

**Date: 22 October 2015**

**Item: Taxi Fares Update**

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## **This paper will be considered in public**

### **1 Summary**

- 1.1 The purpose of this paper is to provide an update to the Panel on the annual taxi fares and tariffs review. The outcome of the review and recommendations on any changes will be considered by the Board at its meeting of 3 February 2016.

### **2 Recommendation**

- 2.1 **The Panel is asked to note the paper.**

### **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, sets out the fare structure and provides the maximum fare payable.
- 3.3 Article 40 of the 1934 Order provides the maximum fare payable, which is a hiring charge plus the applicable rate (a sum based on the time and distance travelled and the circumstances of the journey). Values prescribed in article 40 are programmed into taximeters which automatically calculate the maximum amount the driver can charge. Drivers can charge lower fares if they wish.
- 3.4 Taxi fares are normally revised every April and the revision is based on changes to a cost index in use since 1981. The index 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.
- 3.5 Specific provision has been made to cater for exceptional costs, such as the additional costs of making the fleet wheelchair accessible in the 1990s.

- 3.6 The previous taxi fares revision showed a 0.1 per cent decrease to taxi fares. It was decided that there would be no change in April 2015, with taxi fares frozen, and this change deferred until April 2016.
- 3.7 The only change made in April 2015 was that the fuel charge extra was extended.
- 3.8 A public consultation on taxi fare proposals for 2016/17 is now planned for October 2015. The consultation will ask respondents for their views on:
- (a) changes to taxi fares and tariffs in London continuing to be based on changes to the cost index and the three basic principles. Using the best information currently available, and taking into account the 0.1 per cent decrease from 2015, this would mean an increase to average taxi fares of 1.1 per cent;
  - (b) continuing the present arrangement that allows taxi drivers to add an extra charge of 40 pence if fuel prices increase significantly;
  - (c) introducing a provision that fares should be reduced if fuel prices decrease significantly;
  - (d) changing the current minimum taxi fare;
  - (e) changing the times when tariff three applies, which are currently every night between 22:00 and 06:00 and also on public holidays;
  - (f) changing when the tariff rate for longer journeys applies from being based on the taxi fare to being based on the distance travelled;
  - (g) whether the cost index elements are still appropriate or if changes are required; and
  - (h) fixed fare and capped fare schemes.
- 3.9 The cost index will be updated with the latest fuel prices available in December 2015 and so this could mean that the change to taxi fares differs from 1.1 per cent.
- 3.10 Prior to the consultation a series of meetings have been held with taxi stakeholders. These meetings have been attended by the following organisations: Licensed Taxi Drivers Association (LTDA), London Cab Drivers Club (LCDC), RMT, Unite the Union, United Cabbies Group (UCG), Computer Cab, Dial-a-Cab, Radio Taxis, Gett and Hailo.
- 3.11 As in previous years, the responses to the public consultation will be used to inform any changes the Board is asked to approve including whether or not taxi fares are increased.
- 3.12 Between 15 June and 24 July 2015, TfL conducted a public consultation asking whether passengers should be able to pay by debit or credit card in all taxis in London. The majority of respondents have agreed to this proposal and the Board will be asked to consider and approve this alongside and a number of related

recommendations. A report on credit card payments in taxis is considered elsewhere on this agenda.

## 4 Annual Revision – General Change in Tariffs

### Projected cost index changes

- 4.1 The cost index is intended to take into account the costs associated with operating a taxi and being a taxi driver in London and the year on year changes to these are used to calculate the change to average taxi fares.
- 4.2 Research amongst taxi drivers in 2014 showed that just over two thirds (69 per cent) felt that increases to taxi fares and tariffs should continue to be calculated in the same way
- 4.3 The taxi cost index currently shows a proposed increase to taxi fares of 1.2 per cent and the projected licensed taxi cost index changes are shown in Table 1. Taking into account the deferred 0.1 per cent decrease the current change to taxi fares would be a 1.1 per cent increase.

Table 1. Projected licensed taxi cost index changes

Index Component	Cost Increase	Weight	Contribution to Total	Data availability
		Last Year		Latest
Vehicle Cost	-2.5%	9.1%	-0.2%	August 2015
Parts	1.6%	4.2%	0.1%	August 2015
Tyres	1.6%	0.6%	0.0%	August 2015
Garage & servicing – premises	1.6%	0.6%	0.0%	August 2015
Garage & Servicing – labour	1.6%	2.0%	0.0%	August 2015
Fuel	-7.5%	10.6%	-0.8%	Jun – Aug 2015
Insurance	5.6%	4.5%	0.3%	August 2015
Miscellaneous	1.0%	1.0%	0.0%	N/A
The Knowledge	2.7%	5.4%	0.1%	May– Jul 2015
Social Costs	2.7%	2.8%	0.1%	May– Jul 2015
<b>Total Operating Costs</b>	<b>-1.0%</b>	<b>40.7%</b>	<b>-0.4%</b>	
Average national earnings	2.7%	59.3%	1.6%	May– Jul 2015
<b>Grand Total</b>	<b>1.2%</b>	<b>100%</b>	<b>1.2%</b>	

- 4.4 The index components are as normally used in the cost formula. ‘Weight’ is the proportion that the component contributes to the total cost per mile. ‘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. The ‘latest’ column under ‘Data availability’ indicates the dates to which data in the ‘cost increase’ column relates.
- 4.5 As decided in 2011, costs for Parts, Tyres and Garaging will be uplifted by the yearly change in the Office for National Statistics (ONS) Retail Price Index (RPI)

figure for “motoring expenditure: maintenance of motor vehicles” (DOCT) published on 15 September 2015.

- 4.6 The change in fuel costs relates to the change from the average of the AA diesel price for the three months to December 2014 to the three months to August 2015. This figure will be revised as further monthly data becomes available.
- 4.7 As decided in 2011, costs for insurance will be uplifted by the yearly change in the Office for National Statistics RPI figure for “motoring expenditure: vehicle tax and insurance” (DOCV) published on 15 September 2015.
- 4.8 Provisional Knowledge, Social Costs and Average National Earnings changes are derived from the ONS average weekly earnings averages for the three months to September 2014 and July 2015.
- 4.9 The Office for National Statistics RPI figure for “purchase of motor vehicles” (DOCS) is being used to estimate vehicle cost whilst awaiting manufacturers’ figures.
- 4.10 The cost index will be updated in December 2015 with the latest fuel figures available which could change the current proposed increase of 1.1 per cent. At present the proposed increase is equal to the RPI and higher than the Consumer Price Index (CPI) which are 1.1 per cent and 0.0 per cent respectively (August 2015)<sup>1</sup>.

### **Possible Impact of Proposed Increase**

- 4.11 In 2014 the overall passenger satisfaction score for London’s taxi services was 83 out of 100 and the overall satisfaction score has remained fairly consistent since 2002. The same research showed that just over two thirds (67 per cent) of taxi passengers thought that taxi fares were much or a little too expensive. Just under one third (31 per cent) thought that taxi fares were about right whilst the remaining two per cent thought that fares were too low<sup>2</sup>.
- 4.12 An 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 these costs 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. However, increasing taxi fares may deter some people, including existing taxi passengers, from using taxis if they perceive them to be too expensive.

## **5 Fuel Threshold Extension**

- 5.1 Since July 2008 arrangements have been in place to allow an extra charge 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. If diesel costs reached this level then the Cab Order would be amended to include this extra charge. The Board approved extending this arrangement at its meeting of 4

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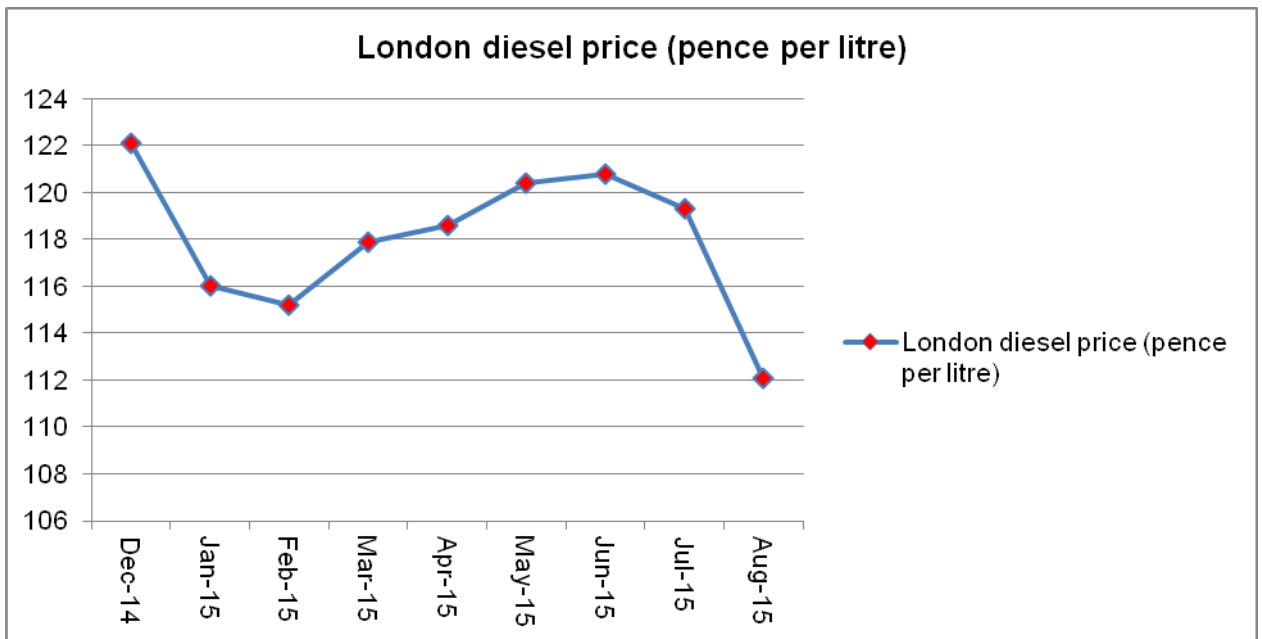
<sup>1</sup> ONS Statistical Bulletin, August 2015, [http://www.ons.gov.uk/ons/dcp171778\\_416118.pdf](http://www.ons.gov.uk/ons/dcp171778_416118.pdf)

<sup>2</sup> Ibid

February 2015, with a 40 pence extra for each journey charged if London retail diesel fuel prices (as measured by the AA Fuel Report) reached the threshold level set by TfL at any point between Saturday 11 April 2015 and Friday 1 April 2016.

- 5.2 The graph in Table 2 shows fuel price changes over recent years. The Arval index has previously been used to measure London retail diesel fuel prices but is no longer published and the average diesel price is now taken from the AA Fuel Price Report<sup>3</sup>. The AA Fuel Price Report will continue to be used as this provides a reliable and trusted source for fuel prices. Although fuel prices are only published monthly, historical figures have closely followed the Arval index.

Table 2. London diesel prices from the AA Fuel Price Report



- 5.3 Last year, when considering whether to extend the fuel threshold arrangement, it was suggested that there should be a similar arrangement in place to reduce taxi fares if there was a significant decrease in diesel prices. This proposal and how it might be implemented will be included in this year's consultation.

## 6 Minimum Fare

- 6.1 It has been suggested that the current minimum taxi fare of £2.40 is relatively low and should be increased. This was last changed in April 2012 when it was increased by 20 pence from £2.20 to £2.40.
- 6.2 There are various taxi fares and minimum fares in place in different parts of the UK, some of these are shown below in Table 3.

<sup>3</sup> The AA fuel price report [http://www.theaa.com/motoring\\_advice/fuel/](http://www.theaa.com/motoring_advice/fuel/)

Table 3. Examples of minimum taxi fares

<b>Location</b>	<b>Minimum fare</b>	<b>When applicable</b>
London	£2.40	At all times
	£4.00 extra charge	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
Birmingham	£2.20	Monday to Saturday between 07:00-23:00
	£2.40	Sunday to Thursday between 23:00-04:00, Sunday 07:00-23:00 and Bank Holidays between 00:00-23:00 (except for those days as specified in tariffs three and four)
	£2.60	Friday and Saturday between 23:00-07:00, all day on Boxing Day, Christmas Eve between 19:00-23:59 and New Year's Eve between 19:00-23:59
	£3.00	All day on Christmas Day and New Year's Day between 00:00-07:00
Cambridge	£2.80	07:00-19:00
	£3.80	19:00-07:00, Sundays and Bank Holidays
	£4.80	19:00 on Christmas Eve to 07:00 on Boxing Day, and 19:00 on New Year's Eve to 07:00 on New Year's Day
Hertfordshire	£3.00	Standard tariff
	£4.50	00:00 and 06:00, all day Sunday and all day on Bank Holidays
	£6.00	All day Christmas Day
Manchester	£2.30	06:00-22:00
	£2.80	22:00-06:00, all day on Bank Holidays and Good Friday
Plymouth	£3.00	Monday to Saturday, 06:00-19:00
	£3.50	Monday to Saturday, 19:00-00:00, Sundays and Bank Holidays from 06:00-19:00
	£4.00	Monday to Saturday, 00:00-06:00, Sundays and Bank Holidays from 19:00-00:00
	£4.50	Sundays and Bank Holidays from 00:00-06:00, 19:00 on Christmas Eve until 06:00 on 27 December and 19:00-00:00 on 31 December and from 06:00 on 1 January until 06:00 on 2 January
	£6.00	New Year's Day from 00:00 to 06:00
Portsmouth	£2.20	07:00-22:00
	£2.60	22:00-07:00

## 7 Tariff Three

- 7.1 Tariff three currently applies to taxi journeys at night between 22:00 and 06:00 and also on public holidays.
- 7.2 The tariff three rate is higher than all of the other tariff rates and it has been suggested that the times when tariff three applies should be reviewed and changed so that this rate starts later and finishes earlier. The different tariff rates and times when these apply are shown in Table 4.

Table 4. Current tariff rates and times

<b>Tariff</b>	<b>Rate</b>	<b>Times when the tariff currently applies</b>
Tariff one for journeys up to six miles	£2.55 per mile	Monday to Friday, 06:00-20:00
Tariff two for journeys up to six miles	£3.14 per mile	Monday to Friday, 20:00-22:00 Saturday and Sunday, 06:00-22:00
Tariff three for journeys up to six miles	£3.89 per mile	Every night, 22:00-06:00 Public holidays
Tariff rate for journeys over six miles	£3.64 per mile	At all times for journeys over six miles

- 7.3 Tariff three was introduced in November 2001 and the current times when tariff three applies came into effect in April 2003. The intention of this tariff rate was to encourage more taxi drivers to work late at night and increase the supply of available taxis. However, the higher rate could actually deter some passengers from using taxis as they feel they are too expensive between the times when tariff three applies.
- 7.4 Research from 2014 showed that satisfaction amongst taxi passengers who travelled when tariff three applied was lower compared to passengers who travelled when tariff one or two applied. They were also more likely to say that taxi fares were too expensive compared to passengers who travelled when tariffs one and two applied.

## 8 Tariff Rate for Journeys over Six Miles

- 8.1 The tariff rate for taxi journeys above six miles is different to the rate for journeys below six miles. At present the change to the tariff rate for journeys over six miles actually comes into effect once the taximeter reaches a certain fare. The different rates and the fares at which the tariff rate changes are shown in Table 5:

Table 5. Tariff rates and fare at which the rate changes

Tariff	Rate	Fare at which the tariff rate changes
Tariff one for journeys up to six miles	£2.55 per mile	£17.40
Tariff two for journeys up to six miles	£3.14 per mile	£21.00
Tariff three for journeys up to six miles	£3.89 per mile	£25.40
Tariff rate for journeys over six miles	£3.64 per mile	NA

- 8.2 Having the tariff rate change once a certain fare is reached means that passengers could potentially pay the different tariff rate before their journey reaches six miles.

## 9 Capped and Fixed Fare Schemes

- 9.1 The current taxi fare from Heathrow Airport can vary significantly and can typically be between £46.00 and £85.00. It is felt that passengers arriving at Heathrow Airport and wanting to take a taxi to central London would benefit from knowing what the fare would be and some other cities already offer fixed fares from an airport.

- 9.2 In the October 2014 taxi fares and tariffs consultation, proposals were included for fixed fares between Heathrow Airport and central London. At the time there were mixed views from respondents on the proposals with some in favour and others against.

- 9.3 One alternative to fixed fares, where the fare paid is always the same, would be to introduce capped fares. With capped fares the fare would still be on the meter but there would be a maximum limit. For example if a capped fare of £50.00 for a particular journey was introduced then this would be the maximum amount a passenger would pay even if the fare on the taximeter went above £50.00. If the final fare shown on the taximeter was below £50.00 then the passenger would pay whatever that fare was.

## 10 Crime and Disorder

- 10.1 TfL has a duty under section 17 of the Crime and Disorder Act 1998 to exercise its functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent:

- (a) crime and disorder in its area (including anti-social and other behaviour adversely affecting the local environment);
- (b) the misuse of drugs, alcohol and other substances in its area; and
- (c) re-offending in its area.

- 10.2 Licensed taxis play a vital role in providing safer transport late at night. A balance needs to be maintained between ensuring that taxi drivers are encouraged to



work late at night but that the public does not perceive taxis as unaffordable and see illegal, unsafe 'cabs' as a cheaper and preferable option.

- 10.3 Any changes that result in taxi fares increasing could result in some people not using taxis, as they perceive them to be too expensive, and instead using other transport modes or potentially illegal 'cabs'. If there was an increase in taxi fares and fall in demand then this would affect taxi drivers' earnings and in turn could potentially lead to some Suburban drivers working in areas they are not licensed for in order to find more work. There are already complaints from some Suburban drivers about the problems they face regarding the levels of work available.
- 10.4 Conversely decreasing taxi fares, reducing the period when the highest tariff rate applies or introducing fixed fare or capped fare schemes could encourage some people to use taxis instead of illegal 'cabs' and increase the demand for taxis in general. It is felt that the proposals being consulted on do strike a balance between benefitting taxi passengers whilst ensuring that taxi drivers are not worse off.

## **11 Equality Implications**

- 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. Due regard that is appropriate in all of the circumstances must be had at the time decisions are taken. 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 this obligation may involve treating people with a protected characteristic more favourably than those without the characteristic.
- 11.2 Taxis are heavily used by disabled and elderly Londoners and these protected groups will be affected by any fare increase. A public consultation on changes to taxi fares will be conducted and anyone, including disabled and elderly taxi passengers and organisations that represent them, can comment on the proposals and submit their comments or concerns to TfL. The consultation will be sent to Age UK, Independent Age, London MPs, Transport for All and London TravelWatch. All responses to the consultation will be reviewed and taken into consideration before any recommendations are submitted to the TfL Board to consider.
- 11.3 An increase to taxi fares will affect disabled and elderly passengers and Taxicard users, meaning that they will pay higher fares for the same trips. However, they would benefit from any changes that reduce the period when the highest tariff rate applies. They may also benefit from fixed fare or capped fare schemes but this would be dependant upon what the fares were and where the schemes operated.

## **12 Financial Implications**

- 12.1 TfL makes a contribution of approximately three quarters of the cost to the Taxicard scheme. The current multi year agreement between TfL and London Councils provides for TfL to give a fixed rate grant of £9.4m (+£0.3m transition allowance) in 2012/13 and in future 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. It has been 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 report:**

None

### **List of Background Papers:**

None

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