



Report for Key Decision

Date:	18 th July 2022
Title:	Increase in Hackney Carriage Fares
Relevant councillor(s):	Cllr Mark Winn
Author and/or contact officer:	Caroline Steven/Lindsey Vallis/Simon Gallacher
Ward(s) affected:	All
Recommendations:	To consider the proposed amended hackney carriage fares set out at Appendix 2 and, if appropriate, to approve them for statutory consultation purposes
Reason for decision:	To review the current tariff of fares for hackney carriages in light of significant increases in fuel prices

1. Executive summary

- 1.1 Local Authorities have the power to set a maximum tariff of fares that can be charged to passengers for hackney carriage vehicles (taxis). Unlike private hire vehicles which must be pre-booked, hackney carriage vehicles can ply for hire, be hailed by prospective passengers in the street and park on a rank to await the approach of passengers. The Council implemented a new single tariff of fares on the 6th September 2021 in line with the implementation of the new Hackney Carriage and Private Hire Licensing Policy and the removal of the legacy district council hackney carriage zones. The intention had been to review fares in April 2023 but further to significant increases in the price of fuel and requests from the hackney carriage trade, it is considered necessary and appropriate to carry out a review now.

2. Content of report

- 2.1 Section 65 of the Local Government (Miscellaneous Provisions) Act 1976 gives local authorities the power to fix maximum fares or rates for taxis for both time and distance travelled. Local authorities can also set charges for any additional matters such as the collection of passengers away from a taxi rank or the soiling of a vehicle.

- 2.2 Once a tariff of fares has been set, the driver cannot charge more than the charge shown on the meter, apart from in circumstances where a journey ends outside of the council area and a fee has been agreed in advance. Drivers can choose to charge less than the metered fare.
- 2.3 The legacy areas previously used different tariffs for taxis which were originally implemented under the relevant legislation and had been periodically reviewed and amended following advertisement and consultation.
- 2.4 The new Buckinghamshire Council Taxi and Private Hire Licensing Policy was approved by Full Council on the 24th February 2021 on the recommendation of Licensing Committee and was implemented on the 6th September 2021. The Policy removed the current legacy area hackney carriage zones thereby leaving one single operating zone. As a result, it was necessary to produce a single set of tariffs for drivers of hackney carriage vehicles in Buckinghamshire.
- 2.5 This set of current set of tariffs was approved on 17th August 2021 and came into force alongside the Policy on the 6th September 2021. A copy of the current tariffs chargeable is attached as **Appendix 1**. A mechanism for the future review of tariffs was also approved on 1st July 2021, which based any annual review on the average of CPI and RPI figures each November along with local and national benchmarking, with the intention of any amendment to tariffs taking place in April the following year.
- 2.6 Given that the new tariffs were implemented relatively recently, it was intended that the next review would take place in April 2023. However, given the significant increases in fuel prices caused by global market pressures, along with requests from the hackney carriage trade, it is considered appropriate and necessary to carry out a review now to ensure that drivers are able to earn a fair wage whilst also balancing the cost of any increase to passengers.
- 2.7 This is an issue which is affecting authorities across the country with many local and national licensing authorities currently in the process of reviewing and increasing their hackney carriage tariffs because of recent trends in fuel prices.
- 2.8 Section 65 of the Local Government (Miscellaneous Provisions) Act 1976 sets out the process and requirements for the fixing of fares, which includes the requirement for advertising and a statutory 14-day consultation period.
- 2.9 Unlike most other matters relating to taxi and private hire licensing, the setting and approval of taxi tariffs is an executive function.

Process of Setting Fares

- 2.10 Local authorities are not required by law to set fares for taxis, but the Office for Fair Trading conducted a market study in 2003 which found that passengers are in a relatively weak position to compare offers and negotiate prices when hailing taxis or using their services at a rank. The report further stated that this finding reinforced

the need for fare regulation of taxis and so it is considered to be good practice to set fares. It is understood that currently only 6 councils nationally do not set a tariff of maximum fares.

- 2.11 The Department for Transport's (DFT) Best Practice Guidance 2010 specifies that it is good practice not only to set fares, but also for local authorities to carry out a regular review of fares and to adopt a simple formula for deciding any fare revisions.
- 2.12 There are no national guidelines or guidance for the setting of fares and each local authority uses different methods and information to produce their local rates. However, it is accepted that any proposed tariff of fares should provide the driver with an acceptable income whilst also providing an affordable transport option for the passenger(s).
- 2.13 Fares should also be simple to understand, not able to be bypassed and should be set at a level which is competitive with the local private hire trade, to avoid effectively pricing the taxi service out of the local market.
- 2.14 Hackney carriage trade representatives contacted officers to request an early review of the tariffs to consider the increase in costs which are negatively impacting the trade, given that fuel is one of their main overheads.
- 2.15 In order to obtain the views of the trade as a whole and to clarify whether there is a consensus on the issue across the trade generally, officers carried out a short pre-engagement survey between 9th and 15th May 2022. The survey asked specific questions on whether each of the tariffs should be increased and reasons for this.
- 2.16 57 responses were received, which reflected a broadly similar response rate across the previous legacy areas, with 7 responses received from the Aylesbury area, 16 from the Chiltern area, 15 from South Bucks and 11 from the Wycombe area. It was not possible to confirm in which area the remainder had previously been licensed.
- 2.17 The Council has previously adopted separate schedules of maximum fares, or tariffs, to compensate drivers for occasions when hackney carriages are hired during anti-social hours and holiday periods or when a high number of passengers are carried.
 - Tariff 1 is the maximum fare that can be applied during normal daytime hiring, between the hours of 6am and 11pm, Monday to Saturday.
 - Tariff 2 is the maximum fare that can be applied for night time hirings, between the hours of 11pm and 6am, Monday to Saturday; any hiring on a Sunday or Bank Holiday (unless Tariff 3 applies); between 4pm and midnight on Christmas Eve and New Year's Eve; Tariff 1 journeys for 5 passengers or more.
 - Tariff 3 applies to any hiring on Christmas Day, Boxing Day or New Year's Day or Tariff 2 journeys for 5 passengers or more

- 2.18 The majority, 96% of those responding, were in favour of an increase to Tariff 1 and only 3 of the responses were against this proposal. The responses in relation to Tariff 2 were less conclusive, with only 49% in favour of an increase. Similarly, only 45% of the responses were in favour of an increase to the current Tariff 3.
- 2.19 The reasons given for the need to increase tariffs were mainly due to the increased cost of fuel but increased maintenance costs and the rises in the cost of living generally were also mentioned.
- 2.20 The survey also asked for views on the scale and method of implementation of any increase and there was less consensus on this issue. Many recommended a minimum charge of £5 whereas others suggested that Tariff 1 charges should be replaced with those for the current Tariff 2. Other responses suggested that the distance travelled between meter increases should be shortened.
- 2.21 Further to the survey, a meeting took place with representatives from the trade to discuss the most appropriate method of increasing the fares so that drivers are able to earn a fair wage, whilst any negative impact on the public is kept to a minimum.
- 2.22 Any tariff used must be able to be programmed into a hackney carriage vehicle meter and so the setting of tariffs is usually carried out in conjunction with representatives of the companies who produce, programme and update meters. As a result, the local representative for Pulsar and Viking meters was also invited to the meeting so that he could advise on technical matters.
- 2.23 There was a consensus of opinion at the meeting between the various representatives that short journeys on Tariff 1 are the most common journey taken by the public and it was this tariff that needed to increase to off-set the increase in fuel price. It was felt that increasing the initial starting cost (the flag) and shortening the initial distance travelled before the tariff rate increased would be a fair and most appropriate method of increasing the fares. The representative from the meter companies confirmed that this was the approach taken by a number of other licensing authorities. Some representatives felt that an alternative approach of imposing an additional fixed fee to all fares, upfront, commonly referred to as a fuel surcharge, may lead to conflict with passengers.
- 2.24 Proposals were considered during the meeting and a schedule of acceptable fares was suggested by officers and agreed by the trade representatives as an appropriate level to provide adequate compensation for the significant fuel price increases, whilst also being relatively acceptable to travelling members of the public. The meter company representative confirmed that the proposal would be technically possible in terms of setting the meters.
- 2.25 It was proposed to increase the flag price (which is the minimum fare that will be charged for all hirings) on Tariff 1 from £3 to £3.50 and reduce the initial distance from 700 yards to 124 yards. In practice this would mean an increase of £1.10 for all

journeys over 700 yards. The usual standard used for the benchmarking of tariffs and applied nationally is a 2 mile journey on Tariff 1, which is considered to be the most common average journey. The national average cost for this journey, as calculated from the figures provided within the July edition of Private Hire and Taxi Monthly publication, is £6.20, however many councils have not reviewed their fares this year. Under the proposal, the cost for a 2 mile journey in the Buckinghamshire Council area would increase from £5.94 to £7.04, an increase of 18.5%. In terms of benchmarking, of the 93 Councils that have reviewed their maximum fares this year, the average 2 mile fare is now £6.90. The proposed increase is comparable to other local authority areas that have reviewed their fares this year. Benchmarking with other areas includes Wokingham, which is £8.20, Bracknell Forrester which is £7.80, Basingstoke which is £7.60, Slough which is £7.00 and Stevenage which is £7.00.

- 2.26 It is also proposed to slightly reduce the initial distance of Tariff 2 to ensure that this rate remains higher than Tariff 1. Likewise, it is proposed to make a small increase (£6 to £7) to the flag price of Tariff 3, which is only applicable On Christmas Day, Boxing Day and New Year's Day. This is to retain the current relationship between Tariff 1 and Tariff 3.
- 2.27 The proposed new maximum tariff of fares is shown as **Appendix 2**.
- 2.28 The proposals were presented to the Licensing Committee for consideration at its meeting of 15th June 2022 for review and feedback purposes. The Licensing Committee were invited to express their views for consideration by the Cabinet Member when making the final decision prior to consultation.
- 2.29 Comments were made by Members of the Licensing Committee that they wished to see some clarity on the size of the hackney carriage business. Concerns were raised that an increase in the fares could have a significant impact on the local economy in terms of a disproportionate level of spend on taxis journeys rather than on other areas of the economy. By way of response, Buckinghamshire licences 340 hackney carriage vehicles, each vehicle carries out approximately 11 journeys a day and, on this basis, the proposed increase of £1.10 per journey would represent an additional spend within the local economy on fares of £4,114 a day (or £1.5 million p.a.). This should be set within the context of the local Buckinghamshire economy which is £15.2 billion (source Buckinghamshire Council Corporate Plan 2022-23). The local hackney carriage trade forms only 16% of the total licensed vehicle fleet when compared to the licensed private hire trade (currently 1786 vehicles). Unlike for hackney carriage vehicles, the Council has no control over the level of fares charged to passengers by the private hire trade. It should also be noted that by the nature of their role, hackney carriage drivers spend most of their time within the Council's area, compared to the private hire trade where many of the drivers live and work in other areas. Consequently, it is a reasonable assumption that a significant

proportion of any increased spending on fares will find its way back into the local economy.

- 2.30 Clarity was sought from Members on what percentage of the proposed increase was apportioned to increases in fuel prices, cost of living increases and ongoing maintenance costs. This information is not readily available from objective sources. However following the Licensing Committee, the Licensing Service carried out a brief survey between 23rd and 29th June 2022 with the owners of licensed hackney carriages. A small number of responses were received to the survey, 15 in total, which provided the following information:

Average weekly mileage – 507

Average journey length – 6.5 miles

Average customer journeys per day – 11

Average weekly spend on fuel June 2021 - £115

Average weekly spend on fuel June 2022 - £186

Average increase in vehicle related expenses other than fuel – 18%

- 2.31 Reference was made by Members to hybrid/electrical vehicles which may disproportionately benefit from a fuel price related increase although it was noted that electrical charging costs had also increased. At the time of writing precise numbers of hybrid and electrical vehicles licensed as hackney carriages is not available, but the number at this time is extremely small.
- 2.32 Members queried how the specific figures underlying the proposed new tariffs had been arrived at. The figures had been arrived at by way of an approximation based on government statistics which showed an average increase in fuel costs of approximately 40% in the 12 months since the fares were originally calculated, a consensus of opinion from the trade representatives, advice from meter companies, and bench marking with other local authorities. A cost-of-living increase of 9% was also considered as a factor based on CPI information. Since the Licensing Committee meeting, more detailed analysis has taken place, incorporating the results of the most recent survey referenced at paragraph 2.29 above.
- 2.33 The results of the survey indicate that the hackney trade has seen an increase in fuel spend of 62%, and that they are now spending on average an additional £71 per week on fuel per hackney carriage vehicle. It is acknowledged that this figure is derived from a small sample and likely to be relatively subjective. Latest figures from the Department of Business, Energy & Industrial Strategy show that between June 2021 and June 2022, petrol has increased in price by 44% and diesel has increased in price by 46%. A sample of current licensed hackney carriages were considered by officers with the aim of obtaining an objective indication of average fuel

consumption. However, the Council licences a wide variety of makes and models of vehicles, with considerable variance in published fuel consumption rates, typically between 30 and 50 miles per gallon. Conversely, the survey results at paragraph 2.29 indicate that hackney carriages are achieving approximately 25 miles per gallon, based on reported fuel spend and published figures for average fuel prices. It should be noted that published fuel consumption rates are typically based on laboratory conditions and do not reflect the real-life working use of the vehicle, such as age and mechanical deterioration, additional loading with passengers and luggage and style of driving (short urban journeys versus long motorway journeys). Using the survey results and based on an average number of journeys of 11 per day (55 journeys per week), this information indicates that the hackney carriage trade are now spending an additional £1.29 per journey on fuel as a result of increases in fuel prices. Based on these calculations, the proposed increase of £1.10, would seem to be reasonable and justifiable.

- 2.34 Questions were asked by Members about the amounts charged by the private hire trade for comparative purposes. This information is not readily available as the Council has no legal powers to regulate the fares charged by the private hire trade, nor require this information to be provided.
- 2.35 Finally, Members asked whether the fares would reduce should there be a significant reduction in fuel prices. The Licensing Service is closely monitoring average fuel prices and should fuel prices start to fall significantly then Members will be asked once again to consider a modification to the tariff of fares. Hackney carriage tariffs are subject to annual review and whilst historically this would often reflect inflation rate changes alone, given the instability of global markets and the cost-of-living crisis more significant changes to tariffs (which could be a proposed increase or decrease) are likely to be required. The Licensing Service will need to consider this and the likely frequency of significant tariff changes when reviewing hackney carriage licence fees later this year, particularly given the costs associated with the decision process and advertisement, and the requirement to maintain a cost neutral service.
- 2.36 Licensing Committee members recognised that the decision on increasing hackney carriage tariffs was an executive function and asked that the Cabinet Member consider the matters raised by the Committee and the responses from the Licensing Service to these matters when recommending the final report for key decision.

3. Other options considered

- 3.1 Various options have been considered in producing amended increased tariffs, including the use of a fuel surcharge which could be applied to every journey. This option was not popular with the trade because it was considered that it would result

in potential conflict with customers and may disproportionately negatively impact customers who travel very short distances.

4. Legal and financial implications

4.1 Financial implications – apart from officer time taken to produce the draft tariffs, consult with the trade and prepare reports, the only financial implications relate to the statutory requirement to advertise the new fares in newspapers which cover the entire council area. This is likely to cost in the region of £3,000 and is covered from within the Service budget.

4.2 Legal implications – local authorities have the power under section 65 Local Government (Miscellaneous Provisions) Act 1976 to set maximum fares for hackney carriage vehicles. Unlike private hire vehicles, Hackney carriages can be hailed on the street or operate from ranks and there is no need for a pre-booking to be made or for a quote to be provided on request.

Drivers are not permitted to charge more than the metered fare, apart from in certain exceptional circumstances. The fixing of maximum fares is considered to be best practice and allows certainty and fairness for both driver and passengers and reduces the risk of disagreements. There is no similar power to set fares for private hire vehicles which must be pre-booked.

5. Corporate implications

5.1 By providing a safe, affordable and accessible transport option, the setting of maximum fares contributes towards the Council's key priorities in relation to both strengthening communities and protecting the vulnerable

- a) Property – there are no property impacts
- b) HR – there are no HR impacts
- c) Climate change- measures to encourage the use of low emission vehicles have been addressed in the new Hackney Carriage and Private Hire Policy. It is hoped that the removal of the hackney carriage zones will also result in a reduction of the number of wasted return taxi journeys.
- d) Sustainability - the provision of public transport reduces the need for car ownership. A policy that promotes fairly and consistently priced transport options is more likely to be desirable to passengers and further reduce the need for vehicle ownership.
- e) Equality – a full equalities impact assessment was carried out in relation to the new Hackney Carriage and Private Hire Licensing Policy which was provided to the Licensing (Regulatory) Committee in February 2021 for

consideration. It is not considered that any additional work is required in this respect regarding the approval of an amended set of taxi fares. Any fares set will treat all passengers and drivers fairly and equally.

- f) Data – there are no impacts on data protection
- g) Value for money – the proposed amended fares are set at a level to provide an affordable transport option and value for money for passengers whilst also ensuring that drivers receive an appropriate income which takes into account the increases of both the price of fuel and the cost of living generally.

6. Local councillors & community boards consultation & views

- 6.1 A report was presented to the Licensing Committee on the 15th June 2022 outlining the trade's request to review the current tariffs and requesting comments and feedback on the proposed amended tariffs. Committee Members comments have been reflected in this report.

7. Communication, engagement & further consultation

- 7.1 Informal pre-consultation with the taxi trade has taken place, including an online meeting with trade representatives to discuss the proposed amended tariffs. It was clear from the discussion that there is a consensus among the trade that a rise in fares is required to offset the negative impacts of recent increases in costs. There is also consensus on the manner in which any increases can be most fairly implemented.

8. Next steps and review

- 8.1 If approved, the proposed fares will be published in line with the statutory advertising requirements for the required 14-day consultation period.
- 8.2 Following the formal advertisement and consultation period, if there are no objections the proposed tariffs will become effective immediately following the statutory consultation period. Should objections be received, a further key decision report will be submitted, providing an update on the feedback received and requesting approval of the tariffs with any appropriate amendments.

9. Background papers

- 9.1 Department for Transport Best Practice Guidance (2010)
<https://www.gov.uk/government/publications/taxi-and-private-hire-vehicle-licensing-best-practice-guidance>

Competition and Markets Authority with reference to Office for Fair Trading Market Study in 2003

<https://www.gov.uk/government/publications/private-hire-and-hackney-carriage-licensing-open-letter-to-local-authorities/regulation-of-taxis-and-private-hire-vehicles-understanding-the-impact-on-competition>

Licensing Committee report, 15th June 2022

<https://buckinghamshire.moderngov.co.uk/ieListDocuments.aspx?CId=349&MId=17569>

Weekly road fuel prices, Department for Business, Energy & Industrial Strategy

<https://www.gov.uk/government/statistics/weekly-road-fuel-prices>

Buckinghamshire Council current maximum taxi passenger fares:

<https://www.buckinghamshire.gov.uk/parking-roads-and-transport/taxis-and-private-hire/taxi-passenger-fares/>

Appendix 2: National tariff league tables, Private Hire & Taxi Monthly

<https://www.phtm.co.uk/newspaper/taxi-fares-league-tables>

10. Your questions and views (for key decisions)

- 10.1 If you have any questions about the matters contained in this report please get in touch with the author of this report.

