides an appropriate degree of stability for customers while compensating drivers if fuel costs increase significantly. The Aral index will continue to be used as this provides a reliable and trusted source for fuel prices. There are no plans to set specific windows when the fuel charge extra could be introduced as action and appropriate communications for passengers and taxi drivers would be needed whenever the fuel charge extra was introduced.
- 5.7. The Committee is asked to recommend to the Board that it approve the extension of the fuel charge extra and a 40 pence additional charge to be implemented only if London retail diesel prices (as measured by the Arval index) reach the threshold level set by TfL of 180.3 pence per litre between Saturday 6 April 2013 and Friday 4 April 2014.

6 Heathrow Airport extra

- 6.1. At Heathrow Airport, there are taxi ranks serving all main terminals and every taxi accessing a rank needs to pass through the taxi feeder park. Heathrow Airport Limited (HAL) charge a fee for entering the taxi feeder park to cover the administration and maintenance costs of operating the feeder park.

- 6.2. The current fee for drivers entering the taxi feeder park is £6.00, this was reduced from £6.54 in April 2012 but is due to increase by 10 pence to £6.10 in April 2013.
- 6.3. To compensate drivers for having to pay this fee, a 'Heathrow Extra' is charged to passengers for every taxi journey that starts from Heathrow Airport. At present, the Heathrow extra is £2.40 per trip.
- 6.4. The Heathrow Airport extra was increased to £2.40 in April 2010 but was not increased in 2012 as the fee drivers must pay to enter the taxi feeder park was reduced.
- 6.5. As the feeder park fee has fallen since the Heathrow Extra was last increased there were no plans to increase the Heathrow Extra passengers must pay. However, requests were received from some groups within the taxi trade to review this extra and so this was included in the consultation and comments invited on the current Heathrow Extra.
- 6.6. The LCDC, LTDA and Unite requested that the Heathrow Extra be increased from £2.40 to £3.20 as a step towards taxi drivers eventually recovering the full charge. The UCG requested that TfL ask HAL to lower the charge for taxi drivers using the feeder rank at the airport. One driver felt that the extra should be increased to £6.00 to compensate taxi drivers for working in an area where air quality was extremely poor as a result of the high level of harmful emissions from aircraft.
- 6.7. LTW did not support an increase and concerns were raised that any increase would affect disabled passengers who could not access other transport modes from Heathrow Airport. It was also suggested that the Extra should be waived for Taxicard members.
- 6.8. As an increase to the Heathrow Extra is supported by LCDC, LTDA and Unite, After considering all of the responses, it is proposed that there be an increase of 80 pence to the Heathrow Extra taking this to £3.20. The Committee is asked to recommend to the Board that it approve this increase.

7 Christmas and New Year extra

- 7.1. For taxi journeys made between 20:00 on 24 December and 06:00 on 27 December or between 20:00 on 31 December and 06:00 on 2 January there is an extra charge of £4.00. This extra charge must be added to the taximeter manually by the driver at the start of each journey during the period covered.
- 7.2. There are no plans to change the level of this extra charge but there have been requests for it to be automatically added to the taximeter, as opposed to the driver having to add it to the meter manually at the start of each journey, and so a proposal to automatically add this extra to the meter was included in the consultation.
- 7.3. Although having the extra automatically added to the taximeter instead of manually added would remove the driver's control over whether to include this extra in the final fare or not, they would still be able to charge less than the metered fare if they so wished and it was suggested that automatically adding the extra to the taximeter may help mitigate against potential conflicts and passengers questioning why their driver is adding this extra charge to the taximeter.

- 7.4. LTW felt that the extra charge should not be added to the taximeter automatically but there was broad support from other respondents, including from the Suzy Lampugh Trust who felt that automatically adding the extra to the taximeter could help reduce conflicts.
- 7.5. The Committee is asked to recommend to the Board that it approve a change to the Christmas and New Year extra so that this is automatically added to the taximeter at the start of each taxi journey made between 20:00 on 24 December and 06:00 on 27 December or between 20:00 on 31 December and 06:00 on 2 January.

8 Mandating card payment acceptance

- 8.1. At present there is no obligation on taxi drivers to accept card payments for taxi journeys. Whilst historically card acceptance in taxis has been inconsistent, over the past 18 months there has been a significant expansion of card acceptance in taxis through various suppliers, including VISA and Verifone, and taxi booking and hailing applications such as Get Taxi and Hailo. Research from 2009 showed that around one third of taxi drivers were able to accept card payments.
- 8.2. Discussions with various taxi driver associations have indicated clear objections and opposition to TfL mandating card acceptance in taxis as they feel this is unnecessary, that drivers should be free to choose and that increasing numbers of drivers have and continue to embrace card acceptance. In addition, discussions with card service providers, radio circuits and taxi booking application developers and providers shows that there appears to be an emerging view that drivers are embracing card acceptance on an increasing basis.
- 8.3. At present TfL does not intend to mandate card acceptance but comments on card acceptance for taxi journeys were invited.
- 8.4. The LCDC, LTDA, Unite and the UCG felt that card acceptance should not be mandatory.
- 8.5. LTW accepted the case for not mandating card payments at present but felt that a plan should be agreed for when this would become mandatory (e.g. in three or five years time).
- 8.6. The taxi radio circuits suggested that TfL should work towards a set date when card acceptance would become mandatory but also said that wider consideration of the issues regarding this was required and that TfL should do more to promote the availability of card acceptance and the various taxi booking services.
- 8.7. Most of the card payment companies that responded felt that card payment acceptance should be mandatory and that the current situation was confusing for passengers as they could not be sure if a driver would accept card payments or only cash when hailing a taxi.

9 Surcharges for card payments

- 9.1. At present TfL regulates the surcharge for card payments and this is currently set at £1 or 12.5 per cent of the metered fare, whichever is greater. The current surcharge was introduced in 2010, following the taxi fares and tariff consultation in 2009, and responses to this consultation suggested that the surcharge should remain at the current level.
- 9.2. In December 2011, the Government announced plans to ban businesses from charging excessive surcharges and the Department for Business, Innovation and Skills has recently consulted on the Government's proposals to introduce this ban through the early implementation of a provision of the European Union's Consumer Rights Directive.
- 9.3. Respondents were invited to comment on the current surcharge and how this might be affected if card payment acceptance was mandated.
- 9.4. Several respondents felt that 12.5 per cent was too high and that this could be reduced with some respondents suggesting that the surcharge could be capped at five per cent or 10 per cent. It was suggested by some respondents that if card acceptance became mandatory then there could be benefits from the economies of scale, which could reduce the costs for processing card payments and in turn enable the surcharge to be lowered.
- 9.5. No change to the current requirements on drivers accepting card payments or the surcharges for card payments are planned at present but these areas will be reviewed once the outcome of the Department for Business, Innovation and Skills consultation on excessive surcharges is known and whether this will affect taxis.

10 Crime and disorder

- 10.1. Licensed taxis play a vital role in providing safer transport late at night and a balance needs to be maintained between ensuring that taxi drivers are encouraged to work late at night but that the public do not perceive taxis as unaffordable and see illegal, unsafe 'cabs' as a cheaper and preferable option.
- 10.2. A 1.7 per cent increase to taxi fares will help ensure that drivers are able to meet their overhead costs and maintain earnings. It is important to ensure that taxi drivers are able to meet their overhead costs and maintain earnings so that taxi driving remains a viable career for drivers who have invested time and money in completing the Knowledge of London and the supply of licensed taxis, especially at key times such as late at night, is not reduced by drivers reducing their working time or leaving the trade. Although a 1.7 per cent increase is below the recent CPI and RPI figures of 2.7 per cent and 3.2 per cent² respectively the increase has been calculated using the cost index which takes into account the operating costs for taxi drivers and follows an above inflation increase of 5.3 per cent in 2012.

² October 2012 CPI and RPI figures, <http://www.ons.gov.uk/ons/key-figures/index.html>

11 Equality and inclusion

- 11.1. TfL must have ‘due regard’ to the need to eliminate unlawful discrimination, harassment and victimisation as well as to advance equality of opportunity and foster good relations between people who share a protected characteristic and those who do not under section 149 of the Equality Act 2010. This may involve removing or minimising any disadvantage suffered by those who share a relevant protected characteristic, taking steps to meet the needs of such people; and encouraging them to participate in public life, or in any other activity where their participation is disproportionately low. The “protected” characteristics and groups are: age, disability, gender reassignment, pregnancy and maternity, race, gender, religion or belief, sexual orientation and marriage/ civil partnership status. Compliance with the Act may involve treating people with a protected characteristic more favourably than those without the characteristic.
- 11.2. TfL’s initial consultation identified that taxis are heavily used by disabled and elderly visitors and Londoners, and that these ‘protected’ groups would be affected by fare increases. Several respondents to the consultation also referred to the reliance of these groups upon taxi services, requesting a freeze or reduction in fares. TfL could freeze or lower taxi fares to mitigate against the potentially disproportionate impact of the fare increases upon these groups, however, this would impact upon the ability of drivers to recover their costs and make a living from the trade. TfL could also subsidise travel for these groups, which it currently does through the Taxicard scheme which subsidises travel for elderly and disabled passengers. TfL’s contribution for 2013-2016 is set out below and includes an annual uplift to reflect any fare increases introduced. This contribution is judged to strike a fair balance between mitigating the potentially disproportionate impact of the policies upon these groups, and retaining drivers.
- 11.3. The increase of the Heathrow extra from £2.40 to £3.20 will affect disabled and elderly passengers arriving at Heathrow who want to then continue their journey by taxi. Taxi passengers at Heathrow will include visitors and tourists who are not Taxicard members and so will not be eligible to benefit from this scheme.
- 11.4. It is not considered that the proposal to automatically add the extra charge payable for journeys over the Christmas and New Year period will adversely impact the groups protected by the Equality Act to any greater extent than other groups. In addition, the Taxicard scheme (above) is available to mitigate against any such impacts.

12 Financial Implications

- 12.1. TfL makes a contribution of approximately two thirds of the cost to the Taxicard scheme. In 2011/12, the available contribution increased by 2.7 per cent over the 2010/11 level. In 2012/13 following discussions between TfL and London Councils, the contribution from TfL has changed to fixed rate grant of £9.4m (+£0.3m transition allowance) instead of a maximum level of top up funding. For years 2013-2016 inclusive, TfL’s grant to the Taxicard scheme will be based on the 2012/13 settlement uplifted by the annual April Taxi Tariff increase, and this is reflected in the Business Plan. It will be the responsibility of the participating London boroughs to provide any annual top up funding required between 2012-16 inclusive to fund local variations in provision.

List of appendices to this paper:

Appendix 1 – Licensed taxi cost index changes for April 2013

Appendix 2 – Details of taxi cost calculations 2013

Appendix 3 – Proposed tariff changes

Appendix 4 – Fuel prices for 2013 cost index

List of background papers

None

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Licensed taxi cost index changes for April 2013

Index Component ¹	Cost Increase	Weight ²	Contribution to Total ³	Data availability ⁴	
		Last Year		Current	Normally used
Vehicle Cost	7.1%	8.5%	0.6%	Oct	Oct
Parts ⁵	1.7%	4.0%	0.1%	18 Dec	18 Dec
Tyres ⁵	1.7%	0.6%	0.0%	18 Dec	18 Dec
Garage & servicing – premises ⁵	1.7%	0.5%	0.0%	18 Dec	18 Dec
Garage & Servicing – labour ⁵	1.7%	1.9%	0.0%	18 Dec	18 Dec
Fuel ⁶	1.2%	12.2%	0.1%	14 Dec	End Dec
Insurance ⁷	-6.1%	4.5%	-0.3%	18 Dec	18 Dec
Miscellaneous	-6.0%	1.1%	-0.1%	Oct	Oct
The Knowledge ⁸	1.8%	5.3%	0.1%	Aug-Oct	Aug-Oct
Social Costs ⁸	1.8%	2.7%	0.0%	Aug-Oct	Aug-Oct
Total Operating Costs	1.6%	41.4%	0.7%		
Average national earnings ⁸	1.8%	58.5%	1.1%	Aug-Oct	Aug-Oct
Grand Total		100%	1.7%		

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. As agreed in 2011, costs for Parts, Tyres and Garaging has been uplifted by the yearly change in the Office for National Statistics RPI figure for "motoring expenditure: maintenance of motor vehicles" (DOCT) published on 18th December 2012.

6. The change in fuel costs relates to the change from the average of the Arval diesel price for the 13 weeks to 30th December 2011 to the 13 weeks to 21st October 2011. This figure will be revised as further weekly data becomes available.
7. As agreed in 2011, costs for insurance has been uplifted by the yearly change in the Office for National Statistics RPI figure for “motoring expenditure: vehicle tax and insurance” (DOCV) published on 18th December 2012.
8. Provisional Knowledge, Social Costs and Average National Earnings changes are derived from the ONS average weekly earnings averages for the three months to October in 2011 and 2012.

TfL Fares & Ticketing
18 December 2012

Details of taxi cost calculations 2013

Table 1 below shows the cost per mile of each cost component in 2012 and for 2013.

Table 1: Cost Index for April 2013

Component of index	Cost p per mile in 2011	Proportion of costs in 2011	Cost p per mile in 2012	Increase in costs 2012	Contribution to total increase
Vehicle Cost	19.55	8.5%	20.94	7.1%	0.6%
Parts	9.26	4.0%	9.43	1.8%	0.1%
Tyres	1.37	0.6%	1.40	1.8%	0.0%
Garage & Servicing - Premises	1.25	0.5%	1.27	1.8%	0.0%
Garage & Servicing - Labour	4.44	1.9%	4.52	1.8%	0.0%
Fuel	28.08	12.2%	28.50	1.5%	0.2%
Insurance	10.37	4.5%	10.03	-3.4%	-0.2%
Miscellaneous	2.42	1.1%	2.27	-6.0%	-0.1%
The Knowledge	12.21	5.3%	12.43	1.8%	0.1%
Social Costs	6.26	2.7%	6.37	1.8%	0.0%
Total operating costs	95.22	41.5%	97.15	2.0%	0.8%
Average national earnings	134.40	58.5%	136.82	1.8%	1.1%
Grand Total	229.62	100%	233.97		1.9%

Vehicle Cost

Four strategies have been considered for purchasing a cab:

1. Purchase new and run to scrap,
2. Purchase new and sell at 4 years,
3. Purchase at 4 years and sell at 8,
4. Purchase at 8 years and run to scrap.

Table 2 below gives the costs for the 4 strategies (as supplied by LTC in 2012). They relate to TX4 models for strategies 1, 2 and 3 and TXIIs for strategy 4.

Table 3 shows the corresponding costs provided in 2011.

Table 2: Vehicle Cost 2012

Strategy	Model	HP rate %	Price	Deposit	plus Monthly Payments		Total	Less residual value	Net Cost	Years Cab Kept	Total Cost over 12 years
1	TX4	5.30	£32,995	£3,000	48	£757.37	£39,354	£0	£39,354	12	£39,354
2	TX4	5.30	£32,995	£3,000	48	£757.37	£39,354	£14,188	£25,166	4	£75,498
3	TX4	6.20	£19,100	£1,910	48	£446.94	£23,363	£4,949	£18,414	4	£55,242
4	TXII	6.20	£7,500	£750	36	£222.38	£8,756	£0	£8,756	4	£26,267

Table 3: Vehicle Cost 2011

Strategy	Model	HP rate %	Price	Deposit	plus Monthly Payments		Total	Less residual value	Net Cost	Years Cab Kept	Total Cost over 12 years
1	TX4	5.99	£29,995	£3,000	48	£697.16	£36,463	£0	£36,463	12	£36,463
2	TX4	5.99	£29,995	£3,000	48	£697.16	£36,463	£13,300	£23,163	4	£69,489
3	TX4	5.99	£17,500	£1,750	48	£406.74	£21,274	£5,400	£15,874	4	£47,621
4	TXII	5.99	£8,300	£830	36	£244.79	£9,642	£0	£9,642	4	£28,927

Prices for new Vito taxis have also been acquired for 2011 and 2012 from KPM. Table 4 shows these indicative purchase costs. The figures show that costs are unchanged from 2012.

Table 4: Vehicle Cost of Vito Taxis 2011 and 2012

Year	Model	HP rate %	Price	Deposit	plus Monthly Payments		Total	Less residual value	Net Cost	Years Cab Kept	Total Cost over 12 years
2012	Euro V	4.50	£41,950	£4,195	48	£928.14	£48,746	£0	£48,746	12	£48,746
2011	Euro V	4.50	£41,950	£4,195	48	£928.14	£48,746	£0	£48,746	12	£48,746

In October 2012 Vito taxis made up 6.7% of the fleet. Purchase costs for these taxis and the TX models have been weighted using this figure to provide an overall average purchase cost.

The average cost over 12 years in 2011 was £45,771 or 19.55 pence per mile. The average cost for the same strategies in 2012 was £49,067 or 20.94 pence per mile, giving an increase of 7.1 per cent.

Pence per mile rates have been calculated assuming an annual vehicle mileage of 22,000 miles.

Parts, Tyres, Garaging & Servicing

In 2011 a study was conducted comparing the changes in costs associated with parts, tyres, garaging and servicing incorporated into the cost index over recent years with the yearly changes in the Office for National Statistics RPI figure for "motoring expenditure: maintenance of motor vehicles" (DOCT). The study concluded that the two series were

comparable and it was agreed to use this ONS RPI figure to represent these cost index items in future.

In October 2012 the DOCT RPI series showed an annual increase of 1.8 per cent. This gives an increase in the cost per mile of these components from 16.32p in 2011 to 16.61p in 2012.

Fuel

Derv prices have been obtained from online.arval.co.uk/index.cfm?fuseaction=fuelPricing.fuelhome. In the final update of the index the average price over the thirteen weeks from 25 August 2012 to 23 November 2012 is compared with the average price over the thirteen weeks from 1 October 2011 to 30 December 2011. This gives a value of 144.2p per litre for this year's thirteen week average. The corresponding price per litre for last year was 142.1p, giving an increase over the year of 1.5 per cent.

An alternative series, available at http://www.theaa.com/motoring_advice/fuel/index.html is also monitored. It matches the Arval values very closely.

Insurance

A similar comparison to that made for parts, tyres and garaging costs was made of previous years' cost index insurance figures versus the ONS RPI series figure for "motoring expenditure: vehicle tax and insurance" (DOCV), and again it was decided to use the RPI figure in future cost index revisions.

In October 2012 the DOCV RPI series showed an annual decrease of 3.4 per cent. This gives a decrease in the cost per mile of these components from 10.37p in 2011 to 10.03p in 2012.

Miscellaneous

This comprises the cost of hiring a meter and a receipt printer, smoke test, vehicle licence and driver licence. The requirement for a receipt printer to be installed in all taxis will be removed from 1 January 2013 but the costs have been included in this fares and tariff review to ensure that all drivers who have a contract to rent a receipt printer which goes beyond April 2013 are able to recover these costs. The average cost in 2011 was £490 or 2.42 pence per mile. The average cost for the same strategies in 2012 was £461 or 2.27 pence per mile, giving a decrease of 6.0 per cent.

Earnings Related

The latest average weekly earnings data (headline rate ONS series KAC3) show a 1.8 per cent year on year increase for the three months to September 2012. This gives a cost per mile figure for the updated index of 136.8, 58.5 per cent of the total index cost.

The "knowledge" and "social" costs have also been uplifted each year in line with national earnings. In 2011 these increased to 12.43p and 6.37p respectively, representing a further 8 per cent of the total index cost.

TfL Pricing & Forecasting
26 November 2012

Tariff Changes – 1.7% average increase

Average Fares

	Current average	New average	Increase (£)	Increase (%)
Tariff 1	£11.24	£11.43	£0.19	1.7%
Tariff 2	£13.02	£13.25	£0.22	1.7%
Tariff 3	£15.30	£15.57	£0.27	1.7%
All Week	£12.42	£12.63	£0.21	1.7%

Tariff Rates – 1.7% average increase

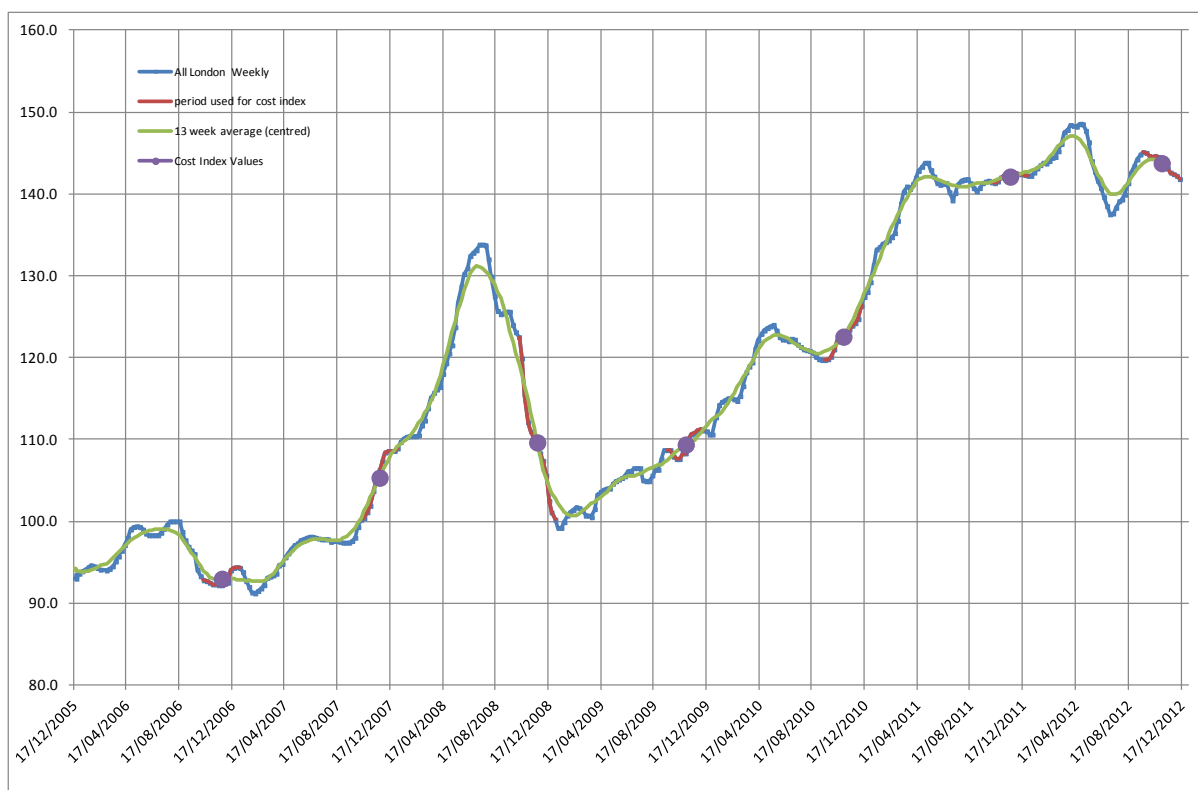
	Tariff 1		Tariff 2		Tariff 3	
	Current	New	Current	New	Current	New
minimum fare ¹	£2.40	£2.40	£2.40	£2.40	£2.40	£2.40
minimum units	2	2	2	2	2	2
metres/unit < 6 miles	129.9	127.3	105.4	103.4	85.0	83.4
secs/unit < 6 miles	27.9	27.4	22.7	22.2	18.3	17.9
metres/unit > 6 miles	91.1	89.2	91.1	89.2	91.1	89.2
secs/unit > 6 miles	19.6	19.2	19.6	19.2	19.6	19.2
Units at lower rate	74	75	91	93	113	115
Metres at lower rate	9612.6	9547.5	9591.4	9616.2	9605.0	9591.0
changeover fare	£17.00	£17.20	£20.40	£20.80	£24.80	£25.20

Example Fares – 1.7% average increase

Journey length Miles	Tariff 1			Tariff 2			Tariff 3		
	Current	New	Change	Current	New	Change	Current	New	Change
minimum ¹	£2.40	£2.40	0.0%	£2.40	£2.40	0.0%	£2.40	£2.40	0.0%
0.5	£3.40	£3.40	0.0%	£3.60	£3.60	0.0%	£4.00	£4.00	0.0%
1.0	£4.60	£4.60	0.0%	£5.20	£5.20	0.0%	£5.80	£6.00	3.4%
1.5	£5.80	£5.80	0.0%	£6.60	£6.80	3.0%	£7.80	£7.80	0.0%
2.0	£7.00	£7.20	2.9%	£8.20	£8.40	2.4%	£9.60	£9.80	2.1%
2.5	£8.20	£8.40	2.4%	£9.80	£9.80	0.0%	£11.60	£11.80	1.7%
3.0	£9.60	£9.60	0.0%	£11.20	£11.40	1.8%	£13.40	£13.60	1.5%
3.5	£10.80	£11.00	1.9%	£12.80	£13.00	1.6%	£15.40	£15.60	1.3%
4.0	£12.00	£12.20	1.7%	£14.40	£14.60	1.4%	£17.20	£17.60	2.3%
4.5	£13.20	£13.40	1.5%	£15.80	£16.20	2.5%	£19.20	£19.40	1.0%
5.0	£14.40	£14.80	2.8%	£17.40	£17.60	1.1%	£21.00	£21.40	1.9%
6.0	£17.00	£17.40	2.4%	£20.40	£20.80	2.0%	£24.80	£25.20	1.6%
7.0	£20.60	£21.00	1.9%	£24.00	£24.40	1.7%	£28.40	£28.80	1.4%
8.0	£24.00	£24.60	2.5%	£27.60	£28.00	1.4%	£31.80	£32.40	1.9%
9.0	£27.60	£28.20	2.2%	£31.00	£31.60	1.9%	£35.40	£36.00	1.7%
10.0	£31.20	£31.80	1.9%	£34.60	£35.20	1.7%	£39.00	£39.60	1.5%
11.0	£34.60	£35.40	2.3%	£38.20	£38.80	1.6%	£42.40	£43.20	1.9%
12.0	£38.20	£39.00	2.1%	£41.60	£42.40	1.9%	£46.00	£46.80	1.7%
13.0	£41.80	£42.60	1.9%	£45.20	£46.00	1.8%	£49.60	£50.40	1.6%
14.0	£45.20	£46.20	2.2%	£48.80	£49.60	1.6%	£53.00	£54.00	1.9%
15.0	£48.80	£49.80	2.0%	£52.20	£53.20	1.9%	£56.60	£57.80	2.1%
16.0	£52.40	£53.40	1.9%	£55.80	£56.80	1.8%	£60.20	£61.40	2.0%
18.0	£59.40	£60.60	2.0%	£62.80	£64.00	1.9%	£67.20	£68.60	2.1%
20.0	£66.40	£67.80	2.1%	£70.00	£71.20	1.7%	£74.20	£75.80	2.2%

All example fares assume entire journey charged on distance rates

Fuel prices for 2013 cost index



For the cost index fuel calculations this year the averages over the 13 week periods from 1 October 2011 to 30 December 2011 and 15 September 2012 to 14 December 2012 were used. These yielded average figures of 142.11 pence per litre in 2011 and 143.75 pence per litre in 2012, giving an increase of **1.2 per cent**. The underlying data are the Arval all London average fuel prices.