

**Manchester City Council  
Report for Resolution or Information**

**Report to:** Licensing and Appeals Committee – 10 November 2014

**Subject:** Review of the Methodology for Calculating Hackney Carriage Fares

**Report of:** Head of Planning, Building Control and Licensing

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**Summary**

This report details the request from the Executive to review the methodology for reviewing hackney carriage fares. The report provides the legal framework for the setting of taxi licence fares and recommends that previous reports from October 2012 and January 2013 are used as the framework for the review.

**Recommendations**

1. That the Committee utilise the reports attached at **Appendix A & B** as a basis to review the factors affecting the terms, conditions, costs and income of the hackney carriage operators in the City
2. That the Committee determine whether to make proposed changes to any element of the current factors (provided below) in determining the Methodology for calculating hackney carriage fares.
  - (i) That the Halcrow Manchester formula is not the sole determinant for hackney carriage fare reviews
  - (ii) The data and component parts of the current Halcrow Manchester calculation formula (as revised on 21 January 2013) should be used as one part of the hackney carriage fare review
  - (iii) In calculating any hackney carriage fare review consideration should be given to the current rate of inflation (currently determined by CPI)
  - (iv) In calculating any hackney carriage fare reviews consideration should be given to comparable earnings related data
  - (v) In calculating any hackney carriage fare reviews comparator fare information from other Core Cities and AGMA authorities should continue to be provided
  - (vi) That any component of the formula can be reviewed at any time in particular to reflect any relevant change in policy or practice
3. Any changes proposed by the Committee to the way in which the Manchester hackney carriage fare is calculated should be subject to consultation with the hackney carriage trade and all other relevant parties

**Wards Affected: All**

Community Strategy Spine	Summary of the contribution to the strategy
Performance of the economy of the region and sub region	In relation to the calculation of hackney carriage fares a balance has to be maintained that considers the need for hackney carriage proprietors to afford vehicles that maintain the current standard of the Manchester fleet, but does not deter the public use of hackney carriages due to fare cost.
Reaching full potential in education and employment	Hackney carriage proprietors often rent their vehicles to drivers, several drivers can track a single vehicle (day, night or weekend track). Where the fares maintain a good standard of living this provides the basis of a more professional aspect of taxi driving. Any amendment to the methodology used to calculate hackney carriage fares will impact on the earnings of the hackney carriage trade. The nature of the impact will be determined by any revised methodology used.
Individual and collective self esteem – mutual respect	Manchester hackney carriage vehicle policy determines that all hackney carriage vehicles licensed in Manchester must be Wheelchair Accessible and be fitted with swivel seats. Whilst the cost of these vehicles is higher than a normal saloon vehicle, favoured by other Local Authorities, it is seen as providing accessible transport to individuals with disabilities (whether in a wheelchair or not).
Neighbourhoods of Choice	Not applicable to the content of this report

**Full details are in the body of the report, along with any implications for:**

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

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**Financial Consequences – Revenue**

None

**Financial Consequences – Capital**

None

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**Background documents**

Hackney carriage fare review report to Licensing & Appeals Committee – 17  
February 2014.  
Minutes from the Executive dated 12 March 2014

## 1. Introduction

- 1.1 On 12<sup>th</sup> March 2014 the Executive considered a report relating to the annual hackney carriage fare review. Following consideration of the report the Executive requested that the Licensing and Appeals Committee review the factors, including the Halcrow Manchester Formula used to determine the matter of the fares. An extract of the minutes from the 'Executive' is provided below.

*"The Executive were aware that the Licensing and Appeals Committee had already set aside the Halcrow Manchester Formula as the basis of reviewing the fares and agreed that there needed to be a comprehensive review of the factors affecting the terms, conditions, costs and income of the hackney carriage operators in the City in order to inform decisions on the annual hackney carriage fare review in future years.*

*We ask that the review be undertaken and the outcome reported to us later in 2014".*

- 1.2 The Halcrow Manchester formula is a mathematical calculation, based on the annual mileage undertaken by a Manchester licensed hackney carriage vehicle (30,000 miles per annum). The formula comprises several component parts, which relate to the annual running cost of a hackney carriage vehicle licensed in Manchester. The costs of each component part are in-putted into the formula on 1<sup>st</sup> December each year in preparation for the annual fare review, implemented in April of the following year
- 1.2.1 Using the annual mileage, the formula compares the running cost from one year to another and calculates the difference between the previous and present years figures as a percentage plus or minus. This figure is then used by the Committee, alongside other factors to determine the annual review of the hackney carriage fare.
- 1.3 The method for calculating hackney carriage fares was reviewed by the Licensing and Appeals Committee between October 2012 and January 2013, Officers have reproduced the relevant reports at Appendix A and B, which identify the issues considered at that time and includes the responses to the 12 week consultation

## 2.0 Legal framework

- 2.1 Section 65 of the Local Government (Miscellaneous Provisions) Act 1976 states that the City Council has the power to fix the rates or fares within the district for time and distance, and all other charges in connection with the hire of a vehicle or with the arrangements for the hire of a vehicle, to be paid in respect of the hire of hackney carriages by means of a table of fares, made or varied.

- 2.2 Under the Council's Scheme of Delegation, fare increases are considered by the Licensing and Appeals Committee, which makes a recommendation to the Executive.
- 2.3 Any change in fares agreed by the Executive must be advertised publicly for a period of 14 days before the change takes effect.
- 2.4 The legislation does not specify the frequency at which any hackney carriage fare review should take place. Previously, reviews of the hackney carriage fares have taken place on an annual basis, with any changes coming into effect in April each year.

### 3. Report

- 3.1 On 1<sup>st</sup> October 2012 the Licensing and Appeals Committee considered a report (attached at **Appendix A**) in relation to the review of the methodology for calculating hackney carriage fares.
- 3.2 Following consideration of the report the Committee decision was:-
  1. That a formal review of the methodology for calculating hackney carriage fares is undertaken.
  2. The Committee approve the consultation proposals detailed within the report.
  - 3 The Committee agree a 12 week consultation period with the hackney carriage trade and all other relevant parties.
- 3.3 On 21<sup>st</sup> January 2013 the Licensing and Appeals Committee considered a report (attached at **Appendix B**) which highlighted the responses arising from the consultation requested by the Committee on 1<sup>st</sup> October 2012 (para 2.2. of Appendix B ).
- 3.4 The Committee agreed that
  1. The future calculation of the hackney carriage fare should be undertaken in line with the proposals indicated in Appendix 1 of Appendix B, namely:
    - (i) A formula should no longer be the sole determinant for future hackney carriage fare reviews
    - (ii) The data and component parts of the current Halcrow Manchester calculation formula as revised should be used as one part of the hackney carriage fare review
    - (iii) In calculating any hackney carriage fare review consideration should be given to the current rate of inflation (currently determined by CPI)
    - (iv) In calculating any hackney carriage fare review consideration should be given to comparable earnings related data

- (v) In calculating any hackney carriage fare reviews comparator fare information from other Core Cities and AGMA authorities should continue to be provided
  - (vi) That any component of the formula can be reviewed at any time in particular to reflect any relevant change in policy or practice.
- 2. The Committee agreed that the relevant component costs (i.e. direct vehicle related costs) within the Halcrow- Manchester formula be revised following completion of the review of the policy relating to hackney carriage vehicles.
- 3. That the Committee request officers undertake the next hackney carriage fare review in 12 months.
- 3.5 Following the meeting of 21<sup>st</sup> January 2013, Officers revised the formula as required at 2.4 (2) and used the revised formula in the 'Hackney Carriage Fare Review – 2014/15 report
- 3.5.1 The Hackney Carriage Fare Review – 2014/15 report was presented to the Licensing and Appeals Committee on 17<sup>th</sup> February 2014 for their consideration.
- 3.5.2 The report of 17<sup>th</sup> February 2014 was subsequently considered by the Executive on 12<sup>th</sup> March 2014 who determined that the Licensing and Appeals Committee should review the Halcrow Manchester formula as outlined in para 1.1 of this report.
- 3.5.3 The current data sources and assumptions relating to the Halcrow Manchester formula are provided in **Appendix 1 of Appendix B** (report of 21<sup>st</sup> January 2013), attached to this report.
- 3.6 Previously the Licensing & Appeals Committee reviewed the way in which hackney carriage fares are calculated by considering the content of two reports attached as appendices
- 3.7 The report of 21<sup>st</sup> January 2013 (Appendix B) also highlighted the responses received after a 12 week consultation had taken place with all Manchester licensed hackney carriage drivers in relation to proposals for reviewing the methodology used for calculating hackney carriage fares.
- 3.8 As the methodology for calculating the hackney carriage fares was recently considered by the Licensing & Appeals Committee officers have proposed that the information contained in the comprehensive reports attached at Appendix A & B are used as a basis to review the Halcrow Manchester formula as detailed in 1.1 of this report.

#### **4 Matters for consideration**

4.1 In reviewing the methodology of calculating Manchester hackney carriage fares the Committee are asked to take into consideration the following key issues.

- Hackney carriage vehicles are an integral part of the 'public transport' system and their drivers are often the first contact with visitors to the City.
- As a world class city Manchester requires all hackney carriage vehicles to be wheelchair accessible. The cost of a wheelchair accessible vehicle is substantially higher than saloon type vehicles.
- Manchester City Council has a hackney carriage vehicle policy, which dictates the standard and age of a Manchester licensed hackney carriage vehicle.
- Hackney carriage proprietors are obliged to purchase and run vehicles that maintain the current standard of the Manchester fleet. However fare costs should not deter the public use of hackney carriages.
- Should the Committee be considering proposing any change(s) to the current 'Halcrow-Manchester formula these must be accompanied by reasoned decision(s).
- The hackney carriage trade and other relevant parties must be consulted on any proposed changes to the way in which the hackney carriage fare is calculated prior to any final determination.

#### **5.0 Other legal implications**

5.1 There are no other legal implications to consider other than those already contained within this report.

#### **6.0 Contributing to the Community Strategy**

##### **6.1 (a) Performance of the economy of the region and sub region**

6.1.1 In relation to the calculation of hackney carriage fares a balance has to be maintained that considers the need for hackney carriage proprietors to afford vehicles that maintain the current standard of the Manchester fleet, but does not deter the public use of hackney carriages due to fare cost.

##### **7.2 (b) Reaching full potential in education and employment**

7.2.1 Hackney carriage proprietors often rent their vehicles to drivers, several drivers can track a single vehicle (day, night or weekend track). Where the fares maintain a good standard of living this provides the basis of a more professional aspect of taxi driving. Any amendment to the methodology

used to calculate hackney carriage fares will impact on the earnings of the hackney carriage trade. The nature of the impact will be determined by any revised methodology used.

### **7.3 (c) Individual and collective self-esteem – mutual respect**

7.3.1 Manchester hackney carriage vehicle policy determines that all hackney carriage vehicles licensed in Manchester must be Wheelchair Accessible and be fitted with swivel seats. Whilst the cost of these vehicles is higher than a normal saloon vehicle, favoured by other Local Authorities, it is seen as providing accessible transport to individuals with disabilities (whether in a wheelchair or not).

### **7.4 (d) Neighbourhoods of Choice**

## **8. Key Policies and Considerations**

### **(a) Equal Opportunities**

### **(b) Risk Management**

Any amendment to the methodology used to calculate hackney carriage fares will impact on the earnings of the hackney carriage trade. The nature of the impact will be determined by any revised methodology used. Any negative impact could jeopardise the current standard of vehicle as stipulated in the 'Manchester Hackney Carriage vehicle' policy.

### **(c) Legal Considerations**

## **9. Conclusion**

9.1 The report details the decision of the Executive made on 12<sup>th</sup> March 2014 which asks the Licensing and Appeals Committee to comprehensively review the factors affecting the terms, conditions, costs and income of the hackney carriage operators in the City in order to inform decisions on the annual hackney carriage fare review in future years.

9.2 The report further proposes that the Committee use the information provided in the comprehensive reports (1<sup>st</sup> October 2012 & 21<sup>st</sup> January 2013 attached at **Appendix A and B** as a basis to review the 'the factors affecting the terms, conditions, costs and income of the hackney carriage operators in the City in coming to a decision on how decisions on this matter will be informed.

9.3 Section 3.4 of the report outlines the current method for calculating the hackney carriage fare.

9.4 Section 4 of the report provides the Committee with a list of factors that ought to be considered in undertaking a review of how the hackney carriage fare is determined.



Manchester City Council  
Licensing and Appeals Committee

Item 5  
1 October 2012

**Manchester City Council  
Report For Resolution**

**Report to:** Licensing and Appeals Committee – 1 October 2012

**Subject:** Review of the Methodology for Calculating the Hackney Carriage Fare

**Report of:** Head of Business Units

**Purpose of Report**

This report provides the Committee with the findings of the sub-committee, which met on 5 September 2012 to discuss proposals in relation to a review of the methodology for calculating hackney carriage fares.

**Recommendations**

- 1 That the Committee determine whether a formal review of the methodology for calculating hackney carriage fares is undertaken
2. Subject to the Committee's decision in respect of recommendation 1, that the Committee approve the consultation proposals with or without amendment.
- 3 Subject to the Committee's decision in respect of recommendation 1, that the Committee agree a 12 week consultation period with the hackney carriage trade and all other relevant parties.

**Wards Affected:**

All

Community Strategy Spine	Summary of the contribution to the strategy
Performance of the economy of the region and sub region	In considering any amendment to the methodology used to calculate hackney carriage fares, consideration has to be given to balancing the needs of the taxi trade to earn a living and the need for affordable transport for passengers
Reaching full potential in education and employment	Any amendment to the methodology used to calculate hackney carriage fares will impact on the earnings of the hackney carriage trade. The nature of the impact will be determined by any revised methodology used.
Individual and collective self esteem – mutual respect	Not applicable to this report
Neighbourhoods of Choice	Not applicable to this report

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**Full details are in the body of the report, along with any implications for:**

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

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***Financial Consequences – Revenue***

None

***Financial Consequences – Capital***

None

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**Background documents (available for public inspection):**

Minutes of Licensing and Appeals Sub-Committee 5 September 2012  
Licensing and Appeals Committee Reports January and February 2012

Contact Officer for retrieval of background documents – Ann Marku 957 5954.

## **1. Introduction**

- 1.1 At its meeting on the 28 August 2012 the Committee agreed to form a Sub-committee to examine alternative methods of calculating future hackney carriage fares. The Sub-committee met on 5 September 2012.
- 1.2 The Sub-Committee considered the report attached at **Appendix 1**, which detailed the history of the current method of calculating hackney carriage fares and provided details of the component parts of the Halcrow Manchester formula. The report also included data regarding the percentage fare increases that have resulted from the formulas' use from 2007 to 2011.
- 1.3 The Sub-committee's discussions mainly focussed around section 3 of the report which provided examples of issues that could be considered as part of a process for undertaking hackney carriage fare reviews.
- 1.4 The Sub-committee requested officers prepare a further report for 1 October Licensing and Appeals Committee, and requested that the report outlined the sub-committee's recommendations and provide additional information that could be used to assist in formulating a revised process for undertaking hackney carriage fare reviews, which could then be taken forward for consultation with the trade.

## **2. Issues highlighted by the Sub committee**

- 2.1 The Sub-committee were mindful of the national review of taxi reform, and were of the opinion that a formula was a useful tool for calculating a fare review but should not be used in isolation. The Sub-committee had some concerns regarding component parts of the current formula and were also of the opinion that unknown socio and economic influences may be relevant in future fare reviews.
- 2.2 The current Halcrow-Manchester formula is based on an average annual mileage of 34,500 for a Manchester licensed hackney carriage vehicle. The Sub-committee asked officers to investigate if this was the current average annual mileage.
- 2.3 Component Parts of the Halcrow Manchester Formula
  - 2.3.1 The Sub-committee considered each of the component parts of the Halcrow Manchester formula and asked officers to furnish further information for this report.

**Table 1** – details the comments made by the Sub-Committee in relation to the current Halcrow-Manchester formula and officer findings regarding those comments.

Component Part	Sub-Committee Comments	Officer Findings
Vehicle Cost	The Sub-committee asked officers to establish whether the component parts of this element are still reflective of Manchester's taxi trade	The figures that are used every year as a comparison relate to London Taxi Company vehicles. If the make up of the fleet was to change over a period of time to other types of vehicles these figures would need to be reconsidered, as cheaper/ more expensive vehicles would give a different outcome. At the moment this component of the formula only reflects LTI vehicles and not the Mercedes Vito Taxi which currently is 3.9% of the licensed fleet
Parts	No particular concerns were raised regarding this component	Vehicle manufacturers recommend that only genuine manufactured parts are used in the maintenance and repair of vehicles. The majority of Manchester's hackney carriage fleet are LTC vehicles and therefore it would seem appropriate to use costs derived from the local LTC agent
Tyres	The Sub-committee noted that the cost of tyres was currently ascertained using only one source and asked officers to determine costs from a variety of sources. The intention would be that the lowest price obtained be used within any formula	Officers have looked at the cost of tyres appropriate to LTC vehicles and found that: Dunlop SP taxi tyre on line from citytyre.co would cost £ 71.81 or 4 for £299.24 Dunlop SP taxi tyre from National Tyres cost £108.00 or 4 for £430.00 (this does include free fitting!) London Taxi Company (Manchester branch, formerly Mann and Overton) do a Maxus Tyre for £60.00 plus VAT or 4 for £240.00 Plus VAT This is the tyre currently being fitting to their new taxis. The current formula uses data derived from the London Taxi Company
Garage Servicing and Labour	No particular concerns were raised regarding this component	The current formula uses data sourced from the Office of National Statistics. The particular data is percentage change in labour costs, specifically for motor mechanics and auto engineers – taken from the Annual Survey of Hours and Earnings.
Fuel	The Sub-committee commented that the cost of fuel should be sourced locally and not nationally. The Sub Committee asked	The fuel element within the formula is not a direct lift of fuel price per litre. The current fuel cost is a derivative figure compiled from annual mileage (34,500 miles), and the running cost of a diesel

Component Part	Sub-Committee Comments	Officer Findings
	<p>officers to clarify whether the annual average mileage undertaken by a Manchester licensed hackney carriage vehicle remained at 34,500 miles per annum</p>	<p>car of value £24,000- 32,000 as per AA website. The AA website of running costs incorporates a national price per litre of fuel. The running cost is not based on a regional price of fuel. The AA website does incorporate north west fuel prices but these are actual price per litre as opposed to vehicle running costs Officers have reviewed fuel information on the AA website and the differential between national and local data is minimal ie 0.1p per litre on average prices The current annual mileage needs to be reassessed to ensure 34,500miles is still representative of the annual mileage.</p>
<p>Insurance</p>	<p>The Sub Committee asked if:-</p> <ul style="list-style-type: none"> <li>• insurance is based on a home address or the area a driver worked</li> <li>• there is a reduction in premium for proprietors with more than two vehicles.</li> <li>• an insurance cost for 'Manchester' could be looked at instead of a national cost.</li> </ul> <p>The Sub-committee also asked how the insurance agency compiled their statistics.</p>	<p>Officers have contacted Westminster insurance and the following gives the questions asked and the response. Is an insurance premium based on where a taxi driver lives or where (s)he works? <i>Purely on the Licensing Authority of the licensed vehicle. The policy holders home address has no bearing on the premium, unless there has been a previous claim by the policy holder for malicious damage to a vehicle at that address</i> What kind of reduction is there for a proprietor if (s)he has 2 or more vehicles? <i>Vehicles are usually individually rated based on the no claims bonus accumulated on that vehicle together with the risk presented, ie number of drivers, convictions on drivers licences etc. There are many factors that are taken into consideration to arrive at a policy premium rate. If a policy holder has one vehicle with us and that policy has run well, we would use that information to try and achieve a preferential rate for the policy holders' second vehicle. However this would be at the discretion of the underwriters and subject to the risk presented. But this all goes in the "pot" to arrive at the average premium.</i> In relation to the average insurance figures that you supply where are these derived from and what criteria are they based on ? Are these figures available from other sources? <i>These are statistics compiled by our underwriters and are specific to the</i></p>

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Component Part	Sub-Committee Comments	Officer Findings
		<p>performance of the book of business to this agency. They are segmented to individual licensing authorities and type of vehicle licence, ie Hackney or Private Hire. I do not know if these figures can be sourced elsewhere.</p> <p>The insurance data used to inform the 2012 fare review was based on the above ie a Manchester average rather than a national or individual vehicle quote</p>
Miscellaneous	The Sub-committee asked what figures were used in the miscellaneous element.	The figures used in the formula are the cost of hackney carriage driver renewal licence and the cost of a hackney carriage vehicle licence (based on a hackney vehicle requiring 2 tests per year)
Average National Earnings	The Sub-committee discussed whether average national earnings were an appropriate element to be included in the formula. The sub-committee were of the opinion that some form of earnings data should be used as a comparator to inform the overall review as opposed to being an integral part of the formula.	It would be feasible to include data from the Office National statistics in respect of average national earnings and minimum wage to provide general indicators for comparison

### 2.3 External Influences

- 2.3.1 The Sub -Committee discussed a number of external influences that they felt should be considered, when a hackney carriage fare review is taking place. These include:
- 2.3.2 Tax Relief – the Sub Committee requested information explaining how expenditure (such as vehicle insurance, tyres, fuel, maintenance costs and licence fees) can be used to offset income tax.
- 2.3.3 Minimum Wage – the Sub Committee were of the view that in addition to Average National Earnings the National Minimum Wage was also something that could be taken into consideration.
- 2.3.4 Rate of Inflation, the Sub-Committee recognised that there are various price indexes that can be regarded as reflecting inflation. Information in a previous committee report (20 February 2012) confirmed that since 2003 Consumer Price Index (CPI) has been the official inflation figure
- 2.3.5 The Sub-Committee expressed a view that any change to the current hackney carriage fare review process should allow the Licensing and Appeals

Committee flexibility to include any unique circumstances that may arise when a review is taking place

- 2.4 The Sub-Committee felt that the Halcow Formula, although a useful tool, should not be considered in isolation, in reviewing the hackney carriage fare. The formula should be seen as a starting base with any other relevant influences being taken into consideration.

### **3.0 Proposals**

- 3.1 Officers have compiled a number of proposals, which take into account the issues discussed by the Sub-Committee on 5 September 2012. The proposals also include the information that the Sub-Committee asked officers to furnish following the meeting. The proposals are attached at **Appendix 2**.

### **4.0 Conclusion**

- 4.1 The report provides an overview of the discussions from the Sub Committee meeting held on the 5 September. The report also provides updated information as requested. The report requests the Committee to consider the information within the report and determine whether a formal review and consultation on the methodology used to calculate hackney carriage fares is required.

### **5.0 Contributing to the Community Strategy**

- (a) Performance of the economy of the region and sub region

In considering any amendment to the methodology used to calculate hackney carriage fares, consideration has to be given to balancing the needs of the taxi trade to earn a living and the need for affordable transport for passengers

- (b) Reaching full potential in education and employment

Any amendment to the methodology used to calculate hackney carriage fares will impact on the earnings of the hackney carriage trade. The nature of the impact will be determined by any revised methodology used

- (c) Individual and collective self esteem – mutual respect

Not applicable to this report

- (d) Neighbourhoods of Choice

Not applicable to this report

### **6.0 Key Policies and Considerations**

- 6.1 The following key policies and considerations (a-c) will be addressed following any period of consultation, which may lead to a change in the way in which fare reviews are calculated.
- (a) Equal Opportunities
  - (b) Risk Management
  - (c) Legal Considerations



Manchester City Council  
Licensing and Appeals Committee

Appendix 1- Item 5  
1 October 2012

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**Manchester City Council  
Report for Resolution**

**Report to:** Licensing and Appeals Sub Committee - 5 September 2012

**Subject:** Review of methodology for calculating the hackney carriage fare increase

**Report of:** Head of Business Units

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**Summary**

This report provides the outline for discussion in relation to the review of the methodology of calculating the hackney carriage fare review. The report details the history of the current method of calculating the fare review. The report also provides details of the component parts of the Halcrow-Manchester formula and the percentage fare increases that have resulted from its use from 2007 to 2011.

The report also provides examples of possible issues that the sub-committee may wish to discuss. These include:

- Law Commission proposals for taxi legislative reform,
- current component parts of the Halcrow-Manchester formula,
- taking into consideration other factors such as drivers tax relief
- current economic climate

**Purpose of Report**

This report aims to provide the basis for sub-committee discussion regarding a review of methodology in calculating hackney carriage fare reviews.

**Recommendations**

That the sub committee considers the information within the report together with other information arising from discussion within the sub-committee meeting(s)

That the sub committee asks officers to compile a further report to be considered by the Committee on 1 October 2012, outlining the sub-committee recommendations regarding future hackney carriage fare reviews

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**Wards Affected: All**

Manchester City Council  
Licensing and Appeals Committee

Appendix 1- Item 5  
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Community Strategy Spine	Summary of the contribution to the strategy
Performance of the economy of the region and sub region	In relation to the hackney carriage fares a balance has to be maintained that considers the need for hackney carriage proprietors to afford vehicles that maintain the current standard of the Manchester Fleet, but does not deter the public use of hackney carriages due to fare costs.
Reaching full potential in education and employment	Hackney carriage vehicle proprietors can employ up to four persons on a 'track' basis. Where the fares maintain a good standard of living this provides the basis of a more professional aspect to taxi driving. Drivers are more likely to consider gaining qualifications if taxi driving is seen as a profession.
Individual and collective self esteem – mutual respect	
Neighbourhoods of Choice	

**Full details are in the body of the report, along with any implications for:**

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

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**Financial Consequences – Revenue**

None

**Financial Consequences – Capital**

None

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Manchester City Council  
Licensing and Appeals Committee

Appendix 1- Item 5  
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**Background documents**

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

Relevant Sections of the Local Government (Miscellaneous Provisions) Act 1976  
Hackney Carriage Annual Fare Increase report to the Licensing and Appeals Committee January 2012, 2011, 2010, 2009, 2008  
Hackney Carriage fare increase and age policy reports to the Licensing and Appeals Committee June and August 2007  
Hackney Carriage Fare Increase report to the Licensing and Appeals Committee March 2006  
Hackney Carriage fare Increase and Hackney Carriage Vehicle Licence Fee Increase report to Licensing and Appeals Committee July 2005  
Hackney Carriage Annual Fare Increase report to the Licensing and Appeals Committee 20 February 2012

**1. Introduction**

- 1.1 The sub committee has been convened to review the current method and examine alternative methods of calculating future hackney carriage fare reviews and to make recommendations in respect of the same to the Committee

**2.0 Background.**

- 2.1 Officers have reviewed the background documents listed above; the following information has been ascertained
- 2.2 The report to the Licensing and Appeals Committee on 20 March 2006 indicates that on 29 July 2002 the Licensing and Appeals Committee agreed a formula for the calculation of increased taxi costs. The formula was devised by Halcrow Fox (the Halcrow Manchester formula). The Committee agreed that the formula would be used for increases in 2003, 2004 and 2005 and then the component elements would be reviewed.
- 2.3 From 2002 the Halcrow Manchester formula considered the percentage changes in operating costs to a number of component elements, including insurance, fuel, licences, servicing and repairs, airport permits and road tax. The percentage increase was then used to devise a tariff based primarily on distance but also assuming a small allowance for extras, waiting time and tips.
- 2.4 At the meeting on 20 March 2006 the Committee asked for a review of the methodology and frequency with which fare increases were calculated in consultation with the taxi trade.
- 2.5 Officers consulted with two trade groups,
- 2.5.1 Group 1 being Manchester Cab Committee comprising the Taxi Owners and Drivers Association (TODA), MANTAX and the General Municipal Boiler Union (GMB). Who asked that a formula be devised based upon that used by Transport for London adjusted for the costs associated with running a taxi in Manchester. The intention being to apply the formula automatically each year as in London
- 2.5.2 Group 2 was the Transport and General Workers Union (TGWU) now incorporated within UNITE who requested that the costs of living be taken into account in calculating fare increases
- 2.6 The information was submitted to Halcrow group Ltd appointed as consultants to undertake the review. Halcrow produced a set of component costs for running a hackney Carriage in Manchester, and the component costs were then put into a formula and average national earnings were then incorporated into the formula. In effect this forms the basis of the current Halcrow formula that has been in use since 2007. **Appendix A** provides information on the component parts of the formula and details of how relevant information is

sourced for the formula. **Appendix B** provides the Halcrow Technical Report, which explains how the component parts of the formula were derived.

- 2.7 Since 2007 the Halcrow formula has been the basis on which annual fare reviews have been undertaken. General practice is that during the preparing of the data officers contact trade representatives to see if there are any specific issues, which they feel, should be considered aside to the component parts of the formula.
- 2.8 Since the revised formula was introduced and in line with the halcrow formula the following % increases have been added to the hackney carriage fare tariff

Table 1 – Percentage increase in fare tariff 2007-2011

Year	Percentage Increase
2007	2.74%
2008	2.48%
2009	3.76%
2010	1.96%
2011	7.4%

- 2.9 In 2012 the Halcrow-Manchester formula calculated a fare increase of 5.88%. The committee however were concerned that during this period of austerity it was inappropriate for the hackney carriage fare tariff to increase by such an amount. A revised percentage increase of 4.33% was agreed by Council, and a decision taken to review the formula.
- 2.10 In addition to the Halcrow-Manchester formula increases the following amendments have been made to the fare card in recent years.
- In 2008, the meter was amended from a 10p drop/ click to 20p. Taxi meters work in advance and therefore in effect this meant that each journey could attract up to 19p above the meter rate as opposed to 9p above the meter rate if the meter drop had remained at 10p
  - In April 2010 the nighttime tariff was extended from 11pm- 5am until 11pm to 6am.
  - In 2012 the fouling charge was increased from £20 to £30

### **3. Examples of possible issues for consideration**

- 3.1 It is acknowledged that the Law Commissions proposals for the review of taxis incorporate proposals in relation to the calculation of hackney carriage fares. Manchester's consultation response suggests that a national formula should be agreed regarding an annual review of hackney carriage fares, but that that the formula would be calculated using local data for example fuel prices may be greater in isolated rural communities but that vehicle insurance costs may be higher in cities and urban areas. It may be relevant to consider the value of wholesale changes to the formula when a national review of legislation is on the horizon.
- 3.2 The data for the current halcrow formula is obtained from named recognised sources, in practice taxi drivers like the rest of the population tend to shop around for the best process, therefore consideration could be given as to whether the raw data should be sourced from the most competitive prices available for the specific product , e.g diesel fuel , a Dunlop SP tyre etc .
- 3.3 On a number of occasions the Committee have raised concerns that the percentage increase is calculated without having any regard for tax relief. Taxi drivers can offset their expenditure against tax.
- 3.4 In general terms since the current Halcrow-Manchester formula was introduced in 2007 it has been almost the sole determinant in relation to setting revised hackney carriage fares. The economic climate of 2012 is very different to that of 2007 with many employees and self-employed persons having either pay cuts, no pay increases or very low pay increases. In considering future hackney carriage fare increases the Halcrow-Manchester formula may still be considered as relevant but could be considered alongside other factors such as general inflation RPI / CPI ) average annual pay increases etc.
- 3.5 The above paragraphs provide information, which may prompt discussion amongst the sub group. They are in no way a definitive list of factors for consideration and clearly the sub committee may wish to disregard the above and consider other issues

### **4. Timetable for Change**

- 4.1 Since the introduction of the current halcrow Manchester formula it has been standard practice that officers source the data for the fare formula on 1 December each year. The relevant analysis is then undertaken a report considered by committee in January. The Councils constitution requires the matter to be considered by full council before going out to public advert. The revised fare (with or without modification following consultation) is currently implemented in April of each year.
- 4.2 There is no legal obligation to review hackney carriage fares at any prescribed period, e.g annually. There is however a legal timetable for consideration of any objections to a fare increase (any revised fare has to be implemented with or without modification within 2 months of the original date of implementation)

- 4.3 In undertaking a review of how hackney carriage fares are calculated in Manchester, the sub committee/ committee may wish to consider whether they would wish to adhere to the timetable outlined above.

**3.0 Other legal implications**

- 3.1 There are no other legal implications to consider.

**4.0 Contributing to the Community Strategy**

**(a) Performance of the economy of the region and sub region**

In relation to the hackney carriage fares a balance has to be maintained that considers the need for hackney carriage proprietors to afford vehicles that maintain the current standard of the Manchester Fleet, but does not deter the public use of hackney carriages due to fare costs.

**(b) Reaching full potential in education and employment**

Hackney carriage vehicle proprietors can employ up to four persons on a 'track' basis. Where the fares maintain a good standard of living this provides the basis of a more professional aspect to taxi driving. Drivers are more likely to consider gaining qualifications if taxi driving is seen as a profession.

**(c) Individual and collective self esteem – mutual respect**

Not relevant to the content of this report

**(d) Neighbourhoods of Choice**

Not relevant to the content of this report

**5. Key Policies and Considerations**

**(a) Equal Opportunities**

Equal Opportunities will be considered in relation to any revised policy and will include any responses to the consultation process. This process will take place after the consultation period but prior to any further report to Committee, following the consultation process

**(b) Risk Management**

Risk Management will be considered in relation to any revised policy and will include any responses to the consultation process. This process will take place after the consultation period but prior to any further report to Committee, following the consultation process

**(c) Legal Considerations**

Legal consideration will be considered to any revised policy and will include any responses to the consultation process. This process will

take place after the consultation period but prior to any further report to Committee, following the consultation process.

## **6.0 Conclusion**

- 6.1 The focus of this report is as a discussion document, for the sub committee, the sub committee will form its own views as to how hackney carriage fares should be determined in the future. The recommendations of the subcommittee will be formulated into a report for the full committee. Any change in policy will require consultation with the hackney carriage trade.



**Halcrow Manchester Formula calculation:**

1. Table 1 below replicates how officers use the data information, provided by the Halcrow formula to compare the costs from one year to another and provide a percentage difference for consideration. For ease of reference the figures for 20120/11 have been left in the table

Component on index	Total Costs December 2010	Total Costs December 2011	% Change
Vehicle Cost	6752	6721	-0.45%
Parts	3211	3371	5.0%
Tyres	517	530	2.50%
Garage & Servicing - Labour	941	936	-0.05%
Fuel	4254	4923	15.73%
Insurance	1899	2518	32.61%
Miscellaneous	462	472	0.40%
<b>Total Operating Costs</b>	<b>18035</b>	<b>19471</b>	<b>7.96%</b>
Average National Earnings	25100	26200	4.38%
<b>Grand Total</b>	<b>43135</b>	<b>45671</b>	<b>5.88%</b>

2. The data in table 2 below details the component, data source and assumptions that make up the Halcrow. / Manchester Formula. All data is sourced on 1 December (or as soon as updated figures are released) each year.

**Table 2 Data Source and Assumptions**

<b>Component</b>	<b>Data Source</b>	<b>Assumptions</b>
Vehicle Cost	Mann and Overton	Vehicle costs are included for: Purchase new and run to scrap Purchase new and sell at 4 years Purchase at 4 years and sell at 8 Purchase at 8 and run to scrap
Parts	Mann and Overton	LTI vehicle parts
Tyres	Mann and Overton	Dunlop SP, calculated using the formula tyre life assumption
Garage & Servicing - Labour	Office of National Statistics	Percentage change in Median labour costs, specifically for motor mechanics and auto engineers, and is taken from the Annual Survey of Hours and Earnings (ASHE) provided by the Office of National Statistics
Fuel	AA	Directly related to the annual mileage (34,500) Price is running cost of diesel car of value £24,000 to £32,000 (SUM 34500/100%*diesel) Running cost Dec 2011 at 14.27 pence per mile with fuel at £130.7 pence per litre
Insurance	Westminster Insurance	Average cost of insurance for Manchester <i>Previous figures have been sourced using the following criteria: One owner (no NCD) employing one driver and having 1 claim resulting in loss of £400 excess</i>
Miscellaneous	Licensing Unit	Licence Fees
Average National Earnings	Office of National Statistics	These are taken from the Office of National Statistics – Median figure <i>Previous figures have been sourced using the 'mean' figure</i>

3. **Insurance:** - In previous years this data has been obtained by use of a quote for one owner (with no No Claims Discount) employing one driver and having 1 claim resulting in loss of £400 excess. The Westminster Insurance Company have advised that they would no longer quote in relation to the above, and considered that the real way to measure premiums in the area is to establish the average cost of a Hire and Reward policy premium for the Manchester.
  
4. Annual **Average National Earnings:** -  
*"The headline statistics for ASHE are based on the median rather than the mean. The median is the value below which 50 per cent of employees fall. It is ONS's preferred measure of average earnings as it is less affected by a relatively small number of very high earners and the skewed distribution of earnings. It therefore gives a better indication of typical pay than the mean."*

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## Technical note

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<b>Project</b>	Manchester Taxi Fare Formula	<b>Date</b>	13 March 2007
<b>Note</b>	Technical Note	<b>Ref</b>	CTD-AHV-000
<b>Author</b>	N Swannell/L Eccles		

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### 1 **Introduction**

1.1 Halcrow were commissioned by Manchester City Council to:

- Review the current model used by the Public Carriage Office (PCO); and
- Develop and supply a working spreadsheet model for Manchester.

1.2 This technical note provides a narrative as to the different components of the PCO model and then details how they are proposed to be applied in Manchester.

### 2 **Public Carriage Office Calculations**

2.1 The Public Carriage Office (PCO) calculations take into account advice from the Steer Davies Gleave (SDG) 'Review of Taxi Cost Index' report (January 2005)

2.2 The PCO London Taxi Fare Calculations uses the following categories within the formula:

- Vehicle Cost
- Parts
- Tyres
- Garaging and Servicing – Premises
- Garaging and Servicing – Labour
- Fuel
- Insurance
- Miscellaneous
- The Knowledge
- Social Costs
- Average National Earnings

- 2.3 Over the last 25 years the index has been updated every year to reflect changes in the initial cost index agreed by the trade. The index calculates the estimated change required in the average fare to keep the growth in taxi drivers' net earnings in line with the growth in average national earnings.
- 2.4 Various sources are used by the PCO to obtain year-on-year percentage changes for each component. The percentages obtained are then applied to the previous year's absolute costs per mile. The index has been updated on a year-on-year basis since Transport for London began maintaining the model in 2000.
- 2.5 **Key Assumptions**
- 2.6 The PCO model makes a number of assumptions that affect the taxi cost index. These assumptions are:
- Vehicle mileage is assumed to be 22,000 per year.
  - The model derives costs on a pence per mile basis.
- 2.7 **Vehicle Cost**  
Currently the PCO use 4 strategies as part of their vehicle cost calculations. These strategies are:
- (a) Purchase new and run to scrap,
  - (b) Purchase new and sell at 4 years old,
  - (c) Purchase at 4 years old and sell at 8 years old,
  - (d) Purchase at 8 years old and run to scrap.
- 2.8 This assumes that 'scrap' is when the vehicle is 12 years old. This value is taken from the SDG report which states that the average life of a taxi is approximately 12 years. The average value for the four strategies is calculated and divided by 12, giving an annual cost. This is then divided by the annual mileage giving a value in p per mile.
- 2.9 **Parts**  
London Taxis International (LTI) provides data annually to the PCO quoting the average price increase of all parts that they have supplied to the trade in the previous year. This value is assumed to apply to all cabs regardless of make and model. The percentage change is then applied to the value from the previous year.

- 
- Tyres**
- 2.10 Quotes are obtained from a range of London based dealers, for different taxi tyres, and an average cost is taken. It is not clear as to whether the average life of a tyre is taken into account when calculating the annual cost. The percentage change in price is then applied annually.
- Garaging and Servicing – Premises**
- 2.11 The PCO taxi cost index provides a cost for the premises used when servicing and garaging vehicles. This is taken from the UK Rent & Yield Monitor and is based on the value for All Industrial Rents (London). The increase is applied to the value from the previous year.
- Garaging and Servicing – Labour**
- 2.12 The PCO formula derives this element of the index from the percentage change in labour costs, specifically for motor mechanics and auto engineers, and is taken from the Annual Survey of Hours and Earnings (ASHE) provided by the Office of National Statistics. This percentage change is applied to the value from the previous year.
- Fuel**
- 2.13 Fuel prices for the PCO taxi cost index are obtained from [www.arvalphh.co.uk](http://www.arvalphh.co.uk) and compared to the value for the previous year. The PCO assume that the average fuel consumption for a taxi is 23 miles per gallon, as stated in the SDG report.
- Insurance**
- 2.14 Data is obtained from Westminster Insurance with regards to the year on year percentage change in their premiums. LTI also provide information on the premium percentage changes for Norwich Union, Holdsure and Zenith through the broker Protector Policies. Protector Policies premiums are based on a range of quotes for a 50 year old driver which vary in terms of age of vehicle and length of no claims discount. An average is taken from all quotes obtained and compared to the average from the previous year.
- Miscellaneous**
- 2.15 This includes the cost of hiring a meter and a receipt printer, smoke test, vehicle licence, driver licence and any other permits required in London. The annual cost is calculated then converted into the pence per mile cost. This value is then compared to the same component value from the previous year.

- 'The Knowledge'**
- 2.16 The value is uplifted each year in line with national earnings using the Average Earnings Index from the Office of National Statistics (ONS).
- Social Costs**
- 2.17 Social costs are to cover the cost of pensions and holiday pay, etc, and not to compensate for unsocial hours as it is generally believed. The value is uplifted each year in line with average earnings.
- Average National Earnings**
- 2.18 These are taken from the Office of National Statistics, and calculated in p per mile by dividing the average annual mileage.
- 3 Halcrow Manchester Cost Index Comparison**
- 3.1 This section of the technical note documents the elements used for the Manchester cost index and details the rationale behind the differences between the two models.
- Assumptions**
- 3.2 Halcrow consider that while the principles of the PCO cost index can be applied to Manchester there are a number of elements that need to be tailored more to the Manchester taxi market.
- 3.3 Firstly Halcrow considers that the assumed average annual mileage used by the PCO (22,000) is considerably lower than annual mileage in Manchester. Many hackneys in Manchester are used by two drivers and are therefore in operation almost 24 hours a day. Figures derived from Manchester's 2001 unmet demand survey indicate that annual mileage is approximately 40,000 mile per year. A sample of 49 vehicles indicates that average annual mileage is 34,500. Therefore this figure has been applied to the cost index.
- 3.4 Secondly the PCO compare figures on a per mile basis. This has not been undertaken in Manchester as annual cost s has been used for clarity.
- 3.5 Finally a number of elements have been removed from the Manchester Index as they were felt to be unrelated to the Manchester market. Table 1 highlights the differences:

**Table 1 Index Comparison**

Component on index	PCO	Manchester
Vehicle Cost	✓	✓
Parts	✓	✓
Tyres	✓	✓
Garage & Servicing - Premises	✓	x
Garage & Servicing - Labour	✓	✓
Fuel	✓	✓
Insurance	✓	✓
Miscellaneous	✓	✓
The Knowledge	✓	x
Social Costs	✓	x
<b>Total Operating Costs</b>	<b>40.0%</b>	
Average National Earnings	60.0%	
<b>Grand Total</b>	<b>100.0%</b>	<b>100.0%</b>

3.6 The Knowledge Test has been removed from the index as this is exclusive to London. The cost of premises for garaging and servicing and social costs has also been removed from the index as this is not felt to be directly related to the vehicle operating costs.

3.7 **Vehicle Cost**  
The PCO method of deriving vehicle costs has been applied in Manchester. Figures have been provided from Mann and Overton in Manchester. The cost of purchasing a vehicle in Manchester is greater than in London. However, the increase in costs between 2005 and 2006 remains the same as in London.

3.8 The PCO assume a vehicle life of 12 years and an annual mileage of 22,000 miles giving a vehicle life mileage of 264,000. Based on an estimated average mileage of 34,500 in Manchester the average life of a vehicle is 7.7 years. Therefore the annual vehicle costs in Manchester are greater than in London.

3.9 **Parts**  
The percentage increase in parts has been applied to the Manchester taxi cost index.

**Tyres**



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Project Manchester Taxi Fare Formula

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- 3.10 As the cost of tyres differs geographically, costs from Mann & Overton in Manchester have been used. Unlike the PCO index an assumed tyre life of 25,000 has been used. This is based on an average tyre life derived from data provided by the AA and LTI.
- Garaging and Servicing – Labour**
- 3.11 The PCO cost index method has been applied to Manchester using the percentage change in labour costs, specifically for motor mechanics and auto engineers, and is taken from the Annual Survey of Hours and Earnings (ASHE) provided by the Office of National Statistics. This percentage change is applied to the value from the previous year.
- Fuel**
- 3.12 For Manchester a price per mile figure has been obtained from the AA. The annual total is directly related to the annual mileage.
- Insurance**
- 3.13 A quote was obtained from Westminster insurance for both 2005 and 2006. The quote was based upon one owner with no 'no claims' discount employing one driver and having a claim resulting in the loss of a £400 excess.
- Miscellaneous**
- 3.14 In Manchester this includes the cost of the airport permit and renewal licence fees.
- Average National Earnings**
- 3.15 These are taken from the Office of National Statistics.
- 4 Final Calculation**
- 4.1 The final calculation is documented in Table 2 and provides an increase of 2.74%.

**Table 2 Manchester Cost Index**

Component on index	Total 2005	Total 2006	% Change 05-06
Vehicle Cost	6015	6255	4.00%
Parts	2622	2727	4.00%
Tyres	324	363	12.00%
Garage & Servicing - Labour	800	820	2.50%
Fuel	3533	3591	1.66%
Insurance	4404	4172	-5.26%
Miscellaneous	732	734	0.27%
<b>Total Operating Costs</b>	<b>18429</b>	<b>18662</b>	<b>1.27%</b>
Average National Earnings	23389	24301	3.90%
<b>Grand Total</b>	<b>41818</b>	<b>42963</b>	<b>2.74%</b>

Technical note

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Project Manchester Taxi Fare Formula

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4.2

DRAFT

Manchester City Council  
Licensing and Appeals Committee

Item 5  
21 January 2013

**Manchester City Council  
Report for Resolution**

**Report to:** Licensing and Appeals Committee – 21 January 2013  
**Subject:** Review of methodology for calculating the hackney carriage fare  
**Report of:** Head of Business units

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**Summary**

The report follows a previous report considered by the Committee at its meeting on 1 October 2012. This report highlights the responses received following consultation that took place in relation to proposals for reviewing the methodology used for calculating hackney carriage fares

**Purpose of Report**

The purpose of the report is to enable the Licensing and Appeals Committee to consider the responses arising from the consultation and to determine how future hackney carriage fare reviews should be calculated.

**Recommendations**

1. That the Committee determine whether future calculation of the hackney carriage fare should be undertaken
    - (i) In line with the proposals indicated in **Appendix 1**, with or without modification **or**
    - (ii) By reverting back to the sole use of the original Halcrow –Manchester formula
  2. That following determination of the methodology to be used for calculating future hackney carriage fares, the Committee agree that the relevant component costs (ie direct vehicle related costs ) within the Halcrow-Manchester formula be revised following completion of the review of the policy relating to hackney carriage vehicles .
  3. That the Committee advise officers as to when they wish to consider the next hackney carriage fare review
- 

**Wards Affected: All**

Manchester City Council  
Licensing and Appeals Committee

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Community Strategy Spine	Summary of the contribution to the strategy
Performance of the economy of the region and sub region	In relation to hackney carriage fares a balance has to be maintained that considers the need for hackney carriage proprietors to afford vehicles that maintain the current standard of the Manchester fleet, but does not deter the public use of hackney carriages due to fares costs
Reaching full potential in education and employment	Hackney carriage vehicle proprietors can employ up to four persons on a 'track' basis. Where the fares maintain a good standard of living this provides the basis of a more professional aspect of taxi driving. Drivers are more likely to consider gaining qualifications if taxi driving is seen as a profession.
Individual and collective self esteem – mutual respect	Not applicable to the content of this report
Neighbourhoods of Choice	Not applicable to the content of this report

**Full details are in the body of the report, along with any implications for:**

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

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**Financial Consequences – Revenue**

None

**Financial Consequences – Capital**

None

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**Background documents**

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

Minutes of the Licensing and Appeals Sub-Committee 5 September 2012  
Licensing and Appeals Committee report 1 October 2012  
Halcrow –Manchester hackney Carriage Fare Formula

**1. Introduction**

- 1.1 At its meeting of 1 October 2012 the Licensing and Appeals Committee decided to undertake a review of the methodology used to calculate hackney carriage fare reviews
- 1.2 The Committee agreed to consult on a proposal that detailed a revised Halcrow Manchester formula and a set of general considerations which if adopted would form part of any future hackney carriage fare review.
- 1.3 The Halcrow formula is a mathematical calculation, which is based on the annual mileage of a hackney carriage vehicle in Manchester (previously 34,500 miles per annum, proposed amendment to 30,000 miles per annum see Appendix 1). The data and component parts that are in-putted into the Halcrow-Manchester formula and general considerations are attached to the report at **Appendix 1**.
- 1.4 A twelve week consultation has taken place in relation to the above. The consultation took place between 8 October to 31 December 2012

**2. Consultation**

- 2.1 On 2 October 2012 a letter (a copy is attached at **Appendix 2**) was sent to all licensed drivers. The letter advised of the purpose of the consultation and included a link that could be utilised to access the on-line consultation.
- 2.2 The on-line consultation, which concluded on 31 December 2013, advised that consultation responses would be forwarded to the Committee for consideration.
- 2.3 Four responses have been received in relation to the consultation and are copied verbatim below. Officers have not made assumptions regarding any typographical errors
  - 2.3.1 The person who submitted this response wished to remain anonymous:

There are some issue which is not right in your assumptions

    - 1 fuel is not 14.27 pence /mile with 130.7 the ecsat figur is 30 pence/mile daytime night time 25/mile.
    - 2 Insurane is fare byone your assumption. In spait of all these assumption I think increzing the fare resultet to people less using cab as before as a result of ressiion
  - 2.3.2 Mr Thorley - I feel that the Halcrow Group investigation which the Manchester Hackney Carriage trade paid for is very successfully. They analysed the PCO (Public Carriage Office) fares formula which had been in force for 25 years and applied external factors which applied to Manchester.

The formula has worked successfully since 2007 and it was agreed by the Council and the Trade. Regarding the Licensing officers encouraging the use of cheap tyres, cheap fuel and cheap parts I feel is totally wrong as they issued a Service Manual to keep the cabs up the brand new standard. Michelin tyres last longest have better road holding and have less punctures than any other tyre and is the most suitable for Hackney carriages. The use of cheap fuel is very bad for diesel engines and has been proved by the omissions test. One can say using non-standard parts increases the risk of failures. With respect, I feel there are many issues which the council could address and leave something that is working well alone. The whole purpose of the formula is to review it in December implement it in April which brings less hardship to the Taxi trade in the recession. The Halcrow formula updates automatically and successfully. I didn't appreciate I had to fill in the page in 10 minutes; perhaps this should be indicated at the beginning of the form.

2.3.3 Mr Cleasby - Each year when fuel is calculated it does not take into consideration of the whole year only the cost at the time of formulation. Consequently the trade misses out on the true cost of fuel over the year. I suggest that an annual average is a more fair and accurate method of costing. This would be done by taking the cost of fuel at one point in each month (be it the same dated) over the year and dividing it by 12.

2.3.4 Mr Mohammed – I agree with council

### **3.0 Officers Responses to the Consultation Submissions**

3.1 In relation to 2.3.1 –

- (i) The cost of fuel shown within the proposal is merely an example of how the formula is derived. The costs are taken from the AA web site and relate to the cost of fuel in relation to the running cost of a diesel vehicle of a purchase price of £24,000 to £32,000. The AA base their costs on an average fuel price, which on 1 December 2011 was 130.7p per litre. The AA use this average cost to work out the average running cost which on 1 December 2011 was 14.27 p per mile.
- (ii) In relation to the insurance it is not clear what the respondent is referring to.

3.1.1 in relation to 2.3.2

- (i) In relation to officers encouraging the use of cheap tyres, the proposal suggested by the Sub Committee at its meeting on 5 September 2012 was that the cost of tyres be reviewed to ensure that the best price was being ascertained as the current formula used only one source (LTC). The Council does not encourage the use of 'cheap tyres'. The report of 1 October 2012 states that vehicle manufacturers recommend that only genuine manufactured parts are used in the maintenance and repair of vehicles.

Manchester City Council  
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- (ii) In relation to the time restraint of 10 minutes in completing the on-line form. This comment has been fed back to the communications team for their information.

3.1.2 In relation to 2.3.3

- (i) The current calculation is derived from the AA website, which uses the average cost of fuel to determine the running cost of a diesel vehicle. The current hackney carriage fare card allows an additional surcharge on fuel of 20p per journey, where there is a significant increase in price per litre. The trigger price at which the 20p surcharge can be charged is reviewed as part of the fare review.

3.2 Officers have considered the consultation responses above and whilst it is acknowledged that not all responses are supportive of the proposals, the only proposed amendment has been made by Mr Cleasby in relation to how fuel prices should be calculated.

3.3 Following consideration of the consultation responses officers have not at this stage made any changes to the proposals. The proposals attached at Appendix 1 reflect the suggested changes to the component parts of the Halcrow-Manchester formula, approved for consultation by the Licensing and Appeals Committee on 1 October 2012

#### **4.0 Other relevant considerations**

4.1 The Committee will be aware that there is currently an ongoing review of the Council's hackney carriage vehicle policy. Any changes to the current hackney carriage vehicle policy, in relation to vehicle type, would have an impact on some of the component parts of the Halcrow-Manchester formula. For example vehicle related costs

#### **5.0 Legislation**

5.1 Section 65 of the Local Government (Miscellaneous Provisions) Act 1976 states that the City Council has the power to fix the rates or fares within the district for time and distance, and all other charges in connection with the hire of a vehicle or with the arrangements for the hire of a vehicle, to be paid in respect of the hire of hackney carriages by means of a table of fares, made or varied.

5.2 Under the Council's Scheme of Delegation, fare increases are considered by the Licensing and Appeals Committee, which makes a recommendation to Council.

5.3 Any change in fares agreed by the Council must be advertised publicly for a period of 14 days before the change takes effect.

5.4 The Council previously, reviewed the hackney carriage fares on an annual basis, with any changes coming into effect on 1 April each year.



- 6.0 Contributing to the Community Strategy**
- 6.1 (a) Performance of the economy of the region and sub region**
  - 6.1.1 In relation to hackney carriage fares a balance has to be maintained that considers the need for hackney carriage proprietors to afford vehicles that maintain the current standard of the Manchester fleet, but does not deter the public use of hackney carriages due to fares costs
- 6.2 (b) Reaching full potential in education and employment**
  - 6.2.1 Hackney carriage vehicle proprietors can employ up to four persons on a 'track' basis. Where the fares maintain a good standard of living this provides the basis of a more professional aspect of taxi driving. Drivers are more likely to consider gaining qualifications if taxi driving is seen as a profession.
- 6.3 (c) Individual and collective self-esteem – mutual respect**
- 6.4 (d) Neighbourhoods of Choice**
- 7. Key Policies and Considerations**
  - (a) Equal Opportunities**  
Not applicable to the content of this report
  - (b) Risk Management**  
Not applicable to the content of this report
  - (c) Legal Consideration**  
There are no further legal considerations in addition to those already highlighted within the report.
- 8. Conclusion**
  - 8.1 The report details the responses received in relation to the consultation on the review of methodology for calculating hackney carriage fares. The consultation submissions have been copied verbatim into the report. Officer's comments in relation to the responses are included at section 3.
  - 8.2 The report also advises the Committee that the outcome of the current review of the hackney carriage vehicle policy is likely to have an impact on the component parts of the Halcrow-Manchester formula, and makes a recommendation in respect of the same.

## **Proposals for the methodology for reviewing hackney carriage fares**

### **General proposals**

- (i) A formula should no longer be the sole determinant for future hackney carriage fare reviews
- (ii) The data and component parts of the current Halcrow Manchester calculation formula as revised should be used as one part of the hackney carriage fare review
- (iii) In calculating any hackney carriage fare review consideration should be given to the current rate of inflation (currently determined by CPI)
- (iv) In calculating any hackney carriage fare reviews consideration should be given to comparable earnings related data
- (v) In calculating any hackney carriage fare reviews comparator fare information from other Core Cities and AGMA authorities should continue to be provided
- (vi) That any component of the formula can be reviewed at any time in particular to reflect any relevant change in policy or practice

### **Formula proposals**

1. **Table 1** provides the information in relation to the proposed, revised data source and assumptions to be used in the Halcrow-Manchester formula calculation.

This data is then inputted into the Halcrow formula to provide a figure which is compared to the previous year producing a resultant proposed % change in fare levels

Table 1 Proposed Revised - Halcrow-Manchester Data Source and Assumptions

Component	Data Source	Current Assumptions	Proposed Revisions
Formula		The formula is based on the assumption that the average annual mileage of a hackney carriage vehicle is 34,500	Annual mileage be adjusted to 30,000 based on data supplied from London Taxi Company
Vehicle Cost	Mann and Overton is now called London Taxi Company (LTC)	Vehicle costs are included for: Purchase new and run to scrap Purchase new and sell at 4 years Purchase at 4 years and sell at 8 Purchase at 8 and run to scrap	Criteria remains the same Vehicle costs are included for: Purchase new and run to scrap Purchase new and sell at 4 years Purchase at 4 years and sell at 8 Purchase at 8 and run to scrap
Parts	LTC	LTC vehicle parts	Criteria remains the same – LTC vehicle parts

Tyres	LTC	Dunlop SP, calculated using the formula tyre life assumption	Criteria remains the same –but the data to be sourced from the lowest priced supplier Dunlop SP, Calculated using the tyre life formula assumption
Garage & Servicing – Labour	Office of National Statistics	Percentage change in Median labour costs, specifically for motor mechanics and auto engineers, and is taken from the Annual Survey of Hours and Earnings (ASHE) provided by the Office of National Statistics	Criteria remains the same Percentage change in Median labour costs, specifically for motor mechanics and auto engineers, and is taken from the Annual Survey of Hours and Earnings (ASHE) provided by the Office of National Statistics
Fuel	AA	Directly related to the annual mileage (34,500) Price is running cost of diesel car of value £24,000 to £32,000 (SUM 34500/100%*diesel) Running cost Dec 2011 at 14.27 pence per mile with fuel at £130.7 pence per litre	Criteria changed to reflect the revised annual vehicle mileage of 30,000 miles per annum Directly related to the annual mileage (30,000) Price is running cost of diesel car of value £24,000 to £32,000 (SUM 30000/100%*diesel) Running cost Dec 2011 at 14.27 pence per mile with fuel at £130.7 pence per litre

Insurance	Westminster Insurance	Average cost of insurance for Manchester  <i>Previous figures have been sourced using the following criteria:  One owner (no NCD) employing one driver and having 1 claim resulting in loss of £400 excess</i>	The average cost of hackney carriage driver insurance in Manchester should be sourced as per 2012 fare review, which is the:  Average cost of insurance for Manchester
Miscellaneous	Licensing Unit	Licence Fees	For clarification purposes this is the annual cost of renewal licences for a hackney carriage driver and hackney carriage vehicle [2 tests] ( when the original Halcrow Manchester formula was devised all vehicles were subject to 2 tests per year, this is no longer the case )
Average National Earnings	Office of National Statistics	These are taken from the Office of National Statistics – Median figure	This is to be removed from the formula and use as a comparator together with other factors as determined by the Committee.

Manchester City Council  
Licensing and Appeals Committee

Appendix 2 – Item 5  
21 January 2013



**Licensing Business Unit**  
Telephone: +44 (0)161 234 4917 / 4921  
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P O Box 271, Manchester M18 8YU

Date: 2 October 2012

Dear «SALUTATION»

**CONSULTATION**

**Review of the methodology used for calculating the hackney carriage fare review**

In recent years the Council has used a local formula known as the Halcrow-Manchester formula to calculate the annual review of hackney carriage fares.

In carrying out the 2012 review of hackney carriage fares the Council's Licensing and Appeals Committee raised a number of concerns regarding the Halcrow-Manchester formula and asked that a review be undertaken to look at alternative methods for calculating future hackney carriage fare reviews.

On 1 October 2012 The Licensing and Appeals Committee considered a report that provided proposals on how future hackney carriage fare reviews could be calculated. A copy of the report is available on the Council's website from: [http://www.manchester.gov.uk/meetings/meeting/1791/licensing\\_and\\_appeals\\_committee](http://www.manchester.gov.uk/meetings/meeting/1791/licensing_and_appeals_committee).

The Committee agreed to undertake a 12-week consultation regarding future hackney carriage fare reviews, the proposals of which are detailed on the attached paper. This letter is being sent to all hackney carriage proprietors, drivers and trade representatives. If after reading the attached information you wish to comment on the proposals, please follow the link below to the online consultation available on the Council webpage: [www.manchester.gov.uk/hackney](http://www.manchester.gov.uk/hackney)

Alternatively, you can write to the Licensing Unit Manager Mrs Jenette Hicks, using the above address.

The closing date for the consultation is 31 December 2012 at 4pm; any responses received after this time and date may not be considered.

Yours sincerely

**Ann Marku**  
Principal Licensing Officer (Taxis)

