

# TAXI ADVISORY FORUM

12 APRIL 2017

## REVIEW OF MAXIMUM FARE – SUMMARY OF RECENT REVIEW

### Report by Head of Vehicle Policy Branch

#### 1. PURPOSE OF REPORT

- 1.1. The purpose of this report is to advise the Forum of the outcome of a recent review of the maximum fare.

#### 2. BACKGROUND

- 2.1. A review was commissioned of taxi fares to ascertain whether or not a statutory maximum fare would be appropriate for the local taxi industry and, if so, to determine the level of the fare. The review, which was completed in 2011 by PA Consulting Services, found that a statutory fare would be appropriate in the Northern Ireland and recommended a maximum fare tariff. The fare is broadly in-line with the previous regulated fare for Class B taxis (formerly known as Belfast Public Hire vehicles).
- 2.2. The proposals were consulted on in November 2011 with a synopsis of responses published in May 2012<sup>1</sup>. The adopted policy was developed into The Taxis (Taximeters, Devices and Maximum Fares) Regulations (Northern Ireland) 2015<sup>2</sup>.
- 2.3. From 31 May 2016, and following deferrals to provide the industry with more time to prepare for the changes, all Class A and B taxis were required to adhere to a new maximum fare. It was intended that the maximum fare would be reviewed periodically to address issues of cost increases, or decreases, such as fuel and insurance in line with a prescribed formula devised by PA Consulting.
- 2.4. A desktop review of the main elements of the fare (fuel and labour costs, which accounts for around 80% of the overall per mile cost) was undertaken in May 2015. This review found that, using the rolling 12 month price average, the price of fuel had decreased by 1.3% and that the salary figure had reduced by 4.7%. Overall, the Department calculated an overall reduction in maximum fare of 3.23%. When compiling the maximum fare calculation, the consultants indicated that the fare should only be altered when the calculation returned more than 5% different from the existing fare. On that basis, the statutory maximum fare was not changed in 2015.

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<sup>1</sup> <https://www.infrastructure-ni.gov.uk/sites/default/files/publications/doe/motoring-consultation-taxi-fare-and-taximeter-consultation-synopsis-of-responses-may-2012.pdf>

<sup>2</sup> <http://www.legislation.gov.uk/nisr/2015/394/made>

### 3. DETAIL

3.1. A further review of the main elements of the fare (fuel, wages and insurance etc) was carried out in March 2017 and the results are set out in this paper. Together these figures make up around 80% of the cost per live mile.

	2011	2015	2017
<b>Fuel Costs (per litre)<sup>3</sup></b>	£1.30	£1.28	£1.11
<b>Wage<sup>4</sup></b>	£24,470	£23,331	£24,497
<b>MOT</b>	£138.50	£138.50	£138.50
<b>Taxi Drivers Licence &amp; Periodic Training<sup>5</sup></b>	£21.00	£21.00	£71.50 <sup>6</sup>
<b>Insurance</b>	£1,132.78	£1,132.78	£1,500 <sup>7</sup>
<b>Cost per Live Mile</b>	<b>£1.57</b>	<b>£1.52</b>	<b>£1.54</b>

3.2. This review found that the salary figure has increased only very slightly on the 2011 figure by 0.1%, fuel cost has decreased by 14.6% and the cost of MOT remains the same. The cost of periodic training has been included with the cost of the taxi drivers licence (approx £50.00 per year for periodic training over a 5 year period). The cost of taxi insurance was taken from a 2013 taxi driver survey where the average premium was around £1,500. This is an increase of 32.4% on the 2011 figure.

3.3. Whilst it would have been preferable to use more up-to-date data or data that is Northern Ireland specific, such data was not available without a wider driver or operator survey. To warrant a change in the maximum fare (ie one that would see the live mile rise by 5% and therefore warrant a change) the average insurance rate would need to rise to £4,200.

### 4. OUTCOME & DECISION

4.1. The outcome of this review is that by updating around 80% of the total costs per live mile the total cost of operating a taxi in Northern Ireland has reduced marginally from

<sup>3</sup> Source: <http://www.theaa.com/driving-advice/driving-costs/fuel-prices>

<sup>4</sup> Source: ONS (Annual Survey of Hours and Earnings, 2016 Provisional Results) - data used is Mean Transport and mobile machine drivers and operatives.

<sup>5</sup> Cost per year over a 5 year period

<sup>6</sup> Fee includes cost of Periodic Training at £50.00 per year for 5 year period

<sup>7</sup> Question 14 - <https://www.insuretaxi.com/taxi-driver-survey-2013/>

£1.57 in 2011 to £1.54 per live mile. As indicated earlier, price rises or falls of less than 5% are discounted, therefore there is to be no change to the maximum fare rate.

- 4.2. It is recommended that, subject to a decision taken as part of the Taxi review, a further fare Review is carried out in January 2019, with a report of its findings produced no later than May 2019.

**ALEX BOYLE**  
**Head of Vehicle Policy Branch**  
**30 March 2017**