

**Date:** 6 October 2022

**Item:** Taxi Fares and Tariffs Update

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**This paper will be considered in public**

**1 Summary**

1.1 This paper provides the Committee with an update on the impact of the changes to taxi fares and tariffs made in April 2022, cost pressures for taxi drivers and the situation with the demand for taxis at Heathrow Airport particularly following the opening of the Elizabeth line. The paper also provides an overview of the forthcoming taxi fares and tariffs consultation.

**2 Recommendation**

2.1 **The Committee is asked to note the paper.**

**3 Background**

3.1 Following a public consultation<sup>1</sup> the Committee approved the following recommendations at its meeting on 9 March 2022:

- (a) increasing the minimum fare from £3.20 to £3.80;
- (b) increasing Tariffs 1 and 2 by 5.51 per cent;
- (c) freezing Tariffs 3 and 4;
- (d) increasing the maximum Heathrow Extra, which passengers pay when taking a taxi from one of the taxi ranks at Heathrow Airport, from £2.80 to £3.60; and
- (e) introducing a charge of up to £5.20 which taxi drivers can add to the fare when dropping off passengers in one of the terminal drop-off zones at Heathrow Airport unless their taxi has been registered for a Blue Badge concession.

3.2 The above changes came into force on 30 April 2022.

3.3 The Committee requested an update in six months to understand whether there has been a negative impact on demand for taxis given the taxi fare increase and to understand more about the cost pressures on taxi drivers, in

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<sup>1</sup> TfL 2021 review of taxi (black cab) fares and tariffs in London consultation, <https://haveyoursay.tfl.gov.uk/taxi-fares-2021>

part as a result of fuel price rises and the impact on demand for taxis at Heathrow Airport particularly following the opening of the Elizabeth line.

## **4 Impact of taxi fare changes six months on**

- 4.1 We regularly discuss demand for taxis with senior taxi trade representatives. While demand for taxis was at an all-time low during the coronavirus pandemic, taxi drivers are reporting that demand has surged and is now back to, and in some cases above, pre-pandemic levels, despite the increase in taxi fares.
- 4.2 There are a number of factors that may have contributed to this. One is that there has been a strong recovery in the demand for and use of taxis as lockdown restrictions have lifted and people are travelling more in London. There are also now 18,898 licensed taxi drivers, which is fewer than the 22,409 who were licensed at the start of the pandemic in March 2020.
- 4.3 There are reports of a similar surge in demand in the private hire industry and many private hire operators have increased fares or introduced surge pricing, which has resulted in a convergence in fares levels for the two modes.
- 4.4 Other modes of transport in London have seen an increase in ridership levels since the pandemic restrictions were eased, with Tube journeys already up by 25 per cent in February 2022 compared to early January of the same year, and bus ridership up nearly 10 per cent over the same period.<sup>2</sup> Road traffic on London's major roads is now back to pre-pandemic levels.<sup>3</sup>
- 4.5 From the information available, the recovery in demand for taxis appears to be stronger than for other modes. The demand for taxis appears to be mainly driven by leisure trips as business journeys and journeys by overseas tourists are not thought to have returned to the pre-pandemic levels.
- 4.6 Taxi drivers are self-employed and are not required to provide data on their working times, journeys they complete, or other supply and demand related information. We therefore do not know the exact number of taxi journeys and how these change from month to month, e.g. before and after the fare increases came into force in April 2022, and our information is mainly based on our operational experience and reports from licensees and trade representatives.

### **Fuel prices**

- 4.7 We have been monitoring diesel, petrol and electric vehicle charging prices and recognise that the price increases that have been observed in the past six

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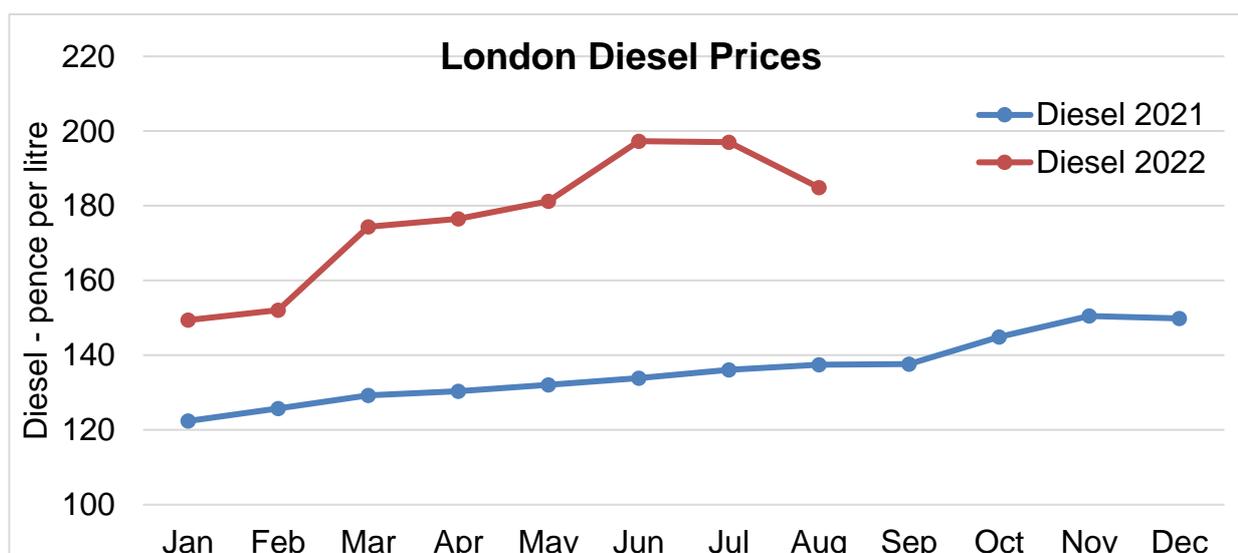
<sup>2</sup> Latest TfL figures show continued growth in ridership following lifting of working from home restrictions, 10 February 2022, <https://tfl.gov.uk/info-for/media/press-releases/2022/february/latest-tfl-figures-show-continued-growth-in-ridership-following-lifting-of-working-from-home-restrictions>

<sup>3</sup> TfL Press Release - Number of people killed on London's roads in 2021 fell to the lowest level on record, but collisions have increased as lockdowns ended, <https://tfl-newsroom.prgloo.com/news/tfl-press-release-number-of-people-killed-on-londons-roads-in-2021-fell-to-the-lowest-level-on-record-but-collisions-have-increased-as-lockdowns-ended>

months will have had a detrimental impact on the overall earnings of drivers which may not have been fully mitigated by the recovery in demand for taxis.

4.8 There were previously administrative arrangements in place whereby licensees could recover set costs where diesel costs exceeded specified threshold levels. Following a consultation in 2019, this arrangement is no longer in place. We are primarily focussed on the ongoing transition of the fleet from diesel taxis to zero emission capable (ZEC) taxis.

4.9 The chart below shows London diesel prices (pence per litre) for 2021 and 2022.



4.10 The table below shows electric vehicle charging prices in September 2021 and May 2022.<sup>4</sup>

Average cost to charge an electric car at a public charger		<b>Sep-21</b>	<b>May-22</b>
	Rapid charger 23-90kW	36.74 pence	44.55 pence
All prices in pence per kilowatt hour (kWh), and based on a 'pay-as-you-go' non-subscription basis			
	Ultra-rapid charger 100kW+	34.21 pence	50.97 pence
Average cost to charge a 64kWh electric car to 80% at a public charger		<b>Sep-21</b>	<b>May-22</b>
	Rapid charger 23-90kW	£18.81	£22.81
Based on charging on a 'pay-as-you-go' non-subscription basis			
	Ultra-rapid charger 100kW+	£17.51	£26.10

<sup>4</sup> RAC Charge Watch: The cost of charging an electric car at a public charger, <https://www.rac.co.uk/drive/electric-cars/charging/electric-car-public-charging-costs-rac-charge-watch/>

- 4.11 When we review taxi fares and tariffs, we update the Cost Index, which is a mechanism we use to ascertain changes to the costs related to being a taxi driver as well as average national earnings. We use the figures the Cost Index provides for changes to taxi drivers' operating costs and average national earnings to inform the levels of changes to taxi fares and tariffs which we consult upon before recommending changes for approval by the Committee.
- 4.12 The Cost Index includes changes to diesel, petrol and electricity/charging prices.
- 4.13 While fuel prices are particularly volatile this year, we note that diesel prices have recently started to decrease as shown in the graph above. Electricity prices do remain high, although we recognise there has not been sufficient time for the Government's recently announced interventions on the energy price cap to take effect.
- 4.14 After considering these factors, we do not believe any separate administrative arrangements in relation to fuel are necessary.

### **Elizabeth line**

- 4.15 At its meeting in March 2022, the Committee discussed the Elizabeth line and the potential impact on taxi drivers at Heathrow Airport.
- 4.16 The pandemic had a significant impact on Heathrow Airport with most passenger carrying flights being stopped at certain times during the pandemic. The pandemic has also had a significant impact on taxi drivers who work at the airport with drivers waiting several hours for a fare.
- 4.17 Since restrictions have eased and more people have started to travel there has been a strong recovery in demand for taxis at the airport. To date there have not been any reported decreases in the demand for taxis as a result of the Elizabeth line opening.
- 4.18 At Heathrow Airport there is a large holding area, known as the feeder park, where taxis wait before moving forward to a taxi rank at one of the terminals and picking up passengers. Figures provided by Heathrow Airport Limited have shown that, since March 2022, the number of taxis going through the feeder park has been comparable to or higher than the number from the same months in 2019.
- 4.19 Representatives of the taxi trade who work at Heathrow Airport have informed us that there has been no decrease in demand for taxis at the Airport since the Elizabeth line opened. We also understand that June 2022 was the busiest month in terms of taxi movements through the feeder park recorded since 2010 albeit this may partly be due to the disruption at the airport and the number of flight cancellations.

## **5 Taxi fares and tariffs consultation**

- 5.1 We are currently reviewing options for the next taxi fares and tariffs consultation, which is due to commence in late October/early November 2022.

- 5.2 We have updated the Cost Index for this year's taxi fares and tariffs review and the table below shows the figures for the change in taxi drivers' operating costs and average national earnings, and the total Cost Index figure.
- 5.3 The Cost Index includes costs for fuel (diesel, petrol, electricity). The overall increase is very high this year, in part due to increases in fuel and electricity/charging costs. We are giving consideration as to whether all of this should be applied which would be another large increase to fares, or whether there is an alternative approach that balances the need to ensure taxi drivers can cover their costs but not to the extent that passengers cannot afford to use the service. It is also important to note that while the previous increase to the Cost Index was 9.95 per cent, this was a combination of three years of Cost Index calculations.
- 5.4 The table below shows the total Cost Index calculation for this year of 11.64 per cent. This includes the increase in drivers operating costs of 7.61 per cent, of which, 5.74 per cent is due to the increase in fuel costs and the increase in average national earnings of 4.02 per cent.

Item	Value
Drivers' operating costs	+7.61%
Average national earnings	+4.02%
<b>Total Cost Index figure</b>	<b>+11.64%</b>

- 5.5 If we were to increase fares by 11.64 per cent this will be a significant increase for passengers.
- 5.6 When considering changes to taxi fares and tariffs it is important that we strike an appropriate balance between drivers being fairly paid and taxi users getting fair and affordable fares. It is clear that operating costs have increased significantly for drivers this year and the cost-of-living crisis will be impacting a number of taxi users and taxi drivers.
- 5.7 We are due to launch a consultation on taxi fares and tariffs in late October/early November 2022 and the options being considered for consultation are provided in the table below.

Option	Details
1	<p><b>Fully implement the Cost Index increase by increasing the four tariffs:</b></p> <ul style="list-style-type: none"> <li>• Freeze the minimum fare at £3.80</li> <li>• Increase Tariffs 1, 2, 3 and 4 by the total Cost Index figure (11.64%)</li> </ul>
2	<p><b>Fully implement the Cost Index increase by increasing the minimum fare and the four tariffs (an approach taken in previous reviews):</b></p> <ul style="list-style-type: none"> <li>• Increase the minimum fare by 40 pence (£3.80 to £4.20)</li> <li>• Increase Tariffs 1, 2, 3 and 4 by 8.80%</li> </ul>

Option	Details
3	<p><b>Partially implement the Cost Index increase:</b></p> <ul style="list-style-type: none"> <li>• Freeze the minimum fare</li> <li>• Increase Tariffs 1 and 2 by one part of the Cost Index. This would be by either: <ul style="list-style-type: none"> <li>– Drivers' operating costs: 7.61%</li> <li>– Average national earnings: 4.02%</li> </ul> </li> <li>• Freeze Tariffs 3 and 4</li> </ul>
4	<p><b>Do nothing:</b></p> <ul style="list-style-type: none"> <li>• Freeze the minimum fare and tariffs</li> </ul>

5.8 In addition to the Cost Index increase there are a number of other proposals that are being considered for inclusion in this year's taxi fares consultation which are mainly around the fees applicable for taxis booked by phone or through an app – the 'booking fee' of £2 has been in place for a number of years and we are also considering a cancellation fee. We are also reviewing the fixed fares for shared taxi schemes. These are separate considerations to the implementation of the Cost Index.

## 6 Next steps

6.1 We intend to launch the consultation in late October or early November 2022 and once we have analysed the feedback we will prepare recommendations for approval by the Committee at its meeting in March 2023. Any approved changes to taxi fares and tariffs will come into force in April 2023.

### List of appendices to this report:

None

### List of Background Papers:

None

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