

Hackney Carriage (Taxi) Table of Fares Methodology and Procedure 2018

1. This methodology has been created to provide a transparent process for calculating taxi fares. The information provided in this document is supported by factual evidence. If statistical data is not available the calculations are based on reasoned argument.
2. In determining the factors, consideration has been given to the fact that taxi proprietors often have differing business practices. Consequently it is accepted that running costs may vary between businesses and it is not intended to compensate some proprietors for bad business practice or for figures that differ greatly from the average (eg higher salaries, costs of diverting telephones etc, not charging the full tariff amount). For this reason an average calculation has been used.
3. All factors that are relevant to running a taxi have been considered following consultation with the taxi trade. This methodology and the relevant factors have been subject of an independent audit. The factors include:

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|---|------------|
| An allowance for an annual salary for the taxi driver | £30,796.5 |
| The average annual mileage of a licensed Guildford taxi | 24,989 |
| The amount of mileage without a fare paying passenger. This is referred to as the 'dead' mileage. | 11,245 |
| The amount of mileage with a fare paying passenger. This is the average live mileage | 13,743 |
| The average travelled for each fare paying journey | 2.5 miles |
| The average number of journeys travelled with a fare paying passenger in the taxi | 5497.58 |
| Costs of running a diesel car in the £26,000 to £36,000 price bracket when new per mile. | 0.42 pence |
| Depreciation per annum | £3551.24 |
| Cost of Capital | £569.59 |
| Annual cost of insurance | £632.76 |
| Additional insurance costs associated with the taxi trade | £500 |
| Cost of road tax | £190 |
| Average breakdown cover | £52.64 |
| The average cost of fuel per litre | 127.6 |
| Cost of tyres | £532.27 |
| Service labour costs | £589.74 |
| Replacement parts | £787.15 |
| Parking and tolls | £527.27 |
| Annual station rank fee | £1038 |
| Cost of BTEC (over 3 years from 2016) | £350 |
| Cost of livery (over 5 years) | £1250 |
| Annual maintenance of livery | £300 |
| Cost of removing the livery (over 5 years) | £300 |
| Cost of providing a roof sign and meter, and annual meter change (per year) | £60 |

4. Unless additional factors are identified they will remain constant each year however it is anticipated that the values will change annually.
5. The values will be entered in to the Guildford Hackney Carriage Fares Calculator which will be used to calculate the charge per mile for the relevant year.
6. Any changes to the value of the charge per mile will be entered into the table of fares which will be passed to the Lead Councillor for determination in consultation with the Head of Service with responsibility for licensing functions.

The Average Wage

7. The proprietor (owner) of a taxi will not necessarily be the driver. Consequently, different arrangements may exist regarding any income from the use of the vehicle as a taxi. An owner and driver will retain all the income; however a driver may pay the owner a sum of money to rent the vehicle on a weekly or monthly basis. The non-owner driver will then retain the remaining income obtained from taxi fares.
8. Therefore in determining the taxi fares an appropriate level of remuneration must be established that recognises that different arrangements exist but which does not take individual circumstances and business practices into account.
9. The median annual gross salary for Guildford is £32,223 per annum which has been obtained from data published in ASHE 2017 (provisional) Table 10 by the Office for National Statistics. This table refers to places of residence by parliamentary constituency. Following the audit recommendations, the Council has expanded the data sets to include:
 - a. ASHE 2017 (provisional) Table 7 - Place of Work by Local Authority – Median £29,829
 - b. ASHE 2017 (provisional) Table 8 - Place of Residence by Local Authority – Median £31,207
 - c. ASHE 2017 (provisional) Table 9 - Place of Work by Parliamentary Constituency – Median £29,927
 - d. ASHE 2017 (provisional) Table 10 - place of residence by parliamentary constituency - Median £32,223.
10. The total of the four data sets above is £123,186. The average can be calculated by dividing £123,186 by 4. This equals £30,796.50.
11. The reason for using the median rather than the mean is that it is not influenced by outliers at the extremes of the data set which can often be the case when calculating income data for a group of people.

<http://www.ons.gov.uk/ons/datasets-and-tables/index.html?pageSize=50&sortBy=none&sortDirection=none&newquery=ashe&content-type=Reference+table&content-type=Dataset>

12. Consideration was given to using the National Minimum Wage based on a 40 hour working week. The national minimum wage was increased to £7.50 per hour in April 2017 and will increase to £7.83 per hour from April 2018. Assuming a person works 40 hours per week for 52 weeks of the year the minimum annual wage is equal to £15,600 currently, rising to £16,286.40 in 2018.
13. If the national minimum wage is used the average running costs for a taxi would significantly reduce and the fares would therefore significantly reduce.
14. The median value in Guildford is £15,196.50 higher than the national minimum wage and this reflects the true cost of living in Guildford and is relevant to these calculations. It is therefore proposed that the median average wage is used for the Borough of Guildford obtained from the website of the Office for National Statistics.

The figure that should be used for calculations is the average of the four data sets shown in 9 above.

In respect of 2018 this is:

£30,796.50

This is shown as Item (A) on the Fares Calculator

The Average Annual Mileage

15. The average annual mileage is relevant in determining taxi fares because it can be used to determine the annual cost of running a taxi.
16. This average annual mileage is obtained from the odometer readings of all vehicles licensed by Guildford Borough Council when presented at the Woking Road Depot for testing.
17. The audit recommended dividing the average annual mileage per vehicle by the number of licensed drivers to provide a true reflection of the average annual mileage per driver and address the issue of vehicles being used by multiple drivers. This recommendation was adopted.
18. The total number of miles carried out 214 taxis licensed in 2017 was 4,822,924 miles. This figure gives an average number of miles per vehicle of 22,537. The methodology and audit recommendations advise that the total mileage should

be divided by the number of licensed drivers where mileage information is available to provide the average mileage per driver.

19. 4,822,924 miles divided by 193 drivers is an average of 24,989 miles per driver.

The figure that should be used for calculations is the average mileage shown in 20 above.

In respect of 2018 this is:

24,989 miles

This is shown as Item (E) on the Fares Calculator

Dead Mileage

20. A taxi does not travel all of its mileage with a fare paying passenger on board. This is usually referred to as "dead mileage". It is not possible to calculate the exact amount of dead mileage travelled by each taxi.
21. For example, if customers are taken from point A (the rank) to point B and the taxi always returns to point A without a customer on board the dead mileage would be approximately 50 per cent of the total mileage therefore this is the starting point for the calculation.
22. However if customers are taken from point A to point B and the taxi occasionally returns to point A with a customer the dead mileage would be less than 50 per cent of the total mileage.
23. In addition a number of other factors should be taken into account as follows:
- a. taxis do not always return empty to the point of initial departure
 - b. taxis may travel with a customer from point A to point B and then from point B to point C thus not enduring any dead mileage
 - c. the taxi may be flagged down whilst returning empty to point A therefore the dead mileage will not always be the same distance as the initial paid mileage
 - d. taxis may operate by being pre-booked and this can reduce the amount of dead mileage for example from Point A to the taxi rank and then from the taxi rank to point B
 - e. taxis drivers use the vehicle travelling to and from work
 - f. some drivers use their taxi for personal, social and domestic journeys away from work

24. By increasing the dead mileage, the cost of running a taxi will increase. Consequently the cost of the fare and income will increase. Careful consideration should therefore be given to the figure allowed for dead mileage.
25. The auditor recommended additional consultation to support the above assumptions for future calculations and this has been carried out with HMRC, Taxi drivers and proprietors and Surrey licensing authorities.
26. In order to determine whether data obtained from taximeters can be used to calculate dead mileage; enquiries were made with the taximeter agents within Guildford. Information supplied on 12 December 2012 by two agents shows that all taximeters can record the mileage travelled by each taxi and this could be used to calculate the dead mileage. However they state that the records would not be accurate for the Council's purposes because the data can be deleted from the taximeter, the meter may be left on when the vehicle is not hired and the data obtained cannot differentiate between private mileage and dead mileage. Similar advice was given during this review.
27. Information supplied by HMRC shows that the level of dead mileage will vary between council areas and cannot therefore, be stated as a fixed percentage. HMRC is aware that taxi journeys carried out on contract such as home to school trips or pre-agreed fares to airports will not always be recorded on the taximeter and could appear to be dead mileage when in fact there is a fare paying passenger in the vehicle. HMRC also state that any travel to and from the taxi drivers place of work is not deemed to be dead mileage for the purposes of calculating tax liability. Both of these factors therefore reduce the amount of dead mileage that can be included in the overall calculation.
28. Previous consultation with taxi drivers provided information to show that dead mileage accounts for between 33 per cent and 50 per cent of the total mileage travelled by the taxi.
29. It is clear from information provided by HMRC, the taximeter agents and consultation responses that a number of factors will cause this initial percentage to reduce such as travel to and from work, private journeys and unmetered journeys.
30. An issue only arises in relation to mileage completed whilst travelling to and from work if the driver does not live within the Borough of Guildford. A driver who is resident in Guildford can ply for hire immediately within the district in which the driver is licensed. However the driver who is not resident in Guildford cannot ply for hire until the driver is within the Guildford Boundary. Therefore, any mileage travelled before entering Guildford cannot be included in the dead mileage calculation.
31. The consultations and additional enquiries have not provided sufficient evidence to identify the exact amount of dead mileage travelled by taxis in Guildford. The rate of dead miles was set at 45% for fare reviews in 2013, 2015

and 2016 and the consultation responses do not provide any evidence in order to justify any changes to this figure.

The percentage that should be used for calculations is 45 per cent as shown in 32 above.

In respect of 2018 this is:

11,245 miles

This is shown as Item (F) on the Fares Calculator

Average Live Mileage

32. The average live mileage is calculated by subtracting the dead mileage (F) from the Annual Average Mileage (E).
33. 24,989 minus 11,245 is 13,744 miles.

The mileage that should be used for calculations is shown in 34 above.

In respect of 2018 this is:

13,744 miles

This is shown as Item (4) on the Fares Calculator

Average Distance per Journey

34. The average distance travelled for each fare paying journey does not affect the cost per mile of running a taxi in Guildford however the figure is relevant when calculating the amount that may be charged by a taxi driver.
35. Previous consultation provided some evidence to support an average distance of 2 to 3 miles per journey and empirical evidence obtained during the consultation in October and December 2011 and comments made by taxi

drivers to the Licensing Committee on 7 November 2013 also suggests that the average journey is between 2 and 3 miles.

36. This point is not in dispute and the value of 2.5 miles has been used for the average journey.

The distance that should be used for calculations is shown in 37 above.

In respect of 2018 this is:

2.5 miles

This is shown as Item (J) on the Fares Calculator

Average Number of Journeys

37. The average number of journeys travelled by a taxi in Guildford can be calculated by dividing the average live mileage (4) by the average distance per journey (J).
38. 13,744 divided by 2.5 equals 5497.6 journeys.

The number of journeys that should be used for calculations is shown in 39 above.

In respect of 2018 this is:

5497.6 Journeys

This is shown as Item (K) on the Fares Calculator

Costs of Running Diesel Car

39. The average costs of running a diesel car have been calculated without taking individual or differing business practices into account.
40. The AA calculates the running costs of a vehicle from various sources and quotes the figures as typical. However the figures do not represent all types of vehicle and conditions of use. The AA Motoring Costs 2014 are calculated on the purchase price of the car when new and fall into 5 brackets
- a. Up to £16,000
 - b. £16,000 to £22,000
 - c. £22,000 to £26,000

- d. £26,000 to £36,000
 - e. Over £36,000.
41. Guildford has a mixture of saloon and purpose built wheelchair accessible vehicles in the licensed taxi fleet and generally values of these vehicles when new fall between brackets (£22,000 to £26,000 and £26,000 to £36,000). Running costs vary considerably between each bracket and therefore the higher figure has been used to reflect the vehicles being used as taxis rather than purely for domestic use.
42. There are 204 Licensed taxis in 2017 within Guildford using the following fuel:
- a. Diesel (186)
 - b. Petrol (1)
 - c. Hybrid (17)
43. In view of the high number of diesel vehicles we consider it appropriate to use the motoring costs for a diesel vehicle rather than an average of the running costs for diesel and petrol cars. Figures are not available for hybrid vehicles. This follows the recommendation of the auditor to calculate costs using the actual number of vehicles by their fuel type.
44. **Adjustment for inflation:**

One of the main elements of challenge to the Judicial Review of the 2016 fares was that the AA data was out of date. The data used for the 2016 fares was the AA Running Costs 2014, published by the AA in July 2014. At the time using this data was not disadvantageous to the taxi trade as the ONS RPI Motoring Expenditure Costs Index had shown a sustained deflation of the cost of motoring between March 2014 to May 2016.

The AA has however ceased producing its annual "Running Costs" upon which the methodology is based. The 2018 consultation with the trade proposed calculating fares using the previously approved 2014 Figures, however adjusted for inflation using the ONS RPI Motoring Expenditure Costs Index. We consider this a reasonable approach. No comments from the trade were received about this adjustment.

The costs associated with a vehicle in the bracket below should be used for calculations and adjusted for inflation using ONS RPI Motoring Expenditure Cost.

£26,000 to £36,000

This is included in item (B) on the Fares Calculator

Depreciation

45. Different vehicles lose value at different rates depending on their make, age, mileage and condition.
46. The AA figures assume depreciation over 4 years at £3373 per year. This is equal to £13492 at the end of 4 years.
47. It must be noted that 73.4 per cent of the licensed fleet are already over 4 years old. Therefore these vehicles have already depreciated beyond the level of the figures used and any depreciation beyond this point is not usually considered for accounting purposes.

Depreciation associated with a vehicle in the £26,000 to £36,000 bracket adjusted for inflation should be used for calculations.

£ 3551.24

This is included in item (B) on the Fares Calculator

Cost of Capital

48. This sum represents the loss of income from the owner having money tied up in a vehicle which could otherwise be earning money in a deposit account.
49. The purchase of vehicles is funded in different ways. Some vehicles are paid for with cash, some on Hire Purchase Finance, Some vehicles are leased. The decision on how to purchase or lease a vehicle is an individual decision for the proprietor and differing business practices have not been taken into account.

Cost of capital associated with a vehicle in the £26,000 to £36,000 bracket adjusted for inflation should be used for calculations.

£ 569.59

This is included in item (B) on the Fares Calculator

Annual Cost of Insurance

50. All insurance policies are different and some proprietors pay more than others depending on individual circumstances.

Cost of insurance associated with a vehicle in the £26,000 to £36,000 bracket adjusted for inflation should be used for calculations.

£ 632.76

This is shown as Item (B) on the Fares Calculator

Additional Insurance Costs

51. The Council acknowledges that additional insurance premiums may be incurred for the 'hire and reward' element of driving a taxi and the final calculation includes an additional £500 allowance for this purpose. This is shown as Item C on the Fares Calculator.

Additional cost of insurance associated with hire and reward element should be used for calculations.

£500

This is shown as Item (C) on the Fares Calculator

Cost of Road Tax

52. For diesel vehicles this is based on cost of road tax associated with a vehicle in the £26,000 to £36,000.

Cost of road tax associated with a vehicle in the £26,000 to £36,000 bracket adjusted with current tax brackets should be used for calculations.

£190

This is included in item (B) on the Fares Calculator

Cost of Average Breakdown Cover

53. The figure is based on the cost of annual roadside vehicle based cover, adjusted for inflation.

Cost of breakdown cover associated with a vehicle in the £26,000 to £36,000 bracket adjusted for inflation should be used for calculations.

£ 52.64

This is included in item (B) on the Fares Calculator

The Average Cost of Fuel per Litre

54. The figures used by the AA are based on the national average fuel cost. The latest figures available (published March 2018) show the average cost of diesel at 122.6 pence per litre
55. In addition to the cost of diesel (March 2018) an additional 5 pence per litre has been factored in to allow for any future changes upwards to 127.6 pence per litre. Figures were obtained the latest AA Fuel Price reports.

http://www.theaa.com/motoring_advice/fuel/index.html

Average cost of diesel associated with a vehicle in the £26,000 to £36,000 bracket should be used for calculations with an additional 5 pence per litre.

127.6 pence per litre

This is included in item (B) on the Fares

Cost of Tyres

56. Average tyre life is approximately 27,000 miles however the following calculations are based on the driver completing an annual average mileage of 24,989 miles.
57. Tyre prices are based on online tyre dealer prices and not main dealer prices which will inevitably be higher.
58. Cost per mile of is obtained from the AA running costs for a diesel vehicle in the £26,000 to £36,000 price bracket and is 2.02 pence per mile. Adjusted for inflation this works out at 2.13 pence per mile.

59. $2.13p \times 24,989 \text{ miles} = \text{£}532.27$.

Average annual cost of tyres associated with a vehicle in the £26,000 to £36,000 bracket adjusted for inflation should be used for calculations.

£532.27

This is included in item (B) on the Fares Calculator

Service Labour Costs

60. The Service Labour costs cover normal servicing and parts replacement taking UK average labour rates.
61. Cost per mile is obtained from the AA running costs for a diesel vehicle in the £26,000 to £36,000 price bracket and is 2.24 pence per mile. Adjusted for inflation this works out at 2.36 pence per mile.
62. $2.36 \text{ multiplied by } 24,989 \text{ miles} = \text{£}589.74$

Average service labour costs associated with a vehicle in the £26,000 to £36,000 bracket adjusted for inflation should be used for calculations.

£589.74

This is included in item (B) on the Fares Calculator

Replacement Parts

63. Replacement parts items that may need to be replaced through normal driving conditions such as brake materials, oils, filters, bulbs, wipers etc.
64. Cost per mile of is obtained from the AA running costs for a diesel vehicle in the £26,000 to £36,000 price bracket and is 2.99 pence per mile. Adjusted for inflation this works out at 3.15 pence per mile.
65. $3.15 \text{ multiplied by } 24,989 \text{ miles} = \text{£}787.15$.

Average replacement parts costs associated with a vehicle in the £26,000 to £36,000 bracket adjusted for inflation should be used for calculations.

£787.15

This is included in item (B) on the Fares Calculator

Parking and Tolls

66. This figure could be excluded however a response to the consultation has indicated that parking charges are incurred when taking passengers to the airports.
67. Cost per mile of is obtained from the AA running costs for a diesel vehicle in the £26,000 to £36,000 price bracket and is 2 pence per mile. Adjusted for inflation this works out at 2.11 pence per mile.
68. 2.11 multiplied by 24,989 miles equals £527.27.

Parking and toll costs associated with a vehicle in the £26,000 to £36,000 bracket adjusted for inflation should be used for calculations.

£527.27

This is included in item (B) on the Fares Calculator

Other Factors

69. Additional costs associated with running a taxi in Guildford are also included in the overall costs:
 - a. The annual vehicle licence fee 2017/18 applies to all vehicles. This (including two vehicle tests at £57) is currently £324.20 (Item D on the Calculator).
 - b. The tri-annual driver's licence fee (Item H on the Calculator). The total fee is £355.50 which is £118.5 per year (pro-rata).

- c. The cost of using Guildford Railway Station taxi rank (Item G on the Calculator). This is £1,038 per annum, however this cost is not incurred by all taxi drivers.
- d. The costs associated with the new Taxi and Private Hire Policy (Item I on the Calculator). These costs relate to the BTEC training requirement for all drivers and livery of hackney carriage vehicles.
- i. Most providers charge a cost of £350 for the BTEC course. Drivers have until 2019 to obtain this qualification, hence it is proposed to contribute £117 per year towards the cost of the BTEC over the next 3 years.
 - ii. The cost of the livery will depend on the size of vehicle and the different rates of each provider. The average cost is £1250. Similarly a vehicle does not require a new livery and the cost incurred every year. Assuming that the cost of livery will be recovered over 5 years, which is the minimum period a vehicle could be licensed for (i.e. initially licensed at 5 years old until it is 10 years old), the annual contribution towards the cost of initially applying a new livery will be as follows:
£1250 over 5 years equals a contribution of £250 per annum.
 - iii. It is acknowledged that there will be other costs associated with the livery requirement, such as maintenance or repairs resulting from accidents or general wear. Feedback received during the consultation on the Policy also demonstrated that it is important that the livery is removed when the vehicle ceases to be a licensed taxi. This would be a one off cost at the end of the vehicles life.
These costs should be included in the calculator as follows:
Contribution towards annual maintenance of the livery: £300 per year.
Cost of removing livery £300 over 5 years equals £60 per year.
- e. The cost of providing a taxi roof sign and taxi meter. (Item I on the Calculator). All taxis have to be equipped with a roof sign and meter. There is a one off cost of supplying a roof sign and meter, and the meter has to be adjusted annually to the current tariff. This is a newly included cost for 2018 and was subject to consultation with the trade, however no comments were received. Discussion with meter agents indicates that a roof sign costs £100, and a meter £400. An annual tariff change costs £10. Over a 10 year life of a vehicle these this is a cost of £60 per year.
- f. Cost of Card Payment Device. In February 2018 the Council also introduced a requirement for all taxis to accept payment by credit/debit card. Research from card providers indicates that there is a fee of between 1 to 3% per transaction to provide the device, taken by the device provider. As such, on a typical £10 fare a fee of between 10p to 30p would be taken by device provider.

As a taxi can only charge in accordance with the Councils fixed table of fares and as legislation prohibits including additional card payment fees on prices, in order to recover this cost it must be included as part of the running costs.

Therefore, the total running costs (Item 3 in the calculator) can be uplifted in order to recover this cost.

The 2018 consultation indicated that the uplift could be 3%. No comments about this figure were received. Whilst this is the approximate cost of providing a device, some devices cost less and not all customers will pay by card. Furthermore, the taxi trade do not have to comply with this requirement until 1 April 2019 and as such it is disadvantageous to the public to include such a cost in 2018. Consequently the Head of Health and Community Care and Lead Member are unable to justify the full inclusion at this present time, as it is not yet a requirement. The figure will be reviewed as more vehicles become equipped with a device during 2018 and will be consulted upon during the 2019 review.

Additional costs associated with operating a taxi in Guildford should be used for calculations.

Vehicle Licence and Test Fees £358.20

This is included in item (D) on the Fares Calculator

Driver's Vehicle Licence Fee £118.5

This is included in item (H) on the Fares Calculator

Railway Rank Fee £1,038

This is included in item (G) on the Fares Calculator

BTEC and Livery Cost £664

This is included in item (I) on the Fares Calculator

Cost of Card Payment Device

This will included by uplifting the Total Running Cost item (3) on the Fares Calculator in 2019.

Calculation of the Fare that should be Charged per Mile

70. Each of the factors outlined in this methodology are then used to calculate the average cost per mile of running a taxi in Guildford.
71. To calculate the average running costs:
 - a. Multiply the cost per mile of running a diesel car (Item B on the Calculator) by the annual average mileage of a Guildford taxi (Item E on the Calculator) and add
 - b. Items C, D, G, H and I
72. To calculate the total running costs (Item 3 on the Calculator) add the Annual salary (Item 1 on the Calculator) to the Average Running Costs (Item 2 on the Calculator).
73. To calculate the cost per mile (Item 5 on the Calculator) divide the total running costs (Item 3 on the Calculator) by the average live mileage total running costs (Item 4 on the Calculator)
74. The cost that should be charged per mile can then be calculated.
75. Each journey will include an initial fare that may be charged for any distance up to the 660 yards. This fare is called the "Flag Drop". Once the first 660 yards has been completed an amount may be charged for each 220 yards (eighth of a mile) or part thereof.
76. In order to prevent the flag drop artificially exaggerating the cost per mile, the fare that should be charged for each mile should also take the flag drop into account. To achieve that the following calculation should be used:
 - a. subtract the average number of journeys (Item K on the Calculator) multiplied by the 'flag drop' (Item T1 on the Calculator) from the total running costs (Item 3 on the Calculator) and then
 - b. divide this figure by the average live mileage (Item 4 on the Calculator) to give the Charge per mile (Item 6 on the Calculator) then
 - c. divide the charge per mile (Item 6 on the Calculator) by 8 and multiply by 100 to produce a figure in pence
 - d. This figure should then be rounded to the nearest 10 pence (Item 7 on the Calculator).
77. This figure should be multiplied by 5 and added to the Flag drop to obtain the value that may be charged for one mile.
78. Any subsequent miles (or part thereof) can be calculated by multiplying (Item 7 on the Calculator) by 8.

Extras

79. In addition to the charge per mile, the existing extra charges of 50 pence for passenger in excess of two may be applied to each journey.
80. This will assist the larger vehicles which have a lower fuel economy. These vehicles are predominantly wheelchair accessible and this extra charge will provide an incentive for such vehicles to remain licensed.

