

Customer Service and Operational Performance Panel



Date: 2 March 2017

Item: Taxi Fares and Tariffs Update

This paper will be considered in public

1 Summary

- 1.1 The purpose of this paper is to update the Panel on the current position with regard to the 2017/18 taxi fares review, the consultation responses to date, and to highlight a proposal put to TfL by the taxi driver associations.

2 Recommendation

- 2.1 That the Panel notes the paper.

3 Background

- 3.1 There are currently four taxi tariffs that TfL mandates and applies to meters fitted in each and every licensed London taxi for different times of the day and distances of journeys made. They are currently:

Existing Tariffs 2016/17			
Tariff 1	Journeys up to six miles	Mon-Fri: 0500-2000	£2.59 per mile
Tariff 2	Journeys up to six miles	Mon-Fri: 2000-2200 Sat & Sun: 0500-2200	£3.19 per mile
Tariff 3	Journeys up to six miles	Every night: 2200-0500 Public Holidays	£3.96 per mile
Tariff 4	Journeys over six miles	At all times	£3.70 per mile

- 3.2. In February 2016, Board requested that TfL undertake a review of taxi fares and taxi tariffs. TfL commissioned Systra, an independent transport consultancy to undertake this review on TfL's behalf and the recommendations of this review were presented to the Panel on 30 January 2017.

4 Summary of the Systra Report

Cost Index

- 4.1 Systra concluded that, the existing Cost Index formula remains the most fair and reasonable way of adjusting taxi fares to take account of year-on-year cost variations.
- 4.2 The main change to the Cost Index Systra recommends is to remove the 'Social Costs' aspect. This was originally introduced to compensate drivers working late at night. However, this is now effectively duplicated by Tariff 3, the late night tariff. We are therefore consulting on a proposal that these costs should not be duplicated for passengers travelling later at night.

Taxi Tariffs

- 4.3 Systra proposed a revised Tariff Structure for consultation, with the intention of reducing the cost of late night (Tariff 3) and longer taxi journeys (Tariff 4) and offsetting this against an increase in the minimum fare:
- 4.4 The Systra full recommendations are as follows:
- (a) Reducing Tariff 3 (22.00 to 05.00 every night) from the current rate of £3.96 per mile to £3.50 per mile (however we are proposing £3.70, which is in line with Tariff 4); and
 - (b) Changing when the tariff rate for longer journeys (Tariff 4) starts from six miles to 12 miles.
 - (c) Increasing the minimum taxi fare (the 'flagfall') from £2.60 to £3.00. (The current flagfall is low compared to other UK towns and cities where the costs of operation are often cheaper).
- 4.5. The following table sets out the net effect of the proposed changes in the four fare tariffs and compares them to the fares that would have been recommended if no changes were to be made (other than adjustment by the Cost Index model that has been used historically):

Current Tariff Structure	Current Fares per mile	Revised Fares (If using existing formula - currently projects a 3.3 per cent increase)	Proposed Revised Tariff Structure	Proposed New Fares (If using Systra recommendations – generating a 3.2 per cent increase)
<u>Tariff 1</u> Mon-Fri: 05.00 & 20.00	£2.59	£2.68	<u>Tariff 1</u> Mon-Fri: 05.00 & 20.00	£2.67

Journey up to six miles			Journey up to 12 miles	
<u>Tariff 2</u> Mon-Fri: 20.00 & 22.00 Sat & Sun: 05.00 & 22.00 Journey up to six miles	£3.19	£3.30	<u>Tariff 2</u> Mon-Fri: 20.00 & 22.00 Sat & Sun: 05.00 & 22.00 Journey up to 12 miles	£3.29
<u>Tariff 3</u> Every night: 22.00 & 05.00 Public Holidays Journey up to six miles	£3.96	£4.09	<u>Tariff 3</u> Every night: 22.00 & 05.00 Public Holidays Journey up to 12 miles	£3.82
<u>Tariff 4</u> At all times Journey over 6 miles	£3.70	£3.82	<u>Tariff 4</u> At all times Journey over 12 miles	£3.82
Flag Fall Fare	£2.60	£2.60	Proposed New Flag Fall	£3.00

4.6 On 10 January 2017, a public consultation was launched based on the recommendations in the Systra report which we considered in the best interests of passengers and drivers, alongside other changes we propose to make. The consultation closed on 19 February 2017 with the final proposals to be submitted for Board approval on 29 March 2017. Any approved changes to fares and tariffs will be implemented in spring 2017.

4.7 The Panel at their meeting of 30 January 2017 also supported the proposal to undertake further work on the structure of taxi fares during 2017.

5 Consultation Response Summary

5.1 The full consultation responses are being analysed, however, the responses received from the first half of the consultation were 84 per cent from taxi drivers

and 12 per cent from taxi users. The remaining 4 per cent includes a selection of interested parties.

- 5.2 Of this initial response, 63 per cent of respondents said the existing Cost Index remains the best way of calculating changes to taxi fares.
- 5.3. Seventy per cent of respondents do not agree with the proposed changes to the taxi tariffs, which include a proposed reduction to Tariffs 3 and 4 and offsetting this by increasing the minimum fare.
- 5.4 A meeting has been held with the taxi driver associations, radio circuits and taxi booking apps. At this meeting the five taxi driver associations, the Licensed Taxi Drivers Association, the London Cab Drivers Club, Unite the Union, the RMT and the United Cabbies Group put forward objections to the Systra recommendations. They are supportive of the need to review taxi fares in depth but given the planned introduction of zero emission capable taxis later this year, ahead of the January 2018 changes to regulation to ensure all newly licensed taxis are zero emissions capable the driver associations feel the review is too early. New taxis will fundamentally change costs to taxi drivers with vehicles likely to be more expensive but the opportunity to make significant fuel savings, should the rapid charging infrastructure be delivered. These future costs should consider impacts on insurance, vehicle costs, fuel and charging costs, maintenance and road tax etc.
- 5.5 The taxi driver associations put forward a counter proposal for taxi fares this year which seeks to strike a balance between genuine costs while not further inconveniencing passengers. This counter proposal is detailed in section 6 of this paper.
- 5.6 Sixty-four per cent of early respondents support updating the taximeter specification and the taxi driver associations did not express their opposition to this.
- 5.7 All responses will be analysed in more detail and the results will be made available with the final consultation report for Board approval.

6 Proposals by the Taxi Driver Associations

- 6.1 The taxi driver associations are all in agreement that the taxi fares structure requires some thought to ensure a fair pay for the driver but that taxi passengers are receiving value for money for short and longer trips. They feel strongly that this review should be done in conjunction with the imminent arrival of zero emission capable vehicles.
- 6.2 As an alternative for this year, the trade groups have collectively suggested the changes outlined in the table below.
- 6.3 TfL uses the latest available fuel figures to determine accurate increases in operating costs. Currently, this figure is showing 3.8 per cent. However, the taxi driver associations have proposed a lower Cost Index figure.

6.4 The taxi driver associations have provided updated vehicle costs which have reduced the overall Cost Index from 3.8 per cent to 2.8 per cent. This is due to cheaper financing of vehicles or taxis.

6.5 Along with their proposal to reduce the usual Cost Index increase, the taxi driver associations also propose a freeze to the Cost Index model being applied to Tariff 3 (late nights) and Tariff 4 (longer journeys). From a customers' perspective, this has the impact of freezing typically more expensive longer journeys or those taken during unsocial hours as part of the Capital's night time economy. The proposed freeze in these specific journeys means the fare increase would apply to Tariff 1 and Tariff 2 only, which from a customer's perspective would make journeys undertaken on these tariffs marginally more expensive. The taxi trade also propose to keep the flag fall (minimum fare) set at its current rate which benefits all customers.

Alternative proposal by the taxi driver associations	
Tariff	Proposed Changes
Minimum Fare	No change
Tariff 1	Increased so that the overall average weekly increase is in line with the Cost Index increase (proposed by taxi drivers associations at 2.8% reduced from 3.8%)
Tariff 2	
Tariff 3	Frozen
Tariff 4	

6.6 The taxi driver associations would support freezing Tariffs 3 and 4 this year on the basis that the 2.8 per cent overall Cost Index increase is applied to Tariffs 1 and 2. To yield this weekly average of 2.8 per cent, while freezing Tariffs 3 and 4, the following percentage increases would apply to the Tariffs:

- (a) Tariff 1 - 3.7 per cent increase;
- (b) Tariff 2 - 3.9 per cent increase; and
- (c) Tariffs 3 & 4 – 0 per cent increase.

6.7 The following table shows the proposed indicative new fares, if using the recommendations set out by the taxi trade:

Current Tariff Structure	Current Fares per mile	Revised Fares (If using existing formula - currently projects a 3.3 per cent increase)	Proposed Revised Tariff Structure	Proposed New Fares (If using Systra recommendations – generating a 3.2 per cent increase)	Proposed New Fares (If using Taxi Associations' recommendations)
<u>Tariff 1</u> Mon-Fri: 05.00 & 20.00 Journey up to six miles	£2.59	£2.68	<u>Tariff 1</u> Mon-Fri: 05.00 & 20.00 Journey up to 12 miles	£2.67	£2.69
<u>Tariff 2</u> Mon-Fri: 20.00 & 22.00 Sat & Sun: 05.00 & 22.00 Journey up to six miles	£3.19	£3.30	<u>Tariff 2</u> Mon-Fri: 20.00 & 22.00 Sat & Sun: 05.00 & 22.00 Journey up to 12 miles	£3.29	£3.31
<u>Tariff 3</u> Every night: 22.00 & 05.00 Public holidays Journey up to six miles	£3.96	£4.09	<u>Tariff 3</u> Every night: 22.00 & 05.00 Public holidays Journey up to 12 miles	£3.82	£3.96
<u>Tariff 4</u> At all times Journey over 6 miles	£3.70	£3.82	<u>Tariff 4</u> At all times Journey over 12 miles	£3.82	£3.70
Flag Fall Fare	£2.60	£2.60	Proposed New Flag Fall	£3.00	£2.60

6.8 These proposals are a short term solution from the taxi drivers associations. Their belief is that any changes to the fare structure and Cost Index should be

considered at a later date once the impacts associated with Zero Emission Capable vehicles are known to them.

7 Equalities Implications

- 7.1 Under section 149 of the Equality Act 2010, 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. Due regard that is appropriate in all of the circumstances must be had at the time decisions are taken, and is an ongoing obligation. 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 under section 149 are: age, disability, gender reassignment, pregnancy and maternity, race, sex, religion or belief, and sexual orientation. Compliance with this obligation may involve treating people with a protected characteristic more favourably than those without the characteristic.
- 7.2 Taxis are heavily used by disabled and elderly Londoners and these protected groups may be affected by any fare increase to a greater extent than others. The public consultation on changes to taxi fares gives an opportunity to anyone, including disabled and elderly taxi passengers, and organisations that represent them to comment on the proposals and submit their comments or concerns to TfL. The consultation material was also sent to Age UK, Independent Age, London Members of Parliament, Transport for All and London TravelWatch. The full equalities impacts will be assessed and made available to the Board when final proposals are considered.

8 Next Steps

The recommendations received from the taxi trade groups have considerable merit and are a step in the direction of reviewing taxi fares. Implicit in these proposals is the requirement to further review fares during 2017 as has already been agreed by the Panel at its meeting of 30 January 2017. The proposals also reflect some of the key findings of the Systra report that the fares for short term journeys offer good value but longer term or evening fares less so. The Panel is invited to note that, subject to a review of all consultation responses, the recommendation to the Board is likely to be supportive of the proposals from the taxi trade.

List of appendices to this report:

None.

List of Background Papers:

All papers associated with the consultation, including the Systra report, can be accessed at: <https://consultations.tfl.gov.uk/tph/taxi-fare-and-tariff-review-2017/>.

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