

Board

Date: 5 November 2014

Item 7: Taxi Licence Fees and Taxi Fares Update

This paper will be considered in public.

1 Summary

- 1.1 The purpose of this paper is to ask the Board to note the change to the taxi vehicle licence fee to include a higher licence fee for taxis fitted with a digital taxi top advertising unit. It is proposed that this change comes into effect from 1 December 2014. All other licence fee proposals will be reviewed during the annual licence fee review later this year.
- 1.2 The paper also asks the Board to consider whether to change the date when taxi fares and tariffs are updated from April to January, so it is aligned with changes to other fares, to be effective from January 2016.
- 1.3 At its meeting on 14 October 2014, the Finance and Policy Committee noted the proposals relating to Licence Fee for Taxis Fitted with Digital Taxi Top Advertising and endorsed the recommendations to the Board.

2 Recommendations

2.1 The Board is asked to:

- (a) **note the paper and the proposed change to the taxi vehicle licence fee for those taxis fitted with a digital taxi top advertising unit; and**
- (b) **consider whether or not to change the date when taxi fares and tariffs are updated from April to January and for this to be effective from January 2016.**

3 Background

- 3.1 TfL has been considering illuminated digital advertising technology intended for installation on the roof of London taxis ('taxi top advertising'). Extensive development work and initial road trials have been carried out with several of the roof top technologies and TfL is now satisfied that, subject to compliance with certain requirements, this type of equipment can be fitted to licensed London taxis.
- 3.2 It has been determined that TfL will allow up to 1,000 taxis to be fitted with taxi top advertising units. Currently the only model of taxi that can support this technology is a TX4. In limiting the number to 1,000, TfL has taken into consideration the fact that this is new technology and a limit allows for a proper assessment of their impact and how they are received by the public. It also helps to ensure the visual impact of the London taxi and the streetscape of London is maintained. TfL will

consider any feedback or evidence as to the impact of this new technology, and may amend this limit as considered appropriate.

- 3.3 Licence holders of TX4 taxis will be able to apply for a new vehicle licence with approval to have their taxi fitted with a taxi top advertising unit. In the event that the 1,000 limit has been reached, applicants will be placed on a waiting list.
- 3.4 One of the manufacturers, which is behind some of the other manufacturers in its development programme for taxi top advertising units, has raised issues with TfL as to whether proceeding with this policy now and imposing a 1,000 limit denies them the opportunity to take part in this market, and is therefore anti-competitive. TfL is satisfied that the 1,000 limit is reasonable and appropriate and is not anti-competitive.
- 3.5 It is a condition of a taxi vehicle licence that a licensee shall not cause or permit an object to be displayed on the outside (or inside) of the taxi by way of advertisement unless permitted to do so by TfL. In order for a taxi to be fitted with a taxi top advertising unit, TfL will require a vehicle owner to apply for and be issued with a new vehicle licence that has approval for the taxi to be fitted with a taxi top advertising unit. It is anticipated that taxi owners will be able to earn additional revenue by having their vehicle fitted with taxi top advertising.
- 3.6 On making an application for a new vehicle licence, a vehicle owner who wishes to have a taxi top advertising unit installed on their taxi will have to pay a new vehicle licence fee of £170 which is an increase of £68 compared to the standard vehicle licence fee. If the application is successful they will then arrange to have the taxi top advertising unit fitted within six months.
- 3.7 On presenting the taxi for inspection, the existing vehicle licence will be surrendered and the taxi will undergo a full licensing inspection which will include a check to ensure the taxi top advertising unit has been fitted correctly. Subject to the vehicle inspection being successful, a new 12 month licence will be issued with a direction allowing it to be fitted with taxi top advertising.
- 3.8 When a unit is removed from a taxi, the vehicle must again be presented for inspection to ensure that it has been returned to its original condition.

4 Licence Fees

- 4.1 The Metropolitan Public Carriage Act 1869, as amended, enables the licensing authority (TfL) to charge a fee for taxi vehicle licence applications, for licensing application tests and re-tests and for the granting of a vehicle licence.
- 4.2 The principle behind fee setting is to reflect the cost of carrying out each licensing activity without cross subsidy from one activity to another. Since 2000, changes have been introduced to reflect the principle that licence holders and applicants alike should pay for the costs of the licensing resources they use.
- 4.3 As there will be a cost to TfL involved in the processing of applications and inspection, grant of licence and compliance checking for taxis with taxi top advertising, TfL needs to pass that charge on to the vehicle owners whose taxis will carry them, via a higher vehicle licence fee.

- 4.4 The vehicle licence fee for 2014-2015 is £102, which includes an application fee of £66 and the grant of licence fee which is £36.
- 4.5 Licence fees are normally reviewed annually with any changes introduced in April. However, to facilitate the introduction of taxi top equipped taxis in December 2014, it is proposed that the taxi vehicle licence fee for taxis fitted with a taxi top advertising unit is revised on 1 December 2014. The normal licence fee review will be carried out later this year and presented to the Board in February 2015. Taxi top advertising licence fees will be reviewed annually in line with other licence fee revisions and amended in April each year from 2016.

5 Proposed taxi licence fees

- 5.1 The proposed fees from 1 December 2014 are:

Fee type		Current fee	Proposed fee
Taxi licence	Application fee	£66	No change
	Licence fee	£36	No change
Taxi fitted with TTA licence	Application fee	N/A	£134
	Licence fee	N/A	£36

6 Changing the date when taxi fares and tariffs are updated

- 6.1 Taxi fares and tariffs are normally reviewed annually, with any changes coming into effect in April of each year. Prior to the changes coming into effect, a consultation is conducted around October/November with all proposed changes submitted for review and approval by the Board in February.
- 6.2 Changes to bus and rail fares normally come into effect at the start of January of each year and it would seem appropriate that changes to taxi fares should be aligned with changes to bus and rail fares, so that it is clearer to the public when taxi fares will increase. At its meeting on 5 February 2014, the Board endorsed a review of the date when taxi fares and tariffs are updated.
- 6.3 This proposal was included in the consultation in October 2013 but did not receive widespread support. The taxi trade associations felt that there was no advantage to taxi passengers or drivers. The taxi radio circuits feel that January is a bad time of year as demand is already lower for taxis in January. The taxi trade also feel there will be practical issues to overcome, such as the logistics of a driver having their meter updated at a garage over the festive period. London TravelWatch do not support an increase in taxi fares at the start of January as this may cause more financial difficulties for passengers.
- 6.4 At its meeting on 9 July 2014, the Surface Transport Panel considered this proposal and said that it was aware that the Department for Transport (DfT) was currently reviewing the date when bus and rail fares are changed. On 24

September 2014, the Board deferred a decision on this matter pending further information on the DfT review. It has since been confirmed that the DfT has no plans to change the date when bus and rail fares are changed.

- 6.5 The Board is asked to decide whether to continue to update taxi fares and tariffs in April or to change the date to the first week of January from 2016, to bring this into line with increases in bus and rail fares.

7 Legal Implications

- 7.1 The proposal to allow a maximum of 1,000 taxis to be fitted with a taxi top advertising device has been adopted on the basis that it will allow TfL to assess properly the visual impact of taxi top advertising devices and how they are received by the public, and that it will help ensure the streetscape of London is maintained, which are rational grounds.
- 7.2 TfL is empowered to charge a fee upon the application for, and granting of, a taxi vehicle licence, as well as in respect of the taking or re-taking of any vehicle tests or inspections. These fees may be different for different cases or purposes.

8 Financial Implications

Digital Taxi Top Advertising

- 8.1 There is no impact to the TfL Business Plan from the proposal relating to the Licence Fee for Taxis Fitted with Digital Taxi Top Advertising, as costs of the project are met by the new licence fees as described above.

Changing the date when taxi fares and tariffs are updated

- 8.2 When taxi fares and tariffs are changed in April of each year, the taxi meters installed inside all licensed taxis must be updated with new tariff information. The taxi fare cards displayed in the passenger compartment of every licensed taxi are also replaced at the same time as the taxi meters are updated. This work is carried out by a number of different taxi garages and it has been suggested that they could potentially face increased staff costs when 2 January is a bank holiday. This could be mitigated by deferring the taxi fares update by a short period; this may mean that the change is not precisely aligned with bus and rail fare changes.
- 8.3 Demand for taxis is traditionally lower in January and a concern about demand being further reduced (as a result of taxi fares increasing at a time when people generally have less money to spend) was raised.
- 8.4 Changing the date when taxi fares and tariffs are updated will result in two increases to taxis fares in under 12 months when the change is introduced. This could impact TfL's and the boroughs' funding of the Taxicard scheme, given the increased cost will be higher than previously forecast, and therefore not planned for.
- 8.5 At its meeting on 5 February 2014, the Board approved automatically adding the Christmas and New Year extra to the taximeter from 24 December 2016, assuming no change to the date when the extra applies is made before 2016. Changing the

date when fares and tariffs are updated will mean that the date when taximeters are updated changes. This should not affect the implementation of the new requirement but in the event of any change, the taximeter companies will be asked to ensure that from 24 December 2016 the Christmas and New Year extra will still be added to the taximeter automatically.

9 Views of the Finance and Policy Committee

- 9.1 At its meeting on 14 October 2014, the Finance and Policy Committee endorsed the proposals in this paper relating to Licence Fee for Taxis Fitted with Digital Taxi Top Advertising and requested the different means for taxi owners or operators to generate supplementary income and the estimated value be included in this Board paper.
- 9.2 Taxi advertising options are:
- (a) exterior of the taxi, this can be on the side of the taxi, the bonnet or the full exterior with the exception of windows, tyres, radiator grill and boot lid;
 - (b) tip-up seats inside the passenger compartment;
 - (c) TV screen inside the passenger compartment; and
 - (d) taxi receipt pad advertising.
- 9.3 No detailed research has been done to establish the income drivers receive for having advertising on their taxi although evidence suggests that for a full taxi wrap (advertising on the sides and bonnet) drivers can receive up to £1,500 per year. In some cases they may not receive a fee but instead will receive gifts linked to the product being advertised.
- 9.4 Around one third of taxi drivers do not own their vehicle so will not receive income from taxi advertising as any advertising revenue will go directly to the taxi proprietor.
- 9.5 As not all taxi drivers receive income from taxi advertising, and the income for those that do is relatively small, TfL therefore believe it is inappropriate to include this in the annual taxi fares revision. Nonetheless, TfL will keep the matter under review given the Committee's comments.

List of appendices to this paper:

None

List of background papers:

None

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