

SSDC Taxi Fare Formula Setting

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Purpose of the Report

To seek the Committee's approval of the formula for taxi fare setting, the revision of taxi passenger fares, and associated charges, within the South Somerset District.

Recommendations

It is recommended that:

1. The Committee approves the proposed formula for taxi fare setting
2. The Committee approves the proposed increases in hackney carriage passenger fares and associated charges within the district, as set out at Appendix A to this report.
3. The Licensing Manager undertake the required statutory advertising of the proposed fares and charges.
4. In the event of any objections to the proposed fares being received during the statutory objection period, which are not resolved, then the Licensing Manager reviews any objections received in conjunction with the Chair of Licensing Committee.

South Somerset District Council – Fare Setting Formula

Following the introduction of the South Somerset Taxi & Private Hire Policy in April 2015, it was necessary to set up an annual review of taxi fares as required by the policy document.

The Licensing Manager has liaised with members of the taxi working group, in order to determine a formula that can be used to determine whether any fare increase is necessary in any given year.

The formula devised seeks to demonstrate the true costs of providing taxis and the cost per mile figure necessary to sustain this valuable public service economically.

It has been concluded that the most reliable method of obtaining up to date motoring costs is to use those published annually by the Automobile Association (AA). The advantages of using the AA figures are:

- The AA is a nationally recognised and accepted institution.
- The AA figures are well researched and reliable.
- The figures are more likely to be accepted by Officers and Committee members.
- The formula will also use Governmental figures for average earnings, again this is published on an annual basis in April.

The calculation will be as follows:

1. Government's April published annual average earnings figure¹
2. Average of the AA pence per mile total for standing charges and running costs in respect of petrol cars £25,000 to £32,000 and for diesel cars £26,000 to £36,000 both based on an average of 30,000 miles per annum.
3. Additional taxi insurance premium, over and above the AA insurance figure, currently approx £1,300.
4. The cost of a Council taxi drivers badge and vehicle licence.
5. Dead mileage figure, it is thought that given the nature of Hackney Carriage work in a large rural area like South Somerset, then this figure should be set at 40% of the total annual mileage, in this case 18,000. 40% is also the figure that is generally considered reasonable by HMRC.

$$\frac{1+2+3+4}{5}$$

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Earnings

The economic cost of running a hackney carriage includes the drivers' earnings and this factor must be taken into account when setting the fare tariff. There is no reliable information on the earnings of taxi drivers and it is therefore proposed that the government's annual average earnings figure should be used.

Vehicle Costs

The AA publishes annually estimated vehicle standing charges and running costs based upon the fuel type and average mileage of a vehicle. This is a comprehensive index and consists of costs for road tax, insurance, depreciation, subscriptions, fuel, oil, tyres, servicing, repairs and replacements for a variety of vehicle types and distances travelled.

The formula above takes the average of the total of standing charges and running costs in pence per mile for petrol cars £25,000 - £32,000 pounds when new and for diesel cars £26,000 to £36,000. This would be 43.80² and 39.42³ giving an average of 41.61 pence per mile. The average figure is taken in order to reflect the mixed nature of the South Somerset taxi fleet.

As taxi insurance is more expensive than ordinary private motoring insurance, it is proposed that the extra cost above the AA figures be added. The actual cost will be calculated by taking the AA average for insurance for the above category vehicles as the base figure. Three quotations will then be obtained by council officers from local brokers for fully comprehensive insurance for both vehicle types in respect of a 3 year old vehicle with employed driver cover with one years no claims bonus for drivers average age 30 years with 5 years experience and no adverse accident claims. These quotations will then be averaged. The extra cost between the AA average figures and the averaged broker figures will be the addition taxi insurance premium.

¹

<http://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/annualsurveyofhoursandearnings/2015provisionalresults>

² AA Motoring Costs petrol cars version 2 July 2014

³ AA Motoring Costs diesel cars 2014

The AA document includes a subscription fee, this is the cost of annual AA membership, this will be left in as it is assumed all drivers will have some form of breakdown cover.

The costs of Council drivers and vehicle licences will also be added into the calculation.

The calculation

Based upon the above criteria, the calculation would be as follows:

27,456 + 12480 + 1300 + 458 = £2.31 per mile.

18000

Legal Process for Fares setting

The legal background is that Section 65 of the Local Government (Miscellaneous Provisions) Act 1976 enables a district council to set the fares charged within its area by hackney carriage (taxi) drivers for various distances over which paying passengers are conveyed, as well associated charges, as explained below.

In accordance with those legal provisions, proposed taxi fare increases must be advertised in the local press - and made available in the Council Offices - for a period of 14 days to allow for any objections to be made. If no objections are received, or any that are made are subsequently withdrawn, the proposed new fares become effective from the date specified in the notice.

If any objections are received which are not withdrawn, the new fares will not automatically take effect. In that case, to allow time for consideration of the objections, a new operative date for the fares must be set, which shall be no later than two months after the date of the close of the statutory objection period stated in the public notice. During this period objections would be considered and, if appropriate, the proposed fare tariff modified accordingly.

Subject to the Committee's approval, it is proposed to commence the statutory objection period, with the advertisement of the public notice, on the 21st April 2016, and ending 5th May 2016. Therefore, in accordance with the above, it is proposed that if no objections were received, the new fares would come into effect on the 5th May 2016.

Current comparative taxi fare levels for all taxi licensing authorities in the country are published each month in a national trade magazine.

Following the last increase in taxi fares in the district in April 2008, the Council's fare levels are now (from figures published in January 2016) placed 104th out of 365 authorities. Given that we are a large rural area with a large amount of dead mileage, it would be expected that our fares should generally be more expensive than urban areas which have less dead mileage. It is envisaged that South Somerset should generally be in the top 50, for this reason.

In order to progress matters, officers have prepared new draft proposed taxi passenger fare levels, as set out in Appendix A to this report.

Although the proposed fares will be published in draft in the press as part of the formal fare-setting process, Officers have sought some initial responses from representatives of the local taxi trade and have obtained informal feedback, which was supportive.

If approved by the Committee, such increases would move the Council's fares up to a position of 40th in the national list.

The Committee will note in Appendix A, that, as well as the actual passenger taxi fares based on distance conveyed, there are additional charges that taxi drivers can impose "...in connection with the hire of a vehicle...", as the legislation provides, which the Council can also determine.

For example, additional payment can be required for pets, luggage or additional passengers. Accordingly, increases to these additional charges, are therefore also proposed for the Committee's approval.

Environmental Implications

Any additional taxi journeys in the district will have a moderately positive effect on the environment because of the potential for fewer single car journeys, arising from the increased use of taxis, as a form of public transport.

Legal Implications

As set out in the report.

Equality Implications

None

Principal Consultees

Public consultation, by means of a statutory 14-day public objection period.

Background Papers

None.

Enclosures/Appendices

Appendix A: Table of Draft Proposed Hackney Carriage Passenger Fare Levels and Additional Charges