

TRANSPORT FOR LONDON

BOARD

SUBJECT: TAXI FARES AND REGULATIONS

DATE: 3 FEBRUARY 2010

1 PURPOSE AND DECISION REQUIRED

- 1.1 The purpose of this paper is to ask the Board to approve the proposed changes to taxi fares and to note other proposed changes to the London Cab Order. This paper was considered at the Finance and Policy Committee meeting on 21 January 2010.

2 BACKGROUND

Taxi fares

- 2.1 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.
- 2.2 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 cabs to calculate the fare, sets out the fare structure and provides the maximum fare payable. Drivers can charge lower fares if they wish.
- 2.3 Taxi fares are normally revised each April based on changes to a cost index which has been in use since 1981. The index, agreed with the taxi trade, combines changes in operating costs with national earnings to produce a change in average fares aimed at maintaining drivers' earnings net of operating costs. Details of the current cost index are given in Appendix 1. 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 (as this year) this is deferred for a week to avoid the Easter weekend.

Fixed fare sharing schemes

- 2.4 The Transport Act 1985 allows TfL to set the fares for taxi sharing schemes, either in relation to the metered fare or on a fixed fare basis. In 2005 TfL made the London Taxi Sharing Scheme Order 2005 which established a fixed fare sharing scheme at Paddington station.

Standing orders

- 2.5 Under TfL's Standing Orders any proposal to make, amend or revoke a Cab Order which prescribes fares for taxis must be approved by the Board. A proposal to make, amend or revoke a Cab Order which would make any other changes is delegated to the Commissioner or, in his absence, the Managing Director Surface Transport unless it has been specifically delegated to the Chief Operating Officer, Surface Transport.

Consultation

- 2.6 Taxi trade organisations, together with representatives of taxi customers (including London TravelWatch and the London Chamber of Commerce and Industry) were asked by TfL to provide comments on the following proposals through formal consultation which was launched on 18 November 2009 and closed on 6 January 2010.

3 INCREASE TO TAXI FARES

- 3.1 TfL consulted on a proposed increase of 2.3 per cent to taxi fares. This increase incorporates a 1.9 per cent increase in the cost index and an additional one-off adjustment of 0.4 per cent to compensate drivers for an error made in implementing the 2007 tariff revision.
- 3.2 The error occurred because the meter values set out by Taxi and Private Hire in the 2007 Board paper were 0.4 per cent lower than the approved fare increase of 3.2 per cent. The error was identified in 2008 and was reflected in the 2008/09 fare review. It was proposed during the 2009/10 fares consultation that, to compensate for the year 2007/08, 0.4 per cent be added to the proposed tariff increase on account of the error. However stakeholders agreed that it would be inappropriate given the financial downturn. This proposal was consulted on again as part of the 2010/11 fares increase and driver associations have supported the inclusion of the additional 0.4 per cent.
- 3.3 The increase of 1.9 per cent compares with the latest available Retail Price Index inflation figure of 0.3 per cent and the Consumer Price Index increase of 1.9 per cent (both November 2009). The table in Appendix 2 shows the current and revised average fares for each tariff.
- 3.4 No change is proposed to the £2.20 'flag fall'. The distance and times allowed for each 20 pence increment in the fare will be reduced so that the average fare in each of the three charging periods will increase by the proposed 2.3 per cent.
- 3.5 The consultation document also sought views on the alternative proposition to freeze the tariffs this year given the present economic circumstances.
- 3.6 Informal discussions between TfL and the taxi trade prior to the formal consultation identified some support for a freeze to the current fares for 2010/11. However, the formal consultation responses from the taxi trade did not support this view and the main taxi trade organisations were in support of the application of both elements of the fares increase with London Travelwatch supporting the cost index increase.

- 3.7 London taxis are among the most expensive in the world but are generally regarded as the world's best. A survey of European customers by hotels.com in May 2009 rated London's taxis highly for safety, friendliness and driver knowledge, and a third of respondents said London's taxis were best overall despite the high prices. In TfL customer satisfaction surveys, taxis score highly but value for money is the lowest scoring attribute.
- 3.8 The market for taxis has fallen significantly during the recession, with radio circuits reporting that corporate bookings have declined by as much as 30 per cent over the past 18 months with a reported shift of custom to the private hire trade which is perceived to provide cheaper journeys.
- 3.9 An increase of 2.3 per cent in the current economic climate could lead to negative public reaction.
- 3.10 Any decision by the Board not to approve the full 2.3 per cent will break, for the first time, the long established link to taxi costs and is likely to result in a negative reaction from the taxi trade. Such a decision could result in more complex and extensive stakeholder engagement being required in the future.
- 3.11 The Board is asked to approve either an increase of 2.3 per cent for taxi fares or no taxi fare increase as the Board considers appropriate.

4 INCREASE TO HEATHROW EXTRA

- 4.1 Current regulations allow drivers to charge an extra £2 for hirings from Heathrow Airport. The Board is asked to approve an increase in the Heathrow extra to £2.40 due to an increase in the charge taxi drivers are required to pay to use airport facilities.
- 4.2 The main drivers' associations sought an increase to £3 but other stakeholders including the radio circuits and London TravelWatch considered that an increase above £2.40 would be excessive.

5 EXTENSION OF THE FUEL CHARGE EXTRA

- 5.1 In July 2008 the Board approved special provisions to allow an extra 50 pence to be added to taxi fares if London average diesel costs reached a threshold level in order to compensate drivers for particularly high mid-year rises in fuel costs. This arrangement was renewed by the Board in February 2009 and in response to representations from the taxi trade the extra was reduced to 40 pence.
- 5.2 The Board is asked to approve a 40 pence extra to be charged only if London retail diesel fuel prices (as measured by the Arval index) reach the threshold level of 146.1 per litre between 10 April 2010 and 1 January 2011. This would require a 34 per cent increase in fuel prices during the year. If the threshold diesel price is reached, appropriate publicity materials (including stickers to be displayed in the taxi) would be circulated to ensure passengers and drivers were aware of the extra fuel charge.

- 5.3 Once in place the extra fuel charge would remain in force until 3 April 2011 (the annual tariff revision) even if fuel prices subsequently fell. If the fuel price did not reach the threshold level by 1 January 2011, the extra fuel charge would not be implemented as it would be too close to the annual tariff revision. If the extra fuel charge is authorised this will be taken into account in assessing the annual tariff revision in April 2011.

6 APPROVAL OF FIXED FARE SHARING ARRANGEMENTS

- 6.1 A number of fixed fare taxi sharing arrangements operate in London where marshalling arrangements are in place. 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 and each passenger paying less than they would pay for an exclusive journey. Passengers also benefit from reduced waiting time for taxis and there is a general community benefit from more efficient utilisation of taxis reducing congestion, noise and emissions.
- 6.2 A trial scheme has been operating from Euston on weekday mornings and the Board is asked to approve the fares for this scheme as set out in Appendix 3.
- 6.3 In addition, the Board is asked to approve the fares for contingency arrangements for fixed fare taxi sharing to come into effect in exceptional circumstances. The contingency arrangements would allow fixed fare sharing schemes to operate at mainline stations where rank layout allows sharing to take place effectively and are proposed to operate in exceptional circumstances when the Commissioner (or, in his absence, the Managing Director Surface Transport) determines that it is appropriate and gives notice to that effect. Circumstances would be considered exceptional if they have a severe affect on the provision of public transport services, for example a rail or tube strike.
- 6.4 In these circumstances it is proposed that the fares charged would be higher than normal to encourage taxi drivers to take part in the sharing scheme and reflect the exceptional circumstances. The Board is asked to approve the fares for fixed fare sharing schemes in exceptional circumstances as set out in Appendix 3.

7 APPROVAL OF THE LEICESTER SQUARE EXCLUSIVE FIXED FARE SCHEME

- 7.1 The Board is asked to approve the operation of a fixed fare scheme from Leicester Square between 10 pm and 4 am on Monday to Sunday nights, although it is proposed that this scheme would be introduced on Friday and Saturday nights only in the first instance while the success of the scheme is evaluated. Consultation responses strongly supported this proposal and suggested that the scheme operate each night.
- 7.2 This scheme is to be operated by an association of taxi drivers without direct TfL involvement. The fares are proposed to be fixed as follows: journeys up to 3 miles will cost £15; journeys up to 7 miles will cost £30; journeys up to 10 miles will cost £40 and journeys up to 12 miles will cost £50 (refer Appendix 4).

- 7.3 The Board is asked to approve amendments to the Cab Order in relation to this fixed fare scheme which would remove the requirement to use the meter and define the origin, destinations and fares covered by the fixed fare scheme.
- 7.4 The Board is asked to note that there is no consensus on fixed fares from Heathrow or other fixed fare arrangements. The feasibility and desirability of other arrangements allowing fixed fares to be offered will be investigated further.

8 SETTING OF A MAXIMUM CARD PROCESSING CHARGE

- 8.1 Taxi drivers currently charge an additional fee of up to 15 per cent of the fare for payment by debit or credit card with a requirement that appropriate signage is displayed in the passenger compartment of the taxi. The consultation invited views and information about the costs of acceptance of card payment. Evidence was provided that for some of the card payment systems in operation, the costs are close to 12.5 per cent of the fares charged. The balance of the responses and information obtained is that the maximum card processing charge should be the greater of 12.5 per cent of the metered taxi fare or £1.00.
- 8.2 The Board is asked to approve the setting of a maximum card processing charge of the greater of 12.5 per cent of the metered fare or £1.00.

9 OTHER CHANGES TO THE CAB ORDER

- 9.1 The Board is asked to note that the Cab Order will be revised to allow the meter to be started late or stopped early so that drivers can minimise the fare for the passenger as a concession when they choose to.
- 9.2 The Cab Order will also be amended so that the advertising guidelines apply to both printed and handwritten receipts.

10 CRIME AND DISORDER

- 10.1 Keeping the differentials between day, evening and night fares as proposed will help maintain the supply of licensed taxis at night, to support their role as a safe all-night service.
- 10.2 The purpose of the Leicester Square fixed fare scheme is to improve the supply of taxis late at night and so reduce the market for illegal cabs.
- 10.3 No other significant implications for crime and disorder have been identified.

11 RISK MANAGEMENT

- 11.1 No material risks have been identified as a result of the proposals set out in this paper.

12 SUSTAINABILITY

- 12.1 It is not considered that there will be any adverse consequences arising from the proposals contained in this paper.

13 EQUALITY AND INCLUSION

- 13.1 The equality and inclusion perspective in respect of taxi fares and related proposals is assessed below in paragraph 14.1.

14 FINANCIAL

- 14.1 TfL makes a substantial contribution of approximately two thirds of the cost to the Taxicard scheme. In 2010/11 this contribution is set to increase by about 5 per cent over the 2009/10 level. A 2.3 per cent increase in fares would result in an aggregate increase to the boroughs and TfL in the cost of Taxicard provision. London Councils manages the Taxicard contract and coordinates membership and usage of the scheme for the participating London boroughs and are fully aware of TfL's budgeted provision for the year.

15 RECOMMENDATIONS

- 15.1 The Board is asked to NOTE the contents of the paper and:
- (a) APPROVE either an increase of 2.3 per cent for taxi fares or alternatively no taxi fares increase, as the Board considers appropriate;
 - (b) APPROVE the increase of the Heathrow extra from £2.00 to £2.40;
 - (c) APPROVE the fares for the Leicester Square fixed fares scheme;
 - (d) APPROVE the setting of a maximum card processing charge of the greater of 12.5 per cent of the metered fare or £1.00;
 - (e) APPROVE the fares for the fixed fare sharing arrangements for the Euston scheme and the fares for contingency arrangements as set out in Appendix 3;
 - (f) APPROVE the making of a London Cab Order to implement the above new fares and regulations, with effect from Saturday 10 April 2010, to be signed by the Commissioner (or in his absence the Managing Director Surface Transport);
 - (g) NOTE the making of a London Cab Order to allow the driver to delay starting the meter after the commencement of the hiring or to stop the meter before the end of the hiring;
 - (h) NOTE the making of a London Cab Order so that advertising guidelines apply to both printed and handwritten receipts;
 - (i) APPROVE the making of a London Taxi Sharing Scheme Order, to be signed by the Commissioner (or in his absence the Managing Director Surface Transport), to implement the new shared fixed fares set out in Appendix 3 with effect from Saturday 10 April 2010;
 - (j) AUTHORISE a 40 pence additional charge to be implemented only if London retail diesel prices (as measured by the Arval index) reach the threshold level of 146.1 p/litre between 10 April 2010 and 1 January 2011 and if implemented would not extend beyond 3 April 2011;

- (k) DELEGATE to the Commissioner (or in his absence the Managing Director Surface Transport) the making and signing of a London Cab Order to implement the additional charge recommended in paragraph 15.1(j) above; and
- (l) NOTE that there will be further consideration and consultation on additional fixed fare arrangements for taxi hirings.

16 CONTACT

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LICENSED TAXI COST INDEX CHANGES FOR APRIL 2010 TARIFF CHANGES

Index Component ¹	Cost Increase (%)	Weight ² (%)	Contribution to Total ³ (%)
Vehicle Cost	-0.9	8.8	-0.1
Parts	5.7	4.0	0.2
Tyres	7.0	0.5	0.0
Garage & servicing – premises	0.4	0.6	0.0
Garage & Servicing – labour	2.9	1.9	0.1
Fuel	-0.2	10.4	0.0
Insurance	19.5	3.4	0.7
Miscellaneous	1.9	1.1	0.0
The Knowledge	1.4	5.5	0.1
Social Costs	1.4	2.8	0.0
Total Operating Costs	2.6	39.1	1.0
Average national earnings	1.4	60.9	0.9
Grand Total		100.0	1.9

¹ The index components are as normally used in the cost formula. Further details are available upon request.

² 'Weight' is the proportion that the component contributes to the total cost per mile. Those stated were determined in December 2008.

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.

APPENDIX 2**TARIFF CHANGES – 2.3 PER CENT AVERAGE FARE INCREASE
(INCLUDING 0.4 PER CENT ONE-YEAR CORRECTION)**

	Current average (£)	New average (£)	Increase (£)	Increase (%)
Tariff 1	10.16	10.39	0.23	2.3
Tariff 2	11.78	12.05	0.27	2.3
Tariff 3	13.83	14.15	0.32	2.3
All Week	11.22	11.48	0.26	2.3

FIXED FARE SHARING FARES

Origin Station	Status	Destination Zone							
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	
		W1(N)	W1(S)	SW	WC1	WC2	City North	City South	
Normal Operations									
Paddington	Existing scheme (for comparison)	£5.00	£5.00	£6.50	£6.50	£6.50	£8.50	£8.50	
Euston	To be added to regulations	£5.00	£6.00	£7.50	£4.00	£5.00	£6.00	£7.00	
		Other destinations & fares:					Lords Cricket Ground	£5	
							Earls Court/Olympia	£8	
							Chelsea Flower Show	£8.50	
							Excel	£10	
							Wimbledon Tennis	£15	
Contingency Arrangements									
Paddington		£5.50	£5.50	£7.00	£7.00	£7.00	£9.00	£9.00	
Euston		£5.50	£6.50	£8.00	£4.50	£5.50	£6.50	£7.50	
Waterloo		£7.00	£6.00	£6.00	£6.00	£5.50	£7.00	£6.00	
Liverpool St		£9.00	£8.00	£8.00	£7.00	£7.00	£5.50	£5.50	
London Bridge		£9.00	£8.00	£7.00	£7.00	£6.00	£5.50	£5.50	
Marylebone		£4.50	£5.50	£7.00	£6.50	£7.00	£8.50	£9.00	

EXCLUSIVE FIXED FARES FROM LEICESTER SQUARE

Proposed fixed fares:

- £15 for journeys up to 3 miles;
- £30 for journeys up to 7 miles;
- £40 for journeys up to 10 miles; and
- £50 for journeys up to 12 miles.

