

## Projected Licensed Taxi Cost Index Changes 2008

Index Component <sup>1</sup>	Cost Increase <sup>2</sup>	Weight <sup>2</sup>	Contribution to Total <sup>3</sup>	Data availability <sup>4</sup>	
		Last Year		Current	Normally used
Vehicle Cost <sup>5</sup>	3.1%	9.5%	0.3%	Nov 07	Nov 07
Parts	3.0%	3.8%	0.1%	Nov 07	Nov 07
Tyres	0.0%	0.5%	0.0%	N/A	Mid Nov
Garage & servicing – premises	4.3%	0.6%	0.0%	3 <sup>rd</sup> ¼ '07	3 <sup>rd</sup> ¼ '07
Garage & Servicing – labour	4.1%	1.9%	0.1%	Oct 07	Oct 07
Fuel	13.3%	9.6%	1.3%	Oct – Dec/Jan	Oct Dec/Jan
Insurance	1.3%	3.2%	0.0%	Dec 07	Dec 07
Miscellaneous	-1.9% <sup>8</sup>	1.2%	0.0%	Jan 08	Jan 08
The Knowledge	4.1%	5.6%	0.2%	3 <sup>rd</sup> ¼ '07	3 <sup>rd</sup> ¼ '07
Social Costs	4.1%	2.9%	0.1%	3 <sup>rd</sup> ¼ '07	3 <sup>rd</sup> ¼ '07
<b>Total Operating Costs</b>	<b>5.6%</b>	<b>38.8%</b>	<b>2.2%</b>		
Average national earnings	4.1%	61.2%	2.5%	3 <sup>rd</sup> ¼ '07	3 <sup>rd</sup> ¼ '07
<b>Grand Total</b>	<b>4.7%</b>	<b>100%</b>	<b>4.7%</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 'current' column under 'Data availability' indicates the dates to which data in the 'cost increase' column relates. The 'normally used' column shows the dates relating to the data normally used for the final cost index update.
5. The vehicle cost reflects the change over the last year in the total cost over twelve years of purchasing a new taxi. Difficulties in establishing representative prices of second hand vehicles have led to their exclusion from the index this year.

TfL Fares & Ticketing 7 January 2008

## Details of Taxi Cost Calculations 2008

The table below shows the cost per mile of each cost component in 2007 and for 2008.

**Table 1: Cost Index for April 2008**

Component of index	Cost p per mile in 2007	Proportion of costs in 2007	Cost p per mile in 2008	Increase in costs 2007	Contribution to total increase
Vehicle Cost	18.23	9.5%	18.80	3.1%	0.3%
Parts	7.34	3.8%	7.56	3.0%	0.1%
Tyres	1.01	0.5%	1.01	0.0%	0.0%
Garage & Servicing - Premises	1.13	0.6%	1.18	4.3%	0.0%
Garage & Servicing - Labour	3.72	1.9%	3.88	4.1%	0.1%
Fuel	18.38	9.6%	20.82	13.3%	1.3%
Insurance	6.11	3.2%	6.20	1.3%	0.0%
Miscellaneous	2.29	1.2%	2.25	-1.9%	0.0%
The Knowledge	10.68	5.6%	11.12	4.1%	0.2%
Social Costs	5.48	2.9%	5.70	4.1%	0.1%
<b>Total operating costs</b>	<b>74.38</b>	<b>38.8%</b>	<b>78.51</b>	<b>5.6%</b>	<b>2.2%</b>
Average national earnings	117.55	61.2%	122.37	4.1%	2.5%
<b>Grand Total</b>	<b>191.93</b>	<b>100%</b>	<b>200.88</b>	<b>4.7%</b>	<b>4.7%</b>

### Vehicle Cost

In previous years, 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.

For this update of the cost index, figures for these four strategies were obtained from LTI and Mann & Overton. However the figures quoted for second hand vehicles (strategies 2 to 4) are subject to some uncertainty and it has been decided not to incorporate them into the cost index update this year. As a result, for this cost index revision, the change in the cost of purchasing a cab has been based on comparing the cost over twelve years of purchasing a new TX4 taxi in 2006/07 and 2007/08.

**Table 2: Purchase of a New TX4 in 2006 and 2007**

Date	HP rate %	Price	Deposit	Monthly Payments	Total	Residual value	Net Cost	Years Cab Kept	Total Cost over 12 years
Nov 2006	5.50	£30,995	£3,100	48 £709.01	£37,132	£500	£36,632	12	£36,632
Nov 2007	6.20	£31,295	£3,130	48 £732.30	£38,280	£500	£37,780	12	£37,780

The cost over twelve years of purchasing a new TX4 in November 2006 was £36,632 or 18.23 p per mile. The equivalent cost in November 2007 was £37,780 or 18.80 p per mile, giving an increase of 3.1%. Pence per mile rates have been calculated assuming an annual vehicle mileage of 22,000 miles.

TfL will attempt to obtain reliable figures for new and second hand vehicle costs prior to the preliminary calculation of the 2008/09 cost index, and it is intended to reinstate the four strategy method for next year's update. If these figures indicate that this year's calculations do not represent the actual change in vehicle cost then a retrospective adjustment will be made to next year's index to correct this.

## 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 3.0% which has been assumed to apply to all cabs regardless of make and model.

In 2007 the cost per mile of parts was 7.34p. This was increased by the 3.0% giving 7.56 pence per mile for 2008.

Tyre costs have been calculated separately. Prices for new Valiant, Maxxis and Michelin tyres including valve, fitting, balancing and VAT were obtained from Jet Tyres. The cost of these tyres has not changed since 2006. The average cost of £54.94 is equivalent to a value of 1.01 pence per mile. See table below for more detail.

In 2006/07 the total cost per mile for parts and tyres was 8.35p. In 2007/08 this had increased to a total of 8.57 pence per mile.

**Table 3: Cost of Tyres**

Supplier	Taxi Tyre Type	Piece Cost	Fitting	VAT	Total
Jet Tyres	Dunlop Radial Steel Braced	£47.50	£7.00	£9.55	£64.05
	Valiant Radial Steel Braced (Remould)	£25.00	£7.00	£5.60	£37.60
	Maxxis Radial Steel Braced (Remould)	£38.00	£7.50	£7.38	£52.88
	Michelin XC Radial "Regraded quality" (Remould)	£48.50	£7.50	£9.21	£65.21
Average					£54.94

## Garage and Servicing – Premises

In 2007 a cost of garaging and servicing related to premises of 1.13 pence per mile was used, based on the Hillier Parker London All Industrial Rent Index and the

Cost Index Review completed in summer 2005. In quarter 3 of 2007 the Hillier Parker Index increased by 4.3% giving 1.18 pence per mile for 2007.

[http://emeanet.cbre.com/pls/portal/docs/PAGE/RESEARCH/RPO/RPO\\_REPORTS/FPR\\_RYM\\_RENT\\_AND\\_YIELD\\_MONITOR\\_Q3\\_2007.PDF](http://emeanet.cbre.com/pls/portal/docs/PAGE/RESEARCH/RPO/RPO_REPORTS/FPR_RYM_RENT_AND_YIELD_MONITOR_Q3_2007.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\\_2007/tab14\\_6a.xls](http://www.statistics.gov.uk/downloads/theme_labour/ASHE_2007/tab14_6a.xls)

In 2007 the cost of labour was assumed to be 3.72 pence per mile. In the 2006 ASHE Survey the average hourly pay excluding overtime was £9.49. By 2007 this had increased to £9.88, an increase of 4.1 %. This increase has been applied to the 2007 cost per mile, giving 3.88 pence per mile for the 2008 index.

### **Fuel**

Derv prices have been obtained from [www.arvalphh.co.uk](http://www.arvalphh.co.uk). In the final update of the 2008 index the average price over the three months from 6<sup>th</sup> October 2007 to 4<sup>th</sup> January 2008 was 105.4p per litre. This was compared with the corresponding three months in 2006, when the average price per litre was 93.0p giving an increase of 13.3%.

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

### **Insurance**

In November 2006, LTI provided premium percentage changes for Zenith, HSBC and Norwich Union through the broker Protector Policies. TfL also obtained premium changes from Westminster Insurance directly. These were 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), and length of no claims discount. Additionally a survey of drivers reporting for services was used to weight the insurance quotes used in the cost index.

In November 2007, the same data was requested and premium figures were obtained for Zenith/GHL and HSBC. Westminster were unable to provide a specific figure for the year-on-year change in these premiums and specific figures for Norwich Union were also unavailable at the time of the cost index revision. It has not therefore been possible to include these insurers in the calculations this year. However both insurers gave estimates of the approximate changes in their premiums and these are in line with the figures provided by Zenith and HSBC.

In the year to November 2007, Zenith premiums increased by 0.1% overall, whereas the average HSBC premium increased by 2.6%. As only two insurers' premiums were available, it was decided not to weight these changes, but to take a

straight average. This yields an increase in insurance premiums of 1.3% from 2006/07 to 2007/08 (6.11 p per mile to 6.20 p per mile).

### **Miscellaneous**

This comprises the cost of hiring a meter and a receipt printer, smoke test, vehicle licence and driver licence.

In the 2007 cost index revision the costs of the Hackney Carriage Vehicle Licence and Driver Licence had not been finalised for the following year. These are the only components of the cost index that are included in advance, rather than using the previous year's changes in cost. For the driver's licence, an increase of 3.9% (equal to the November 2006 RPI change) was estimated for the April 2007 change. The cost of the vehicle licence was assumed to be going to increase by the price of an MOT (£44), to a total of £186. This increase was estimated as the likely cost of the proposed mid year service.

In 2007, the cost of a Driver Licence decreased from £78 per year to £66 per year, rather than increasing as was previously assumed, and the midyear inspection fee was set at £36 rather than the £44 used in the previous year's index.

Meter and receipt printer prices remained unchanged. However one-off costs (appearance fees and driver licence application fees) increased from £19 in 2006/07 to £29 in 2007/08.

A total of £504 (2.29p per mile) was calculated for the 2007 index. This figure has dropped to £495 (2.25 p per mile) for the 2008 index. The decrease in the Driver Licence cost (£12), the decrease in the Vehicle Licence cost (£8) and the increase in the one-off costs (£10) combined, result in the overall £9 decrease in miscellaneous costs for 2007/08.

### **Earnings Related**

The latest average earnings index (headline rate ONS series LNNC) was for a 4.1% year on year increase for quarter 3 2007. This gives a cost per mile figure for 2007 of 122.4p, just over 61% of the total index cost.

The "knowledge" and "social" costs have been uplifted each year in line with national earnings. In 2007 these increased to 11.12p and 5.70p respectively.

*TfL Fares & Ticketing*  
*10<sup>th</sup> January 2008*

## 2008 Example Tariff Changes – 4.7% increase

### Average Fares (excluding the current 20p environmental charge)

	Current average <sup>1</sup>	New average <sup>2</sup>	Increase (£)	Increase (%)
Tariff 1	£9.39	£9.82	£0.44	4.7%
Tariff 2	£10.88	£11.39	£0.51	4.7%
Tariff 3	£12.77	£13.37	£0.60	4.7%
All Week	£10.37	£10.85	£0.49	4.7%

“Current average” excludes the 20p environmental charge

“New average” incorporates the proposed removal of the 20p environmental charge and the 20p increase in flagfall.

### Average Fares (including the current 20p environmental charge)

	Current average <sup>1</sup>	New average <sup>2</sup>	Increase (£)	Increase (%)
Tariff 1	£9.59	£9.82	£0.24	2.5%
Tariff 2	£11.08	£11.39	£0.31	2.8%
Tariff 3	£12.97	£13.37	£0.40	3.1%
All Week	£10.57	£10.85	£0.29	2.7%

“Current average” includes the 20p environmental charge

“New average” incorporates the proposed removal of the 20p environmental charge and the 20p increase in flagfall.

### Tariff Rates

	Tariff 1		Tariff 2		Tariff 3	
	Current	New	Current	New	Current	New
minimum fare <sup>1</sup>	£2.20	£2.20	£2.20	£2.20	£2.20	£2.20
minimum units	2	2	2	2	2	2
metres/unit < 6 miles	154.5	149.8	125.5	121.3	101.5	97.9
secs/unit < 6 miles	33.2	32.2	27.0	26.1	21.8	21.0
metres/unit > 6 miles	108.3	105.0	108.3	105.0	108.3	105.0
secs/unit > 6 miles	23.3	22.6	23.3	22.6	23.3	22.6
Units at lower rate	62	64	76	79	95	98
Metres at lower rate	9579.0	9586.7	9538.0	9585.1	9642.5	9591.0
changeover fare	£14.40	£14.80	£17.20	£17.80	£21.00	£21.60

Values for “current” fares include the 20p environmental charge. Values for “new” fares do not include the charge, but do include a 20p increase in the flagfall. Hence the minimum fare remains at £2.20

## Example Fares

Journey length Miles	Tariff 1			Tariff 2			Tariff 3		
	Current	New	Change	Current	New	Change	Current	New	Change
minimum <sup>1</sup>	£2.20	£2.20	0.0%	£2.20	£2.20	0.0%	£2.20	£2.20	0.0%
0.5	£3.00	£3.00	0.0%	£3.20	£3.20	0.0%	£3.40	£3.60	5.9%
1.0	£4.00	£4.00	0.0%	£4.40	£4.60	4.5%	£5.00	£5.20	4.0%
1.5	£5.00	£5.20	4.0%	£5.80	£5.80	0.0%	£6.60	£6.80	3.0%
2.0	£6.00	£6.20	3.3%	£7.00	£7.20	2.9%	£8.20	£8.40	2.4%
2.5	£7.20	£7.20	0.0%	£8.40	£8.60	2.4%	£9.80	£10.20	4.1%
3.0	£8.20	£8.40	2.4%	£9.60	£9.80	2.1%	£11.40	£11.80	3.5%
3.5	£9.20	£9.40	2.2%	£10.80	£11.20	3.7%	£13.00	£13.40	3.1%
4.0	£10.20	£10.40	2.0%	£12.20	£12.60	3.3%	£14.60	£15.00	2.7%
4.5	£11.20	£11.60	3.6%	£13.40	£13.80	3.0%	£16.20	£16.60	2.5%
5.0	£12.40	£12.60	1.6%	£14.80	£15.20	2.7%	£17.80	£18.40	3.4%
6.0	£14.40	£14.80	2.8%	£17.40	£17.80	2.3%	£21.00	£21.60	2.9%
7.0	£17.40	£17.80	2.3%	£20.20	£21.00	4.0%	£23.80	£24.60	3.4%
8.0	£20.40	£21.00	2.9%	£23.20	£24.00	3.4%	£26.80	£27.80	3.7%
9.0	£23.40	£24.00	2.6%	£26.20	£27.00	3.1%	£29.80	£30.80	3.4%
10.0	£26.40	£27.00	2.3%	£29.20	£30.00	2.7%	£32.80	£33.80	3.0%
11.0	£29.40	£30.20	2.7%	£32.20	£33.20	3.1%	£35.80	£37.00	3.4%
12.0	£32.20	£33.20	3.1%	£35.20	£36.20	2.8%	£38.80	£40.00	3.1%
13.0	£35.20	£36.20	2.8%	£38.20	£39.20	2.6%	£41.80	£43.00	2.9%
14.0	£38.20	£39.40	3.1%	£41.00	£42.40	3.4%	£44.80	£46.20	3.1%
15.0	£41.20	£42.40	2.9%	£44.00	£45.40	3.2%	£47.60	£49.20	3.4%
16.0	£44.20	£45.40	2.7%	£47.00	£48.40	3.0%	£50.60	£52.20	3.2%
18.0	£50.20	£51.60	2.8%	£53.00	£54.60	3.0%	£56.60	£58.40	3.2%
20.0	£56.00	£57.80	3.2%	£59.00	£60.80	3.1%	£62.60	£64.60	3.2%

Values for "current" fares include the 20p environmental charge. Values for "new" fares do not include the charge, but do include a 20p increase in the flagfall. Hence the minimum fare remains at £2.20.

*All example fares assume entire journey charged on distance rates*

Proposed changes to shared fixed fares

<b>Fare zone</b>	<b>Current fare (Tariff 1)</b>	<b>Date last changed</b>	<b>Proposed fare</b>
Between Wimbledon AELTC and Wimbledon & Southfields Stations	£2.00	Pre-2005	£2.50
<b>Paddington to:</b>			
W1 (North)	£4.50	2006	£5.00
WC1	£6.00	Pre-2005	£6.50
WC2	£6.00	Pre-2005	£6.50
SW	£6.00	Pre-2005	£6.50
City (North)	£8.00	2006	£8.50
City (South)	£8.00	2006	£8.50
<b>Buckingham Palace to:</b>			
W1 (South)	£3.00	Pre-2005	£3.50
Waterloo	£3.00	Pre-2005	£3.50
WC2	£3.00	Pre-2005	£3.50
W1 (North)	£4.50	2006	£5.00
WC1	£4.50	2006	£5.00
City	£4.50	2006	£5.00