

Review of Hackney Carriage Fares

Councillor Angela Lax, Cabinet Member for Legal and Regulatory

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Key Decision? YES

Local Ward

Members



**COMMUNITY,
HOUSING &
HEALTH
OVERVIEW &
SCRUTINY**

1. Executive Summary

- 1.1 This report advises Overview & Scrutiny of the taxi trade's application for a Hackney Carriage tariff increase.
- 1.2 The report details:
 - The current tariff and the background to the proposed changes
 - Information to support Overview and Scrutiny's consideration of the proposal

2. Recommendations

- 2.1 To recommend to cabinet that they consider the maximum tariff rates to be consulted on for Hackney Carriages in the Lichfield District, taking account of the trade request and officer recommendations.

3. Background

- 3.1 The local authority controls the maximum fares charged by hackney carriages. This is enforced through the use of a meter for all journeys, which measures a combination of time and distance travelled.
- 3.2 Fare scales should be designed with a view to practicality. The Department of Transport sees it as good practice to review the fare scales at regular intervals, including any graduation of the fare scale by time of day or day of the week. Authorities may wish to consider adopting a simple formula for deciding on fare revisions as this will increase understanding and improve the transparency of the process. The Department also suggests that in reviewing fares authorities should pay particular regard to the needs of the travelling public, with reference both to what it is reasonable to expect people to pay but also to the need to give taxi drivers sufficient incentive to provide a service when it is needed. There may well be a case for higher fares at times of higher demand.
- 3.3 Taxi fares are a maximum, and in principle are open to downward negotiation between passenger and driver. Although at ranks, or for on-street hailings this could result in confrontation or unreasonable customer expectations. However local licensing authorities can usefully make it clear that published fares are a maximum, especially in the context of telephone bookings, where the customer benefits from competition.

- 3.4 Members of the Taxi trade have requested the fares to be increased as set out in **Appendix A**. Those who have responded generally proposed fares in line with other areas and the introduction of a waiting time.
- 3.5 The current hackney tariff can be found in **Appendix B**. This tariff was last increased in December 2012.
- 3.5 Officers have taken the following guidance into consideration when considering the fares proposed:-
- Law Commission Report https://s3-eu-west-2.amazonaws.com/lawcom-prod-storage-11jsxou24uy7q/uploads/2015/03/lc347_taxi-and-private-hire-services.pdf
 - Office of Fair Trading Report https://webarchive.nationalarchives.gov.uk/20140402181227/http://www.oft.gov.uk/shared_oftr/reports/com_p_policy/oft676.pdf
 - Department for Transport https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/212554/taxi-private-hire-licensing-guide.pdf
 - Competition and Markets Authority report dated April 2017 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/624539/taxi_phv_la_guidance.pdf
- 3.6 In order to assess the application for a fare increase, officers have also carried out a fare comparison exercise with neighbouring authorities. This is set out in **Appendix C**.
- 3.7 The comparison with other neighbouring councils shows that:
- 6 out of the 7 neighbouring authorities have waiting time incorporated within their tariff, most applying this on a 60 second basis
 - All of the neighbouring authorities have Tariff 2 incorporated in their maximum fares. The proposal by the trade was Tariff 1 x time and a half taking the fare to £6.00 for the first 1760 yards (1 mile)
- 3.8 A check has also been made against the Hackney Fare Table produced by Private Hire and Taxi Monthly Limited (**Appendix D**). The calculation is based on a 2 mile hackney carriage fare on Tariff 1. This shows that as of September 2018:
- The maximum fare in Lichfield District for a two mile Tariff 1 journey at £5.30 is the 293rd lowest out of 358 authorities
 - Tamworth rank 143 at £6.10 , Cannock Chase 221 £5.70, East Staffordshire 254 at £5.50, Stafford rank 265 at £5.50
 - Staffordshire Moorlands at £5.20 is ranked 316, South Staffordshire at £5.10 is ranked 322 and Newcastle under Lyme at £4.20 is ranked 358.
 - The National average for Tariff 1 is £5.91 compared to £5.30 in Lichfield District
- If the tariffs proposed by the trade were adopted, the maximum fare in Lichfield District for a two mile Tariff 1 journey would be £6.00, which would mean that the fares would be the same as a number of authorities ranked 147 to 178 lowest out of the 358 authorities listed.
- 3.9 For Tariff 2 the Midlands average is £6.95 for a two mile journey compared to £7.00 in the Lichfield District.
- 3.10 In considering any fare increase, there is the impact on the customer versus ensuring that there is an adequate supply of taxis and the trade can make a living. For the trade their key costs are fuel, vehicle purchase and maintenance, insurance and labour. For Tariff 2 the hire charge ideally needs to be not be so high as to deter people using taxis to get them safely home at night but at the same time set at a level which provides an incentive to hackney carriage drivers.
- 3.11 The AA no longer produce average vehicle running costs so authorities are tending to apply inflation increases to fares. Diesel prices have decreased from 140.4p litre / 638.27p gallon (August 2012) to 131.4p litre / 597.4p

gallon (July 2019) (Ref: AA website average diesel prices for West Midlands). This equates to a fuel price decrease of approximately 1.03 pence per mile (based on a car fuel performance of 40 miles per gallon). There is no information available on taxi insurance costs but given that car insurance costs have increased it is likely that taxi insurance costs have seen similar increases.

3.12 In the absence of AA produced running costs, many authorities are applying inflation increases to fares. The table at **Appendix E** shows the rate of inflation from 2012 to 2018. The Retail Prices Index (RPI) calculates the rate of inflation by measuring the price of various everyday items along with housing costs such as council tax and mortgage interest payments. It uses an arithmetic mean, which adds the cost of all of the items together and then divides this by the total number of items. Between 2000 and 2018 the inflation rate of the Retail Price Index fluctuated from a high of 5.2 percent in 2011 and a low of minus 0.5 percent in 2009. Forecasts from the UK government indicate that the RPI will stick to a low rate of either 3.1 or 3.2 percent until at least 2023. If we apply a rate of inflation, the figures in Appendix E show that inflation in 2018 was in line with inflation levels in 2012. However wages and salaries have seen an annual growth rate of 3.9% from 2012 to 2015 (latest ONS data) and increases in the minimum wage.

3.13 The above information would support an increase in the taxi fares, however officers are of the view that the trade proposal could have a cumulative impact on fares and represent a significant increase for some journeys. Members may find it helpful to consider how the proposed increase may impact on some example journeys:

- Lichfield City Train Station to Burntwood Swan Island (4 miles) - current fare £8.70, trade proposed fare £10.00 (**Tariff 1**) (includes a proposed increase from 17p to 20p per subsequent 176 yards)
- Lichfield City Train Station to Burntwood Swan Island (4 miles) - current fare £11.70, trade proposed fare £14.00 (**Tariff 2**) (includes a proposed increase from 23p to 30p per subsequent 176 yards)
- Co-Op Boley Park to Friary School (3.1) miles – current fare £7.17, trade proposed fare £8.20 (**Tariff 1**) (includes a proposed increase from 17p to 20p per subsequent 176 yards)
- Co-Op Boley Park to Friary School (3.1 miles) – current fare £9.63, trade proposed fare £11.30 (**Tariff 2**) (includes a proposed increase from 23p to 30p per subsequent 176 yards)

Members have the option to suggest an alternative level of increase and may wish to consider whether a 20p increase on Tariff 1 (40p requested) would be more in line with the available cost increase information and a 10p increase on Tariff 2 (20p requested), together with consideration of the addition of a waiting time. On this basis the following fare increase would apply:

- Lichfield City Train Station to Burntwood Swan Island (4 miles) - current fare £8.70, alternative proposed fare £9.80 (**Tariff 1**) (includes a proposed increase from 17p to 20p per subsequent 176 yards)
- Lichfield City Train Station to Burntwood Swan Island (4 miles) - current fare £11.70, alternative proposed fare £12.70 (**Tariff 2**) (includes a proposed increase from 23p to 26p per subsequent 176 yards)
- Co-Op Boley Park to Friary School (3.1) miles – current fare £7.17, alternative proposed fare £8.00 (**Tariff 1**) (includes a proposed increase from 17p to 20p per subsequent 176 yards)
- Co-Op Boley Park to Friary School (3.1 miles) – current fare £9.63, alternative proposed fare £10.36 (**Tariff 2**) (includes a proposed increase from 23p to 26p per subsequent 176 yards)

3.14 In addition to the fare increase, the trade have also requested the introduction of a waiting time which it is stated operates in most areas. This means that the fare is based not only on the distance travelled but also takes account of any waiting time within the journey, for example when the vehicle is stationary during times of heavy traffic. Drivers have also expressed concerns about being asked to wait for passengers picking up take aways.

3.15 The waiting times requested by the trade is summarised below:

- Waiting times in line with other authorities
- First 5 mins free and £20 an hour which would be £5 for 15 mins or no free mins and £15 an hour so that works out at £3.75 for 15 mins
- Reinstating waiting time at a rate of £15 per hour after the first 10 mins which would be free
- Reinstating the waiting time at a rate of £12 per hour without the first 10 mins free

The waiting times that apply in other Staffordshire districts are also set out in Appendix C.

- 3.16 Given that labour is a significant cost in providing a taxi service, members may feel that it is legitimate to include a waiting time. If this is the case, the issue for consideration is at what point this kicks in. If it applies after 60 seconds (as is the case in Staffordshire Moorlands, Stafford, Tamworth, Newcastle and Cannock Chase) then this will also take into account any waiting in stationary traffic and any stoppages at traffic lights and could significantly mount up.
- 3.17 However, it is recognised that where drivers are stuck in traffic for over several minutes or they are being asked to wait whilst a passenger collects a take away, they should be recompensed for their time. On this basis members are asked to consider the option of applying a waiting time, with the first 5 minutes free then £15 an hour (equating to £3.75 per 15 minutes).
- 3.18 As part of the consultation a request has also been made to increase the soiling charge. Members may wish to consider if this should be increased to £60 to reflect the increase in cleaning costs and the associated time off the road.

Alternative Options	<ul style="list-style-type: none"> • Cease regulating fares. Hackney carriages are unique in that they can be hailed from the street or picked up from a rank. Where a journey is pre booked the hirer has the opportunity to compare and negotiate a price. This opportunity does not exist in the same way when picking up a taxi from a rank and increases the risk of confusion and dispute. Vulnerable customers are more exposed to exploitation. Currently only four Local Authorities in England choose this option. • Leave fares unchanged. Currently fares in Lichfield are low compared to others and whilst there is not a shortage of supply at this stage it is likely that this will occur at some point and realise the associated problems. Any fare set is a maximum fare and is open to downward negotiation. • Agree a tariff increase but not the addition of a waiting time charge • Agree the addition of waiting time but not the increase in tariff • Agree both a tariff increase and the addition of a waiting time but at a level lower than proposed by the trade
Consultation	<ul style="list-style-type: none"> • If Members decide to change the tariff the Local Authority has to advertise the change in a local paper. • If no objection is duly made the new tariff comes into force at the day of expiry for the period of consultation. • If objections are duly made the Local Authority shall within two months set a new date for the tariff to come into force after reviewing the tariff in consideration of the objections.
Financial Implications	<ul style="list-style-type: none"> • The financial impact for Lichfield District Council will include advertising costs and the re-testing of all hackney carriage meters. These costs will be met from current budgets.

Contribution to the Delivery of the Strategic Plan	<ul style="list-style-type: none"> Adequate provision of taxis contribute most significantly towards the themes of 'healthy and safe communities' and being a 'clean, green welcoming place' Crime and safety issues are detailed below and taxis support the use of public transport which is generally a cleaner and greener form of transport by linking these services. For example, from a person's home to the train station.
Equality, Diversity and Human Rights Implications	<ul style="list-style-type: none"> Hackney carriages provide an invaluable service to visitors and residents and in particular to those with disabilities and wheel chair users who may require a wheelchair accessible vehicle. In setting fares a balancing act needs to be struck between supporting the sustainability of the taxi trade and affordability.
Crime & Safety Issues	<ul style="list-style-type: none"> Adequate provision of taxis is essential to ensure that people have access to transport particularly after an evening out. Previous experience has shown if large groups of people are waiting for taxis after they have left drinking establishments disorder will occur. If fares are too low there is not sufficient incentive for drivers to provide a service when it is required.
GDPR/Privacy Impact Assessment	<ul style="list-style-type: none"> No identified concerns.
Health & Wellbeing Implications	<ul style="list-style-type: none"> Taxis offer transport options to people who may need to access services and activities that support their health and wellbeing. Those who don't have access to their own transport or who require a wheelchair accessible particularly benefit from a taxi service.

	Risk Description	How We Manage It	Severity of Risk (RYG)
A	Fares are at a level which encourage vehicles to come in from outside the district	Agree fares that are in line with neighbouring authorities	
B	Fares are set at a level which impacts on the sustainability of the local trade	Agree fares that support the sustainability of the trade	
C	Fares are set at a level which make them unaffordable	Ensure fare increases are proportionate	
D			
E			
F			
G			

Background documents https://s3-eu-west-2.amazonaws.com/lawcom-prod-storage-11jsxou24uy7q/uploads/2015/03/lc347_taxi-and-private-hire-services.pdf
https://webarchive.nationalarchives.gov.uk/20140402181227/http://www.ofc.gov.uk/shared_ofc/reports/comp_policy/ofc676.pdf
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/212554/taxi-private-hire-licensing-guide.pdf
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