

TRAFFORD COUNCIL

Report to: Public Protection Sub-Committee
Date: 19 September 2013
Report for: Consideration
Report of: Head of Financial Management

Report Title

Review of Taxi Fare Structure – 2013

Summary

The Committee has been requested by the Executive Portfolio Holder for Highways & Environment to review the current Taxi Fare Tariffs, taking into account relevant factors, and the request made by the GMB on 20 August 2013.

The last review of Fares was 20 October 2011.

This report provides analysis of the financial mechanism, which advises an average Fare increase of 3.8% for journeys of up to 25 miles, as outlined in paragraphs 7 to 11. The formula driven proposed Fare table, at Annex 2, would place journeys of 3 miles or over amongst the highest in Greater Manchester, but this is when comparing against other Boroughs that have not had a Fare table change in up to five years. The detailed comparison is at Annex 3.

Recommendation(s)

Members are requested to recommend to the Executive Portfolio Holder for Highways & Environment whether there should be changes to the current Taxi Fare tariffs and/or the hours to which they apply, which, subject to a regulatory public consultation period of 14 days, are likely to operate from early December 2013.

Contact person for access to background papers and further information:

Name: Ian Kershaw, Head of Financial Management
Extension: 4302

Background Information

Financial Implications:	Other than minimal administration costs associated with the process for changing the Taxi Fare structure there are no costs that impact on the Council.
Legal Implications:	Section 65 of the Local Government (Miscellaneous Provisions) Act 1976 (the Act) makes provision for the Council to fix a table of fares (the Table), which are the rates or fares for time, distance and all other charges in connection with the hire of a hackney carriage. If a decision is made to vary the rates or fares the Act requires a notice to be placed in a local newspaper. If objections are received within the requisite time-limit, the Executive Portfolio Holder must consider the objections no later than two months after the date specified in the notice.
Human Resources Implications:	None to the Council, implicit to the impact on users of Hackney Carriages and drivers.
Asset Management Implications:	None to the Council, implicit to the impact on users of Hackney Carriages and drivers.
E-Government Implications:	None to the Council, implicit to the impact on users of Hackney Carriages and drivers.
Risk Management Implications:	None to the Council, implicit to the impact on users of Hackney Carriages and drivers.
Health and Safety Implications:	None to the Council, implicit to the impact on users of Hackney Carriages and drivers.

Introduction

1. Probably due to economic conditions, there has been no increase to the taxi fare structure since the last approved changes on 20 October 2011. The current fare structure is attached at Annex 1.
2. A written request was received from the GMB on 20 August 2013 to review the taxi fare structure, which followed the response to an informal request for background financial data made to the Council in early July. The GMB proposed Fare table is attached at Annex 2, with the proposed changes summarised as:
 - the taxi fare structure to be increased by 3.8%; on average across journeys of 1 to 25 miles, in line with the calculation of the Council's financial model.
 - waiting time to be increased by 1p to 28p per minute, in line with the calculation of the Council's financial model
 - no other changes, such as Tariff hours, or additional charges for extra passengers or clearing of soiling.
3. In support of an increase to the current Taxi fares, the GMB state:

'...after careful scrutiny we feel that the proposal for an increase is a reasonable one given the substantial increase in costs which the trade has continued to face in a difficult trading climate. This is an increase that would give drivers a reasonable return on their earnings overall and is also broadly in line with the average earnings in the country at this time.....inflation overall during the past 2 years stands at 5.4% with little sign of the costs of fuel, insurance and vehicle maintenance reducing.'
4. Since 2001, the Council has used a mechanism tool to assist in determining an appropriate Taxi Fare increase. This mechanism has two major elements:
 - a financial model based on the major cost drivers of operating a Taxi, such as fuel and the cost of a vehicle, to determine a specific price index. The fare structure is then adjusted so that the increase in income matches as close as possible the increase in the specific price index.
 - a comparison of the proposed Fare table with that of other Greater Manchester Boroughs.
5. The data used in the financial model is as independent as possible of the Council and Taxi representative bodies, and uses robust data sources such as the AA and the Office for National Statistics.
6. The Executive Portfolio Holder for Highways & Environment has requested the Public Protection Sub-Committee to gather and review relevant material and make recommendations on the Taxi Fare table that will be in operation from December 2013.

The Financial Model - Results

7. Costs associated with running a taxi have increased by 3.4% since the last review in 2011. The table below highlights the primary costs drivers and their respective rate of change over the three year period:

Main Cost drivers	Increase: 2011 to 2013
Cost of vehicle purchase and loan financing	8.9%
Vehicle running costs (fuel 7.1%, parking & tolls 11.1%, servicing and tyres 42%, insurance 1.7%, Council fees 0.0%)	14.0%
Office/Business expenses (inflation rise)	5.4%
Reduction in average earnings in the Borough	(3.3)%
Overall	3.4%

8. Due to the 20p incremental nature of the fare structure it is not always possible to calculate a fare table that produces an exact match between income and costs increases. The Council endeavours to achieve the table with the best fit, but there is usually a small error rate which is added or deducted as appropriate to the next fare table increase.
9. At the last review there was an error rate of 0.8% income shortfall, which when added to the expenditure increase in paragraph 5 of 3.4%, provides a Fare increase target of 4.2%. However, the Fare table of best fit (Annex 2) provides for a Fare increase of only 3.8%, based on a 'standard' 2 mile journey or based on an average of journeys between 1 and 25 miles, 0.4% short of the target:

	2011 Fare assessment	2013 Fare assessment
Increase in expenditure	4.4%	3.4%
Error brought forward	(1.6)%	0.8%
Target increase in Fare Table	2.8%	4.2%
Best Fit Fare Table increase	2.0%	3.8%
Error to be carried forward	0.8%	0.4%

10. It is noted that the error rate for the proposed table of 0.4% is significantly smaller than the previous two reviews of (1.6)% in 2008 and 0.8% in 2011.
11. Based on the suggested increased taxi fare table the financial model automatically calculates the waiting time, which would increase by 1p to 28p. There was no increase in the waiting time in the last review.

Comparison with Greater Manchester

12. The Fare table requested by the GMB and advised by the Council's formula methodology has been compared with the current tables of the other nine Metropolitan Borough areas within Greater Manchester. The detailed comparison is at Annex 3, however, it can be summarised as:

the proposed table shows Trafford as the third lowest at journeys up to a mile, but this quickly increases to sixth lowest at 2 miles and then eighth lowest, or third highest, by 3 miles and over,

however, many of the other Authority Fare tables have not been reviewed for a long time, and for two up to five years.

The waiting time per minute charge would be the second highest in Greater Manchester, being exceeded only by Manchester.

The Next Steps

13. The Sub-Committee's recommendation, this report and any submissions from Taxi Representative bodies will be considered by the Executive Portfolio Holder for Highways & Environment who will then determine a proposed Fare Table which will be subject to a statutory public consultation period of 14 days. Following an analysis of the consultation feedback the Executive Portfolio Holder will then approve a Fare Table, which is likely to be implemented before Christmas 2013.

Conclusion and Recommendation

14. The Committee is requested to consider making recommendations on the Taxi Fare Table to the Executive Member for Highways & Environment, in the light of the requests from the GMB, and the findings of the agreed taxi fare mechanism.

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TABLE OF FARES

A discount of 20p shall be given to passengers over 60 or disabled passengers who present (at the start of the journey) a National Concessionary Travel Pass issued after 1st April 2008

**Charge
(Inclusive of V.A.T.)**

FOR A DISTANCE OF UP TO 849 YARDS (776 METRES)	£2.00
For the first 849 yards (776 metres)	£2.00
For each subsequent 171 yards (156 metres) thereafter (or uncompleted part thereof)	20 pence
WAITING TIME	
For each period of 1 minute (or uncompleted part thereof)	27 pence
EXTRA CHARGES (for the whole distance) for hirings commencing between 11 pm and 6 a.m.	Normal daytime rates plus 33 1/3
For hirings commencing after 7 p.m. on Christmas Eve and New Year's Eve and all day on Christmas Day, Boxing Day and New Year's Day and (where appropriate Christmas Bank Holiday)	Double normal daytime rates
SOILING CHARGE	£25.00
FOR EACH PERSON carried in excess of 1 person (‘Babies’, i.e. children not capable of using a seat belt, shall be defined as persons for occupancy purposes but shall not be classed as fare paying passengers)	20 pence

Enquiries regarding fares should be made to: The
Licensing Office, Sale Waterside, Waterside House, Sale,
M33 7ZF quoting vehicle plate number
Fares table issued

TRAFFORD
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TABLE OF PROPOSED (GMB and Council Formula) FARES
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A discount of 20p shall be given to passengers over 60 or disabled passengers who present (at the start of the journey) a National Concessionary Travel Pass issued after 1st April 2008

**Charge
(Inclusive of V.A.T.)**

FOR A DISTANCE OF UP TO 849 YARDS (776 METRES)	£2.00
For the first 815 yards (745 metres)	£2.00
For each subsequent 164 yards (150 metres) thereafter (or uncompleted part thereof)	20 pence
WAITING TIME	
For each period of 1 minute (or uncompleted part thereof)	28 pence
EXTRA CHARGES (for the whole distance)	
for hirings commencing between 11 pm and 6 a.m.	Normal daytime rates plus 33 1/3
For hirings commencing after 7 p.m. on Christmas Eve and New Year's Eve and all day on Christmas Day, Boxing Day and New Year's Day and (where appropriate Christmas Bank Holiday)	Double normal daytime rates
SOILING CHARGE	£25.00
FOR EACH PERSON carried in excess of 1 person (‘Babies’, i.e. children not capable of using a seat belt, shall be defined as persons for occupancy purposes but shall not be classed as fare paying passengers)	20 pence

Enquiries regarding fares should be made to: The
Licensing Office, Trafford Town Hall, Talbot Road,
Stretford, M32 0TH,
quoting vehicle plate number

Fares table issued

Comparison of Taxi Fares across Greater Manchester Authorities – Tariff 1

Annex 3

Taxi Fare at Mechanism rate of 3.8%			First Flag analysis			Cost per journey length (in miles)					Additional Charges		
Calculated on 08/08/2013													
	Age of Fare Structure	First Flag	First Flag	First Flag per 100 yards	1	2	3	5	10	Waiting per minute	Soiling Charge	Extra Passenger Charge (each)	
Authority	Implemented	Weeks	£	Yards	£/100yd	£	£	£	£	£	£	£	
Bolton	Sep-08	255	2.00	580	0.34	3.40	5.20	7.00	10.80	20.00	0.24	30.00	no extra charge
Bury	Aug-08	261	1.90	880	0.22	3.10	5.20	7.30	11.50	22.00	0.27	30.00	no extra charge
Manchester	Jun-12	62	2.30	405	0.57	3.90	5.70	7.50	11.30	20.50	0.31	30.00	20p after 1 passenger
Oldham	Apr-11	123	1.60	403	0.40	3.40	5.50	7.60	11.95	22.60	0.27	25.00	10p after 1 passenger
Rochdale	Jun-11	110	1.80	700	0.26	3.00	4.80	6.80	10.40	19.60	0.20	25.00	10p after 1 passenger
Salford	Jan-12	81	2.40	480	0.50	3.72	5.26	6.80	10.10	18.24	0.13	30.00	10p after 1 passengers
Stockport	Jan-13	30	2.00	880	0.23	3.40	5.80	8.20	13.20	25.40	0.24	30.00	20p after 1 passengers
Tameside	Jun-13	6	2.00	520	0.38	3.60	5.60	7.60	11.60	21.60	0.24	20.00	20p after 1 passenger
Wigan	Apr-11	123	1.80	408	0.44	3.20	5.10	6.90	10.50	19.60	0.21	30.00	£1 after 4 passengers
Trafford Proposed	Aug-13	0	2.00	815	0.25	3.20	5.40	7.60	11.80	22.60	0.28	25.00	20p after 1 passenger

Lowest or Comparatively low	1.60	403	0.22	3.00	4.80	6.80	10.10	18.24	0.13	20.00
Highest or Comparatively high	2.40	880	0.57	3.90	5.80	8.20	13.20	25.40	0.31	30.00
Average	1.98	607	0.36	3.39	5.36	7.33	11.32	21.21	0.24	27.50

Trafford would be (from lowest) from 10 Councils	3	3	6	8	8	8	9	2
Which in value is above minimum by (£)	0.20	0.60	0.80	1.70	4.36	0.15	5.00	