



## Report to Licensing (Regulatory) Committee

<b>Date:</b>	7 <sup>th</sup> November 2023
<b>Title:</b>	Hackney Carriage Fare Review
<b>Cabinet Member(s):</b>	Cllr Mark Winn, Cabinet Member for Homelessness & Regulatory Services
<b>Authors:</b>	Simon Gallacher, Principal Licensing Officer
<b>Ward(s) affected:</b>	None specific

### Recommendation:

- 1. That the Committee, in advance of a Cabinet Member Key Decision, note and comment on the proposal to restructure and increase Hackney Carriage fares (tariffs) for the Buckinghamshire Council area in light of significant increases in costs and further to requests from the licensed hackney carriage trade.**
- 2. Background**
  - 2.1 Where tariffs are set by the local authority, drivers of hackney carriage vehicles (taxis) cannot charge more than the maximum specified fare apart from in certain exceptional circumstances, although they can charge less. Local authorities have no powers in relation to setting the fares charged for the use of private hire vehicles. Buckinghamshire Council currently licences approximately 340 hackney carriage vehicles and 2025 private hire vehicles.
  - 2.2 Section 65 of the Local Government (Miscellaneous Provisions) Act 1976 sets out the process and requirements for the fixing of fares for hackney carriage, which includes the requirement for advertising and a statutory 14 day consultation period.
  - 2.3 There is no prescribed methodology for calculating maximum fares and each local authority adopts its own approach to devising local rates. Common methods include a consideration of changes to inflation, associated vehicle running costs, comparisons with other licensing authorities and the views from the trade.
  - 2.4 Buckinghamshire Council first introduced a single set of hackney carriage tariffs in September 2021. It was intended that an annual review of fares would take place

each April, starting 2023, taking into account any rise in CPI figures along with local and national benchmarking. However, significant increases in fuel prices and other costs faced by the trade in 2021/22 led to this review being brought forward and a revised schedule of fares was introduced in August 2022.

- 2.5 The service has received a further request from the hackney trade representatives to review the fares once again. The licensing service has met with trade representatives on a number of occasions to discuss this request and representatives have produced a number of reasons and supporting information to justify the request for a review. The basis for the review is on two grounds, firstly in response to significant increases in costs impacting the trade and secondly because it has been identified that there are anomalies with the fare structure introduced last August 2022 that the trade would like to see rectified.
- 2.6 The licensing service has also conducted its own research, reviewing changes to CPI and other influencing factors such as fuel prices and motor insurance premiums. An analysis of fares charged nationally and locally in neighbouring local authority areas has been conducted. Of particular interest is the finding that nationally average hackney carriage fares have increased by 16% since fares were last reviewed by Buckinghamshire Council in August 2022.
- 2.7 Arising from the trade meetings, the hackney trade representatives have put forward a new fare structure that they would like Buckinghamshire Council to adopt. The new structure is simpler to understand and implement and provides greater clarity for the trade and customers, with a clear distinction between higher tariffs. The proposal includes an increase in the minimum fare to ensure drivers are appropriately recompensed for waiting times between fares and short journeys. The proposal also includes a request to increase fares across the board, to compensate for increased running maintenance costs and greater “dead” mileage as a result of working in a larger authority area. A significant increase is proposed to tariffs 2 and 3 to reflect the unsociable hours and encourage drivers to make themselves available at these times.
- 2.8 The new structure if approved will more readily lend itself to CPI increases as percentage increases can be simply applied to all tariffs proportionately.
- 2.9 The setting and approval of taxi tariffs is an executive, rather than a non-executive function. This report is provided to the Committee for information purposes and to update the Committee on the proposal to change the fare structure and increase the fares generally. The views of the Committee will be fed back to the Cabinet Member and Leader to be taken into consideration when making a final key decision.

### 3. **Main content of report**

- 3.1 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.
- 3.2 Once a tariff of fares has been set, the driver cannot charge more to the passenger than the charge shown on the meter apart from in certain exceptional circumstances, such as where a journey ends outside of the council area and a fee has been agreed in advance.
- 3.3 There are no prescribed methodology or national guidance for the setting of fares and each local authority uses different methods and information in order 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).
- 3.4 Fares should be simple to understand, not able to be bypassed and 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. With regard to the latter point, the main competition to the hackney trade is private hire vehicles and private hire operators are not obliged to publish their rate of fares. Accordingly, there is no means of comparison between the two styles of operation and the council is therefore reliant, to a large extent, on the hackney carriage trade itself to act as a barometer on appropriate fare levels. There is clearly no advantage to the hackney trade in proposing or supporting a schedule of fares that is either too low or too high and risks having a detrimental impact on the trades' earning potential. Despite this the licensing service also engages in research and a review of independent information to assist with decision making on appropriate fare levels.
- 3.5 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 good practice to set fares. It is worth noting that in the 20 years since that report was published, the availability of ride hailing apps through smart-phone technology is much more prevalent and does mean that passengers can more readily chose to order a private hire vehicle at relatively short notice as an alternate means of transport meaning that passengers are arguably not in such a weak position now. However, there are still those that either choose or need to use hackney carriage vehicles for various reasons and these passengers should be afforded some assurance that they are not going to be liable for unreasonably high fares.

- 3.6 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.
- 3.7 The DfT's revised draft Best Practice Guidance, the final version of which is still awaiting publication, states that "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 the ability to earn a sufficient income and so incentivise them to provide a service when it is needed".
- 3.8 It is important to make a distinction between the role of hackney carriage and private hire vehicles. Hackney carriages are generally considered to be part of the public transport system and are expected to be readily available for hire at key locations and are generally obliged to take passengers on demand, regardless of distance, for no more than the maximum rate of fares. This contrasts with private hire operations, where operators generally have discretion whether or not to accept bookings and negotiate the fare charged, providing that they do not act in a discriminatory way. It is therefore important that hackney carriage fares are set at a level which fully compensates the driver for their time, not only when carrying passengers, but also considers the time that a driver may spend waiting on a rank or travelling back to the rank after dropping a passenger off.
- 3.9 "Dead" mileage refers to the element of the journey a driver takes when they are not effectively charging customers. Generally hackney drivers are required to use their vehicle's meter, which is set no higher than the maximum tariff of fares, and can only be engaged once a passenger is onboard and must be stopped when the passenger reaches their destination. Drivers are usually not able to charge more than the amount recorded on the meter. To compensate for this, the legislation allows drivers to negotiate higher fares with the customer if, and only if, part of the journey involves travelling outside of their usual licensed authority area so the driver can add a surcharge to cover their return journey. As a consequence of unitary, and removal of the former district council areas, journeys have to be considerably longer before a driver finds themselves outside of Buckinghamshire Council's controlled area. This means drivers are less able to negotiate higher fares when carrying out longer journeys and thereby likely to be incurring increased dead mileage on return journeys. It was anticipated that with the removal of the former zone, drivers would have greater scope to collect new passengers on return journeys, however trade representatives have reported that in practice this very rarely happens.
- 3.10 Consideration should also be given to working during unsociable hours, such as bank holidays, late at night and early mornings, when fares should be at an appropriate level to incentivise drivers to make themselves available for hire.

3.11 Buckinghamshire Council introduced a single set of hackney carriage tariffs in September 2021. It was intended that an annual review of fares would take place each April, starting 2023, taking into account any rise in CPI figures along with local and national benchmarking. However, following significant increases in fuel prices in 2021/22 the review was brought forward, and a revised schedule of fares was introduced in August 2022. The current schedule of fares is shown as Appendix 1.

#### **Hackney Carriage Trade Proposal**

3.12 The licensing service have received a request from the hackney trade representatives to review the fares. The trade representatives have cited significant increases in the cost of living and operational running costs as the primary basis for the request. It has also been found that the new tariffs introduced in August 2022 contain an anomaly in the fare structure for tariff 2 journeys which had not been foreseen. For a journey of 1468 yards on tariff 1 the price is currently £4.90 but on tariff 2 (after 11pm) the price is less at £4.80. Tariff 2 more generally has been found to be too close to tariff 1, particularly for shorter journeys, and the trade feel there needs to be a significant difference between the two to ensure drivers working unsociable hours are adequately rewarded.

3.13 A number of meetings have taken place between trade representatives and the licensing service. The purpose of these meetings has been to explore the cost issues affecting the trade, reach consensus on an appropriate fare structure and for the trade representatives to produce a revised schedule of fares for consideration by the council.

3.14 The following information has been presented by the hackney carriage trade representatives as examples of areas where the trade have faced increasing costs:

- Motor insurance premiums have risen by as much as 48%.
- Service Parts on Mercedes have increased by 28%.
- Council Tax has increased by 5%.
- Significant increases in taxi licence fees in the last year. Hackney carriage annual vehicle fees increased by 60% and 3 year driver licence fees increased by 19%.
- Home Insurance has increased by 26%.
- Vehicle tyres have gone up by 18%.
- Road tax was increased in the Budget 2023. The standard rate increased by 9% and rate for alternate fuel vehicles increased by 10% (for vehicles registered since April 2017).
- Local garages have increased their hourly charges.
- Cost of living has gone up.

- Second hand car market has increased by 30% in the last 3 yrs.
- Drivers are having to work longer hours to make ends meet.
- Fuel prices have dropped, but everything else in terms of labour charges and parts for vehicle maintenance has increased. For example:
  - A vehicle service is £120 and was £70.
  - Linkage for wav vehicles was £20 and now £70.
  - Knox sensors were £196 and now £400.
  - Motor oil and tyre price increase.
- Charging for use of card payment was not considered in the previous fares. Many customers are now paying by card and the driver has to cover the cost of this.
- Fares need to take account of waiting time when the driver is not getting paid but making themselves available for hire on the rank. A driver may wait an hour for a job which may only be half a mile.
- Hackney carriage drivers provide a public service but do not receive any subsidies.
- Hackney carriages can only charge the maximum fare, unless the journey takes place or ends outside the district. Since unitary the council's area is much bigger which means drivers have less ability to agree higher fares.
- Low fares make it less attractive for new drivers to enter the trade.

3.15 On the basis of the information provided it is proposed that the fare structure be revised to a simpler increment rate of 1/10<sup>th</sup> of a mile or 176 yards for all tiers. It is further proposed that for all tiers the minimum charge is for a ½ mile journey to ensure drivers are adequately compensated for waiting time on the rank and that all three tiers of tariff remain in place subject to the following:

<b>Tariff Number</b>	<b>When tariff applies</b>	<b>Distance for minimum charge</b>	<b>% increase of Tariff 1</b>
<b>Tariff 1</b>	<b>Monday to Saturday 6am – 11pm</b>		<b>N/A</b>
<b>Tariff 2</b>	<ul style="list-style-type: none"> <li>• <b>Monday to Saturday 11pm – 6am</b></li> </ul>		<b>50%</b>

	<ul style="list-style-type: none"> <li>• <b>Sundays or Bank Holidays</b></li> <li>• <b>Christmas and New Years Eve 4pm to Midnight</b></li> <li>• <b>Tariff 1 journeys with 4 or more passengers</b></li> </ul>	<b>½ mile journey</b>	
<b>Tariff 3</b>	<ul style="list-style-type: none"> <li>• <b>Christmas, Boxing and New Years Day</b></li> <li>• <b>Tariff 2 journeys with 5 or more passengers</b></li> </ul>		<b>100%</b>

3.16 To ensure drivers are adequately compensated for the increased costs the following is proposed:

<b>Tariff number</b>	<b>Minimum fare</b>	<b>Increase for 1/10<sup>th</sup> of a mile</b>	<b>1 mile journey</b>	<b>2 mile journey</b>
<b>Tariff 1</b>	<b>£5.00</b>	<b>20p</b>	<b>£6.00</b>	<b>£8.00</b>
<b>Tariff 2</b>	<b>£7.50</b>	<b>30p</b>	<b>£9.00</b>	<b>£12.00</b>
<b>Tariff 3</b>	<b>£10.00</b>	<b>40p</b>	<b>£12.00</b>	<b>£16.00</b>

3.17 It is proposed that the current maximum soiling charge be increased from £50 to £100. Drivers may charge a customer soiling charge if the vehicle requires cleaning because of a passenger's conduct during the journey. The current maximum charge of £50 is not considered adequate to cover the cost of valeting the vehicle and time that the driver may be off the road while the vehicle is cleaned. The proposed £100 charge is a maximum and can be scaled accordingly.

3.18 The proposed new tariff of maximum fares is shown as Appendix 2.

#### **Licensing service observations**

3.19 There is no recognised methodology for calculating an appropriate level of maximum fares and this is reflected in the huge variance in fare structures adopted by councils across the country. Typical methods used involve making a comparison of fares charged in other areas and a consideration of recognised indicators of change of costs such as inflation, insurance premiums and vehicle maintenance costs.

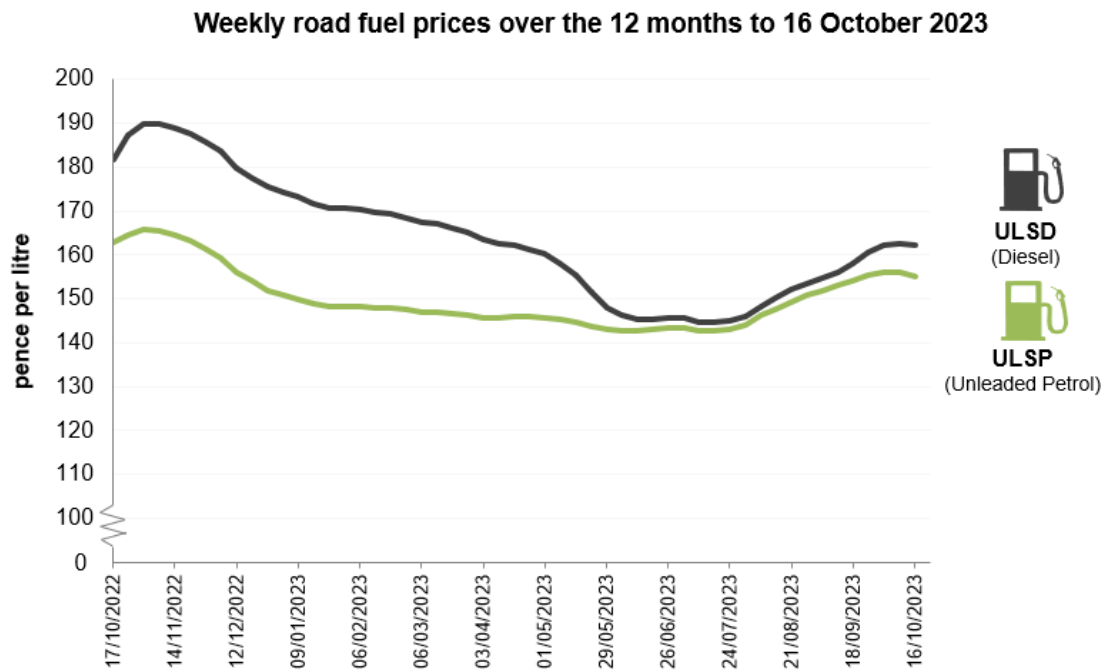
- 3.20 The Private Hire Trade Monthly publication publishes a table each month to show a comparison of hackney carriage fares across the country for a 2-mile journey. A 2-mile journey is used as a yard stick as this is reportedly the average length of a typical journey in a hackney carriage. Under the current fares on tariff 1, a 2-mile journey costs approximately £7.10 in Buckinghamshire Council's area. This equates to around 150<sup>th</sup> on the table of 340 areas, or top 44%. The proposed increase to £8 for a mile journey would place the council at around 50<sup>th</sup> on the list, or in the top 15%. The council does not record driver income information however national data shows that the average income in 2022 for Buckinghamshire Council's residents was £727.88 per week. According to ONS (Office of National Statistics) this equates to the 49 highest out of 340 for weekly earnings by council area across England, this position would equate very closely to the latest national rankings for fares if the proposed 2-mile fare of £8 were introduced.
- 3.21 The increase from £7.10 to £8.00 for a 2-mile journey represents a 12% increase. According to PHTM figures, since the £7.10 fare was proposed in Buckinghamshire in June 2022, the average national fare has increased by 16%, rising from £6.20 in June 2022 to £7.18 in October 2023. Accordingly, the proposed increase to tariff 1 for a 2-mile journey would be less than the national trend seen since the summer of 2022.
- 3.22 Comparison with neighbouring boroughs is complex as no two authorities use the same method for calculating the fare due. A simplified table has been produced for comparative purposes for 9 of the neighbouring authorities. The table is shown as Appendix 3. Comparisons are shown of approximate fares for half mile, 1 mile, 2 mile, 5 mile and 10 mile journeys for each authority on tariffs 1, 2 and 3 (there is some variance of criteria between authorities in determining which tariff applies). It is important to emphasise that none of the other authorities appear to have adopted new fares since at least 2022.
- 3.23 For tariff 1 journeys the average fare is lower for ½ mile, 1 mile and 2 mile journeys compared to the proposed fares but is higher for 5 and 10 mile journeys. Were the neighbouring boroughs to apply an increase of 16% which has been seen nationally over the last year then the average fares for all journeys beyond a mile would be more expensive than the proposed fares.
- 3.24 For tariff 2 and tariff 3 journeys the local fare average is considerably lower for journeys up to 5 miles than the proposed fares, with gap narrowing the further the distance travelled. It is noted that when fares were approved last year, the tariff 2 fares for Buckinghamshire Council were kept at near the same level as those adopted in September 2021, increasing by only 30 pence per journey, and tariff 3 was not changed at all.
- 3.25 The nearest local authority, other than TfL, which has introduced new fares this year appears to be West Berkshire. West Berkshire introduced a new schedule of fares in



June 2023 and these fares are very similar to proposal under consideration up to 2 miles and then increase considerable for longer journeys. The comparison is reproduced below:

		<b>0.5 mile</b>	<b>1 mile</b>	<b>2 miles</b>	<b>5 miles</b>	<b>10 miles</b>
<b>T1</b>	<b>West Berks</b>	<b>£5</b>	<b>£5.80</b>	<b>£8.58</b>	<b>£17.24</b>	<b>£31.92</b>
	<b>BC Proposal</b>	<b>£5</b>	<b>£6</b>	<b>£8</b>	<b>£14</b>	<b>£24</b>
<b>T2</b>	<b>West Berks</b>	<b>£7.50</b>	<b>£8.70</b>	<b>£12.90</b>	<b>£25.90</b>	<b>£47.90</b>
	<b>BC Proposal</b>	<b>£7.50</b>	<b>£9</b>	<b>£12</b>	<b>£21</b>	<b>£36</b>
<b>T3</b>	<b>West Berks</b>	<b>£10</b>	<b>£11.60</b>	<b>£17.20</b>	<b>£34.50</b>	<b>£63.80</b>
	<b>BC Proposal</b>	<b>£10</b>	<b>£12</b>	<b>£16</b>	<b>£28</b>	<b>£48</b>

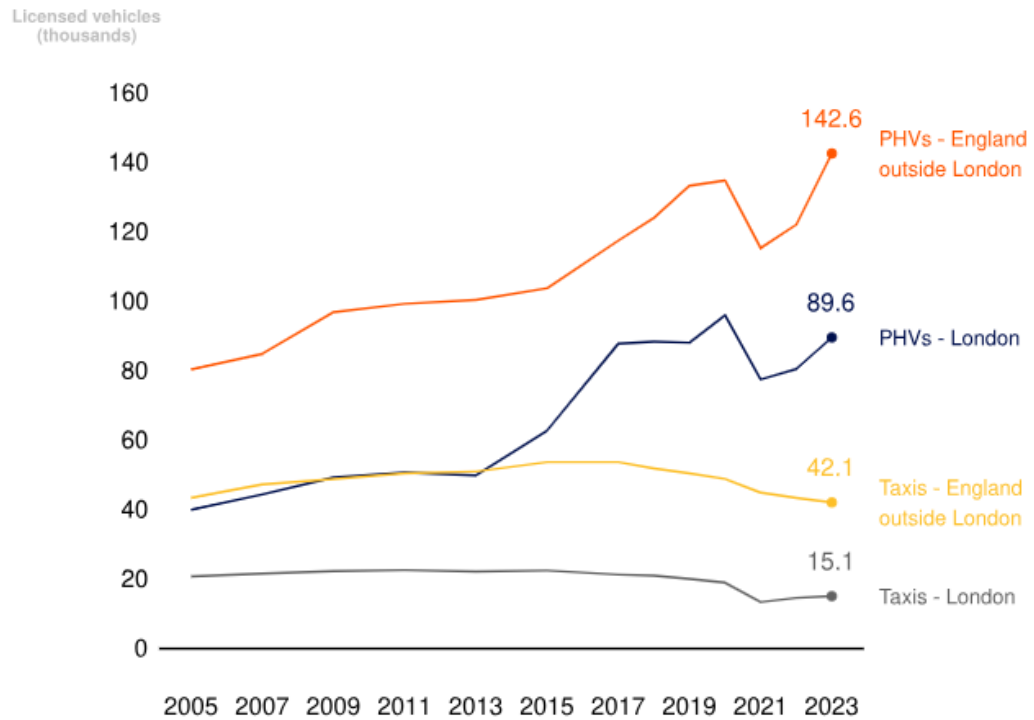
3.26 The licensing service has continued to monitor fuel cost changes as this was one of the main considerations driving the last fare review. It was hoped that if a significant fall in fuel prices occurred a further review of fares could take place with a view to reducing fares. Fuel prices have decreased since the current tariff of fares was introduced in August 2022. Between 18th August 2022 and 16th October 2023 petrol prices have on average decreased by 11% and average diesel prices have decreased by 22.9%. However, whilst overall fuel costs for petrol and diesel have fallen over the last 12 months, prices have fluctuated and the position on fuel prices remains unclear going forward. As an indication, the table shows fluctuations in weekly average diesel and petrol prices over the last 12 months.



Source: [www.gov.uk/government/statistics/weekly-road-fuel-prices](https://www.gov.uk/government/statistics/weekly-road-fuel-prices)

- 3.27 In terms of inflationary influence over the intervening period, high inflation has resulted in considerable price increases. Latest figures published by the Office for National Statistics (18<sup>th</sup> October 2023) show that prices have risen just over 10% between June 2022, when the current fare tariff was drawn up, and September 2023.
- 3.28 In terms of motor insurance, according to ABI (Association of British Insurers) the average motor insurance premium has risen by 21% between mid 2022 and mid 2023.
- 3.29 Nationally the number of licensed hackney carriage vehicles has been declining year on year since 2017, conversely the number of licensed private hire vehicles continues to rise (save during the covid-19 lockdown period), as shown in the table below provide by the Department for Transport (Taxi and private hire vehicle statistics, England: 2023). This provides a clear indication that drivers are preferring to enter the private hire trade rather than the hackney carriage trade. Within Buckinghamshire Council’s area the number of licensed hackney carriages has remained fairly static, there were 334 on 1<sup>st</sup> April 2022 and 335 on 1<sup>st</sup> April 2022, whereas the number of licensed private hire vehicles has increased from 1724 to 1854 over the same period, which appears to reflect the national picture. Whilst there is no conclusive evidence, one possible reason for the clear preference by drivers for the private hire trade is profitability.

**Chart 3: Licensed vehicles by type and area: England, since 2005 - [TAXI0101](#)**



3.30 Any tariff used must be able to be programmed into hackney carriage vehicle meters and so the setting of tariffs is usually carried out in conjunction with representatives of the companies who produce, programme and update meters. The two local companies responsible for setting hackney carriage meters have confirmed that the proposed fares are workable.

#### 4. **Next steps and review**

4.1 Once finalised, the proposed new tariffs will be advertised locally, as required by the relevant legislation and on Buckinghamshire Council's website.

4.2 Following the statutory 14-day consultation period, a key decision report will be submitted to the Cabinet Member which will include the views of this committee and any consultation responses. A decision on this issue is currently scheduled on the forward plan to be made on or after the 15<sup>th</sup> November 2023.

4.3 If approved, the amended tariffs would be implemented as soon as possible following the decision, depending upon the availability of the meter companies to reprogramme taximeters.

## 5. **Financial implications**

5.1 This paper covers the financial implications from the proposals. These implications impact Hackney Carriage providers only and not Buckinghamshire Council. There are therefore no financial implications on the council's budgets or MTFP.

