



## South Hams District Council

### South Hams District Council – Fare Setting Method Policy

It is important to be able to regularly review the maximum taxi fares for the District and to have a fair and robust method for doing so. Having reviewed a number of different policies from around the country, a method has been devised that can be used to determine whether any fare increase is necessary and balanced.

The method seeks to measure the true costs of providing taxis and the 'cost per mile' figure necessary to safeguard the sustainability for this valuable public service.

It has been decided that the most reliable method of gaining up-to-date motoring costs, is to use those published regularly by the Automobile Association (AA) or other reliable sources.

The calculation will be as follows:

1. The annual average earnings figure for a full time employee for South Hams<sup>1</sup>
2. Average of the AA pence per mile total for standing charges and running costs in respect of petrol cars £25,000 to £32,000 and for diesel cars £26,000 to £36,000 both based on an average of 30,000 miles per annum.
3. Additional taxi insurance premium, over and above the AA insurance figure.
4. The cost of a council taxi driver badge and vehicle licence, and an allowance for: training, medicals, and DBS checks.
5. Earnable mileage figure, it is thought that given the nature of Hackney Carriage work in a large rural area like South Hams, then this figure should be set at 60% of the total annual mileage, in this case 18,000. 40% is also the figure that is generally considered reasonable by HMRC for the amount of "dead" mileage.

$$(1+2+3+4) \div 5$$

### Earnings

The cost of running a taxi includes the drivers' earnings and this factor must be taken into account when setting the fare tariff. There is no reliable information on the earnings of taxi drivers and it is therefore proposed that the South Hams average wage should be used.

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<sup>1</sup> <http://www.neighbourhood.statistics.gov.uk/HTMLDocs/dvc126>

## Vehicle Costs

The AA publishes regularly estimated vehicle standing charges and running costs based upon the fuel type and average mileage of a vehicle. This is a detailed index and consists of costs for road tax, insurance, depreciation, subscriptions, fuel, oil, tyres, servicing, repairs and replacements for a variety of vehicle types and distances travelled.

The formula above takes the average of the total of standing charges and running costs in pence per mile for petrol cars £25,000 - £32,000 pounds when new and for diesel cars £26,000 to £36,000. This would be 43.80<sup>2</sup> and 39.42<sup>3</sup> giving an average of 41.61 pence per mile. The average figure is taken in order to reflect the mixed fuel nature of the current taxi fleet.

As it is more expensive to insure a taxi than ordinary private motoring insurance, it is proposed that an extra cost above the AA figures be added. We have assumed a reasonable figure of approximately £1,300 on top of the average cost is appropriate.

The AA document includes a subscription fee, this is the cost of annual AA membership. This will be left in as it is assumed all drivers will have some form of breakdown cover.

The costs of council drivers and vehicle licences will also be added into the calculation.

Currently £228 (vehicle) + £135 (driver) but subject to review.

## Legal Process for Fares Setting

Legally 'Section 65 of the Local Government (Miscellaneous Provisions) Act 1976' enables a district council to set the fares charged within its area by hackney carriage (taxi) drivers for various distances over which paying passengers are conveyed, as well associated charges, as explained below.

In agreement with those legal provisions, proposed taxi fare increases must be advertised in the local press - and made available in the council offices - for a period of 14 days to allow for any objections to be made. If no objections are received, or any that are made are then withdrawn, the proposed new fares become effective from the date specified in the notice.

If any objections are received which are not withdrawn, the new fares will not automatically take effect. In that case, to allow time for attention to the objections, a new working date for the fares must be set, which shall be no later than two months after the date of the close of the statutory objection period stated in the public notice. During this period objections would be considered and, if appropriate, the proposed fare tariff modified accordingly.

Current comparative taxi fare levels for all taxi licensing authorities in the country are published each month in a national trade magazine.

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<sup>2</sup> AA Motoring Costs petrol cars version 2 July 2014

<sup>3</sup> AA Motoring Costs diesel cars 2014

## Process for setting the maximum chargeable fare in accordance with Section 65 Local Government (Miscellaneous Provisions) Act 1976

