

Licensed Taxi Cost Index Changes 2007

Index Component ¹	Cost Increase	Weight ²		Contribution to Total ³	Data availability ⁴	
		2006	2007		Current	Normally used
Vehicle Cost	4.0% ⁵	9.4%	9.5%	0.38%	Nov 06	Nov
Parts	4.0%	3.8%	3.8%	0.15%	Nov 06	Nov
Tyres	0.4%	0.5%	0.5%	0.00%	Nov 06	Nov
Garage & servicing – premises	-0.8%	0.6%	0.6%	0.00%	3 rd ¼ '06	3 rd ¼
Garage & Servicing – labour	2.7%	1.9%	1.9%	0.05%	Oct 06	Oct
Fuel	-1.2%	10.0%	9.6%	-0.13%	Early Jan	Mid Dec
Insurance	-3.3% ⁶	3.4%	3.2%	-0.11%	Jan 07	Jan
Miscellaneous	10.7% ⁷	1.1%	1.2%	0.12%	Early Jan	Early Jan
The Knowledge	3.9%	5.5%	5.6%	0.22%	3 rd ¼ '06	3 rd ¼
Social Costs	3.9%	2.8%	2.9%	0.11%	3 rd ¼ '06	3 rd ¼
Total Operating Costs	2.0%	39.2%	38.8%	0.79%		
Average national earnings	3.9%	60.8%	61.2%	2.37%	3 rd ¼ '06	3 rd ¼
Grand Total		100%	100%	3.16%		

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. The 2007 column shows the provisional weights in the total cost index, after updating them with this year's cost increases. The 2006 column shows the starting weights used in these calculations.
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 (2006) weight. The Grand Total is the sum of the individual components' contributions.
4. The 'current' column under 'Data availability' indicates the dates to which data in the 'cost increase' column relate. The 'normally used' column shows the dates relating to the data normally used in recent years for the final cost index update.
5. Older taxis (primarily the TX1 model) will be required to comply with Euro 3 emission standards by July 2007. The cost of doing so has not been included in the index as a 20p supplement is currently added to every taxi fare to compensate drivers for this expense. This arrangement is due for review before the 2008 tariff change.
6. Three of the four insurance companies whose premiums have been used in compiling the index will be leaving their rates unchanged this year. The fourth will be making a substantial reduction in January 2007. The weight used takes account of the estimated proportion of drivers covered by each of these companies.
7. Miscellaneous costs include PCO imposed elements such as licence fees, normally changed in April and incorporated in the cost index produced the previous December or January. 2007 cost changes depend on changes to vehicle inspection procedures not yet finalised. Driver's licence fees have been assumed to increase in line with the RPI change, and an increase of £44 has been assumed in the cost of a vehicle licence to represent the cost of a mid-year inspection. If these figures change, appropriate adjustments will be made in next year's index.

Details of Taxi Cost Calculations 2007

The table below shows the cost per mile of each cost component in 2006 and for 2007.

Table 1: Cost Index for April 2007

Component of index	Cost p per mile in 2006	Proportion of costs in 2006	Cost p per mile in 2007	Increase in costs 2007	Contribution to total increase
Vehicle Cost	17.53	9.4%	18.23	4.0%	0.38%
Parts	7.06	3.8%	7.34	4.0%	0.15%
Tyres	1.01	0.5%	1.01	0.4%	0.00%
Garage & Servicing - Premises	1.14	0.6%	1.13	-0.8%	0.00%
Garage & Servicing - Labour	3.63	1.9%	3.72	2.7%	0.05%
Fuel	18.61	10.0%	18.38	-1.2%	-0.13%
Insurance	6.32	3.4%	6.11	-3.3%	-0.11%
Miscellaneous	2.07	1.1%	2.29	10.7%	0.12%
The Knowledge	10.28	5.5%	10.68	3.9%	0.22%
Social Costs	5.27	2.8%	5.48	3.9%	0.11%
Total operating costs	72.91	39.2%	74.38	2.0%	0.79%
Average national earnings	113.14	60.8%	117.55	3.9%	2.37%
Grand Total	186.05	100%	191.93	3.2%	3.16%

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.

The table below gives the costs for the 4 strategies in 2006 (as supplied by LTI). They relate to TX4 models for strategies 1 and 2, TXIIs for 3 and TXIs for 4. Table 3 shows the corresponding costs for 2005, but in this case, strategies 1 and 2 relate to TXII models and strategies 3 and 4 relate to TXIs.

Table 2: Vehicle Cost in 2006/07

Strategy	HP rate %	Price	Deposit	plus Monthly Payments		Total	Less residual value	Net Cost	Years Cab Kept	Total Cost over 12 years
1	5.50	£30,995	£3,100	48	£709.01	£37,132	£500	£36,632	12	£36,632
2	5.50	£30,995	£3,100	48	£709.01	£37,132	£16,300	£20,832	4	£62,496
3	6.75	£22,500	£2,250	48	£535.78	£27,968	£5,250	£22,718	4	£68,153
4	7.00	£7,500	£750	36	£226.88	£8,918	£500	£8,418	4	£25,253

Table 3: Vehicle Cost in 2005/06

Strategy	HP rate %	Price	Deposit	plus Monthly Payments		Total	Less residual value	Net Cost	Years Cab Kept	Total Cost over 12 years
1	5.25	£28,995	£2,900	48	£657.82	£34,475	£500	£33,975	12	£33,975
2	5.25	£28,995	£2,900	48	£657.82	£34,475	£15,300	£19,175	4	£57,525
3	6.50	£20,600	£2,060	48	£486.68	£25,420	£7,250	£18,170	4	£54,511
4	6.50	£11,500	£1,150	36	£343.56	£13,518	£500	£13,018	4	£39,055

The average cost over 12 years in December 2005 was £46,267 or 17.53 pence per mile. The average cost for the same strategies in December 2006 was £48,133 or 18.23 pence per mile, giving an increase of 4.0%.

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

Parts

LTI Parts annually quote the average price increase of all the parts they supplied to the trade in the previous year. This year they quoted 4.0% which has been assumed to apply to all cabs regardless of make and model.

In 2006 the cost per mile of parts was 7.06p. This was increased by the 4.0% giving 7.34 pence per mile for 2007.

Tyre costs have been calculated separately. Prices for new Dunlop, Valiant, Maxxis and Michelin tyres including valve, fitting, balancing and VAT were obtained from two suppliers (Jet Tyres and M&O London). The cost of tyres has not been changed by M&O, but Jet have changed the prices of two tyre types (Dunlop and Valiant) in the last year and the average has increased to £63.22 from the 2005 value of £60.31. This is equivalent to a value of 1.01 pence per mile. See table below for more detail.

In 2006 the total cost per mile for parts and tyres was 8.07p. In 2007 this had increased to a total of 8.35 pence per mile.

Table 4: Cost of Tyres

Supplier	Taxi Tyre Type	Piece Cost	Fitting	VAT	Total
M&O London	Dunlop Radical Steel Braced	£62.00	£20.00	£14.35	£96.35
Jet Tyres	Dunlop Radical Steel Braced	£47.50	£7.00	£9.55	£64.05
	Valiant Radical Steel Braced (Remould)	£25.00	£7.00	£5.60	£37.60
	Maxxis Radical Steel Braced (Remould)	£38.00	£7.50	£7.38	£52.88
	Michelin XC Radical "Regraded quality" (Remould)	£48.50	£7.50	£9.21	£65.21
Average					£63.22

Garage and Servicing – Premises

In 2006 the cost of premises was 1.14 pence per mile, based on the Hillier Parker London All Industrial Rent Index and the Cost Index Review completed in summer 2005. In quarter 3 of 2006 (latest figure available) the Hillier Parker Index decreased by 0.8% giving 1.13 pence per mile for 2006.

http://emea.net.cbre.com/pls/portal/docs/PAGE/RESEARCH/RPO/RPO_REP_ORIS/FPR_RYM_RENT_AND_YIELD_MONITOR_Q3_2005.PDF

Garage and Servicing – Labour

We have used the percentage change in labour cost specifically for motor mechanics and auto engineers (code 5231), from the Annual survey of Hours and Earnings (ASHE) which is available from:

http://www.statistics.gov.uk/downloads/theme_labour/ASHE_2006/tab14_6a.xls

In 2006 the cost of labour was assumed to be 3.63 pence per mile. In the 2005 ASHE Survey the average hourly pay excluding overtime was £9.19. By 2006 this had increased to £9.44, an increase of 2.7 %. This increase has been applied to the 2006 cost per mile, giving 3.72 pence per mile for the 2007 index.

Fuel

The derv prices have been obtained from www.arvalphh.co.uk. The average cost of diesel in London for the 13 weeks to 5th January 2007, compared to the same period last year, has been used. The average cost per litre was 92.99p in 2006, a decrease of 1.2% on the 2005 figure of 94.17p per litre. An average of 23 miles per gallon has been assumed when calculating the cost per mile.

An alternative series, available at www.theaa.com/motoring-advice/motoring-costs.html is also monitored. It matches the Arval values very closely.

Insurance

Westminster Insurance have provided the percentage year on year change in their premiums. LTI have provided premium percentage changes for Norwich Union, Zenith and HSBC through the broker Protector Policies. These are based on a range of quotes for a 50 year old driver which vary in terms of age of vehicle (new, 3 years and 5 years old), length of no claims discount, and insurance company

The Public Carriage Office undertook a survey of all vehicles submitting for their annual inspection during one week in January 2007, to produce an estimate of the proportion of drivers insuring with any given provider. Of the 155 drivers recorded during this period, 80 were insured with one of the four companies for whom quotes have been obtained.

Premiums have remained unchanged from 2005 for all companies except Zenith, whose premiums decreased by 29%. The average of these changes weighted using the proportions observed in the PCO survey is a reduction of 3.3% which has been used in the index calculations.

Table 5: Quoted Insurance Premiums

Insurer	Change 2005/06	Surveyed	Weight	Weighted change
Westminster	0%	31	0.39	0.0%
Norwich Union	0%	34	0.43	0.0%
Zenith	-29%	9	0.11	-3.3%
HSBC	0%	6	0.08	0.0%
Weighted Average				-3.3%

Miscellaneous

This comprises the cost of hiring a meter and a receipt printer, smoke test, vehicle licence and driver licence. A total of £466 (2.12p per mile) has been calculated for the 2007 index, a 2.3% increase on the 2006 figure of £455 (2.07p per mile).

Most of the miscellaneous component costs have remained unchanged from 2006. The exceptions are the Hackney Carriage Vehicle Licence and Driver Licence, the costs of which have not yet been finalised. For the driver's licence, an increase of 3.9% (equal to the November 2006 RPI change) has been used. The cost of the vehicle licence has been increased by the price of an MOT (£44), to a total of £186. This increase is intended to cover the cost of the proposed mid year service. The actual increase will depend on pending decisions on vehicle servicing and inspection procedures, and if the final licence cost differs significantly from this value an adjustment will be incorporated in the cost index for 2008.

The pence per mile rates have been based on an average of 22,000 miles per annum.

Earnings Related

The latest average earnings index (headline rate ONS series LNNC) was for a 3.9% year on year increase for quarter 3 2006. This gives a cost per mile figures for 2007 of 113.1p, just under 61% of the total index cost.

The "knowledge" and "social" costs have been uplifted each year in line with national earnings. In 2006 these increased to 10.28p and 5.27p respectively.

*TfL Fares & Ticketing
12th January 2007*

2007 Example Tariff Changes
3.2% increase (before 20p environmental charge)

Average Fares (excluding 20p environmental charge)

	Current average	New average	Increase (£)	Increase (%)
Tariff 1	£9.09	£9.39	£0.29	3.2%
Tariff 2	£10.55	£10.88	£0.33	3.2%
Tariff 3	£12.37	£12.77	£0.40	3.2%
All Week	£10.05	£10.37	£0.32	3.2%

Average Fares (including 20p environmental charge)

	Current average	New average	Increase (£)	Increase (%)
Tariff 1	£9.29	£9.59	£0.29	3.1%
Tariff 2	£10.75	£11.08	£0.33	3.1%
Tariff 3	£12.57	£12.97	£0.40	3.2%
All Week	£10.25	£10.57	£0.32	3.1%

Tariff Rates (including 20p environmental charge)

	Tariff 1		Tariff 2		Tariff 3	
	Current	New	Current	New	Current	New
minimum fare	£2.20	£2.20	£2.20	£2.20	£2.20	£2.20
minimum units	2	2	2	2	2	2
metres/unit < 6 miles	160.5	155.2	130.2	126.0	105.3	101.9
Secs/unit < 6 miles	34.5	33.4	28.0	27.1	22.6	21.9
metres/unit > 6 miles	112.5	108.8	112.5	108.8	112.5	108.8
Secs/unit > 6 miles	24.2	23.4	24.2	23.4	24.2	23.4
Units at lower rate	60	62	74	76	91	94
Metres at lower rate	9630.0	9622.4	9634.8	9576.0	9582.3	9578.6
changeover fare	£14.00	£14.40	£16.80	£17.20	£20.20	£20.80

2007 Example Tariff Changes – 3.2% increase (before 20p environmental charge)

Example Fares

Journey length Miles	Tariff 1			Tariff 2			Tariff 3		
	Current	New	Change	Current	New	Change	Current	New	Change
minimum	£2.20	£2.20	0.00%	£2.20	£2.20	0.00%	£2.20	£2.20	0.00%
0.5	£3.00	£3.00	0.00%	£3.20	£3.20	0.00%	£3.40	£3.40	0.00%
1.0	£4.00	£4.00	0.00%	£4.40	£4.40	0.00%	£5.00	£5.00	0.00%
1.5	£5.00	£5.00	0.00%	£5.60	£5.80	3.60%	£6.40	£6.60	3.10%
2.0	£6.00	£6.00	0.00%	£6.80	£7.00	2.90%	£8.00	£8.20	2.50%
2.5	£7.00	£7.20	2.90%	£8.00	£8.40	5.00%	£9.60	£9.80	2.10%
3.0	£8.00	£8.20	2.50%	£9.40	£9.60	2.10%	£11.00	£11.40	3.60%
3.5	£9.00	£9.20	2.20%	£10.60	£10.80	1.90%	£12.60	£13.00	3.20%
4.0	£10.00	£10.20	2.00%	£11.80	£12.20	3.40%	£14.20	£14.60	2.80%
4.5	£11.00	£11.20	1.80%	£13.00	£13.40	3.10%	£15.60	£16.20	3.80%
5.0	£12.00	£12.40	3.30%	£14.20	£14.80	4.20%	£17.20	£17.80	3.50%
6.0	£14.00	£14.40	2.90%	£16.80	£17.40	3.60%	£20.20	£21.00	4.00%
7.0	£16.80	£17.40	3.60%	£19.60	£20.20	3.10%	£23.00	£23.80	3.50%
8.0	£19.60	£20.40	4.10%	£22.40	£23.20	3.60%	£26.00	£26.80	3.10%
9.0	£22.60	£23.40	3.50%	£25.40	£26.20	3.10%	£28.80	£29.80	3.50%
10.0	£25.40	£26.40	3.90%	£28.20	£29.20	3.50%	£31.60	£32.80	3.80%
11.0	£28.20	£29.40	4.30%	£31.00	£32.20	3.90%	£34.60	£35.80	3.50%
12.0	£31.20	£32.20	3.20%	£34.00	£35.20	3.50%	£37.40	£38.80	3.70%
13.0	£34.00	£35.20	3.50%	£36.80	£38.20	3.80%	£40.20	£41.80	4.00%
14.0	£36.80	£38.20	3.80%	£39.60	£41.00	3.50%	£43.20	£44.80	3.70%
15.0	£39.60	£41.20	4.00%	£42.40	£44.00	3.80%	£46.00	£47.60	3.50%
16.0	£42.60	£44.20	3.80%	£45.40	£47.00	3.50%	£48.80	£50.60	3.70%
18.0	£48.20	£50.20	4.10%	£51.00	£53.00	3.90%	£54.60	£56.60	3.70%
20.0	£54.00	£56.00	3.70%	£56.80	£59.00	3.90%	£60.20	£62.60	4.00%

All example fares assume entire journey charged on distance rates

TfL 12/01/07

Proposed changes to the London Taxi Sharing Order

Additions to Table in SCHEDULE 1

AUTHORISED PLACES, DESTINATIONS AND FARE ZONES FOR FIXED-FARE SHARED SERVICES

Paragraphs 1, 2 and 5

Authorised place	Destination(s)	Applicable dates and times	Fare Zone
Taxi boarding point outside Gate 12 of the All England Lawn Tennis and Croquet Club, London SW19	Wimbledon Station, London SW19;	During the period of tennis tournaments at the All England Lawn Tennis Club, all day	A
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	During the period of tennis tournaments at the All England Lawn Tennis Club, all day	K
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	During the period of tennis tournaments at the All England Lawn Tennis Club, all day	L
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	During the period of tennis tournaments at the All England Lawn Tennis Club, all day	M
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	During the period of tennis tournaments at the All England Lawn Tennis Club, all day	N

Changes to Taxi Sharing Order

Authorised place	Destination(s)	Applicable dates and times	Fare Zone
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, Paddington Bridge, Harrow Road, Edgware Road, Marble Arch, Park Lane and Knightsbridge inclusive and Brompton Road and Cromwell Road exclusive	During the period of tennis tournaments at the All England Lawn Tennis Club, all day	P
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	During the period of tennis tournaments at the All England Lawn Tennis Club, all day	P
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	During the period of tennis tournaments at the All England Lawn Tennis Club, all day	P
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	During the period of tennis tournaments at the All England Lawn Tennis Club, all day	R

Changes to Taxi Sharing Order

Authorised place	Destination(s)	Applicable dates and times	Fare Zone
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.	During the period of tennis tournaments at the All England Lawn Tennis Club, all day	R

Additions to Table in *SCHEDULE 2*

FARES FOR FIXED-FARE SHARED SERVICE

Paragraph 5

- (1) Maximum amount payable by each passenger in a shared service shall be the amount specified in the following table.

Fare Zone (Specified in Schedule 1)	Applicable taxi tariff		
	1	2	3
K	£6.00	£6.00	£6.00
L	£7.00	£7.00	£7.00
M	£8.00	£8.00	£8.00
N	£9.00	£9.00	£9.00
P	£10.00	£10.00	£10.00
R	£12.00	£12.00	£12.00