Hackney Carriage (Taxi) Table of Fares Methodology 2012-13

Introduction

This methodology has been created to provide a transparent process for calculating taxi fares. The information provided in this document is supported by factual evidence. If statistical data is not available the calculations are based on reasoned argument.

In determining the factors, consideration has been given to the fact that taxi proprietors often have differing business practices. Consequently it is accepted that running costs may vary between businesses and it is not intended to compensate some proprietors for bad business practice or for figures that differ greatly from the average (e.g. higher salaries, costs of diverting telephones etc, not charging the full tariff amount). For this reason an average calculation has been used.

All factors that are relevant to running a taxi have been considered following consultation with the taxi trade. This methodology and the relevant factors have been subject of an independent audit. The factors include:

1. an allowance for an annual salary for the taxi driver
2. the average annual mileage of a licensed Guildford taxi
3. costs of running a car per mile calculated using the
   a. Standing Charges and
   b. Running Costs

The Average Wage

The proprietor (owner) of a taxi will not necessarily be the driver. Consequently, different arrangements may exist regarding any income from the use of the vehicle as a taxi. An owner and driver will retain all the income, however a driver may pay the owner a sum of money to rent the vehicle on a weekly or monthly basis. The non-owner driver will then retain the remaining income obtained from taxi fares.

Therefore in determining the taxi fares an appropriate level of remuneration must be established that recognises that different arrangements exist but which does not take individual circumstances and business practices into account.

The median annual gross salary for Guildford is £27,997 per annum which has been obtained from data published in ASHE 2010 (revised) Table 10 by the Office for National Statistics. This table refers to places of residence by parliamentary constituency. Following the audit recommendations, the Council has expanded the data sets to include:

ASHE 2010 (revised) Table 7 - Place of Work by Local Authority – Median £26,596
ASHE 2010 (revised) Table 8 - Place of Residence by Local Authority – Median £28,311
ASHE 2010 (revised) Table 9 - Place of Work by Parliamentary Constituency – Median £26,602
The reason for using the median rather than the mean is that it is not influenced by outliers at the extremes of the data set which can often be the case when calculating income data for a group of people.

| The figure that will be used for future calculations is the average of the four data sets listed above which is £27,376.5. (£109,506÷4) |


Consideration was given to using the National Minimum Wage based on a 40 hour working week. The national minimum wage was increased from October 2011 from £5.93 per hour to £6.08 per hour. Assuming a person works 40 hours per week for 52 weeks of the year, the minimum annual wage is equal to £12,646.40.


If the national minimum wage is used the average running costs for a taxi would significantly reduce and the fares would therefore significantly reduce.

The median value in Guildford is £15,350.60 higher than the national minimum wage and this reflects the true cost of living in Guildford. It is therefore proposed that the median average wage is used for the Borough of Guildford obtained from the website of the Office for National Statistics.

The Average Annual Mileage

The average annual mileage is relevant in determining taxi fares because it can be used to determine the annual cost of running a taxi.

This average annual mileage is obtained from the odometer readings of all licensed vehicles when presented at the Depot for testing.

Some vehicles carry out greater mileage than others however the Mean average (33,982 miles) and median average (33,626 miles) are not significantly different therefore the average mileage has been rounded up to 34,000 miles per year.

The audit recommended dividing the average annual mileage per vehicle by the number of licensed drivers. This would provide a true reflection of the average annual mileage per driver and address the issue of vehicles being used by multiple drivers.

| The figure that will be used for future calculations is the total number of miles travelled by all licensed taxis divided by the number of taxi drivers licensed on 1 October 2012. |

5,573,048 miles divided by 213 drivers is an average of 26,164.5 miles per driver
Dead Mileage

A taxi does not travel all of its mileage with a fare paying passenger on board. This is usually referred to as “dead mileage”. It is not possible to calculate the exact amount of dead mileage travelled by each taxi.

For example, if customers are taken from point A (the rank) to point B and the taxi always returns to point A without a customer on board the dead mileage would be approximately 50 per cent of the total mileage.

However, if customers are taken from point A to point B and the taxi occasionally returns to point A with a customer the dead mileage would be less than 50 per cent of the total mileage.

The Guildford Hackney Association claims that dead mileage accounts for 60 per cent of the total annual mileage. However the auditor has noted that the evidence presented by GHA does not support this claim. The auditor accepts there are a number of variables and factors involved in determining dead mileage and does not recommend a particular percentage.

By increasing the dead mileage, the cost of running a taxi will increase. Consequently the cost of the fare and therefore income will increase. Careful consideration should therefore be given to the figure allowed for dead mileage.

In the absence of any evidence or explanation to justify a figure of 60 per cent the following assumptions have been made to calculate the dead mileage:

1. taxis do not always return empty to the point of initial departure
2. taxis may travel with a customer from point B to point A (The rank) and then from point A to point C thus not enduring any dead mileage
3. the taxi may be flagged down whilst returning empty to point A therefore the dead mileage will not always be the same distance as the initial paid mileage
4. taxis often operate by being pre-booked and this can reduce the amount of dead mileage

Based on these assumptions, it is reasonable to assume that taxis endure some dead mileage but not as much as 60 per cent.

The auditor has recommended additional consultation to support the above assumptions for future calculations and recommends at this stage to use the dead mileage at 30 per cent when calculating average distance per journey.

| The figure that will be used for future calculations is 30% of the average miles travelled per driver. |
| 26,164.5 x 30 per cent equals 7,849.35 dead miles |
The Average Distance per Journey

The average distance travelled per journey is relevant to the level of income that can be achieved and therefore the cost of running a taxi. It is a common misconception that longer journeys are more lucrative however this is not the case. Shorter journeys return greater profit due to the initial starting price which is known as the flag drop. For example, five journeys of 2 miles (£5.50 per journey) currently returns £27.50. However, two journeys of 5 miles (£10.90 per journey) currently returns £21.80. The same distance has been travelled and the cost of running the taxi for 20 miles remains the same but the level of income and subsequent profit varies significantly.

In addition, different rates may be charged at night and on public holidays and the fares that can be charged for five journeys of 2 miles increases to £6.50 (£32.50) and £7.40 (£37). For two journeys of 5 miles the fares that can be charged are £11.90 (£23.80) and £14.90 (£29.80).

The average distance travelled is not a factor that is considered for the purposes of fare calculation but is used to indicate the level of income that taxi proprietors and drivers can expect to achieve. Business practices vary and it is clear that a taxi working predominantly in the evening can expect to earn more than a taxi operating solely in the day. This is an individual decision for the proprietors and drivers therefore the average distance travelled per journey as all businesses will differ.

In order to determine an average distance, all taxi proprietors have been consulted with a view to providing an alternative figure to the proposed calculations.

In response to the consultation The Guildford Hackney Association (GHA) states that the average journey completed by each taxi is 2.2 miles and that an average of 16 journeys are completed each day and only 240 working days are completed each year. GHA also state that the remaining 125 days per year are not worked by each vehicle due to holidays and weekends.

The figures provided by the GHA equate to an average annual mileage of 8,448 miles per vehicle (2.2 miles multiplied by 16 journeys equals 35.2 miles per day. 35.2 multiplied by 240 days equals 8,448 miles per year. This does not correspond with the recorded average annual mileage of 34,000 miles per vehicle. In addition the GHA claims that 60 per cent of all mileage is dead mileage in which case 8,448 miles is 40 per cent and the remaining 60 per cent ‘dead mileage’ is 12,672 miles. This means by the Association’s calculations that the annual average mileage is 21,120 miles.

The GHA’s figures do not correspond with the recorded annual mileage and this does not support the argument that 60 per cent of journeys are ‘dead mileage’ or that the average journey is 2.2 miles.

Consequently the figures provided by the Association have been disregarded and in the absence of any other evidence the number of journeys have been calculated on an average based on the following equation:
Average mileage (26,164.50 miles) minus Dead Mileage (7,849 miles) Equals Paid Miles (18,315.5 miles) Divided by the number of days worked by taxi drivers in the year (216) Equals 1,598.40 (annual hrs) divided by 7.4hrs (per day) = 216 days per year

Average miles travelled per day (18,315.5 ÷ 216 = 85)

It is considered reasonable to expect a taxi to complete an average of 20 journeys per day which equates to an average of 4.25 miles per journey

**Costs of Running a Petrol and Diesel Car**

The average costs of running a diesel and petrol car have been calculated without taking individual or differing business practices into account.

The AA calculates the running costs of a vehicle from various sources and quotes the figures as typical. However the figures do not represent all types of vehicle and conditions of use. The AA Motoring Costs 2012 are calculated on the purchase price of the car when new and fall into 5 brackets

Up to £14,000  
£14,000 to £17,000  
£17,000 to £25,000  
£25,000 to £42,000  
Over £42,000.

Guildford has a mixture of saloon and purpose built wheelchair accessible vehicles in the licensed taxi fleet and generally values of these vehicles when new fall between two brackets (£16,000 to £20,000 and £20,000 to £32,000). Running costs vary considerably between each bracket and therefore the higher figure has been used to reflect the vehicles being used as taxis rather than purely for domestic use.

There are 172 Licensed taxis within Guildford using the following fuel:

Diesel (159)  
Petrol (9)  
Hybrid (4)

In view of the high number of diesel vehicles we consider it appropriate to use the motoring costs for a diesel vehicle rather than an average of the running costs for diesel and petrol cars. Figures are not available for hybrid vehicles. This follows the recommendation of the auditor to calculate costs using the actual number of vehicles by their fuel type.

**Depreciation**

Different vehicles lose value at different rates depending on their make, age, mileage and condition.
The AA figures assume depreciation over 4 years at £3,699 (diesel) per annum. This is equal to £14,796 at the end of 4 years.

It must be noted that there are 172 licensed taxis and 70 per cent of the licensed fleet are already over 4 years old. Therefore these vehicles have already depreciated beyond the level of the figures used and any depreciation beyond this point is not usually considered for accounting purposes.

**Cost of Capital**

This sum represents the loss of income from the owner having money tied up in a vehicle which could otherwise be earning money in a deposit account.

The purchase of vehicles is funded in different ways. Some vehicles are paid for with cash, some on Hire Purchase Finance, some vehicles are leased. The decision on how to purchase or lease a vehicle is an individual decision for the proprietor and differing business practices have not been taken into account.

Therefore, the figure used is based on £714 (diesel).

**The annual cost of insurance**

All insurance policies are different and some proprietors pay more than others depending on individual circumstances. It is possible to obtain an average figure by asking taxi proprietors to provide details of insurance premiums during the licence application process from which can then be calculated the average figure. Research with the trade indicates that insurance premiums vary between £900 and £1,500.

The figures provided by the AA allows £1,550 (diesel) for insurance.

The Council acknowledges that additional insurance premiums may be incurred for the ‘hire and reward’ element of driving a taxi and the final calculation includes an additional £500 allowance for this purpose.

**Cost of Road Tax**

For diesel vehicles this is based on a Band I vehicle CO2 emission of 176-185g/km. This is currently £215.

**Average Breakdown Cover**

The figure of £50 is based on the cost of annual roadside vehicle based cover.

**The average cost of fuel per litre**

The figures used by the AA in 2012 are based on the national average fuel cost. The latest figures available in June 2012 show the following cost of diesel at 137.8p per litre.

In addition to the current cost of diesel an additional 5 pence per litre has been factored in to allow for any future changes upwards to 142.8p per litre. Figures were obtained from Experian Catalist.
Cost of tyres

Average tyre life is approximately 27,000 miles however the following calculations are based on the driver completing an annual average mileage of 26,164.5 miles.

Tyre prices are based on online tyre dealer prices and not main dealer prices which will inevitably be higher.

Cost per mile of 2.83p (diesel)

2.83p x 26,164.5 miles equals 74045.55p

Cost of tyres equals £740.46

Service labour costs

The Service Labour costs cover normal servicing and parts replacement taking UK average labour rates.

The average cost has been calculated by using 3.65p (diesel) per mile to determine the service labour costs. This equates to £955 (diesel) per year

Replacement parts per year

Parts that may need to be replaced through normal driving conditions such as brake materials, oils, filters, bulbs, wipers etc. The average mileage of 26,164.5 has been used and multiplied by 2.78p (diesel) per year. The total is £727.37.

2.78p per mile (Total £727.37)

Parking and Tolls

This figure could be excluded however a response to the consultation has indicated that parking charges are incurred when taking passengers to the airports.

Not all proprietors will incur this level of parking charges, however this amount has been retained.

26,164.5 miles multiplied by 2.0p (£523.29 per year.)
Costs of running a diesel car based on the average value of the car being £27000-£39000 when new.

Annual average mileage: 26,164.50

<table>
<thead>
<tr>
<th>Standing Charges Per Year (£)</th>
<th>Diesel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Road Tax</td>
<td>£215.00</td>
</tr>
<tr>
<td>Insurance (excluding the additional £500 allowance given)</td>
<td>£1,550.00</td>
</tr>
<tr>
<td>Cost of Capital</td>
<td>£714.00</td>
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<tr>
<td>Depreciation over 4 years</td>
<td>£3,699.00</td>
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<tr>
<td>Breakdown Cover</td>
<td>£50.00</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>£6,228.00</strong></td>
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Standing Charge as pence per mile (26,164.5 miles per year) 24

<table>
<thead>
<tr>
<th>Running Costs Per Year (£)</th>
<th>Diesel</th>
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<tbody>
<tr>
<td>Fuel *</td>
<td>£4,345.92</td>
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<tr>
<td>Tyres</td>
<td>£740.46</td>
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<tr>
<td>Service labour costs</td>
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<tr>
<td>Replacement parts</td>
<td>£727.37</td>
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<tr>
<td>Parking and Tolls</td>
<td>£523.29</td>
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<tr>
<td><strong>Running Costs</strong></td>
<td><strong>£7,292.04</strong></td>
</tr>
</tbody>
</table>

Standing Charge as pence per mile (26,164.5 miles per year) 28

| Total Running Costs          | £13,520.04 |
| Total of standing charge & running costs as pence per mile | 52 |