

**Board**

**Date: 24 September 2014**

**Item 8: Taxi Fares Update**

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**This paper will be considered in public**

**1 Summary**

1.1 The purpose of this paper is to:

- (a) Update the Board on a number of taxi fare related issues following its meeting on 5 February; and
- (b) Invite the Board to make decisions on a number of taxi fare related issues.

1.2 On 9 July 2014, the Surface Transport Panel considered the issues in this paper and its comments are included in the sections below.

**2 Recommendations**

2.1 The Board is asked to note the paper and:

- (a) **consider whether or not the Board is minded to retain the Heathrow Airport Extra paid by passengers taking a taxi from the taxi ranks at Heathrow Airport. If the Board is minded to remove the Heathrow Airport Extra, then the Board is recommended to agree that a consultation exercise is undertaken, and the outcome of that consultation taken into account, before a final decision is taken;**
- (b) **consider whether or not to support the introduction of a passenger extra charge at London City Airport taking into account the outcome of the consultation carried out in October 2013;**
- (c) **consider whether the feasibility of introducing fixed fares for taxi trips from Heathrow Airport to central London should continue to be explored;**
- (d) **consider whether or not TfL should consult on a proposal to require all licensed taxis to have credit and debit card payment facilities; and**
- (e) **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 At its meeting on 5 February 2014, the Board considered a number of changes to taxi fares and tariffs following the annual fares review and:

- (a) requested that a further paper be submitted to this meeting relating to the additional Heathrow Airport charge and the outcome of further engagement with the taxi trade on: introducing a fixed fare from Heathrow Airport to central London, credit and debit card acceptance in taxis, and making passengers aware of the additional cost of using a credit or debit card at the start of their journey;
- (b) agreed that no extra charges should be introduced for passengers taking a taxi from the taxi rank at London City Airport;
- (c) endorsed a review of card acceptance in taxis in 2014; and
- (d) endorsed a review of the date when taxi fares and tariffs are changed (April) and for this to be aligned with bus and rail increases (January) subject to any concerns raised being taken into account.

### **4 Heathrow Airport Extra**

4.1 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. The taxi feeder park at Heathrow Airport is a large facility that manages taxi services at the airport and the dispatch of taxis to each terminal to ensure that demand is met. The operation of the taxi feeder park involves having wardens at each of the terminal taxi ranks and issuing all taxis at the airport with electronic tags.

4.2 These elements of the taxi feeder park at Heathrow Airport mean that there is a significant cost to its operation and management. To cover these costs Heathrow Airport Limited (HAL) charge taxi drivers a fee for entering the taxi feeder park. The fee, which is reviewed annually by HAL, was £6.54 in 2012, £6.00 in 2013, and is currently £5.22. HAL has stated that if it did not charge taxi drivers a fee for entering the taxi feeder park then it would have to cease operating the taxi feeder park and dispatch system.

4.3 To compensate drivers for this additional fee, a 'Heathrow Extra' is charged to passengers for every taxi journey that starts from one of the taxi ranks at Heathrow Airport. The charge to passengers is typically around 50 per cent of the fee paid by drivers and in April 2014 this was reduced from £3.20 to £2.80 to reflect the lower fee drivers paid.

4.4 At its meeting on 5 February 2014, the Board approved the reduction in the passenger charge. The Board were also minded to remove the Heathrow Extra charge altogether as it felt that by approving a passenger charge, TfL was implicitly endorsing drivers being charged to access taxi ranks.

4.5 The Board asked for a review of the Heathrow Extra charge to take place and for a paper to be submitted to this meeting for consideration.

- 4.6 In March and April 2014, the Mayor wrote to the CEO of HAL asking him to consider removing the fee that taxi drivers must pay to access the taxi ranks at the airport.
- 4.7 The CEO of HAL responded to the Mayor stating that the feeder park operates on a non-profit, cost recovery basis and that costs and charges are kept to a minimum. It was stated that in 2013 the facility under-recovered its operating costs by £500,000. The letter also outlined the necessity of the feeder park as there are 7,500 taxi drivers registered and some 600,000 recorded trips per year with an average occupancy of three passengers.
- 4.8 HAL is regulated by the Civil Aviation Authority (CAA) as a “dominant airport” under the Civil Aviation Act 2012. HAL has stated that the regulatory framework governing it makes it necessary for Heathrow to recover the costs for services it charges from those who benefit from the service. HAL asserts that this means that only the users of the taxi feeder park (the taxi drivers) can be charged for the service of providing, operating and maintaining the taxi feeder park.
- 4.9 The driver fee is calculated by HAL each year by estimating the expected number of taxi trips and costs of operating the feeder park. The fee also takes into account any under-recovery or over-recovery from the previous year.
- 4.10 An existing problem at Heathrow Airport concerns taxi journeys to destinations outside of the Greater London area. Fares for these trips do not have to be calculated by the meter and can be agreed between the driver and passenger. However, TfL has received a number of complaints of excessively high fares being charged or drivers refusing to take passengers to destinations outside of the Greater London area. This problem is made worse by Heathrow’s close proximity to the boundary of Greater London.
- 4.11 Examples of excessively high fares include: £35 to the Hilton Terminal 5 Hotel (three miles), £65 to the Windsor Marriott Hotel (six miles) and £80 to Walton on Thames (11 miles). The removal of the Heathrow Extra that passengers pay could lead to an increase in taxi drivers negotiating higher fares to destinations outside of Greater London in order to try and compensate for the loss of the Heathrow Extra.
- 4.12 At its meeting on 9 July 2014, the Surface Transport Panel considered the Heathrow Extra and were of the view that this should remain at around 50 per cent of the fee taxi drivers pay to enter the taxi feeder park.
- 4.13 Taking all of the above factors into consideration, the Board is asked to decide whether to retain the Heathrow Extra passenger charge or remove it.
- 4.14 If the Board is minded to remove the passenger charge then a public consultation will be undertaken before any decision is made. A public consultation could be launched in October and the outcome of this consultation could be presented to the Board in February 2015 along with the normal taxi fares and tariff review.

## **5 Fixed Fares from Heathrow**

- 5.1 At its meeting on 5 February, the Board was advised that options for fixed fares from Heathrow Airport to central London would be explored further and requested an update at this meeting.
- 5.2 The proposal to introduce a fixed fare scheme from Heathrow Airport to central London has been discussed with taxi trade representatives from the Licensed Taxi Drivers Association (LTDA), London Cab Drivers Club (LCDC), and Unite the Union. They were opposed to fixed fares from Heathrow Airport being introduced.
- 5.3 The main reasons for not supporting this proposal included: concerns that if the average fare is set too low it will be rejected by drivers and if set too high it will be rejected by passengers; concerns that passengers expect to pay a metered price when engaging the services of a London taxi; concerns that a fixed fare arrangement blurs the lines between the taxi and private hire trades; comparisons with other airport schemes, such as JFK in New York, not being valid as fuel and vehicle costs are significantly higher in London. A taxi driver representative from Heathrow Airport was invited to meet at TfL's office to discuss the proposal but this invitation was declined.
- 5.4 At its meeting on 9 July 2014, the Surface Transport Panel considered the proposal and expressed concerns that a fixed fare scheme at the airport could erode the differences between taxi and private hire services. The Panel also stated that any comparison with fixed fares schemes at other airports, such as JFK in New York, must take into account the costs of operating a taxi in London and any fixed fares must reflect this.
- 5.5 In February 2013 Hailo, an app service that predominately provides taxis, started advertising fixed fares to Heathrow Airport and City Airport and stated that the taxi fare from the Strand to Heathrow Terminal 5 would be £68.00<sup>1</sup>. However, under this arrangement a driver cannot legally charge more than the metered fare as this has not been approved by the Board.
- 5.6 In effect, the certainty of having a fixed fare, known in advance, is balanced against the fact that for some taxi trips passengers would pay a higher fare than if this was calculated using the taximeter.
- 5.7 The board is asked to review whether it would like the feasibility for introducing fixed fares from Heathrow to central London to continue to be explored.

## **6 London City Airport Extra**

- 6.1 At its meeting on 5 February 2014, the Board agreed that no extra charges should be introduced for passengers taking a taxi from London City Airport. However, if the Board decide that the Heathrow Extra passenger charge should be maintained, it may wish to review the position with a London City Airport extra.
- 6.2 As part of the October 2013 taxi fares consultation, comments were invited on the proposal to introduce a passenger extra if London City Airport introduced a fee for

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<sup>1</sup> Hailo, 'Introducing Fixed Prices to Airports', 27 February 2013, <https://hailocab.com/blog/2013/02/27/hailo-fixed-prices-to-london-airports>

taxi drivers using the taxi rank. Prior to the consultation the main taxi trade associations expressed their objection to a fee being introduced for drivers to access the taxi rank at City Airport. However, they also said that where driver fees are introduced, any passenger extra should be equal to the driver fee, so that drivers could recover 100 per cent of the cost. London TravelWatch did not support the introduction of a passenger extra. The taxi radio circuits were also concerned about fees being introduced for drivers to access taxi ranks.

- 6.3 London City Airport has stated that introducing a fee for taxi drivers is necessary in order to cover the costs of providing improvements at the taxi rank and also to fund ongoing maintenance and operational costs. It has calculated that its Airport Charge would be £2.14 and is requesting that TfL approve an extra charge for passengers of £2.14, or as close to this as possible.
- 6.4 To be consistent with the passenger charge for the Heathrow Extra, if the Board decides to introduce a passenger charge at London City Airport it is proposed that this charge should be around 50 per cent of the driver fee. As the extras increase in increments of 40 pence this would equate to a passenger extra of 80 pence or £1.20.
- 6.5 At its meeting on 9 July 2014, the Surface Transport Panel considered this proposal. There were differing views amongst the members of the Panel. Some members were opposed to the idea of a fee for drivers being introduced by London City Airport and others were opposed to additional charges being passed onto passengers.
- 6.6 The Board is asked to consider whether or not to introduce a passenger charge for journeys originating from London City Airport and if this is introduced whether it should be 80 pence or £1.20.

## **7 Card acceptance in taxis**

- 7.1 At its meeting on 5 February 2014, the Board requested that taxi passengers be made aware at the start of their journey of any additional charges when paying for a taxi journey by card. Since that meeting, the taxi fare card displayed in the passenger compartment of taxis has been updated to reflect the new surcharge and to advise passengers that drivers must not charge more than it costs them to accept card payments. Drivers also have a copy of this fare card with additional instructions to advise passengers at the outset of the journey that additional fees will apply if paying by card.
- 7.2 The Board also endorsed a review of card acceptance in taxis and requested an update on discussions with the taxi trade on any plans for all licensed taxis to have the facility to accept credit or debit card payments being brought forward.
- 7.3 In 2013/14, passenger research was carried out which showed that 88 per cent of taxi users feel they should be able to pay for taxi journeys by card. 83 per cent of passengers said they would be very or quite likely to pay for a taxi journey by card<sup>2</sup>.

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

- 7.4 In 2008, credit card readers were installed in all taxis in New York. At that time less than 20 per cent of all trips were paid for by credit card but this has now increased to 55 per cent<sup>3</sup>.
- 7.5 Currently around half of all taxi drivers accept card payments<sup>4</sup>. Reasons why taxi drivers do not accept card payments include: concerns about security, drivers preferring cash, the fee for processing card payments being too high, it is difficult or costly to install the card payment devices, cards not working and accepting the payment taking too long.
- 7.6 The taxi trade associations have all stated that they are opposed to a requirement for all taxis to be required to have the facility to accept card payments as well as cash.
- 7.7 Objections raised by the taxi trade associations to a requirement for all taxis to have a facility to accept card payments included: some taxi drivers not having bank accounts, drivers receiving parking tickets whilst waiting for cards to be accepted and cards being refused. They are also concerned that, being self employed, not all drivers will reasonably be able to access credit card payment facilities, thus potentially bringing them off the road.
- 7.8 Some of the objections raised exist at present and would not be new risks as a result of all taxis being required to have the facility to accept card payments. Issues around the time taken for card payments to be processed and accepted and the cost of card payment equipment have been partly reduced as a result of the development of new technology and the increasing use of contactless payment systems and cards.
- 7.9 At its meeting on 9 July 2014, the Surface Transport Panel considered this proposal. It expressed concern that requiring all taxis to have card payment facilities would be a harsh measure for taxi drivers as it is an industry composed of sole traders. Whilst it understood the benefits for passengers, it felt that a certain percentage of the taxi trade may not be able to meet any new licensing requirements, with concerns about drivers not having a bank account being raised.
- 7.10 If the Board is minded to consider that taxi passengers should be able to pay by debit or credit card as well as cash in all licensed taxis then a public consultation would be conducted before a decision is made. This would allow licensees and the public to comment on the proposal and raise any new potential concerns and mitigating measures before any final decision is taken.
- 7.11 Surface Transport Panel recommended that taxi drivers who accept card payments should make passengers aware of this by displaying a sticker or sign on their taxi. At present stickers showing what cards are accepted can be displayed on taxis, although there is no obligation to display these. Having stickers on display may assist passengers but it would not stop drivers claiming that their card payment device does not work nor mean that more drivers would decide to start accepting card payments.

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<sup>3</sup> New York Taxi Fact book 2014, New York City and Limousine Commission, [http://www.nyc.gov/html/tlc/downloads/pdf/2014\\_taxicab\\_fact\\_book.pdf](http://www.nyc.gov/html/tlc/downloads/pdf/2014_taxicab_fact_book.pdf)

<sup>4</sup> Taxi and private hire licensee Customer Satisfaction Survey, TNS, 2013/14

- 7.12 One question raised is what would happen to the surcharge when paying by debit or credit card if card payments were accepted in all licensed taxis. At present there is a surcharge of £1 or 10 percent of the metered fare, whichever is greater, when passengers pay by debit or credit card. However, if card payments were accepted in all licensed taxis, then options for removing this surcharge and instead factoring the costs into the cost index would be explored.
- 7.13 The Board is asked to consider the current position on card acceptance in taxis and what the next steps should be.
- 7.14 If the Board is minded to agree that passengers should be able to pay by debit or credit card, as well as cash, in all licensed taxis then they are asked to approve a public consultation on card acceptance in licensed taxis before a final decision is made. The consultation will then be launched at the earliest opportunity.

## **8 Changing the date when taxi fares and tariffs are updated**

- 8.1 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.
- 8.2 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.
- 8.3 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.
- 8.4 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. The outcome of the DfT review is not yet known.
- 8.5 The Board is asked to decide whether to continue to update taxi fares and tariffs in April, change the date to the first week of January from 2016 to bring this into line with increases in bus and rail fares, or wait to see if the date when bus and rail fares are increased is changed by the DfT.

## **9 Legal Implications**

- 9.1 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 Cab Orders dealing with other matters is delegated to the Commissioner, or other officers where specified.

- 9.2 Any decision to remove the Heathrow Extra, introduce a London City Airport Extra, change the date when taxi fares and tariffs are updated, approve fixed fares from Heathrow Airport to central London, or require all licensed taxis to have facilities to accept card payments, would be made by amendment to the Cab Order.
- 9.3 Any decision by the Board that it is minded to remove the Heathrow Extra, introduce fixed fares from Heathrow Airport to central London or require all licensed taxis to have facilities to accept card payments will be subject to the outcome of a public consultation on these proposals before any decision is made.

## **10 Crime and Disorder**

### **Heathrow Airport Extra**

- 10.1 Although there is currently a good supply of taxis at Heathrow Airport, if the Heathrow Extra is removed some drivers may choose not to work at the airport any more, thereby reducing the supply of taxis. This could lead to an increased risk to passenger safety, and touting at the airport. However, drivers can sometimes wait between one and two hours before they pass through the taxi feeder park and so a small reduction in taxis at the airport is unlikely to have a significantly negative effect on taxi supply.
- 10.2 It is possible that some drivers may choose to protest at the removal of the extra charge or take direct or indirect action to express their objection to this.

### **London City Airport Extra**

- 10.3 If London City Airport introduces a fee that drivers must pay, then not approving the introduction of an extra charge for passengers in order to partly compensate drivers could result in some drivers no longer choosing to work at the airport, which would reduce the supply of available taxis. This could also lead to an increased risk to passenger safety and touting at the airport. Some drivers may also try to pick up passengers outside of the taxi rank.
- 10.4 It is possible that some drivers may choose to protest or take direct or indirect action to express their objection to the introduction of a fee by London City Airport.

### **Credit and debit card acceptance in taxis**

- 10.5 Enabling passengers to have the choice of whether to pay by cash or debit or credit card in all licensed taxis could help reduce crime, as passengers would be able to make a cashless payment and would not be required to carry cash with them every time they wanted to use a taxi. It would also reduce the risk of passengers having to go to a cash-point before, during or at the end of a journey.
- 10.6 There are potential security and fraud risks with card payments in any sector but these risks exist at present. If the Board are minded to agree that passengers should be able to pay by cash or debit or credit card in all licensed taxis then a



public consultation on this will be conducted before any decision is taken. One of the areas the consultation will cover would be security/fraud and what can potentially be done to minimise the risks.

## **11 Financial Implications**

### **Heathrow Airport Extra**

- 11.1 Removing the extra charge passengers pay when taking a taxi from Heathrow Airport would benefit taxi passengers, as fares would be lower within Greater London. It would have a negative impact on taxi drivers as they would not receive the passenger extra as well as the fare but would still have to pay the driver fee set by HAL.

### **London City Airport Extra**

- 11.2 Approving no extra charges for taxi passengers at London City Airport would benefit passengers as the fare they pay when taking a taxi from the airport would not increase. This would have a negative impact on taxi drivers if London City Airport introduces a driver fee, as drivers would not be able to recover any of this.
- 11.3 However, introducing an extra charge payable by taxi passengers at London City Airport would negatively affect passengers and mean them paying higher fares. However, it would benefit taxi drivers who would be able to recover some, but not all, of the fee imposed by London City Airport.
- 11.4 A concern has been raised within TfL that the endorsement, either explicitly or implicitly, by TfL of charging taxi drivers to access taxi ranks could lead to some landowners trying to introduce charges for bus stops and bus infrastructure on private land.

### **Credit and debit card acceptance in taxis**

- 11.5 Requiring all taxis to have the facility to safely and securely accept debit and credit card payments would mean that drivers or vehicle owners would incur a cost. However, if all taxis had this facility then it may potentially be possible to factor this cost into the cost index model used when reviewing taxi fares and tariffs.

### **Changing the date when taxi fares and tariffs are updated**

- 11.6 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 although the date when these change may alter.

- 11.7 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.
- 11.8 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.
- 11.9 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.

**List of appendices to this report:**

None

**List of Background Papers:**

5 February 2014 Board Paper

9 July 2014 Surface Transport Panel Paper

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