

CHILTERN DISTRICT COUNCIL

LICENSING AND REGULATION COMMITTEE 2ND JUNE 2011

Background Papers, if any, are specified at the end of the Report

LOCAL GOVERNMENT (MISCELLANEOUS PROVISIONS) ACT 1976 HACKNEY CARRIAGE FARE INCREASE

Contact Officer: Ben Coakley 01494 732060 and Martin Holt 01494 732055

RECOMMENDATION

That Members consider:

A) If an increase in the fares is appropriate at this time.

If it is considered appropriate;

B) Recommend to the Head of Health and Housing a percentage change in the Table of Fares to be charged and agree that Officers consult with the taxi meter companies and advertise the rate accordingly.

C) Advise the Head of Health and Housing on the introduction of a new MPV tariff at a 50% premium as discussed in the main report or a change to the per passenger tariff.

Matter for Consideration

- 1 The table of fares were last considered on the 29th July 2010 where it was concluded that they should remain at their existing levels. It was noted that 12 months should elapse before they were considered again.
- 2 This report therefore represents a new request from the Chiltern District Driver's Association (CDDA) for an increase the Hackney Carriage Table of Fares (*Appendix 7.1*).

Background

- 3 The Fares charged by Hackney Carriages may be considered annually (Minute 6 Licensing and Regulation Committee 27th June 2002), in accordance with the policy. A report is brought at this time to consider the request from the CDDA and if deemed appropriate, ensure that any new fares are set ahead of the renewal process to enable the taxi meter companies and proprietors opportunity to recalibrate the meters in line with renewal.
- 4 In summary the Head of Health and Housing consults with the Licensing and Regulation Committee to determine the table of fares, and advertises the proposals in the local press, in accordance with legislative requirements. An information item is

then circulated to Members of the decision. A copy of the proposed table of fares is sent to all Hackney Carriage licence holders and the trade organisation representing them. If no objections are received the fares automatically come in to effect on the advertised date.

- 5 Any objections to the changes received within the statutory period will be referred back to this Committee for further consideration.
- 6 A final recommendation is then made to the Head of Health & Housing on whether to confirm or amend the proposed changes to the Table of Fares including the date it is to come in to force and notification of the decision in the local press.

Information

- 7 The Hackney Carriage fares were last increased on 1st November 2008 by 10%, bringing the cost of a two mile journey to £5.20. The request in June 2008 by the trade followed a significant increase in fuel prices that started in January 2008. Immediately after this fare increase in 2008, motoring expenditure fell sharply with significant decreases in oil and fuel prices. Since that point, fuel has risen again and in February 2011 exceeded the 2008 high.
- 8 This is demonstrated on the graph below showing average fuel price variations from 2007 to 2011.

Figure 1: Diesel Price Comparison

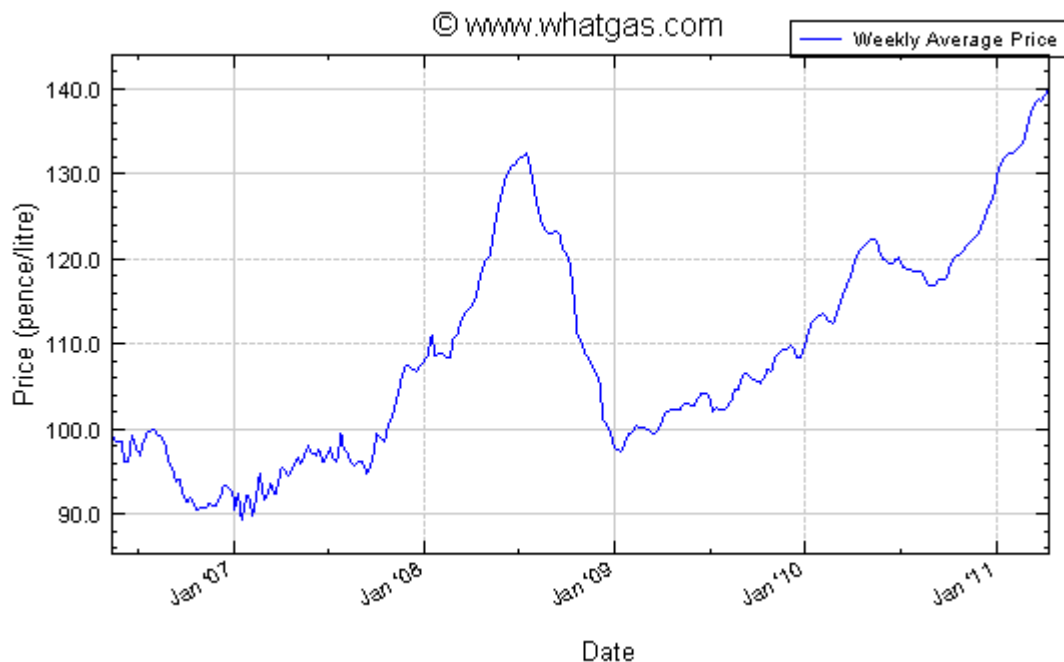
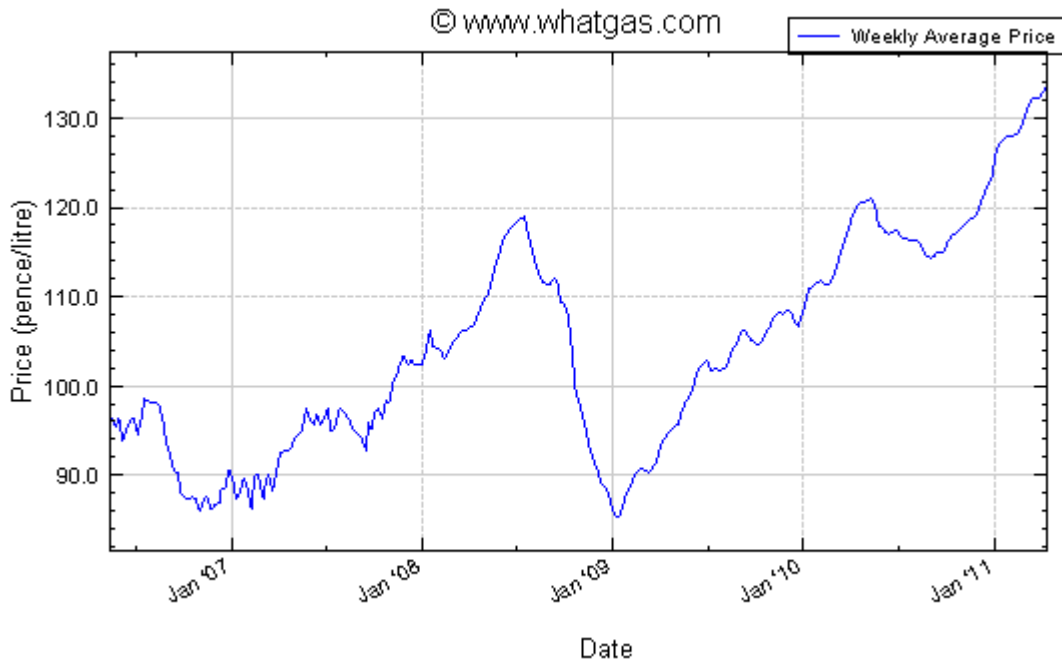


Figure 2: Petrol Price Comparison



- 9 The following table illustrates the increase and decrease in petrol and diesel prices since June 2008.

	June 2008	June 2009	June 2010	April 2011
Petrol	116.9	102.7	118.1	132.9
Diesel	130.3	104.8	120.5	139.0

Source: Automobile Association.

- 10 At the time of writing this report, the price of diesel has now overtaken the peak of June 2008 when the 10% increase to fares was put in place. From June 2008 to April 2011 the graph and table show that diesel costs have now overtaken the 2008 peak by 8.7 pence and unleaded by 16 pence.
- 11 Information from the Office for National Statistics indicates :

The consumer prices index (CPI) is the main United Kingdom domestic measure of consumer price inflation for macroeconomic purposes. The headlines for the March 2011 consumer prices index (CPI) are:

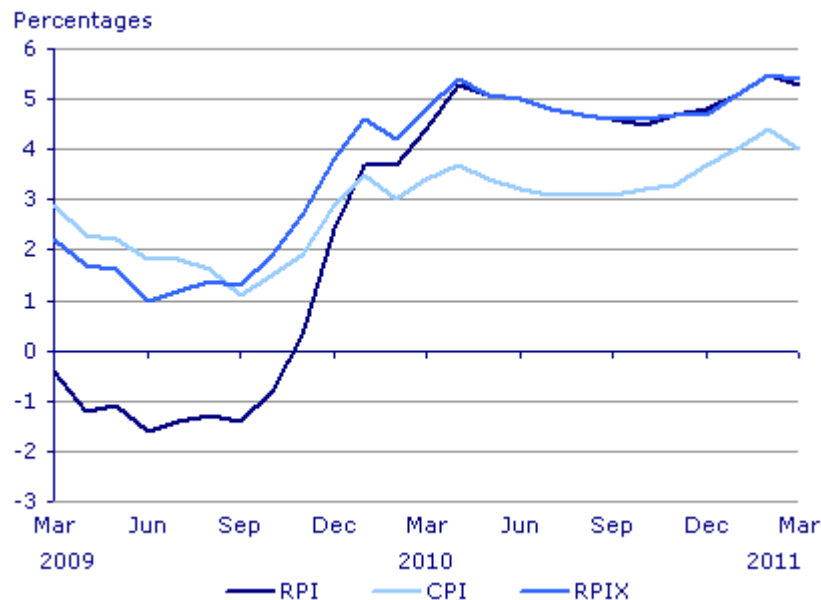
- CPI annual inflation stands at 4.0 per cent, down from 4.4 per cent in February
- Food and non-alcoholic beverages, recreation and culture, and air transport are the most significant drivers behind the decrease in annual inflation between February and March. The main upward pressures to inflation between February and March came from housing and household services, and the purchase of vehicles transport: prices, overall, rose by 1.2 per cent between February and March. The largest upward effects came from fuels and

lubricants where pump prices rose by 2.7 per cent to reach record levels of £1.32 for petrol and £1.38 for diesel. There were also upward effects from air transport and the purchase of second-hand cars

The retail prices index (RPI) is the most long-standing general purpose measure of inflation in the United Kingdom and is available from June 1947.

- Annual inflation as recorded by the retail prices index (RPI) stands at 5.3 per cent in March, down from 5.5 per cent in February. The RPI 12-month rate between February and March has therefore decreased by 0.2 percentage points compared with a fall of 0.4 percentage points in the CPI 12-month rate between the same two months.

Figure 3: Inflation



Source: Consumer price indices accessed on the 12 April 2011 Coverage: United Kingdom, <http://www.statistics.gov.uk/cci/nugget.asp?id=19>

- 12 The percentage change in retail prices (RPI) since the Committee last considered the fares in July 2010 and March 2011 is 4.0%.

*Calculated by the following formula: ((later date index minus earlier date index) divided by earlier date index) times 100 e.g.: ((401.6 [July 1987] - 384.7 [July 1986]) / 384.7 [July 1986]) * 100 = 4.4%. If we consider the last time the fares were considered, therefore, 882.1 [July 2010] - 917.2 [April 2011] / 882.1 [July 2010] * 100 = 4.0%*

In terms of a change over the long term, since November 2008, RPI has been approximately 7.5%.

Source: http://www.statistics.gov.uk/downloads/theme_economy/focus-on-cpi-may-2010.pdf and http://www.statistics.gov.uk/downloads/theme_economy/focus-on-cpi-mar-2011.pdf

- 13 Using the Baxter formula (*Appendix 7.2*) which considers labour, fuel and vehicle costs, a 6% per cent increase in costs over the last 12 months could be considered. This would equate to a rise of £0.31 pence on a two mile journey resulting in a charge of £5.51.
- 14 In terms of the Bucks Authorities, each has revised their fares in 2010. The present comparative costs of a two mile journey in neighbouring authorities are (at the time of writing this report):

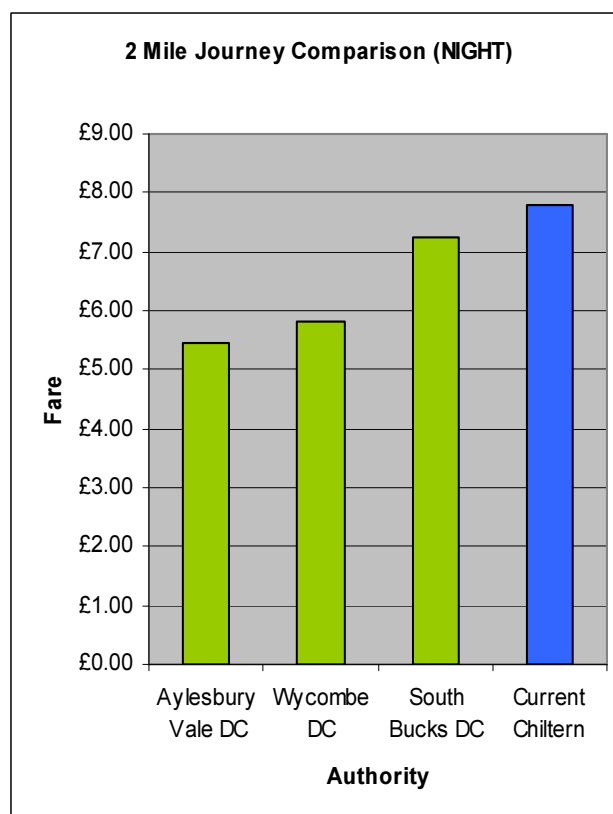
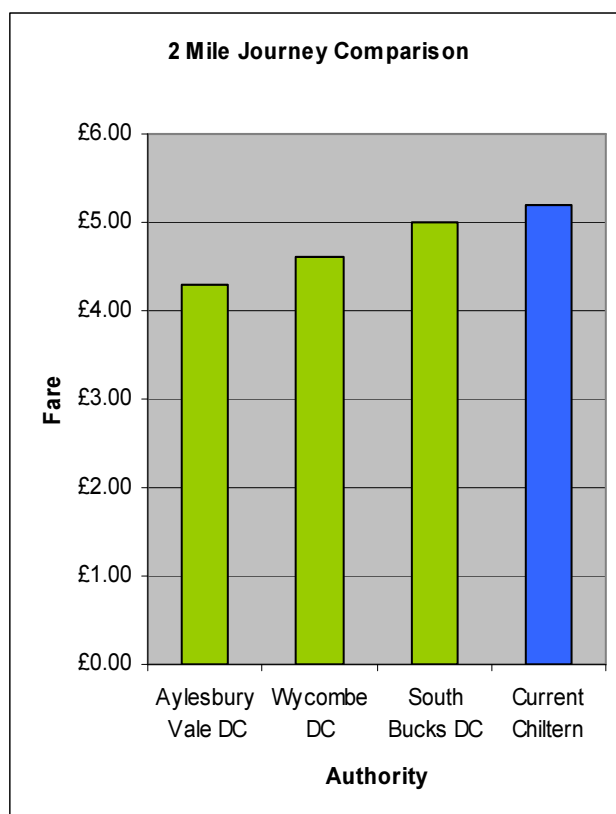
Buckinghamshire Local Authorities:

Authority	Cost of two mile journey	Date introduced	Current League Position
Aylesbury Vale DC	£4.30	July 2010	351
Wycombe DC	£4.60	April 2010	315
South Bucks DC	£5.00	Aug 2010	233
Current Chiltern	£5.20	November 2008	171

Other Local Authorities:

Dacorum BC	£5.00	2008	217
Windsor & Maidenhead	£5.00	2006	241

Data Sourced from National Private Hire Association (Feb 2011 – Latest available at time of writing report)



- 15 The fare can be calculated by either an increase in the flag fall (the initial fare) or by a reduction in the distance. The current flag (minimum fare) for Chiltern is £3.00. There are currently only 38 Councils with a higher flag (out of 380 Council areas).
- 16 **The licence fees charged to applicants have not been increased by this authority since the existing fees were agreed in April 2007 and prior to this the last increase was in 2003.**
- 17 Based on a two-mile journey, Chiltern is ranked at 171 out of 380 Councils, in the Private Hire Association League Tables. The national average is a rank of 192 (with the more expensive the fare, the lower the ranking number). The full table will be available at the meeting.
- 18 The table below details the existing tariff charged, the proposal from the CDDA and some other possible alternatives.

			(i)	(ii)	(iii)	(iv)	(v)
Tariff	Distance	Existing Fare	1% increase	2% increase	RPI increase (4 %)	Baxter Increase (6%)	Driver's proposal for increase (approx 12%)
1	One mile day	£3.40	£3.43	£3.47	£3.54	3.60	£3.80
1	Two mile day	£5.20	£5.25	£5.30	£5.41	5.51	£5.70
2	One mile night/ bank holiday	£5.10	£5.15	£5.20	£5.30	5.41	£5.70
2	Two mile night/ bank holiday	£7.80	£7.88	£7.96	£8.11	8.27	£8.70
4	1 mile bank holiday night, and Xmas day, Boxing day New Years day	£6.80	£6.87	£6.94	£7.07	£7.21	£7.60
4	2 mile bank holiday night, and Xmas day, Boxing day New Years day	£10.40	£10.50	£10.61	£10.82	11.02	£11.60

(N.B although the percentage figures are shown above, final operational figures will require further calculation to enable them to work mathematically)

- 19 In addition, the trade have included in their letter, a request for a new ‘MPV’ Tariff when 5-8 passengers are carried to add 50% of the metered fare for any journey. For example, currently a 5 mile journey at 11.15pm at night would cost £15.90. In effect this would increase the overall fare if an MPV was used to £23.85 for 5 miles when 5-8 passengers are carried.
- 20 Officers feel that this element of the request should not be progressed at this time for the following reasons:
- a) There is already provision for an additional passenger charge (15p each person) in the existing table of fares.
 - b) The ability for drivers to manually change the taxi meter to charge 50% more is open to potential abuse. Other tariff changes are automated and locked.
 - c) This could potentially lead to an increased number of MPV’s in the fleet which in the main would still move 1 or 2 people in the vast majority of journeys. This option may therefore create an incentive to buy oversized vehicles when a standard car is more appropriate. Therefore, this would potentially conflict with the Chesham Air Quality Action Plan of reducing any further increases in air pollution.
 - d) Members have already weighted the night time, bank holiday and Sunday tariffs where there is a greater likelihood of 5-8 people wishing to travel together. If an additional 50% was to be charged, fares could become exceptionally high and potentially lead to neighbouring district taxis being booked in preference to our own and could result in illegal touting for business by unlicensed vehicles.
 - e) As an alternative to a 50% MPV tariff Members may wish to consider a change to the current 15p charge for each additional passenger carried.
- 21 When the fares were last considered, a Member of the Committee asked if Officers could try to provide some example profiles for a typical person working in the taxi trade such as typical earnings and costs of running vehicles. This has proved quite challenging as exact circumstances are different for each person. Officers contacted the National Taxi Association and the Private Hire Association and they confirmed that earnings range widely from £6.50 per hour up to £160 per day (in a very small number of cases) to drive for a taxi company. Some example job adverts (not Bucks specific) have therefore been included for reference in *Appendix 7.3*.
- 22 In terms of the latest insurance costs, Asprey Harris provided some approximate figures by phone (19th April 2011), with “a standard premium for a new driver starting at approx £2,000. A driver who had been a taxi driver for a while would now be around £1,000 to £1,200 per year” and an “increase of between 15-20% for most drivers since last year”.

- 23 A large proportion of drivers work for themselves. As such the following costs may be considered for a typical driver (approximately and based on driver with 5 years experience) in the Chiltern District:

Cost Elements	Rates (2011)	Annualised Cost
Renewal – Vehicles	£300	£300
Renewal - Drivers	£95	£95
Medical Certificate	(Every 1,3 or 5 years) – approx £100 (Variable)	Approx £25
CRB Check	(Every 3 years) - £51	£17
Compliance Test	£40-60 (annual or twice annually depending on age of vehicle)	£40-60
MOT	£45 approx (variable)	£45 (but can be discounted if done with compliance test)
Car Tax	Variable from £0 to £450 approx	£220 approx
Insurance	£1000- £1200 approx	£1000-£1200
TOTAL	-	£1852 (approx)

- 24 An approximate snapshot of current mileage has also been undertaken for three existing drivers (at random and anonymised) and can be seen in *Appendix 7.4*. The calculations do **not include any** work after 11.00pm weekdays, any Sunday work, Bank Holidays or Christmas (Rates 2, 3, 4). In each case the estimated chargeable mileage is calculated with fuel costs and expenses taken of, resulting in a very approximate pre-tax earning for each.
- 25 In determining the level of fares to be set it is also necessary to take into account the effect on those persons less able to afford the fares and who may not be able to access other forms of transport. **Any increase in fares will reduce the ability of those on lower incomes to travel.**
- 26 Additionally the Council no longer subsidises travel by older or disabled passengers through the Taxicard scheme. So the full impact of any increase would be applied to those hiring a Hackney carriage
- 27 It is important to note that without any additional increase at this time we would remain more expensive than each of the other Bucks Authorities (Evidence: Table and Graph in point 14).
- 28 If fares are set in excess of our neighbouring authorities there is a greater risk that in the long term, overall trade may decrease in our District as customers look for cheaper alternatives.

Decision to be Made

29 Members are asked to recommend if an increase in fares is deemed appropriate at the current time.

-If Members feel that the current fares are reasonable and fair, they would continue to remain in force with no changes.

-If Members feel that a change is appropriate, any proposed increases or decreases should take effect from the 1st November, enabling the advertisement and any appeal to be considered following the decision. Officers will then consult with the taximeter installers to ensure the correct calibration to be applied to meters, publish the proposed rates and consult with the trade accordingly.

Members should also consider whether to introduce a new MPV tariff at a 50% premium as discussed in the main report.

Background papers: None
