

ABERDEEN CITY COUNCIL

COMMITTEE	Licensing
DATE	17 September 2013
DIRECTOR	Acting Director of Corporate Governance
TITLE OF REPORT	Taxi Fare Review
REPORT NUMBER	CG/13/036

1. **PURPOSE OF REPORT**

To provide the Committee with information that will allow it to reach an informed decision on any changes to be made to the current taxi fare tariff.

2. **RECOMMENDATION(S)**

That the Committee considers the report and any representations made by members of the trade and agree to

- (a) maintain the tariff and surcharges at their current level;
- (b) instruct officers to amend the fare card at surcharge 5 to reflect the holiday dates for 2014 and 2015;
- (c) sets the date on which the tariff will take effect (taking into account the statutory consultation period and lodging of any appeal); and
- (d) instructs the Head of Legal and Democratic Services to advertise the general effect of the proposals and the date when it is proposed that they will take effect.

3. **FINANCIAL IMPLICATIONS**

The taxi licensing budget takes account of staff involvement in a fare review and meter recalibration.

4. **OTHER IMPLICATIONS**

In setting fares, the Licensing Committee must take account of relevant costs and comparisons to ensure that the taxi trade receives an adequate return to enable it to continue to meet the public's requirement for its services.

5. **BACKGROUND/MAIN ISSUES**

5.1 Legal Requirement

In terms of Section 17 of the Civic Government (Scotland) Act 1982, the licensing authority must fix scales for the fares and other charges. In fixing scales, the licensing authority may (a) alter fares or other charges, (b) fix fares or other charges at the same rates.

5.2 Required Procedures and Timetable

- (a) draft proposals for the fixing of fares and other charges;
- (b) consult with persons or organisations representative of taxi operators in the area;
- (c) the Committee considers the report and hears from trade representatives. Whether the Committee proposes to make a change or not, the proposal requires to be advertised. Anyone wishing to object can do so within one month;
- (d) a further report is brought to the Committee who consider any objections to the proposals before setting the tariff and the date from which it is to take effect. This decision is formally intimated to the trade representatives;
- (e) taxi licence holders or their representatives, have 14 days in which to lodge an appeal against the Committee's decision with the Scottish Traffic Commissioner. The lodging of such an appeal delays the implementation of the tariff until the appeal is concluded;
- (f) following the fixing of the scales the licensing authority must give notice of the scales by advertisement in a local newspaper and specify the date on which the scales are to come into effect, which is no earlier than 7 days after the date on which they are published;
- (g) where there is a change to the tariff staff from the Taxi Inspection Centre adjust the meters and recheck their calibration. Due to the large number of vehicles involved two days are required to carry out the changes. Taking into account all of these procedures, the earliest date that a change to the tariff can be effected is 11 December 2013 but this date may be subject to change.

5.3 Matters to be taken into account when undertaking a fare review

The Scottish Government's Taxi and Private Hire Car Licensing: Best Practice for Licensing Authorities, issued April 2012 states that authorities are advised as best practice to pay particular regard to advice contained in paragraphs 2.34 - 2.37 of Scottish Development Department Circular 25/1986. It states that, "in fixing fares, authorities will want to pay primary regard to the costs incurred by the trade, having regard to the capital costs (including interest payments) of the vehicles, the costs of maintaining and replacing them to the standard of the licensing authority, of employing drivers and the prevailing level of wages and costs in related road transport industries. The public interest is best served by ensuring the maintenance of an adequate taxi service by giving the trade a fair return rather than depressing fares for social reasons, however understandable".

The Committee therefore, have to assess the data placed before them concerning motoring and wage costs since the last review and endeavour to agree a level of fares that produces a fair return to the Trade.

The current tariff is attached as Appendix 1.

5.4 Taxi Fare Formula

The Council engaged the services of Halcrow Group Limited to undertake a comprehensive review of the taxi fare formula. The authority wished to seek advice on current thinking and best practice at a national level in relation to the elements to be considered in arriving at a view on the tariff. An extract from Halcrow's report is attached as Appendix 2.

Halcrow consulted both officers and members of the Taxi Consultation Group in order to gauge the issues with the current formula and to obtain views regarding any future formula.

Halcrow undertook a review of the formula used by a number of local authorities, including Glasgow, Edinburgh, Dundee, and Stirling and concluded that the majority of authorities reviewed use an index based formula and that the components used to determine running costs were very similar across these authorities.

In reviewing the formula used by Aberdeen, Halcrow noted that it double counts the cost of insurance; it excludes dead mileage and uses some values that are not evidence based. They recommend -

- (1) stopping the practice of double counting the cost of insurance;
- (2) applying the formula to the annual mileage of vehicles rather than the mileage incurred when operating as a taxi;
- (3) obtaining three quotes for a "typical" driver when determining insurance costs; and
- (4) taking a sample of 10% of taxis to calculate the average annual mileage.

Halcrow also looked at whether the baseline figure, implemented at the last fare review was accurate and concluded that if the double counting of insurance is removed then a 2 mile midweek journey should have cost £5.30 rather than £5.40, which is the basic fare under the current tariff. However, the recommendation is that the baseline should not be amended and that any change brought about by application of a formula is applied to the existing tariff.

5.5 Proposed formula

The review of the fare formula recommends the use of a Change Index, which is based on the sum of two component parts: operating costs and average earnings.

Change Index = Change Costs + Change Earnings

This gives a percentage change in running costs since the tariff was last changed, and it is this percentage that is applied to the tariff.

The review index adopted includes the following elements –

Vehicle cost (including vehicle excise duty), parts, tyres, insurance, servicing costs, fuel prices, licence application fees, average earnings and National Insurance contributions.

5.6 Use of the Formula

For the purpose of this fare review, the formula has been used to compare the costs of the components in December 2011, which is the last time the tariff changed, with those in June 2013.

(1) Assumptions

The formula assumes an average annual mileage of 31,000 miles, which is the figure, arrived at after sampling 10% of the fleet. It also assumes a vehicle life of 5 years.

(2) Vehicle Cost

At present saloon cars make up 52% of the fleet with the remaining 48% being wheelchair accessible vehicles. The vehicle cost is based on the weighted average costs of a typical saloon car (Ford Mondeo) and a typical accessible vehicle (Peugeot Premier). Prices are based on the basic diesel model for each. To calculate the annual cost, it is assumed that each have a lifecycle of 5 years. Halcrow provided costs of the vehicles at December 2011, Costs for June 2013 were obtained from Ford and Cab Direct.

Parts, Tyres, Labour and Fuel Costs

Figures for the above costs are obtained from the AA annual table of running costs for diesel vehicles. The tables used for the index are motoring costs as at 2011 and at June 2013.

The cost for each of the components is given in pence per mile, which is then multiplied by the average annual mileage of 31,000 miles to arrive at an annual cost for each component.

Insurance Cost

The report recommended that three quotes should be obtained for a “typical” driver. Analysis of the driver database identified that the current average age of drivers is 53 years. Following discussions with the trade, it was recommended that 4 years no claims discount should be applied to the quote. The figure used in the index for 2011 was that provided by the trade for the last fare review, which was £1200. The current figure was reached by obtaining 4 quotes for a 53 year old driver with 4 years no claims bonus, the average of these quotes produced a figure of £1,007.

Miscellaneous Costs

The costs included here are the annual cost of renewing a taxi licence, a taxi driver’s licence, plus the annual cost of vehicle excise duty (VED). The annual cost for VED is a weighted average of the costs for the Ford Mondeo and the Peugeot Premier. The figure assumes a tax band C for the Mondeo and an E for the Peugeot Premier. The licensing fee is based on the sum of the renewal fee for the taxi licence and 1/3 of the renewal for the driver’s licence.

Earnings

The review of the fare formula recommends using the UK annual mean earnings for full time employees rather than Aberdeen average earnings. However, the report stresses that because the formula calculates the percentage change in earnings the key point is to use the same dataset each time a fare review is undertaken. The figures are obtained from the Office of National Statistics (ONS), Annual Survey of Hours and Earnings (ASHE).

5.7 Index Cost Calculations

Appendix 3 shows the breakdown of costs used in applying the formula. The table below shows that costs have increased by only 0.25% since the last increase in the tariff.

Component in Index	Annual Cost December 2011	Annual Cost 2013	% Change 2011-2013
Vehicle cost	£3819	£3611	-5.45%
Replacement parts	£685	£871	27.15%
Tyres	£415	£558	34.33%
Garaging & servicing – labour	£1110	£1380	24.30%
Fuel	£3903	£3779	-3.18%
Insurance	£1200	£1007	-16.08%
Miscellaneous	£318	£326	2.26%
Total operating costs	£11,450	£11,532	0.71%
Average national earnings	£32,691	£32,708	0.05%

Component in Index	Annual Cost December 2011	Annual Cost 2013	% Change 2011-2013
National Insurance	£130	£140	7.69%
Total index costs	£44,271	£44,380	0.25%

5.8 Comparison with other local authorities

Appendix 4 compares Aberdeen's fares with those in Dundee, Edinburgh, Glasgow and Aberdeenshire. It assumes no add ons and no traffic delays. Aberdeenshire has the highest tariff, while Edinburgh and Aberdeen's fares are broadly similar with fares in Glasgow and Dundee being lower than Aberdeen's.

5.9 Demand for taxis

A taxi demand survey was commissioned in 2011, which concluded that there was no significant unmet demand for taxi services in Aberdeen. At its meeting on 06 June 2012, the Committee set a limit on taxi licences. This limit is 1049. The survey found that demand was repressed by the public perception that fares are too high in Aberdeen and advised that one of the main ways in which repressed demand could be unlocked would be by undertaking a comprehensive review of the fare formula. The demand survey was undertaken before the current tariff (which increased taxi fares) was implemented in December 2011.

5.10 Proposed tariff

Implementation of the change index shows that there has been a negligible increase in the costs of running a taxi and earning a fair wage since December 2011. It is therefore recommended that the tariff and surcharges be maintained at the current levels. Maintaining fares at their current level should not adversely affect the number of taxis available for hire as there are approximately 140 expressions of interest in applying for a licence should one become available. It may unlock latent demand for taxis, given the said public perception that taxi fares in Aberdeen are too high.

5.11 Consultation

In terms of section 17 of the Civic Government (Scotland) Act 1982, the local authority must consult with persons or organisations appearing to them to be, or be representative of, the operators of taxis operating within their area. The report was circulated to members of the Taxi Consultation Group who were invited to submit representations by 16 September 2013.

6. **IMPACT**

Corporate – Reviewing the fare formula supports the corporate aim to be transparent in how it sets taxi fares. Fares need to be set at a level that will provide a fair return to the trade. A lack of taxis could have an adverse impact on the local economy and be detrimental to the City's reputation as a destination for business and tourism.

Public – the report will be of interest to both the taxi trade and members of the public.

Equality – as the review is proposing no change to the tariff, the proposal has a neutral impact on groups with protected characteristics; therefore, an impact assessment is not necessary. Should the Committee change the proposal in any way, a full impact assessment would be required.

7. **MANAGEMENT OF RISK**

Corporate – Fares need to be set at a level which will provide a fair return to the trade. This in turn will ensure there is provision of adequate taxi services for residents and visitors alike. A lack of taxis could have an adverse impact on the local economy and be detrimental to the City’s reputation as a destination for business and tourism. This fits with the Local Transport Strategy, which recognises the important gap in the transport network that taxis and private hire cars can fill.

8. BACKGROUND PAPERS

Civic Government (Scotland) Act 1982

Aberdeen Taxi Fares Formula Review – Report by Halcrow Group Limited

9. REPORT AUTHOR DETAILS

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