

**This paper will be considered in public**

**1 Summary**

1.1 The purpose of this paper is to:

- (a) update the Board on the outcome of the annual taxi fares and tariffs consultation; and
- (b) ask the Board to approve the proposed changes to taxi fares and tariffs with the changes coming into effect on Saturday 5 April 2014.

1.2 A summary of the proposed changes to the taxi fares and tariffs is shown in Appendix 1.

1.3 At its meeting on 23 January 2014, the Finance and Policy Committee considered the proposals in this paper and supported the recommendations to the Board, with the exception of the proposed new extra charge for passengers taking a taxi from City Airport.

**2 Recommendations**

2.1 The Board is asked to note the paper and:

- (a) approve an increase to taxi fares of 0.7 per cent with effect from Saturday 5 April 2014;
- (b) endorse a review of the date when taxi fares and tariffs are increased annually (April) to align with bus and rail increases (January) taking into account any concerns raised;
- (c) approve a 40 pence additional charge for all taxi journeys to be implemented only if London retail diesel prices (as measured by the AA fuel price report) reach the threshold level as set by Transport for London (TfL) at any point between Saturday 5 April 2014 and Friday 10 April 2015 and which if implemented would not extend beyond Friday 10 April 2015;
- (d) approve a booking extra charge covering taxi journeys booked using mobile phones, smartphones, mobile applications and online services and this only being added to the metered fare if the taxi booking company states in its terms and conditions for passengers that this charge applies;

- (e) **approve changing the credit and debit card payment surcharge to a maximum charge of £1.00 or 10 per cent of the metered fare, whichever is greater and, in order to comply with the Consumer Rights (Payment Surcharges) Regulations 2012, including a requirement that drivers must not charge more than it costs them to accept card payments;**
- (f) **endorse a review of card acceptance in taxis in 2014;**
- (g) **approve 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 between now and 2016;**
- (h) **agree that no extra charges be introduced for passengers taking a taxi from the taxi rank at City Airport;**
- (i) **approve reducing the Heathrow Airport extra that passengers pay from £3.20 to £2.80;**
- (j) **approve the revised fares for the fixed-fare, shared-taxi scheme for trips between the Wimbledon Tennis Championships and other parts of London and the making of a London Taxi Sharing Scheme Order to implement the new fares, with effect from Saturday 5 April 2014;**
- (k) **delegate to the Managing Director of Surface Transport the authority to approve new, and amend existing, fixed-fare, shared-taxi schemes with a maximum limit of £20.00 for the fares that can be approved; and**

**in all cases where necessary by making and bringing into effect amendments to the London Cab Order to be signed by the Commissioner (or in his absence the Managing Director of Surface Transport).**

### **3 Background**

- 3.1 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.
- 3.2 The London Cab Order 1934 ('the Cab Order') specifies the fares regime that covers most taxi journeys in London. The Cab Order provides that taximeters must be fitted to taxis to calculate the fare, sets out the fare structure and provides the maximum fare payable. Drivers can charge lower fares if they wish.
- 3.3 Taxi fares are normally revised every April and the revision is based on changes to a cost index in use since 1981. The index combines changes in operating costs with national earnings to produce a change in average fares aimed at maintaining drivers' earnings net of operating costs. The cost index has worked largely 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 but sometimes this is deferred for a week to avoid the Easter weekend.
- 3.4 In February 2013 the Board approved an increase to fares of 1.7 per cent.

## **Standing orders**

- 3.5 Under TfL's Standing Orders, any proposal to make, amend or revoke a Cab Order which prescribes fares for taxis is a matter reserved to the Board. Authority to make, amend or revoke other Cab Orders is delegated to the Commissioner, or other officers.

## **Consultation**

- 3.6 Taxi trade associations, taxi radio circuits and London TravelWatch (LTW) were asked to provide comments on the proposals through a consultation, which took place between 23 October and 20 November 2013.
- 3.7 Other key stakeholders, such as the London boroughs, Greater London Authority Assembly Members and London MPs, were informed of the consultation and invited to respond.
- 3.8 Members of the public could also respond to the consultation. It was published on the TfL website and promoted using the taxi and private hire Twitter account.
- 3.9 Responses to the consultation are referred to throughout this paper.

## **4 Annual revision – general change in tariffs**

- 4.1 The taxi cost index was published on 23 October 2013 and showed a proposed increase to taxi fares of 1.0 per cent. Since October the cost index has been revised to include the most recent fuel cost and the proposed increase to taxi fares is now 0.7 per cent.
- 4.2 The Licensed Taxi Drivers Association (LTDA), London Cab Drivers Club (LCDC) and Unite the Union supported an increase based on the cost index and did not seek any changes to the current tariff structure.
- 4.3 The RMT felt that the cost index did not reflect the true cost drivers face, that the Retail Prices Index (RPI) should be used to determine the fare increase and that the minimum fare should be tied to the cost of a single cash fare for a Tube ticket in zone 1 – in December 2013 the cash fare for a single Tube journey in zone 1 was £4.50 and the current minimum taxi fare is £2.40.
- 4.4 Computer Cab, Dial-a-Cab and Radio Taxis ('the taxi radio circuits') support an increase based on the cost index.
- 4.5 LTW stated that fares should be transparent and that additional charges over and above the metered fare should not be added. One respondent said that increases to taxi fares were unwelcome at present due to the current economic climate and the impact this has on disabled passengers and others who may use taxi services frequently. The Public Administration Help Tank submitted a suggestion for a different fare structure.

- 4.6 The Consumer Price Index (CPI) and the RPI figures for October 2013 were 2.2 per cent and 2.6 per cent respectively<sup>1</sup> and so any increase linked to either CPI or RPI would be higher than an increase using the cost index this year.
- 4.7 The 2013/14 Taxi and Minicab Passenger Customer Satisfaction Survey showed that just under one third (30 per cent) of taxi users thought taxi fares were about right, but that over two thirds (68 per cent) thought that taxi fares were either a little too expensive or much too expensive<sup>2</sup>.
- 4.8 In the 2013/14 Taxi and Private Hire Licensee Customer Satisfaction Survey just over two thirds (67 per cent) of taxi drivers felt that taxi tariff increases should continue to be calculated in the same way<sup>3</sup>.
- 4.9 The current cost index provides a reliable and tested method for reviewing taxi fares and allows TfL to try and ensure that fares are set at a level that enables drivers to recover their operating costs and maintains an acceptable level of income for drivers but also does not excessively raise fares to the point that taxis are completely unaffordable for many members of the public, in particular elderly and disabled passengers who are heavily reliant on them.
- 4.10 The cost index does not take into consideration public or driver opinion as part of the fares calculation. In view of the high percentage of passengers who already feel that taxi fares are too expensive, it is not felt appropriate to introduce fare calculation changes, such as using CPI or RPI, which would result in an increase that is higher than the cost index calculation.
- 4.11 Therefore, the Board is asked to approve a taxi fare increase, based on the cost index, of 0.7 per cent.

## **5 Date of taxi fares and tariff update**

- 5.1 Taxi fares and tariffs are normally reviewed annually, with any changes coming into effect at the start of April 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.
- 5.2 Changes to bus and rail fares normally come into effect on 2 January each year. It has been suggested that changes to taxi fares should be aligned with the bus and rail changes so that it is clearer to the public when taxi fares will increase and what the increase is.
- 5.3 Every licensed taxi is fitted with a taximeter and has a taxi fare card on display in the passenger compartment. As part of the taxi fares and tariff review, every taximeter must be updated with the new tariff details and the fare card replaced with an updated version. Aligning the taxi fares update with the bus and rail fare changes would mean that on 2 January each year the tariff rates would be changed and all of the actions associated with the tariff revision would need to

---

<sup>1</sup> Consumer Price Inflation report October 2013 [http://www.ons.gov.uk/ons/dcp171778\\_331428.pdf](http://www.ons.gov.uk/ons/dcp171778_331428.pdf)

<sup>2</sup> Taxi and Minicab Passenger Customer Satisfaction Survey, TNS, 2013/14

<sup>3</sup> Taxi and Private Hire Licensee Customer Satisfaction Survey, TNS, 2013/14

take place in the first week of January. This would include updating taximeters and replacing the fare cards in all licensed taxis.

- 5.4 At present to update a taximeter with the new tariff rates and fares information requires having physical access to the taximeter and this update plus replacing the fare card is normally carried out at selected taxi garages and locations across London on the first Saturday and Sunday in April of each year.
- 5.5 If the date of the taxi fares update was changed then it is essential that taximeters can be updated and the passenger fare cards replaced. The consultation invited comments on the suggestion to align the taxi fares update with bus and rail fare changes and whether this would cause problems for taxi drivers, taxi garages, taxi proprietors or taximeter companies.
- 5.6 Some respondents did not feel it would be feasible to change the date due to drivers being away after the busy Christmas period or having family commitments. One respondent felt that the date should not change as it is currently at the start of the new financial year. The taxi radio circuits felt that increasing fares at the start of the new calendar year could reduce taxi usage at a time when demand is already normally low.
- 5.7 Although taximeters currently have to be updated physically, it is anticipated that the ability to remotely update the tariff information will be introduced and more widespread over the next two years.
- 5.8 Any change to the date of the tariff update would require a change to the period when the consultation is conducted and also the dates when TfL reviews any proposed changes. Fares are normally reviewed and updated every 12 months but if the date was changed from April to January then a decision would need to be made as to whether two updates within one year are carried out (i.e. one update in April and then one in January) or whether the first update should be deferred to the following January (i.e. 19 months from the final update in April).
- 5.9 Although some concerns were raised about changing the date when taxi fares are reviewed, fares for buses and trains increase at the start of the calendar year. Therefore, it may be beneficial for passengers and also TfL for the taxi fares review and change to be aligned with bus and rail changes.
- 5.10 The Board is asked to agree that the date for annual taxi fare and tariff increases is reviewed further, along with how the concerns raised can be addressed.

## **6 Fuel prices**

- 6.1 Since July 2008, special provisions have been in place to allow an extra charge to be added to taxi fares if London average diesel costs reached a threshold level, in order to compensate drivers for significant mid-year rises in fuel costs. This arrangement was extended by the Board in February 2013, with a 40 pence extra for each journey charged if London retail diesel fuel prices (as measured by the Arval index) reached the threshold level of 180.3 pence per litre between Saturday 6 April 2013 and Friday 4 April 2014.

- 6.2 The graph in Appendix 6 shows fuel price changes over recent years. The Arval index has previously been used to measure London retail diesel fuel prices but is no longer published and the average diesel price is now taken from the AA fuel price report<sup>4</sup>. The AA fuel price report will be used as this provides a reliable and trusted source for fuel prices. Although fuel prices are only published monthly, historical figures have closely followed the Arval index.
- 6.3 A proposed extension of the fuel charge extra during 2013/14 was included in the consultation.
- 6.4 The taxi radio circuits, the three main taxi trade associations and the RMT supported the proposed extension. The three main taxi trade associations said that the extra should be changed to 20 pence and the threshold adjusted accordingly and the RMT stated that the threshold figure should be lowered.
- 6.5 LTW do not support the extra charge and pointed out that drivers benefitted from falls in fuel prices but that fares are not lowered when this happens. Heathrow Airport Limited (HAL) and Redbridge Council raised concerns about the extra charge remaining in place even if fuel prices fell and thought that in the event that fuel prices fell below the threshold then the extra should be removed.
- 6.6 This provision should only be implemented for a significant increase in fuel costs. It is proposed that the 40 pence increment be retained as this provides an appropriate degree of stability for passengers, while compensating drivers if fuel costs increase significantly.
- 6.7 The Board is asked to approve the extension of the fuel charge extra and a 40 pence additional charge to be implemented only if London retail diesel prices (as measured by the AA fuel price report) reach the threshold level set by TfL of 175.48 pence per litre at any point between Saturday 5 April 2014 and Friday 10 April 2015.

## **7 Telephone booking extra charge**

- 7.1 For taxi bookings made by telephone, an extra charge of up to £2.00 can be added to the metered fare under the existing provisions in the Cab Order. This extra charge was introduced prior to TfL being created and assuming responsibility for regulating taxi fares. It was introduced when passengers had to use a 'normal' landline telephone to book a taxi and prior to smartphones, mobile applications and online booking services becoming available.
- 7.2 In recent years, a number of new taxi booking services that do not involve the passenger making a 'normal' telephone call have been launched and these have become increasingly popular and successful. However, the law is not explicit whether the telephone booking extra could be applied to taxi bookings made using smartphones and mobile applications. Therefore this was included in the taxi fares consultation.

---

<sup>4</sup> The AA fuel price report is available at [http://www.theaa.com/motoring\\_advice/fuel/](http://www.theaa.com/motoring_advice/fuel/)

- 7.3 The consultation invited comments on whether the extra should apply to taxi bookings made using smartphones, mobile applications and online services or whether it should be restricted to only telephone bookings where the passenger physically makes a telephone call to a company to book a taxi.
- 7.4 The taxi radio circuits and the LCDC, LTDA and Unite all felt that the telephone extra should cover bookings by other methods. LTW, the London boroughs who commented on this proposal and other respondents felt that the telephone extra should not apply to other booking methods, with some respondents suggesting that it should be removed altogether.
- 7.5 TfL is keen for taxi fares and charges to be as simple and transparent as possible. However, it is also keen for the public to have access to taxi booking services that are safe and easy to use and welcomes the development of taxi booking services using the latest technology available. Although restricting the telephone extra to bookings that involve the passenger making a 'normal' telephone call would mean that passengers do not have to pay this extra when using other booking methods, it is felt that such a restriction could prevent new services from being launched if the extra cannot be added to the metered fare.
- 7.6 There are no plans to increase the extra charge at the moment. At present anyone who operates a taxi telephone booking service can decide whether to add the full extra, part of this, or not add any extra charge.
- 7.7 Although some of the existing taxi booking services do not currently charge the extra, there have been issues regarding the taxi fares they do charge. This has included taxi booking companies charging minimum fares which are above that approved by the Board and as currently reflected in the Cab Order (i.e. £2.40).
- 7.8 Some taxi booking companies take a percentage of the metered fare from the driver. Clearly, for the taxi booking services to be financially sustainable, the companies need to have an income stream. However, it may not be feasible for this to be taken wholly from the metered fare without any extra included, as this would result in the proportion of the fare the driver receives being reduced and potentially drivers being reluctant to accept booked fares.
- 7.9 To help support the continued development and promotion of taxi booking services, the Board is asked to approve allowing a booking charge to be applied to taxi fares, where the taxi is booked using a mobile phone, smartphone, mobile application or online booking service.
- 7.10 At present there is not full clarity in the legislation regarding whether the £2.00 telephone extra could be applied to taxi bookings made by smartphone, mobile apps or online. The proposed change will remove any ambiguity and allow companies to add up to £2.00 for taxi bookings made by smartphone, mobile applications or online. At present some companies do not charge this extra but some do and it will remain the case that the companies will be able to choose whether to add the extra charge or not.
- 7.11 In order to fully clarify when the booking can be added to the metered fare, the terms of the Cab Order will make it clear that drivers are only permitted to add the extra to the metered fare if the taxi booking company states in its terms and

conditions for passengers that this charge applies and furthermore that the extra charge the driver adds must not exceed that stated in these terms and conditions.

## **8 Card payments surcharge**

- 8.1 On 6 April 2013, the Consumer Rights (Payment Surcharges) Regulations 2012 ('the Regulations') came into effect, banning traders from charging consumers more than the cost borne by them for accepting a given means of payment. This includes processing card payments.
- 8.2 The Regulations cover taxi passengers who pay by card and were introduced following a consultation by the Department for Business Innovation and Skills (BIS)<sup>5</sup>.

### **Level of surcharge**

- 8.3 The current maximum card payment surcharge for taxi journeys is set at £1.00 or 12.5 per cent of the metered fare, whichever is greater. In order to ensure compliance with the Regulations, the card payment surcharge was reviewed and the consultation invited comments on four new options which were:
- (a) remove the card payment surcharge completely;
  - (b) retain the current maximum surcharge of £1.00 or 12.5 per cent with the greater figure charged but introduce a new requirement that drivers must not charge more than it costs them for accepting and processing card payments;
  - (c) not set any surcharge but allow drivers to charge passengers the cost borne by them (the driver) for accepting and processing card payments; or
  - (d) set a maximum surcharge.
- 8.4 Comments were also invited on reducing the percentage figure, if this was retained, from 12.5 per cent to 10 per cent. TfL's preferred option was included in the consultation paper, which was to reduce the 12.5 per cent surcharge to 10 per cent and allow £1.00 or 10 per cent to be charged, whichever is the greater, but with the requirement that all taxi drivers must not charge more than it costs them to accept and process card payments, as per the requirement of the Regulations.
- 8.5 The LCDC, LTDA and Unite felt that the £1 surcharge should be retained except where this exceeds the cost borne by the provider.
- 8.6 HAL supported TfL's preferred option. The taxi radio circuits supported the 12.5 per cent being reduced to 10 per cent but felt that the £1.00 charge should be increased to £2.00. The radio circuits stated that the £1.00 charge was introduced in error and should have been £2.00. Additional charges that do not form part of the taxi fare may already be applied by taxi booking companies when a passenger books a taxi.

---

<sup>5</sup> BIS Consultation on the early implementation of a ban on above cost payment surcharges, <https://www.gov.uk/government/consultations/consultation-on-the-early-implementation-of-a-ban-on-above-cost-payment-surcharges>



- 8.7 CabCard felt that a surcharge should continue to be applied and that this should be set at 10 per cent. Verifone supported TfL's preferred option but also felt that this was of little overall merit as it meant that the current position regarding card acceptance in taxis did not improve.
- 8.8 Cabvision felt that there was a strong case to be made for a substantial reduction to the surcharge but that this was not feasible or acceptable unless there was also a move to mandate card acceptance in taxis. It also suggested a proposal where drivers pay a fixed cost to card providers and then the flag fall (minimum fare) is increased by a small amount, such as 20 pence, to offset the cost to drivers. However, it also stated that this solution would require mandating card acceptance in taxis.
- 8.9 Visa Europe felt that surcharges were harmful but that it was not viable to remove these at present as not all taxis had card payment equipment fitted. It also supported TfL's preferred option but would like to see the 10 per cent charge reduced to five per cent.
- 8.10 Heathrow Airport Taxi Drivers United (HATDU) felt removing the surcharge altogether could lead to a reduction in the number of taxis that accepted card payments but that mandating card acceptance would lead to more drivers saying that their card payment machine was not working. It also felt that 10 per cent was a sufficiently high charge.
- 8.11 LTW did not support an extra charge but did say that a maximum of £1 may be acceptable.

### **Acceptance of card payments**

- 8.12 Although card acceptance in taxis and mandating this was not included in this year's consultation paper, the topic was raised by the taxi radio circuits, card equipment providers, Mastercard and Visa Europe.
- 8.13 As part of its response to the consultation, Visa Europe submitted the results from a small survey conducted at four mainline railway stations in central London. This showed that the majority of people asked felt that passengers should be able to pay for taxi journeys by card. Also submitted by Visa Europe were statements supporting the acceptance of cards in London taxis, including one from the Suzy Lamplugh Trust.
- 8.14 The taxi radio circuits suggested that a working group should be set up to examine card acceptance in taxis, review card payment surcharges, provide guidance to the taxi trade in relation to the Regulations, establish licensing requirements for card acceptance systems for taxis and also to consult on options for increasing card acceptance in taxis and potentially mandating card acceptance.
- 8.15 At present there is no requirement for all licensed taxis to accept card payments, meaning that passengers will often need to be prepared to pay in cash. This is not in line with TfL's general position regarding fares and the move away from cash towards card payments.

- 8.16 TfL knows that the vast majority of taxi users feel that passengers should be able to pay for taxi journeys by card, with 88 per cent saying they should – an increase from 86 per cent last year<sup>6</sup>. 83 per cent of taxi users have also said that they would be very or quite likely to pay for a taxi journey by card<sup>7</sup>.
- 8.17 42 per cent of taxi drivers felt that passengers should be able to pay for taxi journeys by card<sup>8</sup>.

### **Recommendation**

- 8.18 Although some respondents said that the current card payment arrangements were unsatisfactory and that TfL should mandate card acceptance in taxis there was support for TfL's preferred option. Therefore, the Board is asked to approve the following changes to the card payment surcharge:
- (a) reduce the 12.5 per cent surcharge to 10 per cent;
  - (b) retain the £1.00 surcharge;
  - (c) allow drivers to charge a maximum of £1.00 or 10 per cent of the metered fare, whichever is the greater, when a passenger pays by credit or debit card; and
  - (d) introduce a new requirement that in addition to the surcharge set by TfL drivers must not charge more than it costs them to accept and process card payments.
- 8.19 The Board is asked to endorse a review by TfL in 2014 of card acceptance in taxis, including whether it is possible and appropriate for this to be mandated, any new requirements for card processing equipment and any additional changes to the surcharge.
- 8.20 When taxi fares and tariffs are updated in April 2014, new advice and guidance will be issued to taxi drivers on card payment surcharges. Drivers will also be advised to ensure that passengers who indicate that they wish to pay by card are informed of any surcharges before their journey commences.

## **9 Christmas and New Year Extra**

- 9.1 For taxi journeys made between 20:00 on 24 December and 06:00 on 27 December or between 20:00 on 31 December and 06:00 on 2 January there is an extra charge of £4.00. This extra charge must be added to the metered fare manually by the driver at the start of each journey during the period covered.
- 9.2 In the 2012 taxi fares and tariffs consultation, comments were invited on a proposal for this extra to be added to the taximeter automatically, instead of manually by the driver. There was widespread support for this proposal and the intention was for the change to be made in time for Christmas 2013. However, it

---

<sup>6</sup> Taxi and minicab Customer Satisfaction Survey, TNS, 2013/14

<sup>7</sup> Ibid.

<sup>8</sup> Taxi and Private Hire Licensee Customer Satisfaction Survey, TNS, 2013/14

was not possible to introduce this change due to some taximeter companies being unable to modify their taximeters.

- 9.3 It is still intended to introduce the change to the Christmas and New Year extra and for this to be added to the fare automatically at the start of the journey when the extra applies.
- 9.4 This year's consultation invited comments on introducing this change so that it would be in place for Christmas 2014. Comments received implied that it may not be possible to update or modify all taximeters.
- 9.5 The vast majority of respondents still supported the proposed change to add the Christmas and New Year extra to the taximeter automatically.
- 9.6 Some taximeter companies said that they would be able to make the change in time for Christmas 2014. However, concerns about the proposal were raised.
- 9.7 In addition to the change to the Christmas and New Year Extra being proposed, from October 2016 there is a statutory requirement that all taximeters must be certified to be compliant with the Measuring Instruments Directive (MID). This requirement will involve changes being made to taximeters and, in some cases, additional testing being conducted and new approval from TfL or BSI being required.
- 9.8 There is broad support for the change to the Christmas and New Year extra being made. Given that from October 2016 there is a statutory requirement that all taximeters must be certified to be compliant with the MID, it is recommended that both changes are introduced at the same time. This will avoid increased costs as a result of making changes at different times and also avoid higher costs being passed on to drivers and then ultimately passengers.
- 9.9 The Board is asked to approve a change to the Christmas and New Year extra and for this to be added to the fare automatically at the start of the journey when the extra applies from 24 December 2016, assuming there are no changes between now and 2016 to the dates when the extra applies.

## **10 City Airport extra**

- 10.1 One of the busiest taxi ranks in London is at City Airport, with taxis providing an important service for people arriving at the airport. Until recently the taxi rank consisted of a long feeder rank on Hartmann Road, which fed the head of the rank located on the forecourt area. As a result of Crossrail works in the area and the need to divert buses along Hartmann Road, in October 2013 the layout of the taxi rank changed with the feeder rank on Hartmann Road moving into a taxi holding area.
- 10.2 London City Airport Limited (LCAL) has informed TfL that it now intends to introduce in April 2014 a fee for taxi drivers using the airport rank to pick up passengers. The City Airport rank is on private land and so LCAL is able to impose fees for drivers using the taxi rank and picking up passengers. LCAL has requested that TfL introduce an extra charge that drivers can add to fares from

City Airport in order to allow drivers to recover part or all of the costs incurred when using the rank.

- 10.3 The fee LCAL is proposing to charge drivers has not yet been finalised but is expected to be between £3.20 and £3.50. The consultation invited comments on introducing an extra charge which passengers would pay to compensate drivers for having to pay this fee, how much this should be if it is introduced, and whether it should be in line with the Heathrow Airport passenger extra and approximately 50 per cent of the driver fee.
- 10.4 LCAL has stated that it feels that a passenger extra should be introduced, that this should cover all or a high percentage of the driver fee and that as the majority of passengers using the airport are travelling for business purposes an 'airport extra' on their taxi bill will have little or no impact on taxi usage at the airport.
- 10.5 The LCDC, LTDA and Unite have all previously stated that they are opposed to a driver fee being introduced at City Airport. In response to the consultation they all stated that the passenger extra should be the full fee drivers have to pay. The RMT also felt that the passenger extra should be the full fee the driver pays.
- 10.6 The taxi radio circuits were concerned about charges being introduced anywhere in order for taxis to serve passengers and felt that the costs should be borne by the provider of the transport interchange where the fare is commencing.
- 10.7 HAL felt that if the passenger extra is not the full fee that drivers pay then there is a risk that drivers will try to recover the difference through other means, or that taxi supply at the airport may be reduced.
- 10.8 Some taxi drivers who responded felt that the passenger extra should be the full fee drivers pay and that City Airport should not be compared with Heathrow Airport as many trips differ in length and cost.
- 10.9 LTW and Redbridge Council did not support the introduction of an extra charge for passengers or an increase to taxi fares from City Airport.
- 10.10 TfL's preferred position is that neither additional fees for drivers nor additional charges for passengers should be introduced and that, where possible, taxi fares and tariffs should be clear, transparent and easy for passengers to understand.
- 10.11 The proposal to introduce an extra charge for passengers taking a taxi from City Airport was considered by the Finance and Policy Committee at its meeting on 23 January 2014.
- 10.12 The Committee felt that the introduction of a taxi driver fee at the airport was a matter for LCAL and that TfL should not endorse this fee by allowing part of the cost to be passed onto passengers through a surcharge to fares. If LCAL continued with its plans to introduce this fee it would be a decision for taxi drivers whether they continued to serve the taxi rank at the airport.
- 10.13 Following discussion by the Committee, the proposal has been further considered within TfL and the Board is asked to approve no extra charges being introduced for passengers taking a taxi from the taxi rank at City Airport.

## **11 Heathrow Airport extra**

- 11.1 At Heathrow Airport, there are taxi ranks serving all main terminals and every taxi accessing a rank needs to pass through the taxi feeder park. HAL charge a fee for entering the taxi feeder park to cover the administration and maintenance costs of operating the feeder park.
- 11.2 To compensate drivers for having to pay this fee, a 'Heathrow Extra' is charged to passengers for every taxi journey that starts from Heathrow Airport. The Heathrow Airport extra was increased to £2.40 in April 2010 but then the fee drivers pay was reduced from £6.54 to £6.00. Since then the fee drivers pay has been further reduced and is now £5.22; it continues to be reviewed annually by HAL.
- 11.3 The extra was increased from £2.40 to the current level of £3.20 last year and when the feeder park fee was £6.00. As the feeder park fee has been reduced comments were invited on reviewing the extra charge passengers pay and reducing this so that it was £2.80, which is approximately 50 per cent of the fee drivers currently pay.
- 11.4 LTW did not support the continuation of the Heathrow Airport Extra and Redbridge Council welcomed no more increases. HAL felt that the extra charge should be reviewed annually. The LCDC, LTDA, Unite and the RMT felt that the extra should reflect the full fee the drivers pays. One driver said that the extra should not be reduced one year after being increased.
- 11.5 Despite the fee drivers pay for entering the feeder park being reduced, the extra passengers pay when taking a taxi from the airport has increased. Although drivers should be able to recover some of the fee they pay, TfL does not feel it is reasonable for every passenger to have to pay the full fee when wanting to take a taxi from the airport. Requiring passengers to pay an additional charge of over £5.00 when they want to take a taxi from the airport could lead to a reduction in taxi usage.
- 11.6 In order to ensure that drivers are able to recover some of the fee they must pay when entering the feeder park at the airport, but that the extra charge passengers must pay when taking a taxi from the airport is not excessive, the Board is asked to approve a change to the Heathrow Extra from £3.20 to £2.80.

## **12 Wimbledon Tennis Championships fixed-fare, shared-taxi scheme**

- 12.1 A number of fixed-fare, shared-taxi schemes operate in London and these have been regulated since 2005. 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 but each passenger paying less than they would pay for an exclusive journey. Where fixed-fare, shared-taxi schemes are successful, passengers also benefit from reduced waiting times for taxis. There is also a general community benefit from more efficient utilisation of taxis, reducing congestion, noise and emissions.

- 12.2 During the Wimbledon Tennis Championship a fixed-fare, shared-taxi scheme operates between the Championships and Wimbledon and Southfields stations. This scheme has been successful and there are no plans to change this or review the fare charged.
- 12.3 A fixed-fare, shared-taxi scheme also operates from the ground to other parts of London during the Championships. This scheme has been less successful and there have been complaints about passengers either being overcharged or refused. It has been suggested that part of the reason for this scheme not being as successful as the service from and to Wimbledon and Southfields stations and the ground is due to some fixed fares being too low and, therefore, not worthwhile for drivers.
- 12.4 Therefore, reasonable increases to the fixed fares from the Wimbledon Tennis Championships to the areas served by this scheme were included in the consultation. Details of the existing and proposed fixed fares are shown in Appendix 7.
- 12.5 LTW supported the continuation and expansion of the fixed-fare, shared-taxi schemes. The LCDC, LTDA and Unite stated that the proposed fares were acceptable but that skilled taxi marshals should be used when the schemes operate. The RMT requested a fixed-fare, shared-taxi scheme be set up to operate during events at Twickenham Stadium.
- 12.6 As there was support for the revised fixed fares for trips from the Wimbledon Tennis Championships to places other than Wimbledon and Southfields stations, the Board is asked to approve these.

### **13 Fixed fares between Heathrow Airport and central London**

- 13.1 The typical taxi fare between Heathrow Airport and central London is currently shown on the taxi fare card as being between £45 and £85. This is intended to provide passengers with some indication of what the fare might be if they take a taxi between the airport and central London. However, this is still quite a wide range and the fare could be higher if there are delays during the journey.
- 13.2 The uncertainty about what the fare will be for a taxi trip between Heathrow Airport and central London does not contribute to a positive passenger experience nor improve passengers' satisfaction with taxi services. It could also deter some people from taking a taxi to or from the airport.
- 13.3 Some cities provide fixed-fares from the airport to certain locations. For example, for trips from John F. Kennedy (JFK) Airport to Manhattan there is a flat fare of \$52 (approximately £33) with any tolls added to the meter at rate 2<sup>9</sup>. Fixed fares also operate between Rome city centre and Fiumicino/Leonardo da Vinci Airport and Ciampino Airport<sup>10</sup>.

---

<sup>9</sup> Flat fares from JFK Airport to Manhattan, [http://www.nyc.gov/html/tlc/html/passenger/taxicab\\_rate.shtml](http://www.nyc.gov/html/tlc/html/passenger/taxicab_rate.shtml), correct as of 10 September 2013

<sup>10</sup> Fixed fares between Rome city centre and airports, <http://www.rome-airport.info/in.html>

- 13.4 It was suggested that fixed fares in both directions between Heathrow Airport and central London should be considered as these would be of benefit to passengers travelling to and from the airport. The consultation invited comments on this proposal, potential areas to cover in central London, times of operation, fares and whether this would benefit passengers.
- 13.5 The LCDC, LTDA and Unite objected strongly to fixed fares at Heathrow Airport. They stated that passengers requiring fixed fares have other modes of transport available to them.
- 13.6 HATDU felt that the Mayor should review corridors from the airport, introduce more red routes and a 24/7 towing service on the A4 in the Chiswick/Hammersmith area. It also stated that it had previously requested fixed fares to local hotels outside the Greater London area after 22:00 but had been advised that this would not be lawful<sup>11</sup>.
- 13.7 HAL supported the proposal and said that it could lead to an increase in taxi usage as well as providing certainty for passengers. LTW also supported the proposal and suggested the central London area covered should be the Congestion Charging Zone, or Zone 1 on the Tube map.
- 13.8 Other responses were mixed. Some respondents felt that fixed fares should not be charged and the taximeter should be used. One respondent commented that they supported fixed fares but setting these and then not ensuring that passengers could pay the fare by credit or debit card was not fair to passengers. One respondent felt that fixed fares to destinations near the airport could be justified but that fixed fares to central London would need to take into account a number of factors, such as congestion, time of day, etc. Some questions about exactly how such a scheme could operate were also asked.
- 13.9 There was no support from the main taxi trade associations for this proposal but there was support from others. It is felt that there would be some benefit in offering fixed fares from locations where passengers are likely to be travelling to the airport, such as certain hotels.
- 13.10 TfL is not currently in a position to introduce fixed fares to and from Heathrow Airport. However, it is not felt appropriate to reject the proposal completely, given that there are benefits for passengers and that there was some support. Therefore options for a potential scheme and how and when this might operate, will be explored further and discussed with the relevant stakeholders.

## **14 Fixed-fare, shared-taxi schemes and delegated authority**

- 14.1 Fixed-fare, shared-taxi schemes have been regulated since 2005 and benefit all parties involved as:
- (a) passengers have a shorter waiting time and reduced fares;

---

<sup>11</sup> Fares to destinations outside the Greater London area can be negotiated between the driver and hirer but if no agreement on price is reached then the taximeter should be used and the fare payable that shown on the meter at the end of the journey

- (b) drivers get more revenue than for an exclusive hiring; and
  - (c) the local community benefits from fewer taxi movements, resulting in less congestion, noise and pollution.
- 14.2 Fixed-fare, shared-taxi schemes are currently approved for Euston station, Paddington station, the Wimbledon Tennis Championships, Buckingham Palace garden parties and for certain mainline stations during exceptional circumstances.
- 14.3 The fixed-fare, shared-taxi schemes all operate from a designated taxi rank and allow passengers to share a taxi and pay a fixed fare to a specific destination or area. The schemes can serve events, for example the Wimbledon Tennis Championships. They can also help increase the efficiency of taxi services during peak times – the scheme at Euston station operates on weekday mornings and offers fixed-fares to various destinations across central London.
- 14.4 The approval of new fixed-fare, shared-taxi schemes and the amendment of existing schemes is reserved to the Board. At present new schemes cannot be approved and existing schemes cannot be amended until the Board has met, meaning that it is not always possible to set up schemes for new events or amend existing schemes at short notice.
- 14.5 As TfL becomes more involved in the planning and organisation of events in London, there are more opportunities for fixed-fare, shared-taxi schemes to operate. For example, in 2013, TfL received a proposal to set up a fixed-fare, shared-taxi scheme for the We Are FSTVL music festival in Upminster. The event was being held at an aerodrome in Havering with 15,000 people attending.
- 14.6 In order to enable such schemes to be set up at short notice, it is proposed that the Board delegates the authority for approving new schemes to the Managing Director of Surface Transport.
- 14.7 At present, the Board approves all changes to taxi fares, including for fixed-fare, shared-taxi schemes. In order to ensure that the Board retains overall control and oversight of fixed-fare and shared-taxi schemes it is proposed that delegated authority would be limited to taxi fares of up to £20.00 and for schemes for events (e.g. festivals and sporting events) and exceptional circumstances (e.g. industrial action). The delegated authority would not cover schemes that would operate on a continuous basis, such as those at Paddington and Euston stations.
- 14.8 The Board is asked to approve the proposed delegation of authority. In accordance with Standing Orders, General Counsel will make the necessary changes to Standing Orders to reflect such delegated authority.

## **15 Crime and disorder**

- 15.1 TfL has a duty under section 17 of the Crime and Disorder Act 1998 to exercise its functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent:
- (a) crime and disorder in its area (including anti-social and other behaviour adversely affecting the local environment);



- (b) the misuse of drugs, alcohol and other substances in its area; and
- (c) re-offending in its area.
- 15.2 Licensed taxis play a vital role in providing safer transport late at night. A balance needs to be maintained between ensuring that taxi drivers are encouraged to work late at night but that the public does not perceive taxis as unaffordable and see illegal, unsafe 'cabs' as a cheaper and preferable option. Taxi fares and any increases should not become a barrier to people using taxis late at night.
- 15.3 A 0.7 per cent increase to taxi fares will help ensure that drivers are able to meet their overhead costs and maintain earnings. It is important to ensure that taxi drivers are able to meet their overhead costs and maintain earnings so that taxi driving remains a viable career for drivers who have invested time and money in completing the Knowledge of London and the supply of licensed taxis, especially at key times such as late at night, is not reduced by drivers reducing their working time or leaving the trade. Although a 0.7 per cent increase is below the CPI and RPI figures of 2.2 per cent and 2.6 per cent respectively<sup>12</sup>, the increase has been calculated using the cost index which takes into account the operating costs for taxi drivers and follows an above inflation increase of 5.3 per cent in 2012.
- 15.4 Maintaining the current tariff structure helps reduce the risk of confusion or uncertainty among the public. This will reduce the risk that the public perceive taxis as unaffordable and instead use illegal cabs as they perceive these to be cheaper.
- 15.5 Reducing the card payment surcharge will benefit passengers. It is positive for passengers travelling late at night who may not have cash available and need to pay for a taxi journey by card.
- 15.6 Changing the telephone booking extra to also cover mobile phones, smartphones, mobile applications and online bookings may result in some passengers paying this extra for booked taxi journeys. However, this charge is relatively low (£2.00 maximum). If it enables taxi booking services to continue to be successful and more widely used then it will be beneficial, as the wider availability and usage of mobile phones, smartphones, mobile applications and online taxi booking services makes it easier for people to book and use licensed taxis late at night.
- 15.7 The proposal to increase the Wimbledon Tennis Championships fixed-fares should help reduce disorder during the Championships, as it is hoped that it will lead to a reduction in the number of people being refused a taxi.
- 15.8 The proposal to not introduce any extra charges for passengers taking a taxi from City Airport will benefit passengers but could potentially lead to some drivers trying to avoid paying the driver fee by not using the designated taxi holding area and rank. This will need to be monitored and kept under review.

---

<sup>12</sup> Consumer Price Inflation report October 2013 [http://www.ons.gov.uk/ons/dcp171778\\_331428.pdf](http://www.ons.gov.uk/ons/dcp171778_331428.pdf)

## **16 Equality and inclusion**

- 16.1 TfL must have 'due regard' to the need to eliminate unlawful discrimination, harassment and victimisation as well as to advance equality of opportunity and foster good relations between people who share a protected characteristic and those who do not under section 149 of the Equality Act 2010. Due regard that is appropriate in all of the circumstances must be had at the time decisions are taken. This may involve removing or minimising any disadvantage suffered by those who share a relevant protected characteristic, taking steps to meet the needs of such people; and encouraging them to participate in public life, or in any other activity where their participation is disproportionately low. The "protected" characteristics and groups are: age, disability, gender reassignment, pregnancy and maternity, race, gender, religion or belief, sexual orientation and marriage/civil partnership status. Compliance with this obligation may involve treating people with a protected characteristic more favourably than those without the characteristic.
- 16.2 TfL's consultation identified that taxis are heavily used by disabled and elderly visitors and Londoners and that these 'protected' groups would be affected by fare increases. Some respondents to the consultation also referred to the reliance of these groups upon taxi services. TfL could freeze or lower taxi fares to mitigate against the potentially disproportionate impact of the fare increases upon these groups, however, this would impact upon the ability of drivers to recover their costs and make a living from the trade. TfL could also subsidise travel for these groups, which it currently does through the Taxicard scheme which subsidises travel for elderly and disabled passengers. TfL's contribution for 2013-2016 is set out below in paragraph 17.1 and includes an annual uplift to reflect any fare increases introduced. This contribution is judged to strike a fair balance between mitigating the potentially disproportionate impact of the policies upon these groups, and retaining drivers.
- 16.3 The reduction of the card payment surcharge will benefit all taxi passengers, including disabled and elderly passengers who will potentially pay less with the reduction of the percentage charge from 12.5 per cent to 10 per cent. They should also benefit from the requirements under the Consumer Rights (Payment Surcharges) Regulations 2012. The changes should also ensure that taxi drivers are compliant with these Regulations as they will be required to ensure that they do not charge passengers more than it costs them to accept card payments, in addition to complying with the TfL requirement.
- 16.4 It is not considered that the proposal to automatically add the extra charge payable for journeys over the Christmas and New Year period will adversely impact the groups protected by the Equality Act to any greater extent than other groups. In addition, the Taxicard scheme (above) is available to mitigate against any such impacts.
- 16.5 The reduction of the Heathrow Extra from £3.20 to £2.80 will benefit disabled and elderly passengers arriving at Heathrow who want to then continue their journey by taxi. Taxi passengers at Heathrow will include visitors and tourists who are not Taxicard members and so will not be eligible to benefit from this scheme.

- 16.6 The proposal to not introduce any extra charges for passengers taking a taxi from City Airport will not affect the fare paid by disabled and elderly passengers taking a taxi from the airport.

## **17 Financial Implications**

- 17.1 TfL makes a contribution of approximately two thirds of the cost to the Taxicard scheme. In 2011/12, the available contribution increased by 2.7 per cent over the 2010/11 level. In 2012/13, following discussions between TfL and London Councils, the contribution from TfL has changed to fixed rate grant of £9.4m (+£0.3m transition allowance) instead of a maximum level of top up funding. For the years 2013-2016 inclusive, TfL's grant to the Taxicard scheme will be based on the 2012/13 settlement, uplifted by the annual April Taxi Tariff increase. It will be the responsibility of the participating London boroughs to provide any annual top up funding required between 2012-16 inclusive to fund local variations in provision.

## **18 Views of the Finance and Policy Committee**

- 18.1 At its meeting on 23 January 2014, the Finance and Policy Committee considered a similar paper. The Committee supported the proposed increase to taxi fares of 0.7 per cent and noted that the figures in Appendix 5 were to be updated to reflect the proposed 0.7 per cent increase to taxi fares.
- 18.2 The Committee supported the other recommendations to the Board with the exception of the proposal to introduce an extra charge for passengers taking a taxi from City Airport. The Committee felt that the introduction of a fee for taxi drivers using the rank at City Airport was a matter for LCAL and the decision of whether taxi drivers continued to serve the rank at the airport was a matter for the taxi trade.
- 18.3 The Committee recommended that TfL raise this view with LCAL and a meeting was held on Tuesday 28 January 2014. Following the meeting of the Finance and Policy Committee, the City Airport proposal has been further considered within TfL and the Board is now asked to approve no extra charges for passengers taking a taxi from the taxi rank at City Airport. This paper has been updated to reflect this change.
- 18.4 The Committee supported further exploration and discussion of fixed-fares for taxi trips between Heathrow Airport and central London.

### **List of appendices to this report:**

- Appendix 1 – Summary of proposed changes to taxi fares and tariffs
- Appendix 2 – Summary of taxi fares regulations
- Appendix 3 – Licensed taxi cost index changes 2014
- Appendix 4 – Details of taxi cost calculations 2014
- Appendix 5 – Proposed tariff changes
- Appendix 6 – Fuel prices for 2014 cost index
- Appendix 7 – Wimbledon Tennis Championships fixed-fare, shared-taxi scheme fares

**List of Background Papers:**

None

Contact Officer: Leon Daniels, Managing Director, Surface Transport  
Number: 020 3054 0178  
Email: [LeonDaniels@tfl.gov.uk](mailto:LeonDaniels@tfl.gov.uk)

## Summary of proposed changes to taxi fares and tariffs

Proposal	Current arrangement	Proposed change	Notes
<b>Average taxi fare increase</b>	Fares increased by 1.7% in 2013	0.7% increase proposed in 2014	0.7% increase
<b>Minimum fare</b>	£2.40	£2.40	No change
<b>Extra charge for additional passengers or luggage</b>	No extra charges	No extra charges	No change
<b>Telephone bookings</b>	£2.00	£2.00	<ul style="list-style-type: none"> <li>– No change to cost of extra</li> <li>– Proposed to confirm that this can be added to bookings made by smartphone, mobile applications or online</li> </ul>
<b>Card payment extra</b>	£1.00 or 12.5% of metered fare whichever is greater	<ul style="list-style-type: none"> <li>– £1.00 or 10% of metered fare whichever is greater</li> <li>– New requirement that drivers do not charge more than it costs them to accept card payments</li> </ul>	<ul style="list-style-type: none"> <li>– Percentage charge reduced from 12.5% to 10%</li> <li>– New requirement introduced to ensure compliance with new card payment regulations</li> </ul>
<b>Heathrow Airport extra</b>	£3.20	£2.80	Extra reduced
<b>City Airport extra</b>	NA	NA	No change
<b>Christmas/New Year extra</b>	£4.00	£4.00	<ul style="list-style-type: none"> <li>– No change to cost of extra</li> <li>– From 2016 extra will be added to the meter automatically</li> </ul>
<b>Fixed-fare shared taxi trips from Wimbledon Tennis to various areas of London</b>		Increases proposed to all fixed fares from Wimbledon to other parts of London apart from to Southfields and Wimbledon stations	
<b>Soiling charge</b>	Up to £40	Up to £40	No change

## **Summary of taxi fares regulations**

### **General**

The 1934 Order sets the fares regime that covers most taxi journeys in London. Article 35 of the 1934 Order provides that taximeters must be fitted to cabs to calculate the fare. Article 40 of the 1934 Order provides the maximum fare payable, which is a hiring charge plus the applicable rate (a sum based on the time and distance travelled and the circumstances of the journey). Values prescribed in article 40 are programmed into taximeters which automatically calculate the amount the driver can charge.

These values are revised each year by decision of the Board after a consultation with taxi trade stakeholders, with new fares taking effect at or about the first weekend in April. Fare changes are legally implemented by revision of the 1934 Order.

Most revisions since the early 1980s have been based on a cost index that reflects the costs of operating a taxi in London, with a few other amendments such as the introduction of evening and night tariffs and the removal of extra charges for luggage or additional passengers.

Specific provision has been made to cater for exceptional costs, such as the additional costs of making the fleet wheelchair accessible in the 1990s. In 2005 a 20 pence extra for all taxi journeys was introduced to cover the costs of bringing all taxis up to the Euro III emissions standard. The 20 pence emissions charge was included in the minimum fare which was set in The London Cab Order 2005.

### **Taxi sharing schemes**

Section 10 of the Transport Act 1985 provides that TfL may make a scheme which allows for shared taxi journeys. The London Taxi Sharing Scheme Order 1987 provides for separate fares to be calculated based on the metered fare for the journey. This requires a conversion chart to be carried in the taxi and explained to the passengers, and works best if all passengers are going to the same destination. It is not believed that this scheme is used widely.

The London Taxi Sharing Scheme Order 2005 allows for fixed fare shared journeys. The 2005 Order sets a pre-determined, per-passenger fare that applies to a journey from a specified origin to a particular destination or area at a certain time. Each passenger pays less than they would do for an exclusive taxi journey, although the total fare received by the driver is more than the metered fare would be. This operates successfully in a number of sites, particularly where marshals are employed to group passengers with similar destinations. These arrangements have proven popular with drivers and customers.

The London Taxi Sharing Scheme Order was revised in 2012.

## Licensed taxi cost index changes 2014

Index Component <sup>1</sup>	Cost Increase	Weight <sup>2</sup>	Contribution to Total <sup>3</sup>	Data availability <sup>4</sup>
		Last Year		Latest
Vehicle Cost	1.5%	9.0%	0.1%	Sep-13
Parts <sup>5</sup>	2.7%	4.1%	0.1%	Sep-13
Tyres <sup>5</sup>	2.7%	0.6%	0.0%	Sep-13
Garage & servicing – premises <sup>5</sup>	2.7%	0.6%	0.0%	Sep-13
Garage & Servicing – labour <sup>5</sup>	2.7%	2.0%	0.1%	Sep-13
Fuel <sup>6</sup>	-3.4%	11.6%	-0.4%	Oct – Dec 2013
Insurance <sup>7</sup>	6.9%	4.4%	0.3%	Sep-13
Miscellaneous	7.2%	1.0%	0.1%	N/A
The Knowledge <sup>8</sup>	0.7%	5.3%	0.0%	Jun – Aug 2013
Social Costs <sup>8</sup>	0.7%	2.7%	0.0%	Jun – Aug 2013
<b>Total Operating Costs</b>	<b>0.8%</b>	<b>41.4%</b>	<b>0.3%</b>	
Average national earnings <sup>8</sup>	0.7%	58.6%	0.4%	Jun – Aug 2013
<b>Grand Total</b>		<b>100.0%</b>	<b>0.7%</b>	

## 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.
4. The 'latest' column under 'Data availability' indicates the dates to which data in the 'cost increase' column relates.
5. As agreed in 2011, costs for Parts, Tyres and Garaging will be uplifted by the yearly change in the Office for National Statistics RPI figure for "motoring expenditure: maintenance of motor vehicles" (DOCT) published on 15 October 2013.

6. The change in fuel costs relates to the change from the average of the AA diesel price for the 3 months to December 2012 to the 3 months to September 2013. This figure will be revised as further monthly data becomes available.
7. As agreed in 2011, costs for insurance will be uplifted by the yearly change in the Office for National Statistics RPI figure for “motoring expenditure: vehicle tax and insurance” (DOCV) published on 15 October 2013.
8. Provisional Knowledge, Social Costs and Average National Earnings changes are derived from the ONS average weekly earnings averages for the three months to August in 2012 and 2013.

TfL Pricing & Forecasting  
06 January 2013



## Details of taxi cost calculations 2014

Table 1 below shows the cost per mile of each cost component for last year's review and the latest review.

Table 1: Cost Index for April 2014

Component of index	Cost p per mile in 2013	Proportion of costs in 2013	Cost p per mile in 2014	Proportion of costs in 2014	Increase in costs 2014	Contribution to total increase
Vehicle Cost	20.94	9.0%	21.25	9.0%	1.5%	0.1%
Parts	9.42	4.0%	9.67	4.1%	2.7%	0.1%
Tyres	1.39	0.6%	1.43	0.6%	2.7%	0.0%
Garage & Servicing - Premises	1.27	0.5%	1.31	0.6%	2.7%	0.0%
Garage & Servicing - Labour	4.51	1.9%	4.63	2.0%	2.7%	0.1%
Fuel	28.25	12.1%	27.29	11.6%	-3.4%	-0.4%
Insurance	9.74	4.2%	10.41	4.4%	6.9%	0.3%
Miscellaneous	2.27	1.0%	2.43	1.0%	7.2%	0.1%
The Knowledge	12.43	5.3%	12.52	5.3%	0.7%	0.0%
Social Costs	6.37	2.7%	6.42	2.7%	0.7%	0.0%
<b>Total operating costs</b>	<b>96.60</b>	<b>41.4%</b>	<b>97.36</b>	<b>41.4%</b>	<b>0.8%</b>	<b>0.3%</b>
Average national earnings	136.82	58.6%	137.78	58.6%	0.7%	0.4%
<b>Grand Total</b>	<b>233.42</b>	<b>100%</b>	<b>235.14</b>	<b>100.0%</b>	<b>0.7%</b>	<b>0.7%</b>

## Vehicle Cost

Four strategies have been considered for purchasing a cab:

1. Purchase new and run to scrap,
2. Purchase new and sell at 4 years,
3. Purchase at 4 years and sell at 8,
4. Purchase at 8 years and run to scrap.

Table 2 below gives the costs for the 4 strategies (as supplied by LTC in 2013). They relate to TX4 models for strategies 1, 2 and 3 and TXIIs for strategy 4.

Table 3 shows the corresponding costs provided in 2012.

**Table 2: Vehicle Cost 2013**

Strategy	Model	HP rate %	Price	Deposit	plus Monthly Payments		Total	Less residual value	Net Cost	Years Cab Kept	Total Cost over 12 years
1	TX4	5.50	£32,995	£3,000	48	£762.37	£39,594	£0	£39,594	12	£39,594
2	TX4	5.50	£32,995	£3,000	48	£762.37	£39,594	£14,750	£24,844	4	£74,532
3	TX4	5.50	£20,200	£2,020	48	£462.08	£24,200	£4,500	£19,700	4	£59,099
4	TXII	5.50	£7,500	£750	36	£218.44	£8,614	£0	£8,614	4	£25,841

**Table 3: Vehicle Cost 2012**

Strategy	Model	HP rate %	Price	Deposit	plus Monthly Payments		Total	Less residual value	Net Cost	Years Cab Kept	Total Cost over 12 years
1	TX4	5.30	£32,995	£3,000	48	£757.37	£39,354	£0	£39,354	12	£39,354
2	TX4	5.30	£32,995	£3,000	48	£757.37	£39,354	£14,188	£25,166	4	£75,498
3	TX4	6.20	£19,100	£1,910	48	£446.94	£23,363	£4,949	£18,414	4	£55,242
4	TXII	6.20	£7,500	£750	36	£222.38	£8,756	£0	£8,756	4	£26,267

Table 4 shows indicative Vito purchase costs. The figures show that costs are unchanged from 2012.

**Table 4: Vehicle Cost of Vito Taxis 2012 and 2013**

Year	Model	HP rate %	Price	Deposit	plus Monthly Payments		Total	Less residual value	Net Cost	Years Cab Kept	Total Cost over 12 years
2013	Euro V	5.00	£42,370	£4,237	48	£953.33	£49,997	£0	£49,997	12	£49,997
2012	Euro V	4.50	£41,950	£4,195	48	£928.14	£48,746	£0	£48,746	12	£48,746

In October 2013 Vito taxis made up 9.0% of the fleet. Purchase costs for these taxis and the TX models have been weighted using this figure to provide an overall average purchase cost.

For the Cost Index calculation for the previous fares review the average cost over 12 years was 20.94 pence per mile. For the Cost Index calculation for this year the average cost for the same strategies was 21.25 pence per mile, giving an increase of 1.5 per cent.

Pence per mile rates have been calculated assuming an annual vehicle mileage of 22,000 miles.

### **Parts, Tyres, Garaging & Servicing**

In 2011 a study was conducted comparing the changes in costs associated with parts, tyres, garaging and servicing incorporated into the cost index over recent years with the yearly changes in the Office for National Statistics RPI figure for “motoring expenditure: maintenance of motor vehicles” (DOCT). The study concluded that the two series were comparable and it was agreed to use this ONS RPI figure to represent these cost index items in future.

In September 2013 the DOCT RPI series showed an annual increase of 2.4 per cent. This gives an increase in the cost per mile of these components from 16.60p in 2012 to 16.99p in 2013.

### **Fuel**

The Derv price index from Arval, which has been used to calculate the change in fuel price, was discontinued in 2013. In deciding on an alternative source of fuel price data, analysis of London diesel prices from the AA (available at [www.theaa.com/motoring-advice/motoring-costs.html](http://www.theaa.com/motoring-advice/motoring-costs.html)) shows close correlation with the Arval Derv price index.

Based on Arval data last used to calculate the index, the average fuel price over the thirteen weeks from 15 October 2012 to 7 January 2013, was compared with the AA average price over the latest three months to December 2013. This gives a value of 142.9p per litre compared to 138.1p, giving a decrease of 3.4 per cent. Note that the equivalent fuel price per mile is shown in table 1 above.

### **Insurance**

A similar comparison to that made for parts, tyres and garaging costs was made of previous years’ cost index insurance figures versus the ONS RPI series figure for “motoring expenditure: vehicle tax and insurance” (DOCV), and again it was decided to use the RPI figure in future cost index revisions.

In September 2013 the DOCV RPI series showed an annual increase of 6.8 per cent. This gives an increase in the cost per mile of these components from 9.74p in 2012 to 10.40p in 2013.

### **Miscellaneous**

This comprises the cost of hiring a meter, smoke test, vehicle licence and driver licence. The requirement for a receipt printer to be installed in all taxis was removed from 1 January 2013. The average cost in 2012 was £461 or 2.27 pence per mile. The average cost for the same strategies in 2013 was £494 or 2.43 pence per mile, giving an increase of 7.2 per cent.

**Earnings Related**

The latest average weekly earnings data (headline rate ONS series KAC3) show a 0.7% year on year increase for the three months to August 2013. This gives a cost per mile figure for the updated index of 137.8, representing 58.5 per cent of the total index cost.

The “knowledge” and “social” costs have also been uplifted each year in line with national earnings. In 2013 these increased to 12.52p and 6.42p respectively, together representing a further 8 per cent of the total index cost.

TfL Pricing & Forecasting  
22 October 2013

## Proposed Tariff Changes – 0.7 per cent average increase

## Average Fares

	Current average	New average	Increase (£)	Increase (%)
<b>Tariff 1</b>	£11.43	£11.51	£0.08	0.7%
<b>Tariff 2</b>	£13.25	£13.34	£0.10	0.7%
<b>Tariff 3</b>	£15.57	£15.67	£0.10	0.7%
<b>All Week</b>	£12.63	£12.72	£0.09	0.7%

## Tariff Rates – 0.7 per cent average increase

	Tariff 1		Tariff 2		Tariff 3	
	Current	New	Current	New	Current	New
minimum fare <sup>1</sup>	£2.40	£2.40	£2.40	£2.40	£2.40	£2.40
minimum units	2	2	2	2	2	2
metres/unit < 6 miles	127.3	126.2	103.4	102.5	83.4	82.7
secs/unit < 6 miles	27.4	27.1	22.2	22.0	17.9	17.8
metres/unit > 6 miles	89.2	88.5	89.2	88.5	89.2	88.5
secs/unit > 6 miles	19.2	19.0	19.2	19.0	19.2	19.0
Units at lower rate	75	76	93	94	115	116
Metres at lower rate	9547.5	9591.2	9616.2	9635.0	9591.0	9593.2
changeover fare	£17.20	£17.40	£20.80	£21.00	£25.20	£25.40

## Example Fares – 0.7 per cent average increase

## Example Fares – 0.7 per cent average increase

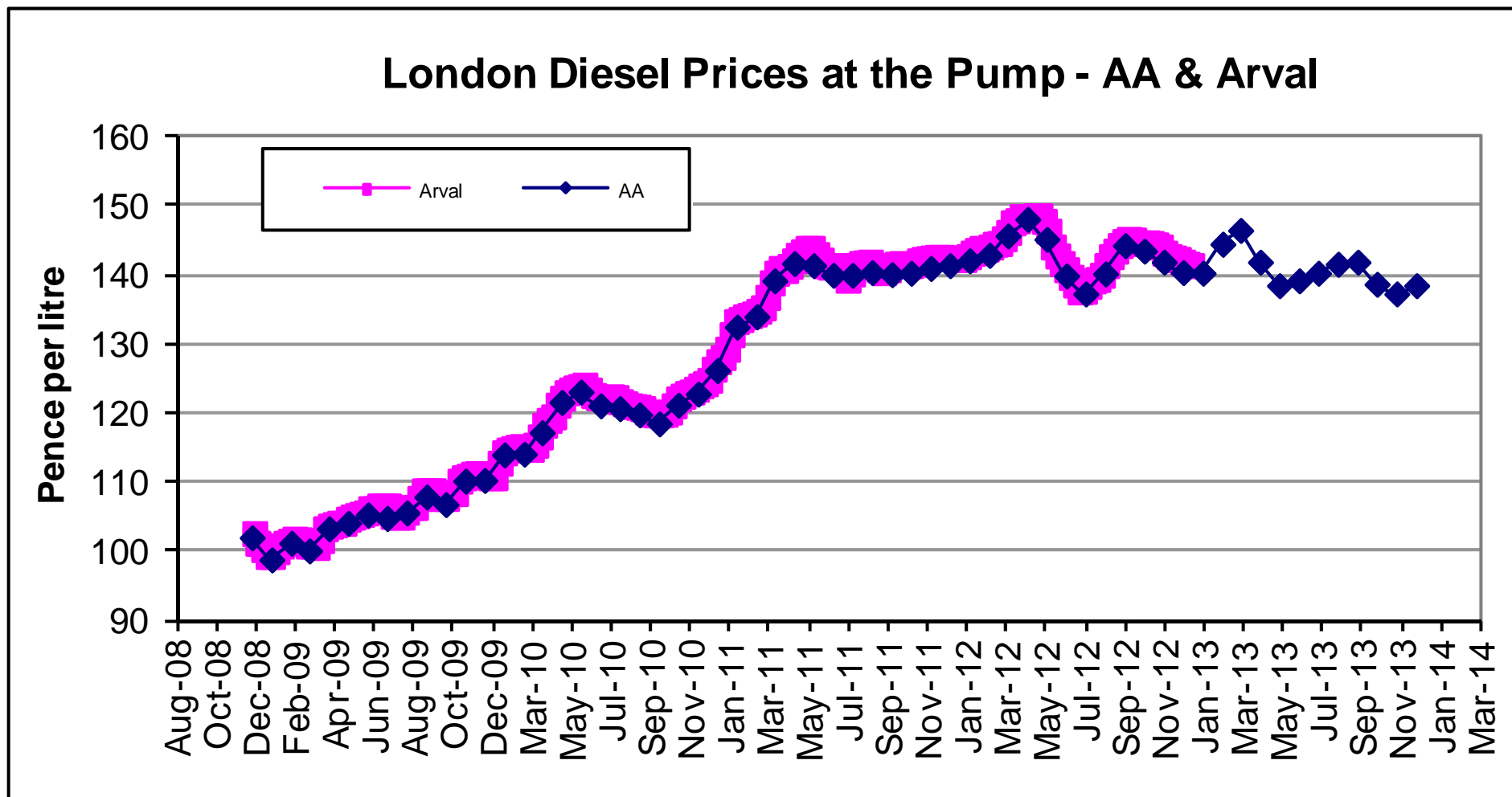
Journey length Miles	Tariff 1			Tariff 2			Tariff 3		
	Current	New	Change	Current	New	Change	Current	New	Change
minimum <sup>1</sup>	£2.40	£2.40	0.0%	£2.40	£2.40	0.0%	£2.40	£2.40	0.0%
0.5	£3.40	£3.40	0.0%	£3.60	£3.60	0.0%	£4.00	£4.00	0.0%
1.0	£4.60	£4.60	0.0%	£5.20	£5.20	0.0%	£6.00	£6.00	0.0%
1.5	£5.80	£6.00	3.4%	£6.80	£6.80	0.0%	£7.80	£8.00	2.6%
2.0	£7.20	£7.20	0.0%	£8.40	£8.40	0.0%	£9.80	£9.80	0.0%
2.5	£8.40	£8.40	0.0%	£9.80	£10.00	2.0%	£11.80	£11.80	0.0%
3.0	£9.60	£9.80	2.1%	£11.40	£11.60	1.8%	£13.60	£13.80	1.5%
3.5	£11.00	£11.00	0.0%	£13.00	£13.00	0.0%	£15.60	£15.80	1.3%
4.0	£12.20	£12.40	1.6%	£14.60	£14.60	0.0%	£17.60	£17.60	0.0%
4.5	£13.40	£13.60	1.5%	£16.20	£16.20	0.0%	£19.40	£19.60	1.0%
5.0	£14.80	£14.80	0.0%	£17.60	£17.80	1.1%	£21.40	£21.60	0.9%
6.0	£17.40	£17.40	0.0%	£20.80	£21.00	1.0%	£25.20	£25.40	0.8%
7.0	£21.00	£21.00	0.0%	£24.40	£24.60	0.8%	£28.80	£29.00	0.7%
8.0	£24.60	£24.80	0.8%	£28.00	£28.20	0.7%	£32.40	£32.80	1.2%
9.0	£28.20	£28.40	0.7%	£31.60	£31.80	0.6%	£36.00	£36.40	1.1%
10.0	£31.80	£32.00	0.6%	£35.20	£35.40	0.6%	£39.60	£40.00	1.0%
11.0	£35.40	£35.60	0.6%	£38.80	£39.20	1.0%	£43.20	£43.60	0.9%
12.0	£39.00	£39.20	0.5%	£42.40	£42.80	0.9%	£46.80	£47.20	0.9%
13.0	£42.60	£43.00	0.9%	£46.00	£46.40	0.9%	£50.40	£51.00	1.2%
14.0	£46.20	£46.60	0.9%	£49.60	£50.00	0.8%	£54.00	£54.60	1.1%
15.0	£49.80	£50.20	0.8%	£53.20	£53.60	0.8%	£57.80	£58.20	0.7%
16.0	£53.40	£53.80	0.7%	£56.80	£57.40	1.1%	£61.40	£61.80	0.7%
18.0	£60.60	£61.00	0.7%	£64.00	£64.60	0.9%	£68.60	£69.00	0.6%
20.0	£67.80	£68.40	0.9%	£71.20	£71.80	0.8%	£75.80	£76.40	0.8%

All example fares assume entire journey charged on distance rates

### Tariff times

- Tariff 1: Monday to Friday between 06:00 and 20:00
- Tariff 2: Monday to Friday between 20:00 and 22:00, Saturday and Sunday between 06:00 and 22:00
- Tariff 3: Every night between 22:00 and 06:00, Public holidays

Fuel prices for 2014 cost index



**Wimbledon Tennis Championships fixed-fare, shared taxi scheme**

The table below shows the current fares and new fares for the fixed-fare, shared taxi scheme between the Wimbledon Tennis Championships and London destinations.

<b>Authorised place</b>	<b>Destination(s)</b>	<b>Current fares</b>	<b>New fares</b>
Taxi boarding point outside Gate 4 of the All England Lawn Tennis and Croquet Club, London SW19	Addresses in the Borough of Hammersmith and Fulham on and south of Hammersmith Bridge Road, Hammersmith Broadway and Hammersmith Road	Tariff 1: £6.00 Tariff 2: £6.00 Tariff 3: £6.00	Tariff 1: £7.20 Tariff 2: £7.20 Tariff 3: £7.20
Taxi boarding point outside Gate 4 of the All England Lawn Tennis and Croquet Club, London SW19	Addresses in Postal Districts SW4, SW8 and SW11; addresses on Clapham Road, Harleyford Street, Kennington Oval and Harleyford Road	Tariff 1: £7.00 Tariff 2: £7.00 Tariff 3: £7.00	Tariff 1: £8.40 Tariff 2: £8.40 Tariff 3: £8.40
Taxi boarding point outside Gate 4 of the All England Lawn Tennis and Croquet Club, London SW19	Addresses in the Royal Borough of Kensington and Chelsea in the area bounded by Cromwell Road, Brompton Road, Sloane Street, Sloane Square, Lower Sloane Street and Chelsea Bridge Road inclusive	Tariff 1: £8.00 Tariff 2: £8.00 Tariff 3: £8.00	Tariff 1: £9.60 Tariff 2: £9.60 Tariff 3: £9.60
Taxi boarding point outside Gate 4 of the All England Lawn Tennis and Croquet Club, London SW19	Addresses in Postal District SW1 east of Sloane St, Sloane Square, Lower Sloane Street and Chelsea Bridge Road	Tariff 1: £9.00 Tariff 2: £9.00 Tariff 3: £9.00	Tariff 1: £10.80 Tariff 2: £10.80 Tariff 3: £10.80



<b>Authorised place</b>	<b>Destination(s)</b>	<b>Current fares</b>	<b>New fares</b>
Taxi boarding point outside Gate 4 of the All England Lawn Tennis and Croquet Club, London SW19	Addresses in the area bounded by Warwick Road north of Cromwell Road, Russell Road, Russell Gardens Mews, Holland Road, Holland Park Avenue, Notting Hill Gate, Pembridge Road, Pembridge Villas, Westbourne Grove, Bishops Bridge Road, Bishops Bridge Harrow Road, Edgware Road, Marble Arch, Park Lane and Knightsbridge inclusive and Brompton Road and Cromwell Road exclusive	Tariff 1: £10.00 Tariff 2: £10.00 Tariff 3: £10.00	Tariff 1: £12.00 Tariff 2: £12.00 Tariff 3: £12.00
Taxi boarding point outside Gate 4 of the All England Lawn Tennis and Croquet Club, London SW19	Addresses in Postal District W1; addresses in the area bounded by Edgware Road, Church St NW8, Lisson Grove, Rossmore Road, Park Road, Allsop Place, York Terrace, Upper Harley Street, Marylebone Road, Euston Road, Tottenham Court Road inclusive	Tariff 1: £10.00 Tariff 2: £10.00 Tariff 3: £10.00	Tariff 1: £12.00 Tariff 2: £12.00 Tariff 3: £12.00
Taxi boarding point outside Gate 4 of the All England Lawn Tennis and Croquet Club, London SW19	Addresses in Postal District WC2; Waterloo Station; addresses in the area bounded by the River Thames, Waterloo Bridge, Waterloo Road, Baylis Road, Lower Marsh, Westminster Bridge Road and Westminster Bridge inclusive	Tariff 1: £10.00 Tariff 2: £10.00 Tariff 3: £10.00	Tariff 1: £12.00 Tariff 2: £12.00 Tariff 3: £12.00
Taxi boarding point outside Gate 4 of the All England Lawn Tennis and Croquet Club, London SW19	Addresses in Postal District WC1; addresses on Euston Road East of Tottenham Court Road; Euston, Kings Cross and St Pancras Stations	Tariff 1: £12.00 Tariff 2: £12.00 Tariff 3: £12.00	Tariff 1: £14.40 Tariff 2: £14.40 Tariff 3: £14.40

<b>Authorised place</b>	<b>Destination(s)</b>	<b>Current fares</b>	<b>New fares</b>
Taxi boarding point outside Gate 4 of the All England Lawn Tennis and Croquet Club, London SW19	Addresses in postal districts EC1, EC2, EC3 and EC4; addresses in the area bounded by London Bridge, Duke Street Hill, Tooley Street, Bermondsey Street, Thomas Street, Bedale Street, Borough High Street, Southwark Street, Blackfriars Bridge and the River Thames inclusive	Tariff 1: £12.00 Tariff 2: £12.00 Tariff 3: £12.00	Tariff 1: £14.40 Tariff 2: £14.40 Tariff 3: £14.40