



## PAPER B

Purpose: For Decision

# Committee report

Committee	<b>LICENSING COMMITTEE</b>
Date	<b>20 NOVEMBER 2017</b>
Title	<b>DETERMINATION OF THE TABLE OF FARES IN RESPECT OF HACKNEY CARRIAGES</b>
Report of	<b>THE HEAD OF PLACE</b>

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### EXECUTIVE SUMMARY

1. This paper recommends maintaining the taxi fares at their existing level. In addition this report seeks to gain approval that the fares are continually reviewed annually in November but for the findings to be only referred to the Licensing Committee when officers believe that the table of fares need to be increased.

### BACKGROUND

2. Individuals who wish to use a vehicle for hire and reward require licensing by the local authority under Part II of the Local Government (Miscellaneous Provisions) Act 1976 (the Act). Licensed vehicles are also regulated under the Town Police Clauses Act 1847.
3. A vehicle referred to as a Hackney carriage under this legislation is required to have a taximeter which dictates the maximum fare a proprietor may charge for each journey.
4. Under section 65 of the act, a local authority may fix the rates or fares and all other charges in connection with the hire of a vehicle or with the arrangements for the hire of a vehicle in respect of Hackney carriages. This is referred to as a "table of fares" and this tariff is to be displayed in each Hackney carriage.
5. The Licensing Committee previously resolved to receive a report annually on whether the taxi fares should remain the same or increase.
6. The Isle of Wight Council's current table of fares detailing the maximum fare a hackney carriage proprietor may charge has been attached as Appendix 1.
7. The table of fares is split into four tariffs (see Appendix 1). The use of varying tariffs for different times of days and the type of journey is common practice throughout the country. Extra charges are also commonly permitted for luggage, carrying animals and tolls/parking charges etc.

8. The fare increases at the beginning of each 440 yards (a quarter mile).
9. There is no standard method for calculating fares. Each local authority has to determine how the fares should be calculated or determined and the method chosen has to be fair and appropriate. Members have previously determined to use the following calculation formula:

*The average cost of running a vehicle per mile supplied by the AA, multiplied by Average taxi mileage, plus average IW Salary for blue collar worker, plus Hackney carriage licence fee, plus additional cost for insurance and maintenance divided by average paid miles = COST PER MILE*

10. The AA no longer publishes the average cost of running a vehicle per mile, however the RAC does and this year officers have used the RAC costs within the calculations.
11. A review has recently been carried out using the calculation process in order to ascertain whether an increase in the fares is necessary. The calculations indicate that the costs of running taxi have not increased to justify an increase to the table of fares, due to the reduction in the national average wage and fuel costs; the cost per mile has reduced.
12. The spreadsheet detailing this year's calculations has been attached as Appendix 2.
13. The following information will provide the committee with a comparison of the current fares on the Island against other areas in the country. The journey costs and comparisons provided below are based on tariff 1 which can be charged between 8am and 10pm. The data was obtained from the October 2017 edition of Private Hire and Taxi Monthly, a recognised national publication for the taxi trade.

a) Flag drop

Flag drop refers to the initial charge at the start of the journey and would be the minimum charge of a taxi fare. The current table of fares has a flag drop on tariff 1 (initial charge on meter) of £3.00 which covers the first half mile of any journey.

b) Two mile journey

A two mile journey using the current tariff 1 fare charged on the Isle of Wight is £5.70. This places the Island fare as the 185th out of 366 local authority areas.

c) Highest and Lowest

The most expensive is Luton Airport at £9.20 and the cheapest being South Kesteven at £3.50.

14. For some journey types the difference between geographical areas is significant and the reasons are not clear. The cost of living including the

average wage would have an influence on the sustainability of the fares in each area.

15. It will be the decision of the committee to determine whether or not the table of fares should be modified as a result of the calculations made. Any modifications will need to be determined by this committee.

## STRATEGIC CONTEXT

16. Taxis provide an integral part of the transport network on the Island and therefore form part of and contribute to the island's economy. Taxis offer a more personal and bespoke public transport service to residents, businesses and visitors. This allows people to access parts of the Island and businesses where other timetabled transport providers are unable to do so they simply provide a door to door service at any time of the day.
17. By the council controlling the fares taxi proprietors are able to charge, by using its legislative powers, this will ensure that the trade can operate viable businesses and the public get value for money.
18. The review of the Hackney carriage table of fares fits in with the council's priority of 'Protecting our community'.

## CONSULTATION

19. There has been no public consultation prior to this report. Should the committee determine that the table of fares has to be amended; the revised table of fares will need to be advertised as required by the act. This is outlined in the legal section of this report. Any objection will need to be considered by the committee before the final table of fares is set.
20. Although it is not required at this stage, contact has been made with all Hackney carriage proprietors (122) by way of a letter.
21. Three written responses were received which have been attached as Appendix 3.
22. One did not want to see an increase; one suggested changes to the hours where tariff 2 applies, the third suggested that the fares should be increased.
23. The second representation suggested that the times when tariffs 2 and 3 apply should be amended to make it more appealing for drivers to work. He has suggested that there is a shortage of drivers operating during the hours of 6pm to 10pm and as consequence there is unmet demand.

Officers have reviewed complaints over the past few years and there appears to be no complaints from the public relating to this.

Officers therefore do not see this as a legitimate reason for amending the hours of tariffs 2 and 3. There is a possibility that demand could reduce further. The fares are not an incentive to work; they are there to ensure fairness to both the operator and the taxi users.

24. The third has asked for an increase to the fares for the following reasons:
- (a) Only one increase in ten years.
  - (b) Unable to recruit drivers.
  - (c) Small profit margins.

There were fare increases in March 2010 and 2013; there could be argument to say that fares should be increased due to the time since the last increase. However, the cost of fuel and the running costs supplied by the AA in previous years and the RAC this year would suggest that the costs of running a car has reduced.

The fares have been calculated using the national average wage for taxi and cab drivers and chauffeurs and based on a taxi doing 20,000 paid miles a year. The example provided in the representation is just a single journey on a single day, the example given demonstrates that his daily costs are covered in that one journey; all subsequent trips would be all profit less the fuel costs. I would presume that a taxi completes more than one journey a day.

The fares during the day time hours return a smaller profit than those undertaken at night. Demand for the service at whatever time of day will dictate how many trips and therefore how much profit is made.

As with all other businesses sales dictate how successful a business is. Taxi operators would not be able to continue to operate if they were running at a loss. At some time the business would have to cease. There are now more taxis licensed than this time last year, this would suggest that demand has increased or demand is spread more thinly over the operators, which may have an effect on some operator's profits.

The fares should not be increased to increase an operator's profit when there is no demand for their service.

#### FINANCIAL / BUDGET IMPLICATIONS

25. Council expenditure on taxi related matters is balanced from income generated from fees. The fees are set by the council and represent the full costs of administering and the enforcement of matters relating to taxi licensing.
26. Should the committee decide to modify the table of fares, there will be a cost for the notice to appear in the local newspaper. This is expected to be approximately £250 and will be met from the existing budget.
27. If the committee determined to amend the table of fares, all the taximeters currently in use in licensed vehicles will need to be adjusted and re-sealed to reflect the amended maximum fares. There are currently 202 Hackney carriages on the Island, all of which will need to go through the process mentioned above. It is estimated that it will take 15 minutes per vehicle, which totals 50 hours of officer time.

28. There will be a need to hire a suitable location for this to be undertaken. Newport Football Club's car park was hired for the meter change last time and is likely to cost approximately £150. Again this will be met from the existing budget. It may be possible to find a suitable council owned location which could be used free of charge.
29. If the table of fares is amended there will be a charge made to update every meter, the cost of this will be governed by the contractor responsible for updating the meters. The cost when the last update was undertaken was £25 per meter. This cost would be covered by the operator of the vehicle.

### CARBON EMISSIONS

30. There are no implications in this report for the council's Carbon Management Plan

### LEGAL IMPLICATIONS

31. The legislation relevant to licensing vehicles for hire and reward is Part II of the Local Government (Miscellaneous Provisions) Act 1976 ("The Act") and The Town Police Clauses Act 1847.
32. Section 65 of the act allows the council to fix the rates or fares within the district for time, distance and all other charges in connection with the arrangements for the hire of a Hackney carriage.
33. If a council proposes to amend its table of fares, a notice to that effect must be published in the local newspaper setting out the proposed table of fares or the variation thereof and specify the period in which people can object. This period shall be a minimum of 14 calendar days. A copy of the notice is to be available at the council offices for public inspection for no less than 14 calendar days.
34. If no objections are received or the objections submitted are withdrawn, the proposed variations come into effect on the date stated in the notice or the day the objections are withdrawn, whichever is later.
35. The local authority must consider any comments received during the consultation period. It must also publish a revised implementation date while these comments are being considered. The revised date must be within two months of the original implementation date. It is advised that the matter is brought back for a committee decision if valid objections remain outstanding at the end of the first published date.
36. There is no right of appeal against the level at which the council determines the table of fares. However, any decision taken by the Licensing Committee should be based upon proper reasoning as it may be liable to legal challenge by way of judicial review.

### EQUALITY AND DIVERSITY

37. The council, as a public body, is required to meet its statutory obligations under the Equality Act 2010 to have due regard to eliminate unlawful

discrimination, promote equal opportunities between people from different groups and to foster good relations between people who share a protected characteristic and people who do not share it. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

38. The recommendation of this report is to not amend the table of fares; therefore there is no need to complete an equality impact assessment (EIA) as the one completed last year remains valid. A new EIA may need to be completed if the table of fares is amended.

## OPTIONS

39. Option 1: To make no changes to the existing table of fares.
40. Option 2: To amend the existing table of fares and to carry out public consultation on the proposed amendments by way of formal notice for a period of 14 days in the County Press as required by the legislation.
41. Option 3: To delegate to officers to continue to review the table of fares annually in November but only to refer the findings to the Licensing Committee when officers believe that the table of fares need to be increased.

## RISK MANAGEMENT

42. With regard to Option 1: Should the committee decide not to make any amendments to the existing table of fares, there is no right of appeal against this decision, although the decision may be challenged by way of judicial review.
43. It should be noted that the fares set by the council are maximum fares, drivers can charge a lower amount if they wish.
44. With regard to Option 2: Should the committee determine a proposed increase to the maximum fare Hackney carriage proprietors may charge, there is a risk of a detrimental impact on the number of customers using taxis and therefore a subsequent financial impact on taxi proprietors through lack of custom. Any proposed changes will require a public consultation for a minimum period of 14 days. Any representation received during this period must be considered by this committee and a table of fares will need to be adopted. There is no right of appeal against this decision, although the decision may be challenged by way of judicial review.
45. With regard to Option 3: Officers have the authority to make decisions under their delegated powers and this option only seeks to cease the previous request of the committee to receive an annual report.
46. All options: There is a risk that someone could challenge the decision making process by way of judicial review. Officers feel that the correct process is being adhered to and to date no decision taken by the council in relation to the table of fares has been challenged.

## EVALUATION

47. The calculations at Appendix 2 take into account all reasonable costs incurred by a taxi proprietor. The basis of the calculation method has modelled on the RAC calculations used to estimate the costs of running a car. The values used for servicing have been increased and wage costs have also been included. Officers feel that all additional costs incurred in running a taxi have been taken into account in this fare review.
48. It is normal practice to increase the table of fares when the estimated costs of running a taxi exceed the charge per mile for tariff 1 in the current table of fares.
49. The following chart shows the overall costs calculated in November 2016 and November 2017 along with the current table of fares.

	<b>November 2016 Cost per mile</b>	<b>November 2017 Cost per mile</b>	<b>Current fare Charge per mile</b>	<b>Profit per mile 2017 Costs</b>
<b>Tariff 1</b>	£1.63	£1.55	£1.80	£0.25
<b>Tariff 2</b>	£1.63	£1.55	£2.40	£0.85
<b>Tariff 3</b>	£1.63	£1.55	£3.20	£1.65
<b>Tariff 4</b>	£1.63	£1.55	£4.00	£2.45

These costs show that there is clear profit per mile; these profits will also be increased by the appropriate flag drop.

50. Based on this information officers do not believe that the current table of fares should be increased.

### RECOMMENDATION

51. Option 1: To make no changes to the existing table of fares.
- Option 3: To delegate to officers to continue to review the table of fares annually in November but only to refer the matter to the Licensing Committee when officers believe that the table of fares needs to be increased.

## APPENDICES ATTACHED

[Appendix 1](#) - Current Hackney carriage table of fares

[Appendix 2](#) - 2017 fare calculation spread sheet

[Appendix 3](#) - Consultation responses

Contact Point: Kevin Winchcombe, Licensing and Business Support Team Manager

☎ 01983 823159 e-mail [Kevin.winchcombe@iow.gov.uk](mailto:Kevin.winchcombe@iow.gov.uk)

WENDY PERERA  
*Head of Place*

COUNCILLOR GARY PEACE  
*Cabinet Member for Community Safety  
and Public Protection*