

Manchester City Council Report for Resolution

Report To: Licensing & Appeals Committee - 15 June 2015

Subject: Hackney Carriage Fare Review for (July 2015- July 2016)

Report of: Head of Planning, Building Control and Licensing

Summary

This report provides the Committee with the information required to make a recommendation to the Executive in respect of the hackney carriage fare review. The report outlines the component parts of the Halcrow-Manchester formula, which have been updated with figures sourced on or after 1 December 2014. This follows this Committee's review of the methodology of calculation of hackney carriage fares in November 2014 as requested by the Executive.

The report also advises that in determining any fare change that consideration is given to the cost of running hackney carriage vehicles against additional factors such as CPI and comparable earnings.

Recommendations

1. The Committee agree to make a recommendation to the Executive in relation to their review of the hackney carriage fare;
 1. That no change should be applied to the current hackney carriage fare in respect of year 2015/16
 2. Whether the full or a higher proportion of the £1.60 airport barrier charge should be applied to the fare card
 3. Whether the full cost of 40p barrier charge for Piccadilly station should be applied to the fare card
 4. That the additional 20p luggage charge is not re-applied to the fare card
 5. That the fuel surcharge is not re-applied to the fare card, but that a mechanism is put in place that would allow any future surcharge to be applied to the fare card expeditiously.
 6. That consideration is given to whether the Committee wish Officers to provide any future report(s) in relation to the comments made by Unite Union as detailed in 7.4.6 of the report and regarding 'Passenger Safety' as outlined in their letter attached at Appendix 4B
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Wards Affected: All

| Community Strategy Spine | Summary of the contribution to the strategy |
|---|---|
| Performance of the economy of the region and sub region | The hackney carriage fare is currently reviewed annually by the Council and takes into account the cost associated with setting up and maintaining a business as a taxi proprietor/driver. This strives towards security in driver jobs and a higher standard of vehicle. The standard of vehicles assists the performance of the regional economy in relation to the purchase and maintenance of vehicles. |
| Reaching full potential in education and employment | A status quo in current fares will in real terms provide an increase in the income of taxi drivers and owners. This would assist in maintaining a professional aspect to taxi driving and could encourage taxi drivers to commit to further education ie NVQ for taxi drivers, and job security |
| Individual and collective self esteem – mutual respect | |
| Neighbourhoods of Choice | The consideration of hackney carriage fares should take into account the standard of living of those associated with taxi licensing and the cost to the 'taxi user'. Any increase in fares is a direct cost increase to service users. Any decrease in fares is a direct cost decrease for those associated with the taxi trade. |

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

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

None

Financial Consequences – Capital

None

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Background documents

Relevant Sections of the Local Government (Miscellaneous Provisions) Act 1976
Halcrow/Manchester Formula.

Hackney Carriage Annual Fare Increase report to the Licensing and Appeals
Committee 23 January 2012.

Licensing and Appeals committee - Review of methodology for calculating the
hackney carriage fare report 21 January 2013

Licensing and appeals Committee - Review of methodology for calculating the
hackney carriage fare report 10 November 2014

1. Introduction

- 1.1 In relation to hackney carriage fares Section 65 of the Local Government (Miscellaneous Provisions) Act 1976 provides the City Council with 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. These should then be set out in a table of fares.
- 1.2 When setting the fares the Act does not prevent the City Council from taking into account any external factors, and there is no limit on the amount of increase or variation (subject to reasonableness)
- 1.3 Under the Council's Constitution fare increases are determined by the Executive. Acting in an advisory capacity to the Executive the Licensing and Appeals Committee were asked to consider the methodology for calculating hackney carriage fares; the Committee determined at the meeting in November 2014 that there was no need to change this at this time. This report sets out the recommended fares to be presented to the Executive based on the existing methodology.
- 1.4 Table 1 below provides the timetable for implementation of any changes to the current hackney carriage fare

Table 1

| | |
|--------------|--|
| 15 June 2015 | Licensing & Appeals Committee consider report and make representations to Executive |
| 1 July 2015 | Executive considers recommendation from LAC |
| 6 July 2015 | Public notice in Manchester Evening News for fare increase 14 day consultation period |
| 20 July 2015 | End of consultation period. Where no objections are received the fares automatically take effect on 4 August 2015 |
| 9 September | Where objections are received the matter is re-considered by the Executive. Following re-consideration of the objections the Executive will be asked to agree an implementation date of 21 September 2015 for any fare changes (with or without amendments) to take effect. That date of implementation must be within 2 months of the date specified in the public notice (4 August 2015) |

2. Background

- 2.1 In July 2002 the Licensing and Appeals Committee agreed a formula for the calculation of the running costs of a hackney carriage vehicle. The formula known as the 'Halcrow-Manchester Formula' (the formula) was devised by Halcrow (CH2M), an independent company who reviewed the model formula used by the Public Carriage Office in London and developed a working model for Manchester (Halcrow Manchester Formula).

- 2.2 This longstanding formula is a mathematical calculation, which is based on the annual mileage of a hackney carriage vehicle in Manchester. Data and component parts are in-putted into the formula on or after 1 December each year, which in turn calculates the annual cost of running a Manchester licensed hackney carriage vehicle. The running cost is then compared year on year. ie 1 December 2013 to 1 December 2014
- 2.3 Following a timely review of the methodology in 2012 the Committee agreed the following:
- (i) The 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 and
 - (vi) That any component of the formula would be reviewed at any time in particular to reflect any relevant change in policy or practice
- 2.4 More recently following a request by the Executive in March 2014, the Licensing and Appeals Committee further reviewed the methodology of calculating the fares. Consequently the Committee determined that there should be no changes.
- 2.5 A copy of the current data sources, component costs and assumptions used in the formula have been provided within **Appendix 1** attached to the report.

3 Calculation of the fares

- 3.1 The following individual components are used to calculate the fare
- 3.2 Current Rate of Inflation
- 3.2.1 Using the Consumer Price Index (CPI) the current rate of inflation is 0.5% (Office of National Statistics December 2014).
- 3.3 Comparable earnings related data
- 3.3.1 The current annual full time **employee earnings is £27271, which when compared against last years figure of £27174 shows a small 0.36% increase of £97 (December 2014)
- ** 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**

3.4 Halcrow Manchester Formula

3.4.1 As previously noted the formula is used to calculate the annual cost of running a Manchester licensed hackney carriage vehicle, in this instance, between December 2013 and December 2014.

3.4.2 The data in table 2 below provides a comparison of the cost of running a hackney carriage vehicle from December 2013 to December 2014.

Table 2 - Halcrow Manchester Formula calculation:

| Component on index | Total Costs 2013 | Total Costs 2014 |
|--|-------------------------|-------------------------|
| Vehicle Cost | 5191 | 5580 |
| Parts | 3438 | 3438 |
| Tyres | 397 | 427 |
| Garage & Servicing - Labour | 934 | 926 |
| Fuel | 4632 | 3864 |
| Insurance | 2425 | 2038 |
| Miscellaneous | 505 | 333 |
| Total Operating Costs | 17523 | 16606 |
| Comparison of Operating Costs between 2013 and 2014 | | |
| 2013 - 2014 | -5.23% | |

3.5 The figures in table 1 show a decrease in the running cost of -5.23%, mainly due to reductions in the cost of fuel and the miscellaneous costs (licence fees).

4. Core Cities & AGMA Comparison

4.1 The current cost of a 1 and 2 mile journey on tariff 1 and tariff 2 in a Manchester licensed hackney carriage vehicle has been compared with the Core Cities and AGMA (Association of Greater Manchester Authorities) as shown in **Appendix 2**.

4.2 The data in Appendix 2 shows that the current average cost of a 3 mile daytime journey in Manchester is £7.50, which is slightly less than the average

Core City fare of £7.73 and slightly more than the average AGMA cost of £7.26.

- 4.2.1 In relation to a nighttime journey the current average cost of a 3 mile journey in Manchester is £10.10, which is more than both the average Core City cost of £9.01 and the average AGMA cost of £7.26.
- 4.3 The difference can be explained as the night-time rate in Manchester is set at a significant premium to the day rate to encourage more drivers to work at night and to offset the costs on the hackney carriage fee used to fund the Taxi Marshall Service provided at key City Centre ranks.
- 4.4 The current cost of an hour waiting time for Manchester has been compared with the cost of an hour waiting time for the Core Cities and AGMA regions as detailed in **Appendix 3**, attached to the report.
 - 4.4.1 The average hourly daytime waiting time in Manchester is £18.60, which is more than the average Core City cost of £16.51 and more than the average AGMA cost of £13.81. This would correlate with the daytime fare for Manchester being more than those for the AGMA regions and a contributor could be that Manchester has in the past increased the waiting time in line with any fare increase.
 - 4.4.2 The average hourly nighttime waiting time in Manchester is £24.60, which is above the average Core City cost of £19.14 and above the average AGMA cost of £15.98. The difference in the waiting time is in line with the nighttime fares, which are higher than those of both the Core Cities and AGMA regions.

6 Hackney Carriage trade Consultation Responses

- 6.1 On 2 January 2015 approximately 2500 current hackney carriage drivers and trade representatives (Unite the Union, Mcr Blackcab Paul McCormick, Mantax, Taxi Owners Manchester, GMB Union Manchester Airport, Manchester Hackney Association Ltd) were e-mailed and asked for their comments in relation to the 'fare review' as a whole and the 'additional extras' that are included in the fare card. An additional follow-up e-mail was sent out to the trade representatives on 19 January 2015
- 6.2 Only a very small number of responses were received albeit these did include those representing trade bodies, these included Unite the union (**APPENDIX 4A**) Manchester Taxi Owners and Drivers Association (**APPENDIX 4B**) and an individual taxi driver Mr Ali, whose comment has been reproduced verbatim below.
 - 6.2.1 Mr Ali, a hackney carriage driver has stated:

Hackney carriage of Manchester fare tariff 4, which is Christmas and New Year should be reduced its too much throughout the day in these special holidays.
 - 6.2.2 Unite the Union are requesting

- (i) The full cost of the Manchester Airport Barrier fee on the all outward meter fare journeys from the Airport Terminals.
- (ii) The full barrier charge from the Manchester Piccadilly Railway Station Taxi Rank Barrier as previously has being allowed since 2001.
- (iii) The 20p for the luggage items carried out of the passenger compartment should be reinstated which was taken off last year.

The full reasoning behind the requests are provide in the letter received by Unite the Union, a copy of which is attached to the report at **APPENDIX 4A**.

6.2.3 Manchester Taxi Owners and Drivers Association (MTODA) are requesting

- (i) That the Committee consider a comparison with other areas in relation to Wheelchair Accessible Vehicles (WAV) policies, insurance costs in the area, vehicle age limits, testing regimes, licence fees.
- (ii) The full cost of recovery for the Piccadilly station surcharge of 40p
- (ii) The reinstatement of the luggage surcharge of 20p
- (iv) A fuel surcharge to be reintroduced onto the fare card

The MTODA have also commented on the changes made to the Halcrow Manchester fare formula and the correlation between the income of drivers and the risk they take in order to obtain a greater income.

The full reasoning behind the request are provided in the letter received from MTODA, a copy of which is attached to the report at **APPENDIX 4B**

7. Officer Comments

7.1 The hackney carriage fare is normally reviewed on an annual basis and previous years outcomes are detailed in table 2

7.2 Table 2

| Year | Outcome |
|------|----------------|
| 2007 | Increase 2.74% |
| 2008 | Increase 2.48% |
| 2009 | Increase 3.76% |
| 2010 | Increase 1.96% |
| 2011 | Increase 7.4% |
| 2012 | Increase 4.33% |
| 2013 | No change |

- 7.2.1 In 2013 the Committee decided that, after considering the matter in detail, there should be no change to the hackney carriage fare and that it should be reviewed the following year.
- 7.3 From the information available the cost of running a hackney carriage vehicle between December 2013 and December 2014 has shown a decrease of - 5.23%. This though would have to be balanced against an increase in the CPI of 0.5%, and an increase in the comparable earnings related data of 0.36%.
- 7.3.1 As members are aware the Council sets the standard of hackney carriage vehicles licensed in Manchester, this standard is higher than in many other authorities. It is a reasonable expectation that the taxi trade are able to continue to be in a position to maintain the standard of vehicle required by the Council and at the same maintain a reasonable standard of living. This has to be balanced against a rise in the hackney carriage fare, which may decrease passenger use.
- 7.3.2 Therefore if the cost of running a vehicle has decreased and taking into account the rise in CPI and comparable related earnings retaining the fare at the current level would provide a net benefit to proprietors and drivers which would also have no tangible impact on passenger use.
- 7.4 Officers have reviewed the responses submitted by the taxi trade and have the following comments to make.
- 7.4.1 Unite the Union
- 7.4.2 In relation to the individual requests;

The full cost of the Manchester Airport Barrier fee on the all outward meter fare journeys from the Airport Terminals.

Officer response:

*The cost each time a hackney carriage driver goes through the barrier at the airport is £1.60 of which 70p can be recouped via the current fare card (a copy of which is attached at **Appendix 5**).*

Whilst a hackney driver can charge less than the price on the meter (s)he cannot charge more. The metered fare can only be revised by the Council. This differs from the private hire trade who can change their fares at any time and can therefore react quickly to any changes in costs. The barrier charge is no doubt being passed onto private hire passengers but is absorbed into the fare.

It is recommended that consideration should be given to the hackney trade having parity with the private hire trade and being allowed to re-coup the full or a higher proportion of the cost of the barrier charge of £1.60. This will only affect customers who are going to the airport.

- 7.4.3 The full barrier charge from the Manchester Piccadilly Railway Station Taxi Rank Barrier has not been allowed since 2001.

Officer response:

The current charge that can be recouped for journeys through the Piccadilly barrier is 20p. In applying the same reasoning as above (7.4.2) consideration should be given to allowing the full cost of the 40p barrier charge to be recouped by the hackney carriage trade. This would only affect travellers going to Piccadilly station

- 7.4.4 The 20p for the luggage items carried out of the passenger compartment should be reinstated which was taken off last year.

Officer response:

The 20p luggage charge was applied for 'each article of luggage carried outside the passenger compartment'. As the 20p charge could be added manually it was relatively easy for this to be misapplied for any baggage whether carried inside or outside of the luggage compartment. It is not believed that such a charge should be re-applied as the Council's duty is to protect the travelling public and the luggage charge was open to abuse by a minority of drivers.

- 7.4.5 Manchester Taxi Owners and Drivers Association

In relation to the individual requests

- 7.4.6 That the Committee consider a comparison with other areas in relation to WAV policies, insurance costs in the area, vehicle age limits, testing regimes, licence fees.

Officer response

The Halcrow-Manchester formula already takes into account the cost of insurance and licence fees in Manchester. It is not always easy to compare like for like. Taking the fees as an example Manchester includes in its fees the cost of vehicle tests, whilst other authorities charge these fees separately. Another consideration is the size, makeup, policies and standards of the authority that you are comparing.

Manchester maintains a limit on the number of hackney carriage proprietor licences, which if comparison with other areas was to be taken into consideration would also, need to be included.

Officers will if the Committee considers appropriate bring a report back exploring this request in more detail.

- 7.4.7 The full cost of recovery for the Piccadilly station surcharge of 40p

Officer response

This matter has been dealt with at 7.43 in the report.

- 7.4.8 The reinstatement of the luggage surcharge of 20p

Officer response

This matter has been dealt with at 7.44 in the report

7.4.9 A fuel surcharge to be reintroduced onto the fare card

Officer response

There would appear to be no indication at this time that the cost of fuel is to increase. Like the 20p luggage charge this would be easy to be misapplied. It is recommended however that consideration be given to introducing a mechanism whereby any extraordinary increase in fuel could be dealt with expeditiously.

7.4.10 Halcrow and Passenger safety

Officer Response

Whist this matter should not affect the determination of this report Officers can if the Committee require provide a report in the future in relation to this issue.

7.5 Mr Ali's request

7.5.1 Hackney carriage of Manchester fare tariff 4, which is Christmas and New Year should be reduced its too much throughout the day in these special holidays.

Officer response

Whist Mr Ali's response should be taken into consideration; this is not an issue that has been expressed by the trade in general. There would be an expectation that the cost of travelling on Christmas or New Year would incur a higher than normal fare. A higher fare is also likely to encourage drivers to work on Christmas/New Years Day thus providing necessary transport.

This is not believed to be a significant issue or one that is generally supported by others. It is therefore recommended that the fare for Christmas and New Years Day is maintained at the current levels.

8. Other legal implications

8.1 There are no additional legal implications to consider.

9. Contributing to the Community Strategy

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

9.1.1 The hackney carriage fare is reviewed annually by the City Council and takes into account the cost associated with setting up and maintaining a business as a taxi proprietor/driver. This strives towards security in driver jobs and a higher standard of vehicle. The standard of vehicles assists the performance of the regional economy in relation to the purchase and maintenance of vehicles

9.2 (b) Reaching full potential in education and employment

- 9.2.1 An increase in fares should maintain the income of taxi drivers and owners at a comparable rate to average earnings. This aims to maintain a professional aspect to taxi driving and seeks to encourage taxi drivers to commit to further education i.e. NVQ for taxi drivers, and job security

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

- 9.3.1 Not applicable to the content of this report

9.4 (d) Neighbourhoods of Choice

- 9.4.1 The consideration of hackney carriage fares should take into account the standard of living of those associated with taxi licensing and the cost to the ‘taxi user’. Any increase in fares is a direct cost increase to service users. Any decrease in fares is a direct cost decrease for those associated with the taxi trade.

10. Key Policies and Considerations

(a) Equal Opportunities

There are no equal opportunity issues in relation to this report

(b) Risk Management

There are no risk management issues in relation to this report

(c) Legal Considerations

There are no legal considerations other than those already highlighted within the report

11. Conclusion

- 11.1 The report explains the process in detail in relation to the calculation and review of the hackney carriage fare and the Licensing and Appeals Committee’s advisory role to the Executive.
- 11.2 The report provides, for consideration, the consultation comments made which includes the trade representatives (APPENDIX 4A and 4B) and those of an individual hackney carriage driver in relation to the review of the fare.
- 11.2.1 Section 7 of the report provides further detail of the trade representative’s comments in addition to officer responses and recommendations in relation to those comments.
- 11.2.2 Whilst some of the comments made by Manchester Taxi Owners and drivers Association (APPENDIX 4B) cannot be taken into consideration in this fare review the Committee may wish Officers to provide future reports to explore some of the issues raised.

- 11.3 The report finally details the list of officer recommendations for consideration and agreement. Any determination by the Licensing and Appeals Committee will be reported to the 1 July Executive meeting.