

TRANSPORT FOR LONDON

BOARD

SUBJECT: TAXI FARES AND REGULATIONS

DATE: 2 FEBRUARY 2011

1 PURPOSE AND DECISION REQUIRED

- 1.1 The purpose of this paper is to ask the Board to approve the proposed changes to taxi fares and related regulations.
- 1.2 The Finance and Policy Committee considered a similar paper at its meeting on 20 January 2011 and endorsed the recommendations.

2 BACKGROUND

Taxi fares

- 2.1 The Metropolitan Public Carriage Act 1869 and the London Cab and Stage Carriage Act 1907 allow TfL to make regulations setting taxi fares. TfL may prescribe fares based on time or distance or both and may prescribe different fares for different circumstances.
- 2.2 The London Cab Order 1934 ('the Cab Order') specifies the fares regime that covers most taxi journeys in London. The Cab Order provides that taxi meters must be fitted to cabs to calculate the fare, sets out the fare structure and provides the maximum fare payable. Drivers can charge lower fares if they wish.
- 2.3 Taxi fares are normally revised each April based on changes to a cost index in use since 1981. The index, agreed with the taxi trade, combines changes in operating costs with national earnings to produce a change in average fares aimed at maintaining drivers' earnings net of operating costs. Details of the current cost index are given in Appendix 1. The cost index has worked satisfactorily since 1981 to ensure that the fares paid by taxi passengers reflect the costs of the taxi service. Taxi fares are normally changed on the first Saturday of April.
- 2.4 In February 2010, the Board approved an increase in fares of 2.3 per cent, made up of a 1.9 per cent increase to reflect the cost index and a one year adjustment of 0.4 per cent to compensate drivers for an error made in implementing the 2007 tariff revision.

Fixed fare sharing schemes

- 2.5 The Transport Act 1985 allows TfL to set the fares for taxi sharing schemes, either in relation to the metered fare or on a fixed fare basis. In 2005, TfL made the London Taxi Sharing Scheme Order 2005, which established a fixed fare sharing scheme at Paddington station. This scheme was subsequently revised to

cover other areas.

Standing Orders

- 2.6 Under TfL's Standing Orders, any proposal to make, amend or revoke a Cab Order which prescribes fares for taxis must be approved by the Board. Powers to make, amend or revoke other Cab Orders are delegated to the Commissioner or other officers.

Consultation

- 2.7 Taxi trade organisations, together with representatives of taxi customers (including London TravelWatch and the London Chamber of Commerce and Industry) were asked by TfL to provide comments on the following proposals through a formal consultation that was launched on 8 November 2010 and closed on 20 December 2010.

3 INCREASE TO TAXI FARES

- 3.1 The taxi cost index was published to consultees on 14 December 2010 and shows an increase in costs of 2.5 per cent. The changes in the cost index elements are set out in the table in Appendix 1. After removal of the 0.4 per cent adjustment applied in 2010 for one year only, this corresponds to an increase in average fares of 2.1 per cent.
- 3.2 At the meeting of the Finance and Policy Committee held on 20 January 2011, it was highlighted that the main taxi driver associations had raised a number of issues regarding the fare revision, in particular the estimated cost used for particular second hand taxis. It was agreed that TfL should continue to discuss the issues raised with the driver associations in an attempt to resolve any outstanding concerns. As a result of this dialogue it was broadly agreed that there had been significant fluctuation in the prices of particular second hand taxis during 2010 and that a fairer reflection of overall taxi costs would be obtained by using a higher price for these taxis than used in the original calculation. The effect of this would be a further increase of 0.6 per cent on the cost index and therefore an overall fare increase of 2.7 per cent.
- 3.3 Therefore, the Board is asked to approve an increase of 2.1 per cent for taxi fares or 2.7 per cent should they agree that the higher estimated cost for second hand taxis should be taken into account. The table attached in Appendix 2 shows the current and revised average fares for each tariff.
- 3.4 For comparison, the latest available Retail Price Index inflation figure is 4.7 per cent and the Consumer Price Index increase is 3.3 per cent (both November 2010).
- 3.5 No change is proposed to the £2.20 'flag fall' or to the differentials between day, evening and night fares. The distance and times allowed for each 20 pence increment in the fare will be reduced so that the average fare in each of the three charging periods will increase by the proposed 2.1 per cent.
- 3.6 There is broad support from the taxi trade and London TravelWatch for this proposal. However, London TravelWatch expressed concern about the lack of transparency in the way taxi fares are increased, with the 20 pence unit price unchanged and the distance or time corresponding to each unit decreased.

London TravelWatch has therefore recommended that more publicity should take place at the time of the increase in fares.

4 EXTENSION OF THE FUEL SURCHARGE

- 4.1 Since July 2008, special provisions have been in place to allow a fuel surcharge to be added to taxi fares if London average diesel costs reached a certain threshold. This provision is already in place to provide immediate compensation to taxi drivers for significant mid-year rises in fuel costs and was renewed by the Board in February 2010. TfL consulted on the proposal that, if London retail diesel fuel prices (as measured by the Arval index) reached an appropriate threshold between 2 April 2011 and 1 January 2012, taxi drivers would be authorised to include an additional 40 pence to the fare.
- 4.2 In response to the consultation, there was general support for this principle from the taxi trade. London TravelWatch does not believe it is in the passenger interest to see an in year fare rise associated with fluctuating fuel prices, but removing this provision could mean taxi drivers facing financial difficulty if fuel prices increase significantly during the year.
- 4.3 The main drivers' associations felt that the threshold should be reduced to correspond to an extra of 20 pence rather than the proposed 40 pence. This would result in the threshold being met with a rise in fuel prices corresponding to less than two per cent of overall taxi costs. However, it is considered that this provision should only be implemented for a significant increase and it is proposed that the 40 pence increment be retained as this provides an appropriate degree of stability for customers while compensating drivers if fuel costs increase significantly.
- 4.4 The graph in Appendix 3 shows fuel price changes over recent years.
- 4.5 The Board is asked to approve an extra 40 pence to be charged if London retail diesel fuel prices (as measured by the Arval index) reach the threshold level of 160.0 pence per litre (or 159.7 pence if the overall fare increase is 2.7 per cent) between 2 April 2011 and 1 January 2012. This is equivalent to the arrangement that was approved by the Board in 2010. If the threshold diesel price is reached, appropriate publicity measures would be taken.
- 4.6 Once in place, the extra fuel charge would remain in force until 14 April 2012 (the annual tariff revision) even if fuel prices subsequently fell. If the fuel price did not reach the threshold level by 1 January 2012, the extra fuel charge would not be implemented as it would be too close to the annual tariff revision. If the extra fuel charge is authorised, this will be taken into account in assessing the annual tariff revision in April 2012.

5 FIXED FARE SHARING ARRANGEMENTS

- 5.1 A number of fixed fare taxi sharing arrangements operate in London where marshalling arrangements are in place. The fixed fares have been set to give a balance in the benefit from the sharing scheme, with the driver receiving more than the metered fare and each passenger paying less than they would pay for an exclusive journey. Passengers also benefit from reduced waiting time for taxis and there is a general community benefit from more efficient utilisation of taxis reducing congestion, noise and emissions.

5.2 One such arrangement applies to journeys from Buckingham Palace Garden parties to seven destinations in central London. As a result of representations made by trade representatives, it is proposed to make the following increases to the fares for shared journeys from the Palace to three destinations as follows:

- (a) to the Waterloo area from £3.50 to £4.00 per person;
- (b) to the WC1 area from £5.00 to £6.00 per person; and
- (c) to the City area from £5.00 to £5.50 per person.

Currently, there are three different tariffs of fares which can be applied depending on the time of day or day of the week on which the journey takes place. However, it is proposed that the increased fares set out above will apply for each tariff. The fares from the Palace to other destinations remain unchanged. There was no opposition to this proposal in the consultation responses.

5.3 The Board is asked to approve these changes to the fixed fare taxi sharing arrangements.

6 CRIME AND DISORDER

6.1 Keeping the differentials between day, evening and night fares as proposed will help maintain the supply of licensed taxis at night, to support their role as a safe all-night service.

6.2 No other significant implications for crime and disorder have been identified.

7 EQUALITY AND INCLUSION

7.1 Taxis are heavily used by disabled and elderly visitors and Londoners, including Taxicard users, and these groups will be affected by the fare increases.

8 FINANCIAL

8.1 TfL makes a substantial contribution of approximately two thirds of the cost to the Taxicard scheme. In 2011/12, this contribution is set to increase by 2.7 per cent over the 2010/11 level. A 2.1 per cent increase in taxi fares is below TfL's contribution of 2.7 per cent and will therefore benefit the funding of taxi card. London Councils manages the Taxicard contract and coordinates membership and usage of the scheme for the participating London boroughs and are fully aware of TfL's budgeted provision for the year.

9 RECOMMENDATIONS

9.1 The Board is asked to NOTE the paper and:

- (a) APPROVE an increase of 2.1 or 2.7 per cent for taxi fares and the making of a London Cab Order to implement the new fares, with effect from Saturday 2 April 2011, to be signed by the Commissioner (or in his absence the Managing Director, Surface Transport);

- (b) APPROVE the increase to shared fixed fares from Buckingham Palace and the making of a London Taxi Sharing Scheme Order to implement the new fares, with effect from Saturday 2 April 2011, to be signed by the Commissioner (or in his absence the Managing Director, Surface Transport);
- (c) AUTHORISE a 40 pence additional charge to be implemented only if London retail diesel prices (as measured by the Arval index) reach the threshold level of 160.0 (or 159.7) pence per litre between 2 April 2011 and 1 January 2012 and if implemented would not extend beyond 14 April 2012; and
- (d) DELEGATE to the Commissioner (or in his absence the Managing Director, Surface Transport) the making and signing of a London Cab Order to implement the additional charge recommended in paragraph 9.1(c) above.

10 CONTACT

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LICENSED TAXI COST INDEX CHANGES FOR APRIL 2011

Index Component ¹	Cost Increase	Weight ²	Contribution to Total ³
		<i>Last Year</i>	
Vehicle Cost	-5.0%	8.6%	-0.4%
Parts	1.1%	4.1%	0.0%
Tyres	0.1%	0.6%	0.1%
Garage and servicing – premises	-0.8%	0.6%	0.0%
Garage and Servicing – labour	2.1%	2.0%	0.0%
Fuel	12.0%	10.2%	1.2%
Insurance	5.3%	4.0%	0.2%
Miscellaneous	0.8%	1.1%	0.0%
The Knowledge	2.0%	5.5%	0.1%
Social Costs	2.0%	2.8%	0.1%
Total Operating Costs	3.4%	39.4%	1.3%
Average national earnings	2.0%	60.6%	1.2%
Grand Total		100%	2.5%

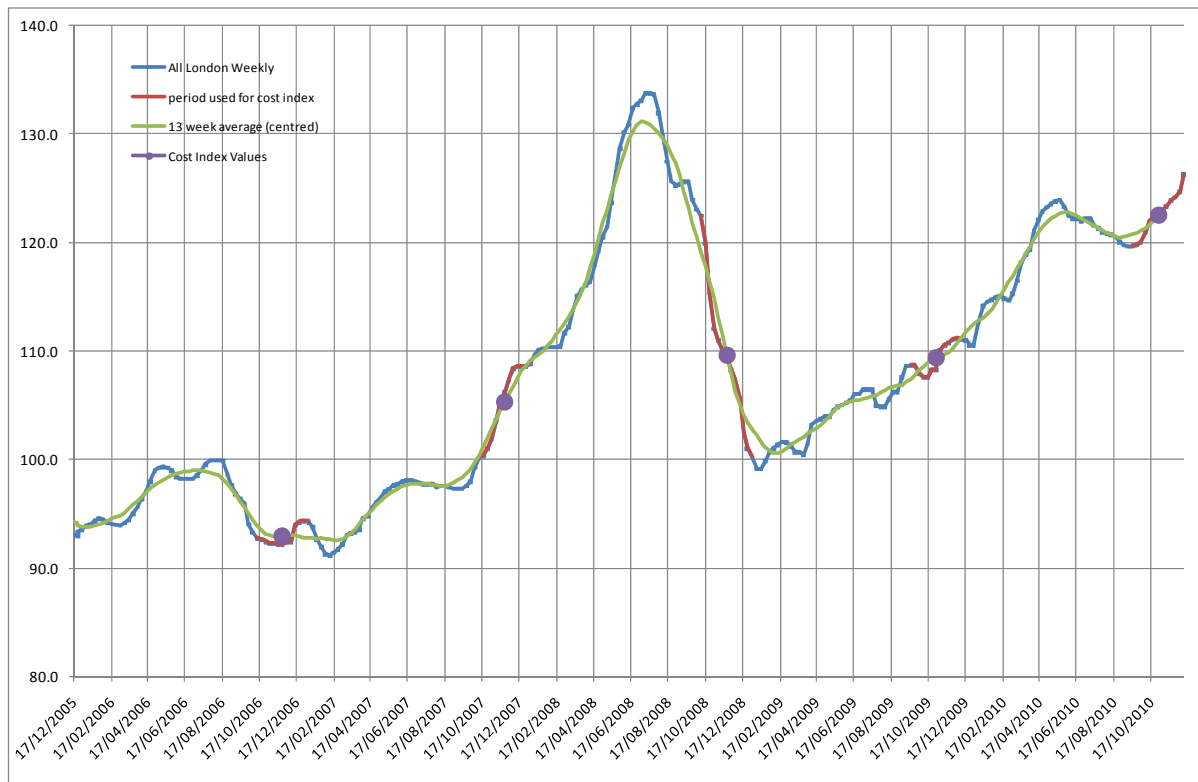
Notes

- 1 The index components are as normally used in the cost formula. Further details are available on request.
- 2 'Weight' is the proportion that the component contributes to the total cost per mile.
- 3 'Contribution to total' indicates the importance of each component's cost change in determining the overall cost change. It is calculated for each component as the product of its percentage cost increase and its weight. The Grand Total is the sum of the individual components' contributions.

**TARIFF CHANGES – 2.1 PER CENT AVERAGE FARE INCREASE
(TAKING ACCOUNT OF 0.4 PER CENT ONE-YEAR CORRECTION APPLIED
2010-2011)**

	Current average (£)	New average (£)	Increase (£)	Increase (%)
Tariff 1	£10.39	£10.61	£0.22	2.1%
Tariff 2	£12.05	£12.30	£0.25	2.1%
Tariff 3	£14.15	£14.45	£0.30	2.1%
All Week	£11.48	£11.72	£0.24	2.1%

FUEL PRICES FOR 2011 COST INDEX



For the cost index fuel calculations this year the averages over the 13 week periods from 12 September 2009 to 11 December 2009 and 11 September 2010 to 10 December 2010 were used. These yielded average figures of 109.38 pence per litre in 2009 and 122.56 pence per litre in 2010, giving an increase of 12.0 per cent. The underlying data are the Arval all London average fuel prices.