

**Manchester City Council
Report for Resolution**

Report to: Executive – 13 September 2023
Subject: Hackney Carriage Fare Review 2023
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 17 July 2023, 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

- (1) The Executive is recommended to:
 - Increase the unit cost per mile on all tariffs by 8%
 - Increase the waiting time fare by 23%
 - Increase the Day flag tariff to £3.40
 - Increase the Night flag tariff to £3.80
 - (2) The Executive is also asked to note the decision to make the acceptance of card payments mandatory in Hackney Vehicles.
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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.
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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.

<p>A highly skilled city: world class and home-grown talent sustaining the city's economic success</p>	<p>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.</p>
<p>A progressive and equitable city: making a positive contribution by unlocking the potential of our communities</p>	<p>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.</p>
<p>A liveable and low carbon city: a destination of choice to live, visit and work.</p>	<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>
<p>A connected city: world class infrastructure and connectivity to drive growth</p>	<p>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.</p>

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

Contact Officers:

Name: Rebecca Heron
Position: Strategic Director Growth and Development
Email: rebecca.heron@manchester.gov.uk

Name: Julie Roscoe
Position: Director of Planning, Building Control and Licensing
E-mail: julie.roscoe@manchester.gov.uk

Name: Danielle Doyle
Position: Licensing Manager
E-mail: danielle.doyle@manchester.gov.uk

Background documents

Hackney Carriage Fare Review 2023 – Report to Licensing and Appeals Committee
17 July 2023

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 2017)

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

1.0 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 17 July 2023, the Licensing and Appeals Committee considered a report detailing a 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 the Hackney Carriage Fares.

2.0 Background

- 2.1 The Executive last reviewed the Hackney Fares in October 2022.
- 2.2 Earlier this year, 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 further 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.
- 2.3 Since the October 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 One¹. As many authorities have the same fare however (and discounting the airports tariffs) in real terms Manchester is joint 39th out of 81 different fare tariffs. Either way, Manchester is sitting around halfway on the league table which may be considered fairly low for a major city.
- 2.4 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 to purchase as new are LEVC vehicles which can be around £90,000 including finance interest.

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

- 2.5 GMB and Unite representatives outlined how 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.
- 2.6 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.
- 2.7 The current methodology used in Manchester for calculating the fares has now been in place for over a decade and the 2022 review highlighted the sensitivity of the current formula to any significant changes in data components or assumptions that reflect policy or market changes, as well as the challenge in obtaining accurate and localised running cost data. 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.

3.0 Mandatory acceptance of card payments

- 3.1 The Licensing and Appeals Committee also considered a recommendation to make it mandatory for all Manchester licensed Hackney Carriages to accept card payments (should this be the customer’s preferred method of payment).
- 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 will 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 There is a consensus among all Hackney Trade representatives in support of this move. Drivers currently have to incur the cost of 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, these costs have been accounted for in the recommended increase to the initial flag fare, as outlined in section 4 below.

3.5 The Licensing and Appeals Committee determined to make it a mandatory requirement that all Manchester licensed Hackney Carriage vehicles are able to accept card payments should this be the preferred method of payment.

4.0 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.²

4.3 The Consumer Prices Index and Housing costs (CPIH) has been used by the Council 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 the report to Licensing & Appeals Committee) was 7.9%.

4.4 Officers propose that in lieu of other agreed methodology for reviewing the fares at this time, the Council 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:

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

4.5 Within each fare tariff, there is an initial ‘flag fare’. The current flag fares are as follows:

- 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. This may also help

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

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 which was mandated by the Licensing and Appeals Committee on 17 July 2023:

- 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
1 mile journey	£4.80	£5.80	£6.00	£6.80
2 mile journey	£7.00	£8.20	£9.20	£10.30
5 mile journey	£14.40	£16.20	£20.00	£20.80
10 mile journey	£26.60	£29.20	£35.00	£38.00

4.10 Waiting Time

The Executive 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 Council has to balance the needs of the trade and that of the travelling public but remain 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 Council and how Manchester compares to other major cities, the Licensing and Appeal Committee have recommended applying the 23% uplift that was not applied in 2022 to both the day and night waiting tariffs. 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
1 hour cost	£18.60	£22.80	£24.60	£30.20
Seconds per 20p increment	38.89 secs	31.57secs	29.29 secs	23.84 secs

4.12 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 that passengers costs also remain reasonable.

5.0 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 the Executive 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 the Executive with the comparative costs for waiting times.

6.0 Licensing and Appeals Committee Recommendation

6.1 During the meeting on 17 July 2023, the Committee heard from several trade representatives. In summary the feedback was:

- Overall support for increasing the fares in line with other major cities
- One representative stated their association members were concerned about the flag tariff increasing, though 3 other trade reps supported the proposal

6.2 Upon full consideration of the report and the submissions made by trade representatives, the Licensing and Appeals Committee made the following recommendation to the Executive in respect of 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

7.0 Timeline for Implementation

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

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

8.0 Conclusion and Recommendations

8.1 The report sets out the relevant information the Executive needs in determining the Hackney Carriage Fares for 2023.

8.2 The Licensing and Appeals Committee in its advisory capacity to the Executive considered a report on 17 July 2023 and makes the recommendation set out in 6.2 of the 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

8.4 The Executive is asked to note the decision to make acceptance of card payments in Manchester licensed Hackney Carriages mandatory.

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. 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.

11.2 **(b) Risk Management**

No further considerations for this report.

11.3 **(c) Legal Considerations**

No further considerations for this report.