

Manchester City Council Report for Resolution

Report to: Executive – 19 October 2022

Subject: Hackney Carriage Fare Review 2022

Report of: Strategic Director (Growth and Development)

Summary

In its capacity as advisor to the Executive on Hackney Carriage fares, the Licensing and Appeals Committee considered a report at its meeting on 26 September 2022, which set out all the relevant information in relation to a full Hackney Carriage Fare Review.

This report provides the Executive with the information considered by the Licensing and Appeals Committee in respect of that review along with its recommendation.

Recommendations

The Executive is recommended to:

- (1) Increase the Day flag tariff to £2.60.
 - (2) Increase the Night flag tariff to £3.00.
 - (3) Apply the 23% increase to the rest of the fare on distance on Tariff 1.
 - (4) Apply the 23% increase on the fare on distance on Tariffs 2 & 3 (Night and Bank Holiday Tariffs).
 - (5) Not apply an increase to the waiting time on this occasion and review in 12 months.
 - (6) Retain the current 20p charge for additional passengers but review this in 12 months.
 - (7) Not reintroduce the 20p luggage surcharge at this time.
 - (8) Permit the £1.80 airport pick-up charge to be applied as an extra on the fare card.
 - (9) Ensure the Fare is reviewed again in 12 months' time.
 - (10) Increase the fouling charge from £30 to £50.
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Wards Affected - All

Environmental Impact Assessment - the impact of the decisions proposed in this report on achieving the zero-carbon target for the city

The Hackney Carriage Fares are determined by the City; therefore the City has a direct impact on the affordability of Hackney Vehicle proprietors in maintaining and upgrading vehicles to emissions compliant and zero emissions capable vehicles.

Our Manchester Strategy outcomes	Contribution to the strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	The Hackney Carriage Fares should take into account the associated costs of running and maintaining a business as a Taxi proprietor. Fares that accurately reflect those costs support security in driver jobs and the effective maintenance of vehicles.
A highly skilled city: world class and home grown talent sustaining the city's economic success	Maintaining fares reflective of the business running costs helps ensure the Hackney Carriage industry can attract and retain drivers; and in turn ensure the Council can attract high quality applicants who can invest in the vocation long term.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	The Fares should be set at a level that supports the City's ambition to remain an affordable destination to live, visit and work; supporting business and accessible travel as part of the wider transport network.
A liveable and low carbon city: a destination of choice to live, visit, work	<p>The Hackney Carriage Fares should take account of the associated costs of running and maintaining a business as a Taxi proprietor. Fares that accurately reflect those costs support investment in cleaner vehicles, and in turn a higher quality fleet that provides a better service for those living, visiting and working in the City.</p> <p>The Fares should also be set at a level that supports the City's ambition to remain an affordable destination to live, visit and work; supporting business and accessible travel as part of the wider transport network.</p>
A connected city: world class infrastructure and connectivity to drive growth	Ensuring the Hackney Trade remains financially viable, supports the Hackney industry in Manchester so that we can continue to offer an essential fully accessible service at key transport interchanges and ranks around the City, supporting the wider transport network and businesses.

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):

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.

- Hackney Carriage Fare Review 2022 - Report to Licensing and Appeals Committee (26 Sept 2022)
- Request for Temporary Hackney Carriage Fuel Surcharge – Report to Licensing and Appeals Committee June 2022
- Hackney Carriage Fare Review 2017 – reports to Licensing and Appeals Committee (April 2017) and Executive (June 2027)
- Review of methodology for calculating the Hackney Carriage Fares – reports to Licensing and Appeals Committee (Jan 2013 and Nov 2014)
- Relevant Sections of the Local Government (Miscellaneous Provisions) Act 1976

1.0 Introduction

- 1.1 The Council has the authority (under Section 65 of the Local Government [Miscellaneous Provisions] Act 1976) to fix the maximum fare/rate that Hackney Carriages can charge within the district for time and distance, as well as other charges in connection to the hire of a hackney carriage vehicle.
- 1.2 There is no set formula for calculating Hackney carriage fares and the legislation does not limit the Council in the external factors it may take into consideration, nor the amount by which it may vary the fare tariff (subject to reasonable decision making).
- 1.3 Under the Council's constitution, Hackney fares are determined by the Executive. The Licensing and Appeals Committee act in an advisory capacity to the Executive in relation to the fare review.
- 1.4 On 26 September 2022, the Licensing and Appeals Committee considered a report detailing a full review of the Hackney Carriage Fares. This report sets out the information considered by the Licensing and Appeals Committee and its recommendations to the Executive in relation to setting of the maximum Hackney Carriage Fares.

2.0 Background

- 2.1 The current methodology for calculating the Hackney Carriage Fares in Manchester has evolved over several years. The 'Halcrow-Manchester Formula' was originally devised in 2002, based on a model formula used by the Public Carriage Office in London (as was – now Transport for London) at that time. The formula uses data from several sources for the following components to calculate an estimate of the average annual cost of running a Manchester licensed Hackney vehicle:
 - Cost of purchasing a vehicle (averaged over lifespan of vehicle)
 - Parts
 - Tyres
 - Garage – servicing and repair
 - Fuel (although this was removed and reinstated)
 - Insurance
 - Licensing fees
- 2.2 The formula is no longer the sole determinant of the Hackney Carriage Fares. Following a review of the methodology, the Licensing and Appeals Committee agreed the following in January 2013:
 - The data and component parts of the current formula as revised should be used as one part of the hackney carriage fare review
 - In calculating any hackney carriage fare review consideration should be given to the current Consumer Price Index (CPI)

- In calculating any hackney carriage fare reviews; consideration should be given to comparable earnings-related data
- In calculating any hackney carriage fare reviews comparator fare information from other core cities and AGMA authorities should continue to be provided
- That any component of the formula would be reviewed at any time, in particular to reflect any relevant change in policy or practice

2.3 Changes have also been made over time to the fare tariff itself; for example, a surcharge for luggage was removed on the recommendation of this Committee in 2014 following a full consultation.

2.4 In determining the fares, the Council must consider the ability of a hackney carriage proprietor to purchase a vehicle that conforms with our purpose-built hackney carriage policy whilst maintaining a reasonable living standard. The Council also needs to take into consideration the impact on the travelling public and the wider strategic aims of the city. The Fares should be set at a level that supports the City's ambition to remain an affordable destination to live, visit and work; supporting business and accessible travel as part of the wider transport network.

2.5 The current table of fares and extras is attached to this report as **Appendix 1**

3.0 Previous Fare Reviews

3.1 The Hackney Fare Tariff was last fully reviewed in June 2017 when a 6.42% increase was applied to the distance element of the fare tariff only (waiting time tariff was not adjusted). Minor amendments were made in 2018 and 2020 to reflect charges introduced at Manchester Airport. It is acknowledged that the fare tariff has not been fully reviewed since 2017. Whilst there is no requirement for the authority to review the fare annually, the authority would normally aim for more frequent reviews. Other significant service pressures and priorities meant this was not possible in 2018-19, although the data indicates that there were no significant increases in running costs during those years. During the pandemic years 2020 and 2021, undertaking a review was not viable, however, the Executive will be aware of the support provided to the Hackney trade during that time. The Unit has remained responsive to significant issues, ensuring the Committee were able to consider changes in relation to the airport charges and the hike in fuel prices.

The table below outlines the changes to the Fare Tariff in recent years:

Year	Outcome
2011	Increase 7.4%
2012	Increase 4.33%
2013	No change
2014	-4.37% No change
2015	-5.23% No change
2016	-3.20% No Change

2017	Increase 6.42%
2018	Airport charges included – no change to wider tariff
2019	No review
2020	Airport charges added – no change to wider tariff
2021	No review – Covid
2022	Fuel surcharge – 80p

3.2 Members will recall that the Executive approved a temporary fuel surcharge of 80p in June 2022 (effective in July 2022). The amended the Fares as follows:

	Tariff 1 (Day)		Tariff 2 (Night)	
	Flag	2 miles	Flag	2 miles
2022 – temporary fare	£2.30	£6.50	£2.80	£8.50
2017 fare	£2.30	£5.70	£2.80	£7.70

3.3 The implementation of the surcharge means that the travelling public have now been subject to increased fares for over 3 months.

3.4 Members should note that this Fare Review has disregarded the fuel surcharge and any proposed amendment to the fare is in relation to the Hackney Fare Tariff as was determined in June 2017. Further fare comparisons with other cities and GM districts are detailed later in the report.

4.0 2022 Fare Review – data and considerations

4.1 Halcrow-Manchester Formula

The Licensing and Appeals Committee received a full breakdown of the component costs and source data used within the formula to calculate the fares. This data can be found at **Appendix 2**.

4.2 The formula provided that the estimated running costs of a Manchester licensed Hackney Carriage Vehicle had increased by **23.01%** in 2022 compared to the costs in 2017 (when the last full review was conducted).

4.3 Consumer Price Index (CPI)

According to the Office for National Statistics the rate of inflation in the UK as of July 2022 was 10.1%. The CPI has however increased by **18.6%** since December 2016:

	Consumer Price Index UK
December 2016	102.2
July 2022	121.2
% change	+ 18.6%

4.4 Comparable Earnings-related data

According to the ONS the average full time employee earnings in 2021 was £31,772. When compared with the same data used in 2016 for the last full fare review (£28,296), this shows an increase in earnings related data of **12%**.

4.5 Trade Engagement

The Licensing and Appeals Committee heard information in relation to engagement sessions officers held with Hackney trade representatives. The feedback is summarised as follows:

- Reps were keen to ensure the committee remained aware of the significant impacts of the pandemic and cost of living on their livelihoods, and that these impacts follow the wider impact of the changes in the private hire industry and proliferation of out of area working; the removal of some ranks due to the sweeping changes to the City's highway infrastructure and the pending clean air and emissions policy requirements that will require them to upgrade vehicles within a very limited and expensive market. Their feedback is that the trade is unviable at the time, with many hackney drivers having already left or are thinking of leaving the trade.
- The trade were very conscious that whilst they are struggling financially, so too are the travelling public.
- Reps were also conscious that there has not been an increase for some time so this may come as a steep increase to passengers. However, overall state they are struggling to meet their business costs at present and require a fare increase
- All groups canvassed their own members and fed back that the overwhelming majority welcomed and supported that the fares should be increased in line with the increased costs estimated by the formula, and in turn **made representation to the Committee to apply 23% increase across all tariffs.**
- There appeared to be mixed views with regards to the flag tariffs – but overall, a view that the initial flag fares should increase having remained static for many years
- The trade reps were supportive of an increase in the fouling charge from the £30 it has been for several years now, to £50 to better reflect current costs
- There were suggestions that the Council also consider increasing the extra on the Fare card for additional passengers from 20p to 40p
- There were also suggestions that the Council consider re-introducing the luggage surcharge on the farecard.

4.6 Cognisant that not all licensees are members of an association or trade group, officers also canvassed the wider trade by conducting an online survey of all Manchester Hackney licensees (just over 3000 licence holders). The quick online survey is a relatively new tool used by the Licensing Unit to get

immediate feedback from licensees; and has to date proven to be effective in eliciting a substantial response rate compared to previous methods of engagement. The average time taken to complete the survey was just over 2 minutes. The Licensing and Appeals Committee heard that the Unit received 1295 responses over 3 days. During the meeting on 26 September 2022, the Committee also heard some trade representatives challenge the validity of this survey, suggesting that it could have been manipulated by some licensees who completed it more than once. Officers confirmed to the Committee that the platform did not prevent respondents submitting more than one response. The survey questions and the responses that were received can be found at **Appendix 3**.

4.7 Passenger Tariff Extra

The Fare Tariff currently permits drivers to charge 20p for each additional passenger to the hirer. This charge has been 20p since at least 2006 according to service records. The meter can only be calibrated to turn over at the same increment denomination, so if it were to be increased it would have to be increased to 40p.

4.8 Luggage Tariff Extra

The Fare tariff has changed over the years, but previously permitted drivers to charge 20p for each article of luggage that was carried outside of the passenger compartment (i.e. in the front compartment of the vehicle or the boot).

Some trade reps requested that this charge be reintroduced with some requesting it be applied to all luggage carried within any compartment of the vehicle, and others requesting it apply as stated previously. Submissions also included increasing the charge to 40p per item of luggage. Views put forth were that large luggage in the main compartment took the space of a person who would otherwise be charged as an extra; manual handling of luggage should be compensated; and carrying luggage meant more weight and more fuel usage.

The current Hackney Carriage Bye-Laws require drivers by law to assist passengers with luggage:

The driver of a hackney carriage so construed to carry luggage shall, when requested by any person hiring or seeking to hire the carriage –

- (a) convey a reasonable quantity of luggage*
- (b) afford reasonable assistance in loading and unloading; and*
- (c) afford reasonable assistance in removing it to or from the entrance of any building, station or place at which the may take up or set down such person*

The issue of luggage surcharges was considered at length in 2014, when it was removed from the fare tariff following a public consultation; and is fraught with difficulty when dealing with related complaints.

4.9 Airport charges

Manchester Airport Group (MAG) have proposed changes to the pick-up charge for Hackney Carriages at the terminals. This is completely different to the drop off charges which apply to all airport users, and is a charge made only to Hackney vehicles to access the ranks at the terminals.

This charge is currently £1.60 and has been fixed at that rate for over 10 years. The driver initially pays this charge when accessing the Hackney feeder park at the airport, which controls and manages the Hackney Carriage access to the forecourt ranks. The £1.60 charge is referred to by the trade therefore as the feeder park 'barrier charge'. The driver is subsequently permitted (via the Farecard) to charge this back to the customer when picking up from one of the airport terminals. In order to access the feeder park, the driver also requires a feeder park permit. The charge for this is currently £28.80 and this has also remained at this price for over 10 years.

The feeder park barrier and permit charges cover the costs of facilitating Hackney Carriages to operate at the airport; the running and maintenance of the feeder park which includes a prayer room, toilets, kitchen area, rest rooms (with tv), visual screen with flight information and a dedicated 24hr a day / 365 days a year marshal service based within the feeder park. The capacity of this facility is 100-200 vehicles.

Several discussions have taken place over the last 12 months and the outcome is that MAG are proposing:

- The permit charge remains as is for now at £28.80 (one off charge)
- **The pick-up (barrier) charge is increased from £1.60 to £1.80**
- MAG will not seek any further increase to the pick-up charge any earlier than April 2026, save for extraordinary circumstances (i.e. pandemic / unforeseen substantial cost increases)

MAG would like to assure the Executive that the feeder park is run on a cost recovery basis only and it does not make a profit from this revenue. MAG state that any surplus or loss each year is applied back to the feeder park accounts, and this will be monitored over the next 4 years. MAG have modelled assumptions up to 2026 based on a continued recovery of travel behaviour from the pandemic to pre-covid levels; on which basis MAG anticipate a break-even position by the end of March 2026. However, as stated, this will be monitored and reviewed with the trade and Licensing as necessary

The Executive must consider whether to permit the amendment to this pick up charge on the Hackney Carriage Fare Card from £1.60 to £1.80.

5.0 **Licensing and Appeals Committee Recommendation**

- 5.1 During the meeting on 26 September 2022, the Committee heard further representations from trade representatives. In summary the feedback was:

- Keen to point out that there has not been an increase on their fares for some time and emphasised that the formula outlines that their running costs have increased by 23%, and that if this increase were to be applied to the fares, this wouldn't be an increase in profit but a recovery of their costs and that they are struggling to meet their business costs at present
- It was stated that one fare increase in the last 10 years was not enough and that an increase of around 30-35% was more appropriate. It was also expressed however by one representative that it was generally accepted that this was too much for customers to bear.
- The trade generally did not agree with the officer recommendation not to apply an increase to the waiting element of the fare tariff at this time and noted to the committee that private hire companies are able to apply higher charges at peak congestion times when vehicles are more likely to be stuck in traffic.
- Felt it was unfair to night-time drivers if the increase was only applied to the day tariff.
- Pointed out that new vehicle costs have increased and licence holders are still awaiting assistance from the Clean Air Fund to upgrade their vehicles.
- Unite the Union stated they surveyed their members and found that they supported a higher initial flag rate than had been suggested by the Council's survey. Their members also fully supported applying a 23% increase to the fare across the board on all tariffs and waiting time.
- Overall, the Committee were urged strongly to apply at least 23% for both day and night tariffs and waiting times, increase fouling charge and welcomed annual reviews.

5.2 The Committee had a number of options and considerations in determining a recommendation to the Executive:

- Apply all or a portion of the 23% increase increase in costs suggested by the formula; and
 - Apply that increase against the distance fare
 - Apply that increase against the waiting time
 - Apply that increase against either Day or Night Tariffs or both
 - Amend the flag tariff of either/all Tariffs and apply any increase on the remaining distance or time or both
- Amend any other elements of the fare tariff
- Choose not to amend the fare tariff at this time

5.3 Upon consideration of the report and hearing further submissions from trade representatives, the Licensing and Appeals Committee deliberated before outlining its recommendation to the Executive:

- (1) Increase the Day flag tariff to £2.60.
- (2) Increase the Night flag tariff to £3.00.
- (3) Apply the 23% increase to the rest of the fare on distance on Tariff 1.
- (4) Apply the 23% increase on the fare on distance on Tariffs 2 & 3 (Night and Bank Holiday Tariffs).

- (5) Not apply an increase to the waiting time on this occasion and review in 12 months.
- (6) Retain the current 20p charge for additional passengers but review this in 12 months.
- (7) Not reintroduce the 20p luggage surcharge at this time.
- (8) Permit the £1.80 airport pick-up charge to be applied as an extra on the fare card.
- (9) Ensure the Fare is reviewed again in 12 months' time.
- (10) Increase the fouling charge from £30 to £50.

5.4 The Committee provided the following reasons for its recommendations:

The Committee considered the content of the report and everything said at the meeting. The Committee was conscious it had to balance the need to ensure that the hackney carriage trade which is an important part of the public transport offering in Manchester remains viable against the needs of the travelling public particularly those disabled passengers who rely on wheelchair accessible vehicles as well as other residents and visitors to the city. The Committee was not unanimous in its decision to recommend the 23% increase in distance to the night-time tariff. Some members were concerned about the effect this would have on trade in what they consider a competitive night-time market. When deciding on the recommendations the Committee took into account the volatile state of the economy and the fact that the Trade was still in a financially difficult position due to the effects of the pandemic. However, the Committee was also mindful that passengers were facing a cost of living crisis. Taking these factors into account as well as the fact that they would recommend a further review of Hackney carriage fares in 12 months' time the Committee did not consider it appropriate to recommend an increase in the waiting time tariff at this stage.

5.5 Since the Licensing and Appeals Committee on 26 September 2022, further comments have been received from two trade association representatives. These question the data used for the Halcrow Manchester formula, specifically around the vehicle costs and comparisons with the 2017 review. Due to conditions in the second-hand vehicle market, it is considered the data and assumptions being applied for 2022 are reasonable.

6.0 Comparison with other cities and GM authorities

6.1 **Appendix 4** provides the Executive with a comparison of flag rates and fares for a 2 mile journey on both day and night tariffs in other core cities and GM districts. The table denotes where Manchester's current fares and those recommended by the Licensing and Appeals Committee are positioned.

6.2 **Appendix 5** provides Members with the current comparison waiting times for 1 hour for day and night tariffs in other core cities.

7.0 Timetable for Implementation

7.1 The table below outlines the possible timetable for implementation of any changes determined to the Hackney Carriage Fares:

26 September 2022	Licensing and Appeals Committee
19 October 2022	Executive
21 October 2022	Public Notice in MEN 14-day consultation period
4 November 2022	End of consultation period
18 November 2022	If no objections received, new fares take effect (following recalibration of meters)
5 December 2022	If objections are received; Licensing and Appeals Committee consider objections

8.0 Conclusion and recommendations

8.1 The report outlines the relevant information the Executive needs to consider in determining the Hackney Carriage Fares.

8.2 The Licensing and Appeals Committee in its advisory capacity to the Executive considered a full fare review report on 26 September 2022 and makes the recommendations set out in 5.3 above and at the beginning of this report.

8.3 The Executive has the authority to:

- Apply *all, part or none* of the recommended amendments to the Fare Tariff
- Apply any additional amendment(s) it determines as appropriate

9.0 Contributing to a Zero-Carbon City

9.1 The Hackney Carriage Fares are determined by the City; therefore the City has a direct impact on the affordability of Hackney Vehicle proprietors in maintaining and upgrading vehicles to emissions compliant and zero emissions capable vehicles.

10.0 Contributing to the Our Manchester Strategy

10.1 (a) A thriving and sustainable city

The Hackney Carriage Fares should take into account the associated costs of running and maintaining a business as a Taxi proprietor. Fares that accurately reflect those costs support security in driver jobs and the effective maintenance of vehicles.

10.2 **(b) A highly skilled city**

Maintaining fares reflective of the business running costs helps ensure the Hackney Carriage industry can attract and retain drivers; and in turn ensure the Council can attract high quality applicants who can invest in the vocation long term.

10.3 **(c) A progressive and equitable city**

The Fares should be set at a level that supports the City's ambition to remain an affordable destination to live, visit and work; supporting business and accessible travel as part of the wider transport network.

10.4 **(d) A liveable and low carbon city**

The Hackney Carriage Fares should take account of the associated costs of running and maintaining a business as a Taxi proprietor. Fares that accurately reflect those costs support investment in cleaner vehicles, and in turn a higher quality fleet that provides a better service for those living, visiting and working in the City.

The Fares should also be set at a level that supports the City's ambition to remain an affordable destination to live, visit and work; supporting business and accessible travel as part of the wider transport network.

10.5 **(e) A connected city**

Ensuring the Hackney Trade remains financially viable, supports the Hackney industry in Manchester so that we can continue to offer an essential fully accessible service at key transport interchanges and ranks around the City, supporting the wider transport network and businesses.

11. Key Policies and Considerations

11.1 **(a) Equal Opportunities**

Whilst we do not have exact demographic data (as we do not collect this data as part of the licensing process), we know from our customer interactions that a significant majority of Hackney Carriage licence holders are from BAME communities. We also know that members of the BAME community (and communities in the North-West), were disproportionately impacted by the pandemic.

Hackney Carriages also provide key accessible transport for passengers with mobility issues or other disabilities and must remain a viable option for these key affected groups.

11.2 **(b) Risk Management**

No further considerations for this report.

11.3 **(c) Legal Considerations**

No further considerations for this report.