

**TRANSPORT FOR LONDON**

**BOARD**

**SUBJECT: TAXI AND PRIVATE HIRE LICENCE FEES**

**DATE: 3 FEBRUARY 2010**

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**1 PURPOSE AND DECISIONS REQUIRED**

- 1.1 The purpose of this paper is to seek Board approval to proposal changes to taxi and private hire licensing fees.
- 1.2 This paper was considered at the Finance and Policy Committee meeting on 21 January 2010.

**2 BACKGROUND**

- 2.1 The Metropolitan Public Carriage Act 1869 allows the licensing authority (TfL) to charge a fee for taxi driver licence and taxi licence applications, related licensing tests and re-tests, as well as for the grant of taxi driver and taxi licences. TfL may also charge fees under other legislation for certain taxi licensing activities, such as replacement of taxi driver badges.
- 2.2 Changes to the abovementioned taxi licensing fees do not require regulations. Pursuant to TfL Standing Order 2, such changes may be given effect by administrative decisions made by the Managing Director Surface Transport.
- 2.3 Private hire operator, driver and vehicle licensing fees are set by regulations made by TfL pursuant to the Private Hire Vehicles (London) Act 1998. Any changes to these fees must be made by amending regulations. The making of such regulations is a matter reserved to the Board under TfL Standing Order 2.
- 2.4 All taxi and private hire licensing fees are reviewed annually. This process reflects the basic legal principle that the costs of providing the licensing service and operation are recoverable through the fees payable by licensees and licence applicants and that these fees should be kept under review.
- 2.5 In April 2009, the taxi licence fee and the private hire vehicle licence fee were increased but all other licensing fees remained unchanged for 2009/10.

**3 REVIEW OF LICENSING FEES**

- 3.1 A review of licensing fees for 2010/11, based on Quarter 2 forecasts for the 2009/10 outturn, has been undertaken, taking into account the taxi and private hire business plan over the five years until 2014/15 (to accommodate the standard five year private hire operator's licence).

- 3.2 As a result of the review, the following changes to fees and charges would ordinarily be proposed to take effect from 1 April 2010:
- (a) An increase of £8 (4 per cent) to the taxi driver three year licence fee from £199 to £207;
  - (b) An increase of £1 (0.9 per cent) to the taxi licence application and inspection fee from £111 to £112;
  - (c) An increase of £1 (1.9 per cent) to the taxi annual licence fee from £53 to £54;
  - (d) An increase of £2 (2.3 per cent) to the private hire vehicle licence application and inspection fee from £87 to £89;
  - (e) An increase of £27 (3.8 per cent) to the private hire operator licence application fee from £703 to £730; and
  - (f) An increase of £87 (5.1 per cent) to the private hire (standard) operator five-year licence fee from £1,707 to £1,794.
- 3.3 All other licensing fees would have remained unchanged as costs are calculated specific to each licensing activity. The above fee adjustments would ensure that taxi and private hire licensing costs continue to be met from fee income by raising an estimated additional £261,000 for 2010/11 budget purposes. This would represent an overall 1.4 per cent increase on 2009/10 operating licensing expenditure and reflect increased costs incurred by salary increases and inflationary increases in other operating costs such as stationery and printing.

## **4 PROPOSALS**

- 4.1 Following a review of the initial fee increase proposals described in paragraph 3.2 above, it is now proposed that TfL does not introduce these changes for 2010/11. Instead, it is proposed that TfL freezes all taxi and private hire licensing fees at 2009/10 levels for 2010/11 with the exceptions outlined below.
- 4.2 The Taxi and Private Hire Directorate can continue to operate below its approved headcount and has the capability to improve the quality of the services it provides over the coming year whilst realising efficiency savings of £261,000 that negate the need to increase fees, subject to the exceptions below. It is expected that such savings will be achieved through reviewing existing business policies and processes, identifying and reducing waste and ceasing non-business critical activities.

### **Taxi Driver Suburban 'Knowledge' Appearance Fee**

- 4.3 It is proposed to increase the one-off Knowledge 'appearance' fee for Suburban (Yellow badge) taxi driver applicants from £150 to £200 to bring it in line with the 'appearance' fee for All-London (Green badge) taxi driver applicants. This better reflects the real cost of administering the Knowledge examination arrangements as the number of suburban sector applicants on appearances has been steadily increasing over the past three years and there is no significant cost difference between the Suburban (Yellow badge) and All-London (Green badge). There is no reason to suppose that the proposed

increase in the fee is likely to deter applicants wishing to study the Knowledge as suburban sector candidates.

### **Taxi Inspections Re-test Fee**

- 4.4 The first time pass rate for taxi inspections has remained stubbornly low at or below 50 per cent for a number of years despite a number of measures designed to improve the situation. Currently most vehicles require one or more re-tests before passing the inspection.
- 4.5 It is proposed to reduce the existing taxi licence application and inspection fee by £10 from £111 to £101 for all taxi licence applicants, whilst introducing a new fee of £50 payable in respect of each re-test.
- 4.6 Re-tests can occur when a vehicle fails any type of licensing inspection including its annual inspection, on-street inspections or any other inspection that may be required by TfL from time to time. The proposed fee of £50 per re-test is modelled on the estimated cost to TfL of undertaking this licensing activity.
- 4.7 The key purpose of this proposal is to improve the overall mechanical condition of the taxi fleet, and thereby reduce pollution, by improving the first time pass rate for taxi inspections, and to better reflect the principle of licence holders and applicants alike paying for the costs of the licensing resources they use.
- 4.8 The first time failure rate results in approximately 11,000 re-tests per annum which presents a considerable cost in terms of time and resources that is passed on to all taxi owners through licensing fee increases, including those owners whose vehicles regularly pass first time.
- 4.9 It is felt essential that as many measures as possible are introduced to encourage owners to maintain their vehicles properly at all times. It is also important to discourage the less diligent and conscientious owners and garage proprietors from utilising TfL's licensing and inspection resources by using the first inspection to obtain a 'work sheet' so that only the bare minimum of repair and maintenance work is undertaken in order to pass the re-test and obtain a licence.
- 4.10 While TfL does not currently charge for vehicle re-tests, it has the power to impose a fee for the re-taking of a test with respect to any matter of fitness, which would include the mechanical condition of the vehicle, on making the application to re-take the test.
- 4.11 There is no proposal to introduce a similar measure for private hire vehicle licensing inspections. The licensing inspection does not include a mechanical inspection because vehicles are instead required to undergo two MoT tests each year. The first time pass rate for the private hire vehicle licensing inspections is approximately 76 per cent with the majority of vehicles failing because the vehicle certification is missing or incorrect rather than for mechanical reasons.

### **Taxi driver badges**

- 4.12 Section 19 of the London Hackney Carriages Act 1843 previously allowed taxi drivers to obtain a replacement 'metal ticket' (i.e. a badge) at such sum not exceeding 15 pence as TfL shall from time to time appoint. The Transport for London Act 2008 amended this provision by changing the price payable by taxi

drivers for a replacement badge to a sum that TfL considers reasonable, thereby removing the 15 pence maximum.

- 4.13 The current cost to TfL of the production of a badge and the administration involved is approximately £15 with an estimated 300 replacement badges issued each year. It is proposed to recover the full cost of this licensing activity by charging £15 for a replacement badge with effect from 1 April 2010.

#### **Private hire operator variation to licence**

- 4.14 Under section 20 of the Private Hire Vehicles (London) Act 1998, TfL may prescribe, by regulations, fees to be payable by a private hire operator who applies for a variation of his licence to add a reference to a new operating centre or remove an existing reference to an operating centre.
- 4.15 The current £25 application fee for such variations is prescribed in regulation 4(b) of the Private Hire Vehicles (London) (Operators' Licences) Regulations 2000. This fee has not changed since operator licensing began in January 2001.
- 4.16 An application to remove one or more operating centres is an administrative exercise and does not require a visit to the operating centre(s). To reflect the increased costs of administration since 2001 it is proposed to increase the fee payable for an application to remove an operating centre from £25 to £50 per operating centre.
- 4.17 However, an application to add one or more operating centres requires a visit to the new centre(s) and this has a significant impact on costs. To reflect these costs, it is proposed to increase the fee payable for such applications from £25 to £200 per operating centre.
- 4.18 An amendment to the Private Hire Vehicles (London) (Operators' Licences) Regulations 2000 is required in order to give effect to the increases proposed in paragraphs 4.16 and 4.17. The making of amending regulations is a matter reserved to the TfL Board under paragraph 4.2(k)(ii) of TfL Standing Order 2.
- 4.19 It is estimated that there will be approximately 50 variation applications per annum at a fee of £50 and approximately 190 variation applications per annum at a fee of £200, with a combined total income of approximately £40,000.

### **5 CRIME AND DISORDER**

- 5.1 There are no known impacts of the proposals set out in this paper.

### **6 RISK MANAGEMENT**

- 6.1 No material risks have been identified as a result of the proposals set out in this paper.

### **7 SUSTAINABILITY**

- 7.1 It is not considered that there will be any adverse consequences arising from the proposals contained in this paper. The proposal to charge a fee for taxi re-tests is expected to improve overall maintenance standards and thereby reduce emissions from taxis.

## **8 EQUALITY AND INCLUSION**

- 8.1 No implications for equality and inclusion have been identified in respect of the proposals regarding licence fees.

## **9 FINANCIAL**

- 9.1 The proposed adjustments to licence fees, and the savings derived from efficiencies, should ensure that taxi and private hire licensing costs are met from fee income, as allowed by relevant legislation, without incurring a net cost to TfL.

## **10 RECOMMENDATIONS**

- 10.1 The Board is recommended to APPROVE the making of an amendment to the Private Hire Vehicles (London) (Operators' Licences) Regulations 2000 to:
- (a) Freeze most taxi and private hire licensing fees for 2010/11 and recover the estimated shortfall of £261,000 through efficiency measures;
  - (b) Increase the one-off Knowledge appearance fee for Suburban (Yellow badge) taxi driver applicants from £150 to £200 with effect from 1 April 2010;
  - (c) Reduce the taxi licence application and inspection fee by £10 from 1 April 2010;
  - (d) Introduce a fee of £50 for each re-test of a taxi that fails any type of licensing inspection, including on-street inspections, from 1 April 2010;
  - (e) Increase the fee for a replacement taxi driver badge from 15 pence to £15 from 1 April 2010;
  - (f) Increase the fee payable on the application for a variation of a private hire vehicle operator's licence to remove an existing reference to one or more operating centres from £25 to £50 per operating centre from 1 April 2010; and
  - (g) Increase the fee payable in respect of an application for a variation of a private hire vehicle operator's licence to add a reference to one or more operating centres from £25 to £200 per operating centre from 1 April 2010.

## **11 CONTACT**

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