

## ABERDEEN CITY COUNCIL

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<b>COMMITTEE</b>	Licensing Committee
<b>DATE</b>	17 April 2018
<b>REPORT TITLE</b>	Taxi Fare Review
<b>REPORT NUMBER</b>	GOV/18/001
<b>DIRECTOR</b>	Fraser Bell
<b>REPORT AUTHOR</b>	Karen Gatherum
<b>TERMS OF REFERENCE</b>	No 3

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### 1. PURPOSE OF REPORT

1.1 To provide the Committee with information that will allow it to reach an informed decision to 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

- 2.1 approves for consultation the fare review options set out at section 4 of the report and instructs the Chief Officer of Governance to conduct a consultation as outlined in section 5 below on the same; and
- 2.2 instructs the Chief Officer Governance to submit a report to the Licensing Committee on 5 June 2018 on the outcome of the fare review proposal consultation and seeking a final decision on the future fee levels to be adopted from 26 June 2018.

### 3. BACKGROUND

#### 3.1 Legal Requirement

3.1.1 In terms of Section 17 of the Civic Government (Scotland) Act 1982 ("The Act") the Council, as the licensing authority for taxis is obliged to review and fix the scale of fares and surcharges so that they take effect within 18 months beginning with the date on which the previous scales came into effect. The Local Authority last reviewed fares in December 2016 and the tariff and surcharges took effect on 23 January 2017. Therefore the review must be completed and the scales fixed no later than 23 July 2018.

3.1.2 When reviewing fares and surcharges, the licensing 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 them to be, or to be representative of, the operators of taxis operating within their area.

3.1.3 Following the consultation the Committee must agree a proposal in relation to fares and surcharges. This is what is proposed in terms of this report. 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 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.

3.1.4 Operators of taxis or any person or organisation appearing to the Traffic Commissioner to be a 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. An appeal to the Traffic Commissioner may be made within 14 days of notice being given by the licensing authority to taxi operators and representative taxi organisations of the agreed fare scales

### 3.2 Matters to Be Taken Into Account When Undertaking a Fare Review.

3.2.1 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."

### 3.3 Taxi Fare Formula

3.3.1 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.

3.3.2 The formula assumes an average annual mileage of 25,786 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 52 % saloon cars and 48% 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 (Peugeot 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 from the AA (most up to date being 2014). Discussions are required to nominate a more up to date source of information for future fare reviews. 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.

### 3.4 Index Cost Calculations

3.4.1 The table below shows that using the above formula costs have increased slightly since the last review took place.

Component in Index	Annual Cost 2016	Annual Cost 2018	% Change
Vehicle cost	£3700	3,819	3.22
Tyres	£403	£403	0.00
Garage and servicing- Labour	£579	£552	-4.69
Fuel	£2459	£2630	12.21
Insurance	£931	£1,150	15.23
Miscellaneous	£360	£390	8.43
<b>Total Operating Costs</b>	<b>£9,156</b>	<b>£9,552</b>	<b>5.86</b>
Average National Earnings	£33,689	£35,423	5.15
National Insurance	£146	£146	0.00
<b>Total Index Costs</b>	<b>£42,991</b>	<b>£45,123</b>	<b>5.09%</b>

### 3.5 Demand for Taxis

3.5.1 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 wished 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, at that time, was sufficiently high enough to enable the trade to sustain this. The survey found that there was significant unmet demand for taxis in Aberdeen that required 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.

3.5.2 The Committee is obliged to review any limit it fixes on taxi licences. The Licensing Committee have instructed that a further survey should be carried out and this survey will be available by August 2018 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 929, short of the limit of 1079. In addition the 2018 demand survey will incorporate an overprovision assessment of private hire vehicles and a review of taxi rank provision in the City.

### 3.6 Tariff and other charges

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

3.6.2 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.

3.6.3 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.

3.6.4 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.

3.6.5 So far as the charges themselves are concerned, implementation of the change index shows that there has been a 5.09% increase in costs since the last review. If the current tariff surcharges are to remain unchanged for this fare review then taking account of the cost data it is recommended that the basic tariff be increased by 5%.

3.6.6 The current tariff is attached as Appendix 1.

## **4. OPTIONS**

4.1 Option A: Agrees to increase the current basic tariff by 5%; (See Appendix 2)

4.2 Option B: Agrees to maintain the basic tariff at its current level; (see Appendix 1)

## **5. CONSULTATION**

5.1 Section 17 of The Act requires the licensing authority, when carrying out a fare review, to first consult with persons or organisations appearing to them to be representative of taxi operators in their area. The members of the Taxi and Private Hire Car Consultation Group were identified as persons who are representative of

operators of taxis in the City and the fare formula was sent to them on 1 March 2018 for discussion at the meeting of the Consultation Group on 13 March 2018.

5.2 At the meeting of the Taxi and Private Hire Car Consultation Group on 13 March 2018, the trade representatives provided an initial view on both options A and B as detailed in this report. They considered that the fare surcharges should stay the same. This reason for this is because if it was agreed to keep the fares the same/status quo or even increase the fares by 5% and the surcharges were to be removed, this would actually result in a fare decrease, which would not be acceptable to the trade. Although the trade appreciated that it was never a good time, in relation to the public, to ask for an increase in the tariff, they were generally happy with the two options proposed. The trade representatives agreed to arrange to meet and further consult their members on whether to back option A or option B or indicated they could propose a higher increase to be considered by the Licensing Committee at their meeting on 17 April 2018.

5.3 Once the Committee has undertaken the Consultation with the Representatives of Taxi Operators in their area, reviewed the scales and agreed on proposed new scales they require to carry out a public consultation on the proposals. Steps will also be taken to consult with current licence holders. Consultation will take place by press advertisement and will commence as soon as practicable following the Committee meeting on 17<sup>th</sup> April 2018. Responses will be invited to be made by 20 May 2018. The Council's Corporate Communications team will be asked to issue a press release and details of the consultation will be made available on the licensing pages of the Council's website. Social media will also promote this consultation.

5.4 Following the consultation, it is proposed that a report summarising the responses received would be submitted to the meeting of the Licensing Committee on 5 June 2018. At that time the Committee will be invited to make a final decision on any changes to the fare scales.

5.5 After the last taxi fare review in 2016 the Team Leader of Licensing was instructed by the Committee to undertake a review of the taxi fare formula including surcharges, explore the restructure of tariff charges and explore ways any future increase in airport access charges could be mitigated by the Council. Prior consultation with the Taxi and Private Hire Car Consultation Group and representatives of the taxi trade has already taken place regarding these issues and they are again to be addressed at the meeting of the Consultation Group on 13 March 2018.

5.6 From 1 June 2018, the Airport Authority will operate the taxi rank at the airport and therefore, airport taxis will now be charged the barrier charge the same as all other users. As a result, it is recommended that this is mitigated by the Council by removing the wording (non-airport taxis only) from Surcharge 8;

5.7 As a result of the meeting of the Taxi and Private Hire Car Consultation Group meeting on 13 March 2018. The taxi trade representatives advised that:

5.7.1 The formula requires to be revisited and suggested that the licensing authority look at how more up to date data can be used in the formula, for example the information from the Automobile Association website.

5.7.2 They appreciated that the licensing authority could not achieve this reassessment of the formula in relation to the current fare review but requested this be incorporated in the next review.

5.7.3 the wording of the surcharges on the tariff card should be as follows,

5.7.4 in relation the airport charge that it be changed to read “the current airport barrier charges”, and

5.7.5 that the surcharges for the airport and railway station have “third party charges” written next to them in order to show customers that these reflect charges imposed by a third party on the operation of the taxi and are not additional charges imposed by the driver.

5.8 However some of these matters may/will need to await the final outcome of the Taxi Demand Survey in order to be fully addressed. It is intended that the survey will be available for consideration by August 2018 for this purpose. Any further proposals to amend the fare formula, surcharges, tariff structure, airport charges etc. could then be fully consulted upon and included in the next taxi fare review which requires to be concluded by January 2020.

## **6. FINANCIAL IMPLICATIONS**

6.1 The approval of the recommendations will require:

6.1.1 All licence holders, members of the Taxi and Private Hire Car Consultation Group, the public and the Chief Constable, Police Scotland to be consulted and invited to attend a further meeting of the Licensing Committee;

6.1.2 After fixing the new scales, the licensing authority must give written notice to all taxi licence holders and the persons and organisations consulted during the review, setting out and explaining the effect to the scales fixed, the date they are to come into effect and their rights of appeal to the Traffic Commissioner.

6.1.3 Copies of the new Taxi Tariff Card to be produced and issued to all taxi and private hire licence holders to be displayed in their vehicles, approximately 1,230;

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

6.1.5 There will therefore, be a financial cost to the Licensing Team, Governance in consultation advertisements, producing and issuing the above documentation. These costs will be met within existing budgets.

## **7. LEGAL IMPLICATIONS**

7.1 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 maximum scale of fares and surcharges so that they take effect within 18 months beginning with the date on which the previous scales came into effect.

7.2 Operators of taxis or any person or organisation appearing to the Traffic Commissioner to be a 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.

## 8. MANAGEMENT OF RISK

	<b>Risk</b>	<b>Low (L), Medium (M), High (H)</b>	<b>Mitigation</b>
<b>Financial</b>	As per paragraph 6 above.	L	
<b>Legal</b>	As per paragraph 7 above	L	
<b>Employee</b>	There is no risk to employees arising from the recommendations of this report	L	
<b>Customer</b>	Implementation of Option A will increase the cost of a taxi/private hire journey for the customer/citizen of Aberdeen	L	
<b>Environment</b>	There is no risk to the environment arising from the recommendations of this report	L	
<b>Technology</b>	There is no risk to technology arising from the recommendations of this report	L	
<b>Reputational</b>	As a licensing authority there would be a reputational risk to the Council if it failed to undertake its legal obligation and not carry out the review.	M	As this report is introducing the review for consultation within the statutory time period any risk is mitigated.

## 9. OUTCOMES

Design Principles of Target Operating Model	
	Impact of Report
Customer Service Design	The option to increase the basic taxi fare may however impact on the people of Aberdeen by restricting the affordability of a taxi journey to certain members of the public. The option not to increase the basic taxi fare or surcharges will ensure that taxi journeys remain affordable for a wider customer base.
Partnerships and Alliances	Currently we anticipate there will be no impact on the taxi trade arising from the implementation of Option A or B. However the Committee has instructed that a Taxi Demand Survey be undertaken and the results of this are expected to be reported in August 2018. This Demand Survey may disclose relevant economic implications for the City and the Taxi Trade

## 10. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	Completed and not required
Privacy Impact Assessment	Not required
<a href="#">Children's Rights Impact Assessment/Duty of Due Regard</a>	Not applicable

## 11. BACKGROUND PAPERS

11.1 None

## 12. APPENDICES

12.1 Appendix 1- the Current Taxi Tariff Card

12.2 Appendix 2- the amended Taxi Tariff Card illustrating the proposed 5% increases.

## 13. REPORT AUTHOR CONTACT DETAILS

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