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| **BODY:** | **LICENSING PANEL** |
| **DATE:** | **1st August 2003** |
| **SUBJECT:** | **Hackney Carriage Fare Application** |
| **REPORT OF:** | **Head of Environmental Health** |
| **Ward(s):** | All |
| **Purpose:** | To provide an appraisal of the joint application received for an increase in hackney carriage fares |
| **Contact:** | Gary Stevenson, Head of Environmental Health, Telephone 01323 415360 or internally on extension 5360.<br><br>E-mail address |
| **Recommendation:** | That the joint fare application submitted by Martin Reeves and Eastbourne & Country be refused. |

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| **1.0** | **<u>Introduction</u>** |
| 1.1 | The Council exercises a discretionary power to set maximum fares for taxi journeys in the Borough. There are currently 84 licensed taxis, a limit set by the Council, and these are the only vehicles allowed to ply for hire. For journeys outside the Borough a taxi driver cannot exceed agreed tariffs unless a prior contract or agreement is reached with the passenger. The Council cannot set fares for private hire vehicles. |

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| 1.2 | Changes to Hackney Carriage fares are normally made following the consideration of an application from the Hackney Carriage Trade.<br><br>This year the Council received two applications, one from Eastbourne and Country and the other from Martin Reeves independent proprietor both representing the Trade. |
| 1.3 | The applications were the subject of a report to Licensing Panel on 27th June 2003. Both applications were withdrawn at the meeting and replaced by a joint proposal. The joint application differed from those that were the subject of the report and therefore the Panel was not in a position to make an informed decision at that time. |
| 1.4 | The consideration of any application should take into account the findings of the Taxi & Private Hire Scrutiny Review undertaken last year which concluded that:<br><br>a) Any proposal submitted should seek to simplify the current tariff and continue to encourage a greater supply of vehicles at night, particularly when the pubs and clubs close.<br><br>b) The Council will utilise published data from the Office for National Statistics (ONS) relating to changes in average earnings, fuel and other motoring costs and inflation and will obtain insurance quotes as part of the assessment of the application, and<br><br>c) The application should include supporting information, in particular details of the percentage increase in earnings being sought. |
| **2.0** | **Current Joint Application** |
| 2.1 | The joint application retains the current tariff structure and proposes increases in the rate for the first mile and the rate per mile thereafter. Full details of the current and proposed tariffs are set out at Appendix 1 together with the percentage increases for a selection of journeys. |

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| 2.2 | The joint application seeks a general increase in fares although not by a consistent percentage across all journeys. The joint application is in excess of the application previous submitted by Eastbourne & Country. |
| 2.3 | Initially the joint application sought to re-introduce the charging extras for additional passengers and luggage on Rate 3 and Rate 4. Extras were removed from Rate 3 in 2001 in response to the implementation of an enhanced Rate 3 (the night-time rate) to encourage more drivers to work to clear the town of people at pub and club closing time. |
| 2.4 | However, the applicants have since confirmed that they are happy to concede that extras should not be included on Rate 3. I will clarify the position with regard to extras on Rate 4 prior to the meeting. |
| 2.5 | The application utilises the supporting information previously supplied by the applicants and reported to the Licensing Panel on 27th June 2003. This information is re-produced at Appendix 2 together with a range of official statistics in relation to average earnings, fuel and other motor costing. |
| **3.0** | **Comments on the Application** |
| 3.1 | Should the joint proposal be successful the applicants have confirmed that they would not expect to submit a further application until early 2005. There is no guarantee that application will not be forthcoming from one source or another and I therefore requested details of the projected changes in motoring cost and earnings that the applicants used to formulate the proposed fare increases. This information would assist in two ways:<br><br>1. It would help the Panel in its current deliberations as to the reasonableness of the increases<br><br>2. It would help the Trade formulate and the Panel consider a further application in 2005 or 2004 if the projected changes had been significantly over or underestimated. |
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| 3.2 | Following conversations with the applicants it would appear that no projections of motoring costs or earnings have been made. The assumption is that inflation will continue to remain at or below the Governments current target of 2.5% per annum. |
| 3.3 | I am surprised that no such projections have been made to assist in the setting of fares and hence an increase in takings leading to an increase in earnings. This makes the task of assessing the reasonableness this application for an 18-month period, and the next application in 2005, somewhat harder. |
| 3.4 | The decision to remove the charging of extras on Rate 3 leaves two outstanding issues of concern. |
| 3.5 | The first relates to the weighting of the fare increase on daytime and early evening journeys (Rates 1 and 2) rather the night-time journeys which reduces an incentive to work at night contrary to the findings of the Scrutiny Review. |
| 3.6 | The second relates to the lack of information in relation to the average percentage increase in earnings being sought via the application and the absence of any projected changes in motoring costs and earnings in the setting of fare levels in to 2005. |
| **4.0** | **Consultations** |
| 4.1 | Consultation has involved the exchange of correspondence and conversations with both applicants. A copy of the report to Licensing Panel on 27th June was sent to all hackney carriage proprietors and drivers to enable them to comment on the proposals. A copy of this report will also be sent out and any comments received will be reported to the Panel. A meeting has also been arranged with the applications prior to the Panel meeting. Any further information received will be reported to the Panel. |
| **5.0** | **Human Resource and Financial Implications** |

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| 5.1 | There are no net financial implications for the Council as the cost of administering the Licensing service is recovered via the licence fees**.** However, the additional time taken to assess two initial applications and the subsequent joint application has lead to the diversion resources away from other licensing activities. |
| **6.0** | **Community Safety Implications** |
| 6.1 | Taxis provide a safe means of transport for passengers and assist in clearing town of people at pub and club closing time |
| 7.0 | **Anti-Poverty Implications** |
| 7.1 | The setting of maximum fares should balance the needs of drivers and the fare paying public. People in lower income groups make the most taxi trips (DETR), therefore the increase in fares must take this into account. |
| **8.0** | **Summary of Options** |
| 8.1 | The Panel can approve, refuse or defer the application. |
| **9.0** | **Conclusion** |
| 9.1 | The joint application indicates that the Hackney Carriage Trade have reached a consensus on the issue of fare changes. The removal of the proposal to re-introduce the charging of extras on Rate 3 is welcomed however the proposal to increase fares above the rate of inflation and increases in motoring costs is not supported. |
| 9.2 | The lack of information in relation to the average percentage increase in earnings being sought via the application and the absence of any projected changes in motoring costs and earnings in the setting of fare levels in to 2005 is also a concern. |

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| **Gary Stevenson**<br><br>**Head of Environmental Health** | |
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| **Background Papers:**<br><br>The Background Papers used in compiling this report were as follows:<br><br>1. The Office for National Statistics ONS Monthly Digest May 2003 Number 689<br><br>2. The Department for Transport publication British Transport Statistics 2002<br><br>3. DETR Taxi and Private Hire Use in Great Britain Fact Sheet No. 9; March 2001<br><br>To inspect or obtain copies of background papers please refer to the contact officer listed above. | |
| (document reference) gms\reports\licensing panel 01.8.03 - fares.doc | |

# Appendix 1

| Rate | Current Tariffs | | Key changes |
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| Rate 1<br><br>07:00 to<br><br>21:00<br><br>Everyday | £1.80 start<br><br>£2.90 for first mile then<br><br>£1.10 per mile up to 5 miles<br><br>£1.40 per mile thereafter<br><br>Waiting time 10p for 30 seconds after 2 minutes<br><br>Extra charges apply for passengers luggage and pets | £1.80 start<br><br>£3.20 for first mile then<br><br>£1.20 per mile up to 5 miles<br><br>£1.50 per mile thereafter<br><br>Waiting time 10 for 30 seconds after 2 minutes<br><br>Extra charges apply for passengers luggage and pets | The applicant has indicated that if agreed a further application would not be submitted until May 2005.<br><br>The rate for the first mile is increased by 30 pence or 10.3%<br><br>The subsequent rate per mile for journeys up to 5 miles is increased by 10 pence per mile.<br><br>The cost of journeys of 1, 2,3 and 4 miles will therefore increase by 10.3%, 10%, 9.8% and 9.7% respectively.<br><br>A journey of 5 miles will increase by 70p (9.6%) and a journey of 8 miles will increase by 80p (8.7%) |
| Rate 2<br><br>05:00 to 07:00<br><br>and<br><br>21:00 to 00:00<br><br>and<br><br>All day Sunday and bank holidays | Mileage as Rate 1 plus 30p on start<br><br>Waiting time as Rate 1<br><br>Extra charges apply for passengers luggage and pets | Mileage as Rate 1 plus 30p on start<br><br>Waiting time as Rate 1<br><br>Extra charges apply for passengers luggage and pets | Rate 2 is linked to Rate 1 therefore similar changes as above will apply. |
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| Rate 3<br><br>00:00 to 05:00<br><br>everyday | Start £2.40<br><br>£3.87 for first mile then<br><br>£1.47 per mile up to 5 miles £1.70 per mile thereafter<br><br>Waiting time 10p for 25 seconds after 2 minutes<br><br>No extras | Start £2.40<br><br>£3.90 for first mile then<br><br>£1.60 per mile up to 5 miles<br><br>£1.80 per mile thereafter<br><br>Waiting time 10p for 25 seconds after 2 minutes<br><br>No extras | The proposed rate for the first mile is almost the same as existing.<br><br>The subsequent rate per mile for journeys up to 5 miles is increased by 13 pence per mile.<br><br>The cost of journeys of 1, 2,3 and 4 miles will therefore increase by 0.8%, 3.0% 4.3% and 5.1% respectively.<br><br>A journey of 5 miles will increase by 5.6% and journeys of 6 or miles will all increase by 5.7% |
| Rate 4<br><br>00:00 Christmas Eve until 05:00 27th December and 00:00 New Years Eve until 05:00 New Years Day | Double Rate 1<br><br>No extras | Double Rate 1<br><br>Extras to apply for passengers luggage and pets | Rate 4 is linked to Rate 1 therefore the increases to Rate 1 will apply.<br><br>Clarification is required because as it standards extras are proposed. |
| Rate 5<br><br>Multi Purpose Vehicle | Mileage rates are an additional 50% of above rates when carrying 5 or more passengers<br><br>No extras | Mileage rates are an additional 50% of above rates when carrying 5 or more passengers<br><br>No extras | Rate 5 is for MPV's carrying 5 or more passengers and the Rate is linked to the Rates above. |

## Eastbourne & Country – Supporting Information

Direct increases from previous year

Insurance – 10% (which together with licences accounts for approx. 5% of takings)

Subscriptions (to Eastbourne and Country) – 7.14% (which accounts for approx. 14% of takings)

Servicing Cots- 10% (which accounts for approx. 3.4% of takings)

Council Tax – 30%

Railway Permit (new cost for 2003) - £100

Average earnings index for October, November and December 2002 increased by 3.7%

Compensation, as agreed, for delay in implementing 2002 fare change, 1%

## Martin Reeves – Supporting information

Fuel – Although motor fuel fluctuates weekly, sometimes daily, it has remained approximately the same cost per litre as 2002

Motor Insurance - Motor insurance for taxis is generally handled by specialist companies, and in some cases has risen by 10.5% in the past year.

Road Fund Licence - In the April Budget, Road Fund Licences increased by 3%

Vehicles – Since the decision to have all taxis and private hire vehicles white in colour, it is sometimes difficult to obtain a suitable white vehicle, and with this knowledge vehicle traders have put a premium on them.

Vehicle Servicing – Vehicle servicing various from garage to garage, it is quite normal to be charged up to £75 per hour labour charge, although during the past year one garage in particular has raised its hourly rate to £90.00, an increase of 20%.

National Insurance Contributions – National Insurance contributions have increased this April by another 1%

General Cost of Living – The cost of living has risen by 2.9% during the past year, and specific items continue to rise by far greater increases. The Community Charge (sic) for example increased by 23.8% in Band D.

Taxi Fare Increases – It is necessary to increase fares annually to keep pace with inflation. The 2002 fare change submitted by Eastbourne & Country Taxis, was barely an increase at all, and this should be borne in mind when determining the 2003 proposals.

**Official Data**

The following data has been collated to give an indication of changes in costs and average earnings.

The Office for National Statistics ONS Monthly Digest May 2003 Number 689 gives data for the 12 months to March 2003

Retail Price Index: 2.4%

Motoring Expenditure: 0.8%

Average Earning Index for the services sector: 3.7% (average for October, November and December 2002)

The Department for Transport publication British Transport Statistics 2002

Provides details of diesel prices as at April each year. The June 2003 figure has been provided from local knowledge.

Diesel Prices (April, price per litre)

| 1999 | 2000 | 2001 | 2002 | 2003 (June) |
|---|---|---|---|---|
| 73.2 | 81.1 | 77.3 | 76.9 | 73.9 |