

**Manchester City Council  
Report for Resolution**

**Report to:** Licensing & Appeals Committee – 17 July 2023

**Subject:** Hackney Carriage Fare Review 2023

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

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**Summary**

This report sets out the relevant information this Committee will need to consider in order to enable it to make recommendations to the Executive in relation to the Hackney Carriage Fare tariff.

The report also sets out proposals for this Committee in relation to the acceptance of card payments in Hackney Carriage vehicles.

**Recommendations**

- 1) In relation to the Hackney Carriage Fare Tariff, the Committee in considering its recommendation to the Executive (and subject to anything further discussed within the meeting) may wish to consider the following officer recommendations in relation to the Fares:
    - 1) Increase the unit cost per mile on all tariffs by 8%
    - 2) Increase the waiting time fare by 23%
    - 3) Increase the Day flag tariff to £3.40
    - 4) Increase the Night flag tariff to £3.80
  
  - 2) The Committee is also asked to determine making acceptance of card payments mandatory in all Hackney Carriage Vehicles and for the policy to take effect on 1 September 2023.
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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 to maintain and upgrade vehicles to emissions compliant and zero emissions capable vehicles.

Manchester Strategy Outcomes	Summary of the 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 and 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**

Hackney Carriage Fare Review 2022 - Reports to Licensing and Appeals Committee (September 2022) and Executive (October 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)

Manchester Halcrow Formula

Relevant Sections of the Local Government (Miscellaneous Provisions) Act 1976

Relevant Sections of the Town Police Clauses Act 1847

## 1. Introduction

- 1.1 The Committee will be aware that 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 This report sets out the relevant information for this Committee to consider in order to make recommendations to the Executive in relation to the Hackney Carriage Fare tariff.
- 1.5 The report also separately sets out a proposal for this Committee to consider making the acceptance of card payments in Hackney Carriages mandatory.

## 2. Background

- 2.1 The Hackney Fares were fully reviewed in September 2022, when this Committee recommended the following 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.
- 2.2 At that stage the Hackney fares in Manchester had not been fully reviewed since 2017 accounting for the notable increase.
- 2.3 As Members will note, officers committed to further reviewing the fares again within 12 months. The current methodology used in Manchester for calculating the fares has now been in place for over a decade and officers considered it timely to review the methodology having noted the sensitivity of the formula to any changes in data components or assumptions reflective of market changes and the challenge in obtaining accurate cost data.

- 2.4 GMB and Unite the Union representatives approached the Council to raise their concerns about the efficacy of the last review (particularly in relation to the estimated vehicle costs); the challenge for proprietors in being able to afford maintaining and replacing older vehicles in the current economic climate; and to request a more immediate consideration of the fare tariffs in order to closer align with comparative cities and support the Hackney trade in Manchester to maintain a reasonable income.
- 2.5 Since the September 2022 report, numerous other local authorities have further reviewed their Hackney fares and as a result Manchester is now at position 161 out of 344 local authorities ranked by the cost of a 2-mile journey on Tariff One<sup>1</sup>. As many authorities have the same fare however (and discounting the airports tariffs) in real terms Manchester is joint 39<sup>th</sup> out of 81 different fare tariffs on the league table putting us fairly low for a major city.
- 2.6 Members are reminded that we require high standards of our Hackney Carriage Vehicle proprietors (only purpose-built Hackney vehicles with all the accessibility features we require in our policy, emissions compliance and high frequency testing), therefore their costs will be among some of the highest in the country. There are also very few vehicles that conform with the policy available to purchase. The only real option available is to purchase new LEVC vehicles which can be around £90,000 including finance interest.
- 2.7 GMB and Unite outlined that fewer drivers are working within the Hackney trade, particularly at night. Whereas most of the licensed Hackney vehicle fleet used to have two drivers 'tracking' the vehicle on day and night shifts, the most common operating model now is for one driver only to work much longer hours on one vehicle, and trade reps pointed to the comparatively low fares as a key factor in the reduction of drivers (particularly on night shifts) post pandemic.
- 2.8 This assertion is borne out in the figures with the number of Manchester licensed Hackney drivers reducing by 214 in the last 12 months alone and by a further 178 the 12 months prior to that; making 392 fewer Hackney drivers since 2021. Officers also observe that there are fewer Hackneys working within the Night-Time Economy in Manchester post pandemic.
- 2.9 Given the scale of work required to conduct a more comprehensive review of the methodology itself, officers have prepared this report pending that fuller review, to enable the Committee to consider the trade request for an increase in the fares, with up-to-date comparison data.
- 3. Mandatory acceptance of card payments**
- 3.1 In addition to reviewing the fare tariff itself, the Committee is asked to consider making it mandatory for that all Manchester licensed Hackney Carriages accept card payments (and this be stipulated on the Fare Card).

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<sup>1</sup> Source: Private Hire & Taxi Monthly - <https://www.phtm.co.uk/taxi-fares-league-tables>

- 3.2 As we increasingly become a cashless society, many customers would prefer to pay via card when undertaking journeys on any form of public transport. Many within the trade consider this a major factor in passengers choosing private hire options over Taxis.
- 3.3 Requiring acceptance of card payments would be particularly helpful to support safe egress in the night-time economy when customers may not have easy access to cash or could have lost any other means to pay other than their mobile device. It would also reduce the number of issues marshals have to manage on the ranks as many arise from a passenger being unable to pay in cash.
- 3.4 Accepting cards as payment is already a condition of working at the airport and there is a consensus among all Hackney Trade representatives on this issue, as they have collectively requested that the Committee consider making acceptance mandatory for all journeys. The Hackney trade reps consider that without being mandated to accept card payments, a minority of drivers will not voluntarily make the change and are harming the Hackney trade's reputation.
- 3.5 A GMB Union representative wrote to officers on this matter:
- The pandemic accelerated the adoption of digital payment solutions across various industries and it is imperative for the Hackney trade to adapt to these changing payment preferences and ensure that Manchester remains at the forefront of providing convenient and safe transportation options for both residents and visitors.*
- Therefore, the introduction of mandatory card acceptance not only aligns with the needs and expectations of passengers but also addresses the public health concerns associated with handling cash during a pandemic.*
- 3.6 These comments have been echoed by numerous representatives from Unite the Union, the Manchester Hackney Association and members of the Airport Taxi Association and Airport Taxi Association Limited. Unite advise that upon balloting their members last year, a significant majority supported the move to mandatory acceptance of card payments.
- 3.7 Trade representatives want to collectively address the problem caused by those drivers that use non-acceptance of cards as a reason to refuse passengers on the rank for other reasons, namely because the passenger only wants to travel a short journey. Trade reps know the damage this practice does to their overall reputation and seek the Council's help in addressing what is a common complaint received by the Unit. Trade representatives have assured officers that most vehicles have this payment mechanism available and that it is possible for drivers to mitigate against card machines not working, therefore it should be a rare occurrence for a card payment not to be possible.
- 3.8 Drivers currently have to incur any fees related to the use of the card payments and machines for each transaction. This has historically been a deterrent for drivers to use this facility voluntarily. In order to ensure that

drivers/vehicle owners do not continue to bear the financial burden (and to keep things simple for passengers) the trade have proposed that these costs could be accounted for in the overall increase to the initial flag fare. The other option would be to allow a surcharge to be applied per transaction which could be open to abuse and/or create further opportunity for friction with passengers and generate additional complaints and demand on officer time.

- 3.9 All proposed amendments to the Fare Tariff, including flag fares are detailed in section 4 below.
- 3.10 It is proposed that a 6 week lead in time is sufficient to enable the minority of vehicles that don't currently have the facility to take card payments to become compliant with this requirement.

#### 4. **2023 Hackney Carriage Fare Review**

- 4.1 The source data used in last year's review was from July 2022.
- 4.2 Whilst we do not know how much on average licensed Hackney Drivers earn, the best indicative data we have available (based on the miles conducted, best estimates of running costs we have to work from, and understanding of operating models) would suggest that drivers are earning significantly less than the £33,280 average salary of a full time employee according to ONS data.<sup>2</sup>
- 4.3 The Consumer Prices Index and Housing costs (CPIH) has been used by this Committee since 2012 as one of several considerations when reviewing the Hackney fares. The CPIH change from July 2022 to May 2023 (latest data set available for this report) was 7.9%.
- 4.4 Officers propose that in lieu of other agreed methodology for reviewing the fares at this time, the Committee could use the simpler application of the CPIH. If we apply a rounded 8% uplift to the current unit cost per mile, this will result in the following changes:

	<b>Tariff 1 (Day)</b>		<b>Tariffs 2 &amp; 3 (Night and Public Holidays)</b>	
	<b>Current</b>	<b>8% increase</b>	<b>Current</b>	<b>8% increase</b>
<b>Unit Cost £ per mile</b>	£2.42	£2.61	£3.22	£3.48
<b>Yardage meter turnover</b>	145.50yds	134.70yds	109.27yds	101.20yds

- 4.5 Members may be aware that within each fare tariff, there is an initial 'flag fare'. The current flag fares are as follows:

<sup>2</sup>

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/annualsurveyofhoursandearnings/2022>

- Tariff 1 - £2.60 (for first 381.1 yards)
- Tariffs 2 & 3 - £3.00 (for first 230.39 yards)

4.6 Whilst the flag fares were increased in 2022, it is important to note that this was the first increase on the flags for 15 years.

4.7 In order to bring the flags more in line with other authority areas and support the trade when undertaking very short journeys within the city boundary, it is suggested that the flag rates be adjusted again this year. It is considered by officers that this may also help to reduce the number of complaints received by passengers with regards to drivers trying to agree a fixed fare for a short journey around the city.

4.8 The following flag rate proposals include a general uplift, plus an additional 20p to cover the cost of accepting card payments should the Committee determine that this should be mandated:

- Tariff 1 - initial flag from £2.60 to £3.40
- Tariffs 2 & 3 - initial flag from £3.00 to £3.60

4.9 The proposed changes to the flag and the unit cost per mile would result in overall changes to journey costs as follows:

Cost	Tariff 1 (Day)		Tariffs 2 & 3 (Night and Public Holidays)	
	Current	Proposed	Current	Proposed
<b>1 mile journey</b>	£4.80	£5.80	£6.00	£6.80
<b>2 mile journey</b>	£7.00	£8.20	£9.20	£10.30
<b>5 mile journey</b>	£14.40	£16.20	£20.00	£20.80
<b>10 mile journey</b>	£26.60	£29.20	£35.00	£38.00

#### 4.10 Waiting Time

Members may recall that the waiting time tariffs were kept static in 2022. The last time the waiting time tariffs were amended was 2012. The trade understand that the Committee and the Executive have to balance the needs of the trade and that of the travelling public. The trade were dissatisfied that there was no increase applied to the waiting tariffs at the 2022 review and that they have had no increase now for over 10 years.

4.11 In considering the options available to the Committee and how Manchester compares to other major cities (see Appendix 2), trade representatives believe an increase is long overdue and therefore seek more than the 8% inflationary increase since the last review but anticipate that the committee may be concerned about applying last year's 23% increase in estimated costs in addition to the 8% inflation this past 12 months. Trade reps also anticipate



that the committee may be concerned about applying an increase to both day and night waiting tariffs.

- 4.12 Therefore, representatives have asked that the Committee consider recommending applying just the 23% increase (from 2022 review) to both the day and night waiting tariff only. If Members are not minded to apply the increase to both tariffs, trade representatives would like the Committee to consider the day tariff increase as a priority. The proposal would result in increased fares as follows:

WAITING TIME	Tariff 1 (Day)		Tariffs 2 & 3 (Night and Public Holidays)	
	Current	Proposed	Current	Proposed
<b>1 hour cost</b>	£18.60	£22.80	£24.60	£30.20
<b>Seconds per 20p increment</b>	38.89 secs	31.57secs	29.29 secs	23.84 secs

- 4.13 Officers support this change as it is comparable with other major cities and is a reasonable approach given the conflicting objectives the City has to ensure the fares are set at a level that enables the trade to invest in vehicles and maintain a reasonable income in the ongoing cost of living crisis, whilst ensuring the passengers costs also remain reasonable.

## 5. Comparisons with other core cities and GM districts

- 5.1 It is important to note that there is no consistent or preferred methodology for calculating hackney fares among local authorities. Manchester has historically looked to the London model but today this also differs quite widely from the Manchester-Halcrow formula. TfL employ a great deal of resource to compile extensive data and produce reports over 200 pages long in consideration of their tariffs. By comparison other local authorities have never used any particular methodology to estimate running costs, preferring instead to apply a percentage increase as negotiated with their trade at agreed intervals.

- 5.2 Whilst this must be borne in mind when comparing the tariffs across authorities and the national league table, comparing fares will also provide a good reflection of the wider market and those authority areas where hackneys are likely to be conducting similar mileage will provide a good indicator of comparable earnings.

- 5.3 **Appendix 1** provides Members with a comparison of the cost of a 2-mile journey on both day and night tariffs in other core cities and GM authorities.

- 5.4 **Appendix 2** provides Members with the comparative costs for waiting times.

## 6. Timeline for Implementation

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

17 July 2023	Licensing and Appeals Committee
13 September 2023	Executive
15 September 2023	Public Notice in MEN 14-day consultation period
29 September 2023	End of consultation period.
2 October 2023 onwards	If no objections received, new fares take effect (following recalibration of meters)
23 October 2023	If objections are received; Licensing and Appeals Committee consider objections

## 7. Key Policies and Considerations

### 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.

### b) Risk Management

No further considerations for this report.

### c) Legal Considerations

The mechanism for ensuring that passengers in all Hackney Carriage Vehicles have the facility of paying the fare by card is to place an appropriate condition on the Hackney Carriage Proprietor licence.

The district council has the power under s.47 of the Local Government (Miscellaneous Provisions) Act 1976 to attach to the grant of a hackney carriage proprietor licence such conditions as the Council may consider reasonably necessary.

## 8. Conclusion and Officer Recommendation

- 8.1 The report sets out the relevant considerations for the committee in relation to reviewing the Hackney Carriage Fares for 2023.
- 8.2 In determining the fares, the Council has to 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 whilst supporting business and accessible travel as part of the wider transport network.

- 8.3 Officers don't believe that the proposed increases would adversely impact customers. Whilst we recognise that the cost-of-living crisis applies across all sectors of the community, the vast majority of customers can exercise choice in their preferred mode of transport, including those with accessibility needs with private hire operators increasingly offering accessible vehicles in their fleet. Hackney Carriage proprietors also need the income to be able to invest in purpose-built accessible vehicles which have increased in cost substantially over recent years.
- 8.4 The proposed fare changes are believed to represent a balance between a reasonable payment for a hackney carriage journey and income for the driver and proprietor.
- 8.5 The Committee in considering its recommendation to the Executive (and subject to anything further discussed within the meeting) may wish to consider the following officer recommendations in relation to the Fares:
- 1) Increase the unit cost per mile on all tariffs by 8%
  - 2) Increase the waiting time fare by 23%
  - 3) Increase the Day flag tariff to £3.40
  - 4) Increase the Night flag tariff to £3.80
- 8.6 The Committee is asked to make acceptance of card payments mandatory in all Hackney Carriage Vehicles and for the policy to take effect on 1 September 2023.