SUMMARY

In February 2016, the TFL Board requested a review of taxi fares, taxi tariffs and the means by which we annually calculate any changes to taxi fares, to ensure this remains fit for purpose and meets the needs of taxi drivers and taxi passengers. This review was also to investigate if fares were considered too high by the public or taxi drivers and if changes could be identified that would help balance the supply of and demand for taxis.

Taxi fares are normally revised every April and the revision is based on changes to a Cost Index model which has been in use since 1981. The Cost Index combines changes in operating costs with changes in national earnings to produce a change in average fares, aimed at maintaining drivers' earnings net of operating costs. This method of calculating fares has been used in order to try and ensure that the fares paid by taxi passengers reflect the costs borne by drivers.

Normally increases to tariffs, based on the Cost Index, are applied to all tariff rates. However, over several years this approach has resulted in feedback that fares, particularly late at night (Tariff 3), are too high and this discourages some members of the public from using taxis. It has also been suggested that the high fares late at night can affect the public’s perception of fares in the daytime and make them less likely to use taxis.

In his Taxi and Private Hire Action Plan, published in September 2016, the Mayor committed to:

‘Reviewing the annual taxi fares process to ensure drivers and customers get the best deal from April 2017.’

Following the request from the TFL Board and the Mayor’s commitment, TFL commissioned Systra, an independent transport consultancy, to undertake a review of taxi fares and tariffs and the Cost Index model.

In response to the report’s recommendations, TFL is now consulting on a number of proposed changes to taxi fares and tariffs. The consultation will launch on 10 January 2017 and run for a period of six weeks. Following the consultation, responses will be analysed and considered, with the outcome submitted to TFL Board on 29 March 2017 for consideration. Any changes or proposals approved by the TFL Board would then come into effect in May 2017.

In addition to any changes approved, a separate piece of work will be carried out over the next year. This will address the question of value for money for the customer and whether there might be more optimal pricing structure that provides greater overall benefits to both taxi drivers and customers. Any proposed changes as a result of this work will also be subject to further engagement with the taxi industry and a full public consultation.
INTRODUCTION AND BACKGROUND

Transport for London (TfL) is a statutory body established by the Greater London Authority Act 1999 and is the licensing authority for London’s taxi and private hire industries. It is the largest licensing authority in the country, being responsible for licensing approximately one third of all taxis and private hire vehicles (PHVs) in England.

The Metropolitan Public Carriage Act 1869 and the London Cab and Stage Carriage Act 1907 allow TfL to make regulations setting taxi fares. TfL may prescribe fares based on time or distance or both and may prescribe different fares for different circumstances.

The London Cab Order 1934 (as amended) sets the fares regime that covers most taxi journeys in London. The Cab Order sets out the fare structure and provides a maximum fare payable. Drivers can charge a lower fare.

Taxi fares are normally revised every April and the revision is based on changes to a cost index in use since 1981. The index combines changes in operating costs with changes in national earnings, to produce a change in average fares aimed at maintaining drivers’ earnings.

In February 2016, the TfL Board requested a review of the current taxi fares and tariffs structure. This was requested because of concerns that taxi fares and tariffs were considered too high by the public and also some taxi drivers - research carried out in 2015 showed that just under two thirds (61 per cent) of taxi passengers thought that taxi fares were much or a little too expensive¹. TfL commissioned consultants to carry out a full in-depth and independent review of taxi fares and tariffs and a number of other related issues. In response to the recommendations, TfL is now consulting on proposed changes to taxi fares and tariffs.

Full details of how to respond to the consultation are provided below.

¹ Taxi and Minicab Passenger Customer Satisfaction Survey, TNS, 2015/16
PURPOSE OF THE CONSULTATION

The purpose of this consultation is to set out our proposals for changes to the London taxi fares and tariffs. This follows an independent review of the current fares and tariffs and a number of recommendations being made. We invite comments on the proposals.

Consultees are invited to comment on any aspect of the proposals or make other suggestions and, in particular, are invited to provide any evidence relevant to issues or proposals that are discussed.
TAXI FARES AND TARIFFS

Taxi fares and tariffs are normally reviewed annually with any changes coming into effect in early April each year.

Previous tariff reviews have adhered to three basic principles which are:

- Using the taxi Cost Index to guide the increase in average fares
- Maintaining reasonable differentials between the day, evening/weekend and late night tariffs
- Maintaining a reasonable progression of fare with journey length

The Cost Index has been used for several years and provides a mechanism for calculating tariff changes taking into account changes in the cost of operating a taxi. However, the Cost Index does not allow driver or public opinion to be taken into account when reviewing tariffs and does not necessarily reflect the general economic or social state at the time.

In 2015, the overall passenger satisfaction score for London’s taxi services was 84 out of 100 and the overall satisfaction score has remained fairly consistent since 2002. However, the same research showed that just under two thirds (61 per cent) of taxi passengers thought that taxi fares were much or a little too expensive. Minicab users were also asked for their opinion of taxi fares and the majority (84 per cent) thought that taxi fares were much or a little too expensive whilst over half (54 per cent) of taxi users thought that minicab fares were about right\(^2\).

Furthermore, research amongst taxi drivers from 2015/16\(^3\) showed that:

- 32 per cent of taxi drivers felt that fares on weekday nights (Monday – Thursday) were too high
- 24 per cent of taxi drivers felt that fares on Friday and Saturdays nights were too high
- 25 per cent of taxi drivers felt that fares on Sunday nights were too high
- 19 per cent of taxi drivers felt that fares on public holidays were too high

Increased tariffs in the evenings, at weekends and at night are intended to encourage drivers to work at these times, however the findings from the research suggest that these increased tariffs may deter the public from using taxis at these times and that

\(^2\) Taxi and Minicab Passenger Customer Satisfaction Survey, TNS, 2015/16

\(^3\) Taxi and Private Hire Licensee Customer Satisfaction Survey, TNS, 2015/16
this along with increased competition may be negatively affecting the demand for taxis.

At the February 2016 TfL Board meeting, the Board approved the proposed changes but at the same time expressed concerns that taxi fares were too high and so asked for a wider review of taxi fares and tariffs to be conducted.

Following the Board meeting, we commissioned Systra, an independent transport consultancy, to carry out this review for us.

The review contained a number of different elements including:

- Reviewing the demand for taxis and potential ‘unmet’ demand
- Reviewing the supply of taxis and the time drivers spent with a passenger on-board
- A survey amongst taxi drivers about taxi fares and tariffs
- A survey amongst taxi passengers about taxi fares and tariffs
- Additional surveys amongst taxi drivers and passengers at Heathrow Airport
- Asking the taxi trade associations, radio circuits, app companies, passenger groups and other relevant stakeholders for their views on taxi fares and tariffs
- Looking at the current Cost Index elements and data sources for each element to establish if these sources were still appropriate and if there were suitable alternative models for calculating changes to taxi fares

The main findings from the review were that while monitoring the year on year changes to the costs of operating a taxi in London, there were also some potential changes to the current fares and tariffs which could help increase the usage of taxis at certain times and also ensure drivers are adequately compensated.

The recommended package of changes included the following:

- The Social Costs element of the Cost Index should be removed, because this was originally introduced to compensate drivers working late at night; this is now achieved via the three tariff rates.
- Increasing the soiling charge in order to reflect the likely costs drivers face
- Reducing Tariff 3, to make taxi journeys late at night more attractive
- Extending the distance when the tariff rate for longer journeys applies from six miles to between 10 and 12 miles, to make longer taxi journeys more attractive
- Increasing the minimum fare to better reflect the minimum fare charged for taxis in other parts of the country
The report also recommended that further consideration was needed for the following areas:

- Setting fixed fares for journeys from central London to Heathrow Airport
- Setting capped fares for journeys from Heathrow Airport to central London
- Allowing more flexibility when setting fares for booked taxi journeys

The full Systra report is available [here](#) for anyone to read when responding to this consultation.

We have considered the report in detail, alongside other taxi driver and passenger research, and propose a number of changes to the 2017/18 taxi fares, which we are now consulting on.

The consultation will launch on 10 January 2017, and run for a period of six weeks. Responses will be analysed and then submitted to the TfL Board for consideration in March 2017. It is proposed that any changes to taxi fares which are agreed would come into effect in May 2017, to allow for the taximeter companies to make necessary practical changes.

In addition to any changes approved, a separate piece of work will be carried out over the next year, to look more broadly at the pricing structure. This will also be subject to further engagement with the taxi industry and a full public consultation.

This consultation affords people the opportunity of raising with us any perceived possible impact on people with protected characteristics under the Equality Act 2010 - age, disability, gender reassignment, race, religion or belief, sex, sexual orientation, marriage and civil partnership, and pregnancy and maternity.
PROPOSALS

The proposals are:

- Changes to taxi fares and tariffs in London continuing to be initially based on changes to the Cost Index as this remains the most fair and economic manner of ensuring that year-to-year cost variations to taxi drivers are taken in consideration. The information currently available would indicate an increase of 3.3 per cent to average taxi fares for 2017/18.

- Changes to the Cost Index Model based on the Systra review:
  
  o While generally retaining the Cost Index model, removing the ‘Social Costs’ aspect as this was introduced to compensate drivers working late at night; this compensation is now achieved via the three tariff rates.

- Following a review of taxi fares and tariffs, Systra recommended making some amendments to the tariffs and our proposals are below. In general, it means short journeys will become slightly more expensive for passengers, but longer journeys will be less expensive. Overall this should ensure that taxis are competitive in the daytime but also increase their competitiveness late at night and for longer journeys. The changes proposed are:

  o Increasing the minimum taxi fare (the flagfall) from £2.60 to £3.
  o Reducing Tariff 3 (22.00 to 05.00 every night) from the current rate of £3.96 per mile to £3.70 per mile, which is in line with Tariff 4.
  o Changing when the tariff rate for longer journeys starts (Tariff 4), from six miles to 12 miles. This would make longer journeys less expensive and far more attractive to customers.

- Continuing the present arrangement that allows taxi drivers to add an extra charge of 40 pence if fuel prices increase significantly and reduce fares by 40 pence if fuel prices fall significantly.

- Increasing the soiling charge from £40 to £60 to better recompense drivers for lost time and the actual costs of (potentially deep) cleaning, but also act as a deterrent. A figure of £60 is in the range of penalty fare charges on public transport in London (£80, or £40 for early repayment).

- Updating the taximeter specification to allow for the annual tariff update to be implemented remotely.

- Throughout 2017/18, undertake further research and analysis to explore the option of allowing more flexibility for taxi companies (e.g. Hailo, Gett & the Radio Circuits) when setting fixed fares for booked taxi journeys. Any arrangement would need to be on a scheme of fixed fares set by TfL and we will consider this over the next year should the proposal prove popular with taxi passengers and drivers through this consultation.

- Throughout 2017/18, explore with the trade options for fixed fares to Heathrow airport from central London and capped fares from Heathrow to central London.
Throughout 2017/18, we will undertake further work to address the question of value for money for the passenger, or whether there might be a more optimal pricing structure that provides greater overall benefits to both taxi drivers and passengers. This would include the cost of taxi ownership and operation, the size and nature of the available market and price elasticity of demand in that market.

CONSULTATION QUESTIONS

1. Do you agree that the Cost Index remains the best method to calculate changes to taxi fares in London?

2. Do you agree that the Social Costs element of the Cost Index Calculation should be removed?

3. Do you agree with the proposals to change the taxi tariffs that have been packaged by increasing the minimum flagfall but offsetting this by changes to Tariffs 3 & 4?

4. Do you agree we should retain the fuel surcharge?

5. Do you agree we should increase the soiling charge to £60?

6. Do you agree we should update the taximeter specification to allow for tariff updates to be implemented remotely?

7. Do you agree with the concept that we should conduct further research on the possibility of greater flexibility in setting fixed fares for pre-bookings and fixed or capped fares for journeys to/from Heathrow Airport?

8. If you do not agree with some of our proposals please state which ones, why you do not agree with these and any alternative suggestions you have

9. Do you have any comment about the possible impact of any of these proposals on people with protected characteristics (age, disability, gender reassignment, race, religion or belief, sex, sexual orientation, marriage and civil partnership, and pregnancy and maternity) under the Equality Act 2010?

10. Do you have any further comments?
HOW TO RESPOND TO THIS CONSULTATION

This consultation document seeks views on issues relating to taxi fares and tariffs in London. Respondents are invited to comment on the proposals and are also invited to provide relevant information to support their comments.

We are publishing this document online at: [https://consultations.tfl.gov.uk/tph/taxi-fare-and-tariff-review-2017](https://consultations.tfl.gov.uk/tph/taxi-fare-and-tariff-review-2017)

We are sending a notice initially to the organisations and individuals listed in Appendix A. Comments from other interested organisations or individuals are also welcome. You are invited to pass this link or document on to anybody else that you think should see it. We welcome suggestions as to other organisations that should be aware of this consultation.


You can also contact us by emailing [consultations@tfl.gov.uk](mailto:consultations@tfl.gov.uk), stating ‘Taxi Fares Proposals’ in the subject line. Please state your views on the questions set out above, as well as any other comments you wish to make. If you are responding on behalf of an organisation, please provide background information about your organisation and the people that you represent.

The Freedom of Information Act 2000 requires public authorities to disclose information they hold if it is requested. This includes information contained in responses to public consultations. If you ask for your response to be kept confidential this will only be possible if it is consistent with TfL’s obligations under the Freedom of Information Act and if certain grounds for confidentiality under the Act apply.

Further copies of the consultation document can be obtained via the TfL consultation website shown above.

Enquiries about the contents of this consultation document may be made by email to [consultations@tfl.gov.uk](mailto:consultations@tfl.gov.uk).

Alternatively, you can write to us at FREEPOST TFL CONSULTATIONS
APPENDIX A - INITIAL CONSULTATION LIST

Consultees are welcome to forward the consultation document to other interested parties and responses from these parties are also invited.

TfL TPH email circulation

TfL TPH Twitter feed

Taxi driver associations
- Heathrow Airport Taxi Drivers United
- Licensed Taxi Drivers Association
- London Cab Drivers Club
- London Suburban Taxi Drivers Coalition
- RMT Cab Trade Section
- Unite the Union Cab Trade Section
- United Cabbies Group

Private hire trade associations
- Chauffeur and Executive Association
- GMB (Greater London Private Hire Drivers Branch)
- Institute of Professional Drivers and Chauffeurs
- Licensed Private Hire Car Association
- Private Hire Board
- British Bangladesh Minicab Drivers Association

Other licensing authorities
- Neighbouring taxi & private hire licensing authorities
- National Association of Licensing and Enforcement Officers
- Senior Traffic Commissioner
- Institute of Licensing

Individuals and organisations that gave email addresses when responding to the previous private hire regulations consultation

User groups and other stakeholders
- Action on Hearing Loss
- Age UK
- City of London Police
- Department for Transport
- Disabled Persons Transport Advisory Committee
- Equality and Human Rights Commission
- Guide Dogs
- Heart of London
- Heathrow Airport Ltd
- Inclusion London
- Living Streets
- London Accessible Transport Alliance
- London Assembly Members
- London Chamber of Commerce and Industry
- London City Airport Ltd
- London Councils
- London Cycling Campaign
- London First
- London local authorities
- London MPs
- Home Counties MPs
- London NHS bodies
- London TravelWatch
- Metropolitan Police Service
- Network Rail
- New West End Company
- Passenger Focus
- People 1st
- RNIB
- Roads Task Force members
- Society of West End Theatres
- Suzy Lamplugh Trust
- Train Operating Companies serving London
- Transport for All
- TfL Youth Panel
- Visit London (London & Partners)