

COMMITTEE: LICENSING

DATE: 12 October 2016

DIRECTOR: RICHARD ELLIS (Interim Corporate Governance)

TITLE OF REPORT: TAXI FARE REVIEW

REPORT NUMBER: CG/16/130.

CHECKLIST COMPLETED: Yes

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**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 and comply with its duty to review taxi fares under section 17 of the Civic Government (Scotland) Act 1982.

**2. RECOMMENDATION (S)**

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

1. Agrees to maintain the basic tariff and surcharges at their current levels;
2. Instructs officers to meet with trade representatives to explore the restructure of tariff charges and report back to the Committee thereafter;
3. Agrees to increase the £1 surcharge for non-airport zoned taxis dropping off at the inner forecourt of the airport to £2;
4. Instructs officers to amend the fare card at surcharge 5 to reflect the holiday dates for 2017 and 2018; and
5. 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.
6. Instruct the Head of Legal and Democratic Services to undertake a review of the taxi fare formula and report back to the Committee the findings.

**3. FINANCIAL IMPLICATIONS**

Staff costs of the fare review and meter calibration will be contained within existing approved budgets.

**4. OTHER IMPLICATIONS**

In setting fares, the Licensing Committee must take account of relevant costs and comparisons to ensure that the taxi trade receives a fair 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 Council, as the licensing authority for taxis is obliged to review and fix the scale of fares and surcharged so that they take effect within 18 months beginning with the date on which the scales came into effect. The Local Authority last reviewed fares in March 2015 and the tariff and surcharges took effect on 17 June 2015. Therefore the review must be completed and the scales fixed no later than 16 December 2016.

When reviewing fares and surcharges the Local Authority may alter them or fix fares and other charges at the same rates. In carrying out the review the licensing authority must consult with persons or organisations appearing to be, or to be representative of the operators of taxis within its area.

The Committee must agree a proposal in relation to fares and surcharges. Thereafter, the licensing authority must publish those proposed scales in a newspaper circulating in its area-setting out the proposed scales, explaining the effect of the proposed scales, proposing a date on which on which the proposed scales are to come into effect, and allowing a period of at least one month for written representations on the proposals. A further report is then brought before the Committee who consider any representations to the proposals before setting the tariff and the date from which it is to take effect.

Operators of taxis or any person or organisation appearing to the traffic commissioner to be representative of such taxi operators can appeal against any decision the Local Authority makes in respect of fares and surcharges. Any appeal is made to the traffic commissioner for the Scottish Traffic Area.

#### 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 a standard of the licensing authority, of employing drivers and the prevalent 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.

## 5.2 Taxi Fare Formula

A change index is used to calculate the percentage change in costs since the fares were last reviewed. The index used is the outcome of advice received in April 2013 by the Committee from consultants engaged for that purpose and is based on two component parts: operating costs and average earnings.

Change Index+ Change Costs + Change Earnings.

The formula assumes an average annual mileage of 27, 054 miles, which is the figure arrived at after sampling 10% of the fleet. It also assumes a vehicle life of five years. At present, the fleet comprises 47% saloon cars and 53% wheelchair accessible vehicles. The vehicle cost is based on the weighted average costs of a typical saloon car (Toyota Avensis) and a typical accessible vehicle (Peugot Partner 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 five years. Parts, tyres, labour and fuel costs are obtained from the annual table of running costs for diesel vehicles. The figures for earnings are obtained from the Office of national Statistics (ONS), Annual Survey of Hours and Earnings (ASHE) and use the UK annual mean earnings for full time employees.

### Index Cost Calculations

The table below shows that costs have dropped slightly since the last review took place.

<b>Component in Index</b>	<b>Annual Cost 2014</b>	<b>Annual Cost 2015</b>	<b>% Change</b>
Vehicle cost	£3611	£3700	2.47
Tyres	£403	£403	0.00
Garage and servicing- Labour	£579	£579	0.00
Fuel	£2778	£2459	-11.49
Insurance	£1081	£931	-7.70
Miscellaneous	£332	£360	8.43
<b>Total Operating Costs</b>	<b>£10,092</b>	<b>£9,156</b>	<b>-3.11</b>
Average National Earnings	£33,475	£33,689	0.64
National Insurance	£140	£146	4.0
<b>Total Index Costs</b>	<b>£43,056</b>	<b>£42,991</b>	<b>-0.15</b>

### 5.3 Demand for Taxis

A taxi demand survey was undertaken in 2014 and a report on its findings was before the Committee on 25 November 2014. It found that drivers appeared to have significant scope of when they wish to work and that these choices were impacting on the levels of service available. There was also evidence that the standard of the current fleet is high from which it can be inferred that remuneration is sufficiently high enough to enable the trade to sustain this. The survey found that there was significant unmet demand for taxis in Aberdeen that requires addressing, particularly that provided from mid-afternoon Friday until through to the early hours Sunday morning and as a result of this the Committee agreed to an additional thirty taxi licences bringing the maximum number of taxi licences to 1079.

The Committee is obliged to review any limit it fixes on taxi licences. It is intended that a further survey be undertaken in 2017 for this purpose. It is recognised that the downturn in oil and gas activity in the city is likely to have impacted on the operation of the fleet and the demand for taxis as a whole. Presently the number of licensed taxis in the fleet is approximately 1000, short of the limit of 1079.

### 5.4 Consultation

The members of the taxi consultation group were identified as persons who are representative of operators of taxis and the fare formula was sent to them on 28 September 2016 for discussion at the meeting of the Taxi Consultation Group on 5 October 2016.

There was some discussion at the meeting from the representative from Unite regarding proposed changes to the base fare. However after discussion amongst those present at the meeting of the group there was general consensus that the fares should remain at their current level subject to the addition of the increased surcharge for the airport. There were concerns raised regarding the present fare formula and it was agreed that the Committee should consider a review of the same, as well as the overall fare structure.

### 5.5 Tariff and other charges

There are two issues which should be considered; the complexity of the current tariff structure and the level of charges.

The tariff charges operated in Aberdeen are complex and not easy for customers to follow. The tariff charges of some other licensing areas appear to be simpler and more transparent for the customer than that in use in Aberdeen. It would be beneficial to look at a simpler arrangement which would be easier for the customer to understand and would be simple to operate.

The relationship of the tariff structure and the level of individual charges should be considered together if there is to be a change to the tariff structure as they impact on the return to the trade.

It would be beneficial to engage with trade representatives and taximeter providers to explore the ways in which the tariff charges could be restructured without detriment to the trade whilst being simplified for members of the public to understand.

So far as the charges themselves are concerned, implementation of the change index shows that there has been a 0.15% reduction in costs since the last review. If the current tariff structure is to remain unchanged for this fare review then taking account of the cost data it is recommended that the tariff and current surcharges be maintained at the current levels. The current tariff is attached as Appendix 1.

In April 2016, Aberdeen International Airport (AIA) increased their barrier fee from £1 to £2 to drop passengers off at the airport concourse. This allows cars on the concourse for 10 minutes with a barrier system to pay on exit. Airport taxis are unaffected but all other taxis are subject to this charge unless invited to use the inner concourse during times of peak demand. As this is on private land the local authority has no control over this charge. The trade are requesting that this increased charge is passed on to the customer and this can only be done by increasing the surcharge to the tariff. In the circumstances it is suggested that the Committee supports the trade and allows for the increased surcharge to be added to the tariff for non-airport zoned taxis.

Passengers who do not want to pay the surcharge can be given the option of being dropped off at the long stay carpark.

## 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 tourism 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 the 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 that 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

None

## 9. REPORT AUTHOR DETAILS

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