

Date: 9 July 2014

Item 6: Taxi Fares Update

This paper will be considered in public

1 Summary

1.1 The purpose of this paper is to provide an update to the Surface Transport Panel on taxi fare related items.

2 Recommendation

2.1 **That the Panel notes the paper.**

3 Background

3.1 At its meeting on 5 February 2014, the Board considered a number of changes to taxi fares and tariffs and:

- (a) Agreed that a further paper would be submitted to the Board in September 2014 on the Board's intention that the Heathrow Airport extra charge would cease to apply from 1 October 2014;
- (b) Agreed that no extra charges be introduced for passengers taking a taxi from the taxi rank at City Airport;
- (c) Endorsed a review of card acceptance in taxis in 2014; and
- (d) Endorsed a review of the date when taxi fares and tariffs are increased annually (April) to align with bus and rail increases (January) taking into account any concerns raised;

3.2 This paper provides an update on each of the above.

Heathrow Airport Extra

3.3 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 taxi drivers a fee for entering the taxi feeder park to cover the cost of administration and maintenance of operating the feeder park. The fee, which is reviewed annually by HAL, was £6.54 in 2012, £6.00 in 2013, and is currently £5.22.

3.4 To compensate drivers for having to pay this fee, a 'Heathrow Extra' is charged to passengers for every taxi journey that starts from one of the taxi ranks at Heathrow Airport. The extra charge that passengers pay is currently £2.80 – less than 50 per cent of the £5.22 fee HAL charge taxi drivers.

- 3.5 At its meeting on 5 February 2014 the Board agreed to reduce the Heathrow Extra charge passengers pay from £3.20 to £2.80 to reflect the reduction of the fee drivers pay. The Board also expressed its strong preference for the Heathrow Extra to be fully removed as it felt that TfL was implicitly endorsing drivers being charged to access taxi ranks by approving an extra charge that could be passed on to taxi passengers.
- 3.6 The Board asked for a paper to be submitted to its meeting in September 2014 with the intention that it would then consider approving the removal of the Heathrow Extra and, if this was approved, that it would be effective from 1 October 2014.
- 3.7 An existing problem at Heathrow Airport concerns taxi journeys to destinations outside of the Greater London area. Fares for these trips do not have to be calculated by the meter and can be agreed between the driver and passenger. However, TfL has received a number of complaints of excessively high fares being charged or drivers refusing to take passengers to destinations outside of the Greater London area. This problem is exacerbated by Heathrow's close proximity to the boundary of Greater London.
- 3.8 Since the meeting of the Board in February 2014, the Mayor has written to the CEO of HAL asking it to consider removing the fee that taxi drivers must pay to access the taxi ranks at the airport.
- 3.9 The CEO of HAL responded to the Mayor stating that:
- (a) there are 7,500 licensed taxi drivers registered to access the taxi feeder park at Heathrow Airport;
 - (b) in 2013, the feeder park recorded over 600,000 taxi movements with an average occupancy of three passengers;
 - (c) given such large volumes, the feeder park was essential to match passenger demand with taxis without congestion;
 - (d) costs and charges were kept to a minimum and the feeder park operates on a non-profit, cost recovery basis; and
 - (e) in 2013, the facility under-recovered on its operating costs by £500,000.
- 3.10 HAL is regulated by the Civil Aviation Authority (CAA) as a "dominant airport" under the Civil Aviation Act 2012. HAL has stated that the regulatory framework governing them (although they have not identified the specific provisions they are relying on) makes it necessary for Heathrow to recover the costs for services they charge for, such as entering the taxi rank, only from those that benefit from the service. HAL asserts that this means that only the users of the taxi feeder park (the taxi drivers) can be charged for the service of providing, operating and maintaining the taxi feeder park. However, HAL has also said that if the costs of running the taxi feeder park were not recovered from taxi drivers then such costs would have to be accounted for within the airport costs and would mean that the charges were passed on to the airlines through the airline charge. This appears to be at odds with the suggestion that it is not permitted to pass these costs on to other parties at the airport, such as the airlines. HAL has also said it is not

permitted to cross charge for services, and therefore could not use income from one area of the airport to fund another. We are following this up and seeking further clarification from HAL.

- 3.11 The charge is calculated each year based on what HAL believes the fees paid will be. Costs (such as HAL under-recovering on its operating costs by £500,000 in 2013) are balanced out by either spending less in the following year or adjusting the fees taxi drivers are charged.
- 3.12 The taxi feeder park at Heathrow Airport is a large facility that manages taxi services at the airport and the dispatch of taxis to each terminal to ensure that the demand is met. The operation of the taxi feeder park involves having wardens at each of the terminal taxi ranks and issuing all taxis at the airport with electronic tags.
- 3.13 All of these elements of the taxi feeder park operation at Heathrow Airport mean that there is a significant cost to its operation and management.
- 3.14 HAL has stated that if it did not charge taxi drivers a fee for entering the taxi feeder park then it would have to cease operating the taxi feeder park and dispatch system.
- 3.15 The removal of the Heathrow Extra charge passengers pay could lead to an exacerbation of a current issue at Heathrow Airport, where taxi drivers negotiate higher fares to destinations outside of Greater London in order to try and compensate for the loss of their Heathrow Extra fee.
- 3.16 In light of the above, at its meeting on 24 September 2014, the Board will be asked to approve retaining the Heathrow Extra that passengers pay when taking a taxi from one of the taxi ranks at Heathrow Airport.

Fixed Fares from Heathrow

- 3.17 At its meeting in February, the Board was advised that options for fixed fares from Heathrow Airport to central London would be explored further. It is intended to further discuss this proposal and options with the main taxi trade associations, the taxi drivers that use Heathrow Airport, and HAL. The Board will be updated on the outcome of these discussions at its meeting on 24 September 2014.

London City Airport Extra

- 3.18 Although the Board, at its meeting in February 2014, agreed that no extra charges should be introduced for passengers taking a taxi from London City Airport, if it is felt that the Heathrow Extra should be retained then it is recommended that the decision not to introduce an extra charge for taxi passengers at London City Airport be reconsidered.
- 3.19 A public consultation on introducing a London City Airport Extra was conducted in October 2013. The taxi trade were opposed to London City Airport's plans to introduce a fee for taxi drivers, and said passengers should bear the full costs for any fees levied at any airport, including Heathrow.

- 3.20 London City Airport has stated that introducing a fee for taxi drivers is necessary in order to cover the costs of providing improvements at the taxi rank and also to fund ongoing maintenance and operational costs.
- 3.21 If a decision is made to introduce an extra charge for taxi passengers at London City Airport then it is recommended that the extra charge payable by passengers be approximately 50 per cent of the fee drivers will be charged, which would ensure it is consistent with the arrangement at Heathrow Airport. Note that London City Airport has calculated that their Airport Charge would be £2.14 and are requesting an Extra Tariff to customers of £2.14 or as close to that as possible.
- 3.22 At its meeting on 24 September 2014 the Board will be asked to reconsider whether an extra charge payable by passengers taking a taxi from the taxi rank at London City Airport should be introduced.

Card Acceptance in Taxis

- 3.23 As part of the increase to taxi fares on 5 April 2014 the taxi fares cards, displayed in the passenger compartment of every licensed taxi, were all updated. New taxi fare cards were also distributed to licensed taxi drivers. The fare cards distributed to taxi drivers included instructions to drivers that where a passenger indicates that they wish to pay for a taxi journey by credit or debit card the driver must advise them of the additional charges, and that these charges should not exceed the cost to the driver for having credit and debit card payment methods.
- 3.24 At its meeting in February, the Board asked for a review of card acceptance in taxis and any plans to mandate card acceptance in all taxis to be brought forward and for passengers to be made aware of the additional cost of paying for a taxi journey by card at the start of their journey.
- 3.25 Research has shown that 88 per cent of taxi users felt that they should be able to pay for taxi journeys by card and that 83 per cent would be very or quite likely to pay for a taxi by card¹. A review of card acceptance in all taxis is underway and meetings to discuss this and potentially mandating card acceptance are being arranged with all relevant stakeholders, including the main taxi trade associations. The Board will be updated on this review at its meeting in September 2014.
- 3.26 In view of the overwhelming passenger demand to be able to pay for taxi journeys by debit or credit card, at its meeting in September 2014 the Board will also be asked to endorse a public consultation on the mandating of card acceptance in all taxis from 2016. From this date an average cost for a credit card transaction would be factored into the overall fare calculation, meaning that passengers would pay the same fare regardless of how they pay, therefore eliminating the current supplementary charge.
- 3.27 The Board will be invited to agree that any final decision by the Board to introduce fixed fares from Heathrow Airport to central London or mandate credit or debit card acceptance in all licensed taxis should be subject to the outcome of a public consultation on these proposals.

¹ Black cab and minicab Customer Satisfaction Survey, TNS, 2013/14

Changing the Date when Taxi Fares and Tariffs are Updated

- 3.28 Taxi fares and tariffs are normally reviewed annually, with any changes coming into effect at the start of April each year. Prior to the changes coming into effect, a consultation is conducted around October/November with all proposed changes submitted for review and approval by the Board in February.
- 3.29 Changes to bus and rail fares normally come into effect around 2 January each year. It has been suggested that changes to taxi fares should be aligned with changes to bus and rail fares, so that it is clearer to the public when taxi fares will increase.
- 3.30 At its meeting in February, the Board endorsed a review of the date when taxi fares and tariffs are increased. In order for the date when taxi fares and tariffs are increased to be consistent with increases to bus and rail fares, it is recommended that the date is changed from April to January, therefore making it clearer for customers. It will also mean that driver's meters can be changed over (by the meter companies) at a time of year when demand for taxi journeys is lower. However, it should be noted that London TravelWatch has said it is a bad time of year to put up any prices as people have less money and it may be more difficult/expensive for the meter companies to manage the change and update in January instead of April due to the impact of the New Year's Day Bank Holiday.
- 3.31 At its meeting in September 2014, the Board will be asked to approve changing the date when taxi fares and tariffs are increased from April to January and for this change to be effective from January 2016. Subject to the outcome of the consultation, this will also align with the proposed introduction of mandatory credit card payments, if approved.

4 Legal Implications

- 4.1 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 where specified.
- 4.2 Any decision to remove the Heathrow Extra, introduce a London City Airport Extra, change the date when taxi fares and tariffs are updated, introduce fixed-fares from Heathrow Airport to central London or mandate card acceptance in all licensed taxis, would be made by the Board.

5 Crime and Disorder

Heathrow Airport Extra

- 5.1 Although there is currently a good supply of taxis at Heathrow Airport, if the Heathrow Extra is removed some drivers may choose not to work at the airport any more, thereby reducing the supply of taxis. This could lead to an increased risk to passenger safety, and touting at the airport. However, drivers can sometimes wait between one and two hours before they pass through the taxi feeder park, and so a small reduction in taxis at the airport is unlikely to have a significantly negative effect on taxi supply.

- 5.2 It is also possible that some drivers may choose to protest at the removal of the extra charge or take direct or indirect action to express their objection to this.

London City Airport Extra

- 5.3 If London City Airport introduce a fee that drivers must pay, then not approving the introduction of an extra charge for passengers in order to partly compensate drivers could result in some drivers no longer choosing to work at the airport, which would reduce the supply of available taxis. This could also lead to an increased risk to passenger safety, and touting at the airport.

Mandating Credit and Debit Card Acceptance in Taxis

- 5.4 Mandating credit and debit card acceptance in taxis could help reduce crime as passengers would be able to make a cashless payment. It would also reduce the risk of passengers having to go to cash-points before, during or at the end of a journey.

6 Financial Implications

Heathrow Airport Extra

- 6.1 Removing the extra charge passengers pay when taking a taxi from Heathrow Airport would benefit taxi passengers, as fares would be lower within Greater London. It would have a negative impact on taxi drivers as they would not receive the passenger extra charge through fares but would still have to pay the driver fee set by HAL.

London City Airport Extra

- 6.2 Introducing an extra charge payable by taxi passengers at London City Airport would affect passengers and mean them paying higher fares. However, it would benefit taxi drivers who would be able to recover some, but not all, of the fee imposed by London City Airport.

Changing the Date When Taxi Fares and Tariffs are Updated

- 6.3 When taxi fares and tariffs are changed in April of each year, the taxi meters installed inside all licensed taxis must be updated with new tariff information. The taxi fare cards displayed in the passenger compartment of every licensed taxi are also replaced at the same time as the taxi meters are updated. This work is carried out by a number of different taxi garages and they could potentially face increased staff costs when 2 January is a bank holiday. This could be mitigated by deferring the taxi fares and tariffs change by one week, although this may mean that the change is not precisely aligned with bus and rail fare changes.
- 6.4 Demand for taxis is traditionally lower in January, and a concern about demand being further reduced as a result of taxi fares increasing at a time when people generally have less money to spend was raised in response to the October 2013 taxi fares and tariffs consultation.

Mandating Credit and Debit Card Acceptance in Taxis

- 6.5 Requiring all taxi drivers to have equipment or the facility to safely and securely accept debit and credit card payments would mean that drivers incur a cost. However, if card acceptance was mandated TfL would seek to factor this cost into the Cost Index model used when reviewing taxi fares and tariffs.

List of appendices to this report:

None

List of Background Papers:

5 February 2014 Board paper

Minutes from 5 February 2014 Board meeting

Black cab and minicab Customer Satisfaction Survey, TNS, 2013/14

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