

DOCUMENT INFORMATION

Origination/author:	David Curtis-Botting, Licensing Services Manager
This document replaces:	Not applicable
Date/detail of consultation:	Public: 10 October 2011 to 10 December 2011 Taxi trade: 26 November 2012 to 7 December 2012
Date of Executive approval:	TBC
Last reviewed:	TBC
Next review date:	April 2014

Taxi Fares Procedure

Introduction

1. This is the Council's procedure for setting taxi fares for distance and time and other charges in connection with the hire of a taxi.
2. The Local Government (Miscellaneous Provisions) Act 1976 allows the Council to set the maximum costs and fares that drivers may charge the public for journeys taken in a taxi. In this context "the Council" means the Executive by virtue of The Local Authorities (Functions and Responsibilities) (England) Regulations 2000 (as amended).
3. Once the fares and charges have been set, the Executive has delegated authority to the Head of Health and Community Care Services to determine any subsequent changes to the table of fares at any time but at least on an annual basis, and to authorise statutory publication of the table.
4. In setting taxi fares, the Council has to balance any increase of taxi fares against the needs of the travelling public.
5. If we decide to vary the rates or fares, we will advertise the proposed changes in a local newspaper. This will contain the date on which the new fares will take effect. We will receive objections for a period of 14 days from the notice. We will also make a copy of the notice available for inspection at the Council's offices for the same period.
6. Where we do not receive any objections to the proposed changes the amended fares and charges will take effect on the date specified in the notice.
7. If we receive objections, the Lead Councillor for Community Safety and Health will consider them within two months and approve the final table of fares.
8. This procedure sets out the process we will use for calculating taxi fares and other charges, which includes a methodology¹, calculator² at Appendix 1 and table of fares³ at Appendix 2.

¹ A process that sets out cost factors relevant to operating a taxi in Guildford

² An excel spreadsheet which contains the formulae for calculating the fares

³ A document setting out the charges and other costs that a taxi driver may demand for each journey

9. This procedure also sets out the factors that we use when calculating the costs associated with operating a taxi in Guildford. The values of these may change each year. We will review the values annually, which will be those applicable on 1 February each year.

Methodology

The Council will use the following process to calculate the total running costs associated with operating a taxi in Guildford.

The Costs of Running a Taxi

1. We use the Automobile Association (The AA) values contained in the annual motoring costs report that are relevant to a new diesel vehicle within the £27,000 to £39,000 price bracket, when calculating the running costs associated with operating a taxi in Guildford. That is because the majority of these licensed taxis use diesel fuel and fall within this price bracket when new.
2. The total annual cost of running a taxi per mile is variable and we will identify this value as item B on the fare calculator.
3. The AA divides the cost of running a car into charges and costs. Standing charges are the basic costs of keeping the vehicle ready for use on the road. The running costs are those that depend directly on using the vehicle.
4. The standing charges are:
 - depreciation
 - cost of capital
 - annual cost of insurance
 - cost of road tax
 - cost of breakdown cover
5. The running costs are:
 - cost of fuel per litre
 - cost of replacement tyres
 - cost of replacement parts
 - cost of parking and tolls

Standing Charge: Depreciation

- Different vehicles lose value at different rates depending on their make, age, mileage and condition.
- The AA motoring costs assume depreciation over 4 years at a variable value per year. We use the AA value when calculating the overall cost per mile.

Standing Charge: Cost of Capital

- The value used 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 AA calculation of the cost of capital may vary each year. We use the AA value when calculating the overall cost per mile.

Standing Charge: Annual Cost of Insurance

- The value used by the AA is a UK average for a fully comprehensive policy with 60 per cent no-claims discount.
- The AA's calculation of the cost of insurance may vary each year. We use the AA value when calculating the overall cost per mile.

Standing Charge: Cost of Road Tax

- A diesel vehicle falling within the £27,000 to £39,000 bracket generally falls within Band J for vehicles with a CO2 emission of 186-200g/km for the purposes of road tax.
- We use the cost of road tax based on the current cost of a vehicle falling within Band J.

Standing Charge: The Average Cost of Breakdown Cover

- The AA calculation of the average cost of breakdown cover may vary each year. We use the AA value when calculating the overall cost per mile.

Running Cost: The Average Cost of Fuel per Litre

- The AA uses values based on the national average fuel cost per litre. We use the values from the latest AA fuel price reports.
- We recognise that fuel prices often change throughout the year. It is not practical to recalculate the running costs of a taxi each time the fuel costs increase or decrease. Therefore, in addition to the average cost of diesel we include an additional 5 pence per litre to allow for any upward changes to the cost of fuel that may occur during the year.

Running Cost: Cost of Tyres

- The AA quotes the average tyre life at approximately 27,000 miles. The AA bases the tyre prices on online tyre dealer prices and not main dealer prices, which will inevitably be higher.
- We multiply the AA's cost per mile by the annual average mileage completed by a licensed taxi in Guildford to obtain the overall cost per mile in relation to tyres.

Running Cost: Service Labour Costs

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

- We multiply the AA's cost per mile by the annual average mileage completed by a licensed taxi in Guildford to obtain the overall cost per mile in relation to service labour.

Running Cost: Replacement Parts

- Replacement parts are items that may require replacement through normal driving conditions such as brake materials, oils, filters, bulbs, wipers etc.
- We multiply the AA's quoted cost per mile by the annual average mileage completed by a licensed taxi in Guildford to obtain the overall cost per mile in relation to service labour.

Running Cost: Parking and Tolls

- Responses from the taxi trade to the consultation indicated that drivers incur parking charges when they take passengers to the airports. Therefore, we will continue to include this factor.
- We multiply the AA's cost per mile by the annual average mileage completed by a licensed taxi in Guildford to obtain the overall cost per mile for parking and tolls.

Additional Costs

We will use the following additional costs associated with operating a taxi in Guildford.

Average Annual Salary (Median)

6. We include an appropriate level of remuneration for taxi drivers that is relevant to Guildford.
7. The Council uses the most recent information published by the Office for National Statistics in its Annual Survey of Hours and Earnings (ASHE) in relation to Guildford. We use the median value of the following data tables:
 - place of Work by Local Authority
 - place of Residence by Local Authority
 - place of Work by Parliamentary Constituency
 - place of Residence by parliamentary constituency
8. We use the median value of the four data sets to calculate the median annual gross salary for Guildford. We use the median rather than the mean because outliers at the extremes of the data set do not influence it, which can often be the case when calculating income data for a group of people.
9. The value of the average salary is variable and we will identify this as item A and Item 1 on the fare calculator.

The Average Annual Mileage (Mean)

10. We use the mean value of the annual number of miles travelled by each taxi driver when we calculate the cost per mile.
11. The value of the mean annual mileage is variable and we will identify this as item E on the fare calculator.
12. We obtain the annual number of miles travelled by each taxi by recording the odometer readings when the drivers present the vehicles for testing at the Woking Road Depot.
13. We then divide the total number of miles travelled by all licensed taxis by the number of licensed taxi drivers to provide the mean annual mileage.

Dead Mileage (Mean)

14. Dead mileage is the number of miles travelled by a taxi without a fare paying passenger but excludes:
 - the number of miles travelled by each driver to and from work
 - the number of miles travelled by each driver on private journeys
 - the number of miles travelled by each driver on unmetered journeys
15. The value of the dead mileage is variable and we identify this as item F2 on the fare calculator.
16. A number of factors prevent an exact calculation of dead mileage. If a taxi takes a customer from (A) to (B) and always returns empty to (A), the dead mileage will always be half of the total mileage. The factors are:
 - taxis do not always return empty to the point of initial departure
 - taxis may travel with a customer from point A to point B and then from point B to point C thus not enduring any dead mileage
 - 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
 - taxis may operate by being pre-booked and this can reduce the amount of dead mileage for example from Point A to the taxi rank and then from the taxi rank to point B
 - taxis drivers use the vehicle travelling to and from work
 - some drivers use their taxi for personal journeys away from work
17. We express the maximum level of dead mileage as a percentage of the overall mileage and we identify this at item F1 on the fare calculator.
18. If a taxi takes a customer 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. We therefore use 50 per cent as the starting point for the calculation.
19. We use information provided by all licensed taxi drivers to calculate the percentage of the average mileage travelled by each driver to and from work. We then subtract this amount from 50 per cent and update this information annually.

20. We use data from obtained from taxi drivers during consultation on the taxi fares process to determine the level of private mileage. We then subtract this amount from 50 per cent.
21. We use data obtained from taxi drivers during consultation on the taxi fares process to determine the level of unmetered mileage. We then subtract this amount from 50 per cent.

Average Live Mileage (Mean)

22. The average live mileage is the number of miles travelled by a taxi with a fare-paying passenger. We calculate the average live mileage by subtracting the dead mileage from the total mileage.
23. The value of the average live mileage is variable and we will identify this as item 4 on the fare calculator.

Typical Distance per Journey (Mean)

24. Information obtained through consultation with the taxi trade shows that each licensed taxi typically travels a distance of 2 to 3 miles per journey.
25. We will therefore use the mean value of 2.5 miles for the typical distance travelled for each journey.
26. The value of the typical distance is variable and we will identify this as item J on the fare calculator.

Average Number of Journeys (Mean)

27. We will calculate the mean number of journeys travelled in a year by a taxi in Guildford by dividing the average live mileage by the average distance per journey.
28. The value of the average number of journeys is variable and we will identify this as Item K on the fare calculator.

Calculation of Total Cost per Mile

29. We then calculate the total cost per mile by dividing the total of the standing charges and running costs by the average annual mileage.
30. The value of the total cost per mile is variable and we will identify this as item B on the fare calculator.

Inclusion of Annual Fees

31. The Council will also include the following variable annual costs associated with running a taxi in Guildford.
 - the cost of the annual vehicle licence fee. We identify this as Item D on the fare calculator.

- the cost of the annual driver's licence fee. We use the pro-rata annual rate and identify this as Item H on the fare calculator.
- the cost of the annual Guildford Railway Station Taxi Rank permit. We identify this as Item G on the fare calculator.

Radio Circuit

32. Some drivers communicate with their control room by radio installed in their taxi. The drivers use the radio to receive pre-booked passenger and journey details. The driver's incur a cost to use the radio circuit.
33. The Council includes an average cost for use of the radio circuit to receive details pre-booked passengers. We obtain the mean cost per week to use the radio circuit from the radio operators.
34. We then multiply the mean cost per week by 48 weeks and divide by the number of licensed drivers. We will multiply the total by the number of licensed vehicles.
35. The value of this additional cost is variable and we identify this as item I on the fare calculator.

Additional Insurance Costs

36. The Council acknowledges that driver's insurance premiums may be higher than average because of the 'hire and reward' element of driving a taxi. The consultation responses support this value therefore; an additional allowance for this element will be included in the fare calculator.
37. The value of this additional cost is variable and we identify this as item C on the fare calculator.

Calculation of the Fare Charged per Mile

38. We then use the taxi fare calculator at Appendix 2 to determine the charge for each distance unit.

Total Cost per Mile

39. We use the values of each factor set out above to calculate the cost per mile of running a taxi in Guildford (Item **5** on the calculator). The formula is set out below:
40. To calculate the average running costs (Item **2** on the calculator) we:
 - Multiply the cost per mile of running a diesel car (Item **B** on the calculator) by the annual average mileage of a Guildford taxi (Item **E** on the calculator) and add
 - Items **C, D, G, H** and **I**
41. To calculate the total running costs (Item **3** on the calculator) we add the annual salary (Item **1** on the calculator) to the average running costs (Item **2** on the calculator).

42. To calculate the cost per mile (Item **5** on the Calculator) we divide the total running costs (Item **3** on the Calculator) by the average live mileage total (Item **4** on the calculator)

Total Charge per Mile

43. We identify the total charge per mile as Items 6(a) and 6(b) on the fare calculator.
44. The fare for each journey will always include a fixed cost for an initial distance. This is the 'flag drop' (see 53 below).
45. We prevent the flag drop from artificially exaggerating the cost per mile when setting the total that charge per mile. We achieve this by using the following calculation:
- subtract the average number of journeys (Item **K** on the Calculator) multiplied by the 'flag drop' (Items **T1, T2, T3 and T4** on the Calculator) from the total running costs (Item **3** on the Calculator) and then
 - divide this figure by the average live mileage (Item **4** on the Calculator) to give the Total Charge per Mile (Items **6(a)** and **6(b)** on the Calculator)

The Unit Charge

46. The unit charge is the cost to travel each distance unit or part of each unit. It can be any value as long as it is a multiple of 10 pence. We identify this as Items N, 7(a) and 7(b) on the fare calculator.

Calculation of the Distance Unit

47. The distance unit is the number of yards travelled for each unit charge. We identify the distance unit as Item L on the fare calculator.
48. We calculate the distance unit by dividing 1760 yards (1 mile) by the total charge per mile (Item **6** on the Calculator) and then multiplying by the unit charge (Item **N** on the Calculator).

Calculation of Distance Units per Mile

49. We identify the number of distance units per mile as Item M on the fare calculator.
50. We calculate the number of distance units per mile by dividing 1760 (1 mile) by the unit distance.

Calculation of Charge by Time per Unit

51. We calculate the charge by time per unit by dividing 5 minutes and 10 seconds by the number of units per mile (Item M on the fare calculator).
52. We identify the charge by time per unit as Items 8(a) and 8(b) on the fare calculator.

Table of Fares

Flag Drop

53. The 'flag drop' is the fixed cost that can be charged for an initial distance. It is universal in its application and is included in the cost of all journeys. It offers the taxi driver a minimum return for every journey. In the absence of a flag drop, all journeys would start at zero.
54. The flag drop encourages the supply of journeys that cover a short distance. If the cost is set too high, it can discourage overall demand for taxis and must be set at an appropriate level.
55. We take relevant local factors into account when setting the flag drop and any decision on changing the flag drop will be taken by the Lead Councillor, in consultation with the Head of Health and Community Care Services.
56. We identify the flag drops as Items T1 to T4 and 8(b) on the fare calculator.

Extras

57. In addition to the charge per mile, we will apply an extra charge for each passenger carried in excess of two. We base this on current practice and local circumstances and this assists the drivers of larger vehicles, which have a lower fuel economy. These vehicles are predominantly wheelchair accessible so we set this extra charge to provide an incentive for such vehicles to remain licensed. We identify this extra charge as Item 9 on the fare calculator.
58. The soiling charge is necessary to enable proprietors or drivers to recover the costs of cleaning the vehicle. We set the extra charge to reflect current costs. We identify this extra charge as Item 10 on the fare calculator.

Appendix 1

Guildford Taxi Fares Calculator						
ITEM	Average Running Costs Per Vehicle	Flag Drop	ITEM	Enter Annual Values in the Pink Boxes		
1	Average Annual Salary (Equals Item A)	Item 1	T1 3.00	A	Average Annual Salary	Item A
2	Average Running Costs Items (B X E) + (C + D + G + H + I)	Item 2	T2 3.50	B	Costs of Running Diesel Car (per mile)	Item B
3	Total Running Costs (Item 1 + Item 2)	Item 3	T3 6.00	C	Additional Allowance for Insurance	Item C
4	Average Live Mileage (Item E - Item F)	Item 4	T4 4.00	D	Annual cost of Hackney Carriage Licence	Item D
5	Cost per mile Item 3 ÷ Item 4	Item 5		E	Annual Average Mileage	Item E
6	Total Charge per Mile Item 3 - (Item K x Item T1) = Item 4	Item 6(a)	Item 6(b)	F	Dead Mileage Item F1 %	Item F2
	Charge for each distance unit is:	Tariff 1	Tariff 2	G	Annual Station Rank Fee	Item G
7	Item L yards = Item 7(a) pence Item 7(b)	Item 7(a)	Item 7(b)	H	Annual Cost of Driver's Licence (Pro-Rata)	Item H
	(Item 6 ÷ Units per Mile)			I	Average Cost to Use Radio Circuit	Item I
8	Charge for time per unit	Item 8(a)	Seconds Item 8(b)	J	Typical Journey Distance (Miles)	Item J
9	Each passenger in excess of one	Item 9		K	Average number of journeys	Item K
10	Soiling charge	Item 10		L	Distance Unit = Unit Charge X (1760/charge per mile)	Item L Yards
				M	Units per mile (1760 / Unit Distance)	Item M
				N	Charge Per Unit	Item N Pence

Appendix 2

GUILDFORD BOROUGH HACKNEY CARRIAGE FARE CHART effective (Date TBC) FARES FOR DISTANCE & TIME						
All distance and time charges include uncompleted parts thereof.						
Tariff 1: DAYTIME RATES: (except where rates 2 or 3 apply)		Tariff 2: NIGHT AND HOLIDAY RATE:		Tariff 3: DOUBLE DAYTIME RATE:		4. EXTRA CHARGES:
Rate per mile: Item 6(a) after first mile		Rate per Mile: Item 6(b) after first mile		Rate per Mile: Double Item 6(a) after first mile		
HIRINGS BETWEEN 7am and 11pm		HIRINGS BETWEEN 11PM AND 7AM AND NATIONAL PUBLIC HOLIDAYS (except where Double Day Rate applies)		HIRINGS BETWEEN:		
£ Item T1 (Mon – Sat) £ Item T4 (Sun)	Maximum charge up to (Item L) yards or Item 8(a) seconds	£ Item T2 (Mon-Sun)	Maximum charge up to (Item L) yards or Item 8(b) seconds	1) 11pm on Christmas Eve and 5am on 27 December, and 2) 11pm on 31 December and 7am on 1 January	For each passenger in excess of One:	Item 9 (pence)
Item 7(a) (pence)	For each additional (Item L) yards or Item 8(a) seconds.	Item 7(b) (pence)	For each additional (Item L) yards or Item 8(b) seconds.		Soiling the carriage leaving it unfit for immediate hiring:	£ Item 10
ALL LUGGAGE CARRIED INSIDE OR OUTSIDE THE PASSENGER COMPARTMENT IS FREE OF CHARGE.						
IMPORTANT						
If the journey takes the taxi outside the Guildford Borough area, the driver MUST still charge in accordance with the above scale unless he/she has agreed otherwise with the hirer before the journey has started. These are the maximum fares chargeable.						
COMPLAINTS						
Any complaints about a taxi or driver should be directed to: Licensing Team, Guildford Borough Council, Millmead House, Millmead, Guildford, Surrey. GU2 4BB or (01483) 444371 quoting, if possible, the taxi plate number and/or the driver's badge number.						