

Details of Taxi Cost Calculations 2010

Table 1 below shows the cost per mile of each cost component in 2009 and for 2010.

Table 1: Cost Index for April 2010

Component of index	Cost p per mile in 2008	Proportion of costs in 2008	Cost p per mile in 2009	Increase in costs 2009	Contribution to total increase
Vehicle Cost	18.29	8.8%	18.12	-0.9%	-0.1%
Parts	8.27	4.0%	8.74	5.7%	0.2%
Tyres	1.10	0.5%	1.18	7.0%	0.0%
Garage & Servicing - Premises	1.20	0.6%	1.20	0.4%	0.0%
Garage & Servicing - Labour	4.03	1.9%	4.15	2.9%	0.1%
Fuel	21.67	10.4%	21.62	-0.2%	0.0%
Insurance	7.11	3.4%	8.49	19.5%	0.7%
Miscellaneous	2.23	1.1%	2.27	1.9%	0.0%
The Knowledge	11.48	5.5%	11.64	1.4%	0.1%
Social Costs	5.89	2.8%	5.97	1.4%	0.0%
Total operating costs	81.26	39.1%	83.38	2.6%	1.0%
Average national earnings	126.41	60.9%	128.18	1.4%	0.9%
Grand Total	207.67	100%	211.55		1.9%

Vehicle Cost

Four strategies have been considered for purchasing a cab:

1. Purchase new and run to scrap,
2. Purchase new and sell at 4 years,
3. Purchase at 4 years and sell at 8,
4. Purchase at 8 years and run to scrap.

Table 2 below gives the costs for the 4 strategies (as supplied by LTI in December 2008). They relate to TX4 models for strategies 1 and 2, TXIIs for 3 and TXIs for 4. Table 3 shows the corresponding costs provided in December 2007.

Table 2: Vehicle Cost in December 2009

Strategy	HP rate %	Price	Deposit	plus Monthly Payments		Total	Less residual value	Net Cost	Years Cab Kept	Total Cost over 12 years
1	5.99	£30,937	£3,094	48	£719.05	£37,608	£0	£37,608	12	£37,608
2	5.99	£30,937	£3,094	48	£719.05	£37,608	£13,500	£24,108	4	£72,325
3	5.50	£12,900	£1,290	48	£295.09	£15,454	£3,850	£11,604	4	£34,813
4	6.00	£7,000	£700	36	£206.50	£8,134	£0	£8,134	4	£24,402

Table 3: Vehicle Cost in December 2008

Strategy	HP rate %	Price	Deposit	plus Monthly Payments		Total	Less residual value	Net Cost	Years Cab Kept	Total Cost over 12 years
1	4.59	£32,600	£3,260	48	£723.48	£37,987	£500	£37,487	12	£37,487
2	4.59	£32,600	£3,260	48	£723.48	£37,987	£14,500	£23,487	4	£70,460
3	5.10	£16,600	£1,660	48	£374.75	£19,648	£4,750	£14,898	4	£44,693
4	5.10	£5,750	£575	36	£165.74	£6,542	£500	£6,042	4	£18,125

The average cost over 12 years in December 2008 was £42,691 or 16.17 pence per mile. The average cost for the same strategies in December 2009 was £42,287 or 16.02 pence per mile, giving a decrease of 0.9%.

Pence per mile rates have been calculated assuming an annual vehicle mileage of 22,000 miles.

Parts

LTI Parts annually quote the average price increase of all the parts they supplied to the trade in the previous year. This year they quoted 5.7% which has been assumed to apply to all cabs regardless of make and model.

In 2008 the cost per mile of parts was 8.27p. This was increased by the 5.7% giving 8.74 pence per mile for 2009.

Tyre cost changes have been supplied by LTI. The 2009 average cost has increased by 7% to 1.18 pence per mile from the 2008 value of 1.10 pence per mile.

In 2008 the total cost per mile for parts and tyres was 9.37p. In 2009 this had increased to a total of 9.92 pence per mile.

Garage and Servicing – Premises

In last year's index a cost of garaging and servicing related to premises of 1.20 pence per mile was used, based on the Hillier Parker London All Industrial Rent Index and the Cost Index Review completed in summer 2005. In quarter 3 of 2009 the Hillier Parker Index increased by 0.4% giving 1.20 pence per mile for the updated index.

http://www.cbre.eu/researchreportviewer/servlet/ReportViewerServlet?p_activity=show_document&p_document_id=2647967

Garage and Servicing – Labour

We have used the percentage change in labour cost specifically for motor mechanics and auto engineers (code 5231), from the Annual Survey of Hours and Earnings (ASHE) which is available from:

http://www.statistics.gov.uk/downloads/theme_labour/ASHE_2008/tab14_6a.xls

In last year's index the cost of labour was assumed to be 4.03 pence per mile. In the 2008 ASHE Survey the average hourly pay excluding overtime was £10.43. By 2009 this had increased to £10.73, an increase of 2.9 %. This increase has been applied to the cost per mile, giving 4.15 pence per mile as the updated value.

Fuel

Derv prices have been obtained from www.arvalph.co.uk. In the final update of the index the average price over the thirteen weeks from 12th September 2009 to 11th December 2009 is compared with the average price over the thirteen weeks from 4th October 2008 to 2nd January 2009. This gives a value of 109.4p for this year's thirteen week average. The corresponding price per litre for last year was 109.7p, giving a decrease over the year of 0.2%. This increase has been included in Table 1.

An alternative series, available at www.theaa.com/motoring-advice/motoring-costs.html is also monitored. It matches the Arval values very closely.

Insurance

In November 2008, the broker Protector Policies provided premium percentage changes for Zenith, HSBC and Aviva through the broker Protector Policies. These were based on a range of quotes for a 50 year old driver which vary in terms of age of vehicle (new, 3 years and 5 years old), and length of no claims discount.

In November 2009, the same data was requested. Premium figures were obtained for Aviva. Zenith and HSBC have withdrawn from the market.

In the year to November 2009, Norwich Union premiums increased by 19.5% (7.11 pence per mile to 8.49 pence per mile).

Miscellaneous

This comprises the cost of hiring a meter and a receipt printer, smoke test, vehicle licence and driver licence.

In this year's update the costs of the Hackney Carriage Vehicle Licence has increased from £164 to £200; the cost of a Driver Licence has not changed from the value used last year. These are the only components of the cost index that are included in advance, rather than using the previous year's changes in cost.

The average cost of renting a meter and a receipt printer fell from £214 to £187. One-off costs (appearance fees and driver licence application fees) were unchanged at £29.

A total of £472 (2.23p per mile) was calculated for last year's index. This figure has increased to £481 (2.27 p per mile) for the updated index.

Earnings Related

The latest average earnings index (headline rate ONS series LNNC) was for a 1.4% year on year increase for quarter 3 2009. This gives a cost per mile figure for the updated index of 128.2p, just under 61% of the total index cost.

The "knowledge" and "social" costs have also been uplifted each year in line with national earnings. In 2008 these increased to 11.64p and 5.97p respectively, representing a further 8% of the total index cost.

TfL Fares & Ticketing
18th December 2009

Tariff Changes – 2.3% average increase

Average Fares

	Current average	New average	Increase (£)	Increase (%)
Tariff 1	£10.16	£10.39	£0.23	2.3%
Tariff 2	£11.78	£12.05	£0.27	2.3%
Tariff 3	£13.83	£14.15	£0.32	2.3%
All Week	£11.22	£11.48	£0.26	2.3%

Tariff Rates – 2.3% average increase

	Tariff 1		Tariff 2		Tariff 3	
	Current	New	Current	New	Current	New
minimum fare ¹	£2.20	£2.20	£2.20	£2.20	£2.20	£2.20
minimum units	2	2	2	2	2	2
metres/unit < 6 miles	143.7	139.8	116.6	113.5	94.2	91.7
secs/unit < 6 miles	30.9	30.0	25.1	24.4	20.2	19.7
metres/unit > 6 miles	100.8	98.0	100.8	98.0	100.8	98.0
secs/unit > 6 miles	21.7	21.1	21.7	21.1	21.7	21.1
Units at lower rate	67	69	82	85	102	105
Metres at lower rate	9627.9	9646.2	9561.2	9647.5	9608.4	9628.5
changeover fare	£15.40	£15.80	£18.40	£19.00	£22.40	£23.00

Example Fares – 2.3% average increase

All example fares assume entire journey charged on distance rates

Journey length Miles	Tariff 1			Tariff 2			Tariff 3		
	Current	New	Change	Current	New	Change	Current	New	Change
minimum ¹	£2.20	£2.20	0.0%	£2.20	£2.20	0.0%	£2.20	£2.20	0.0%
0.5	£3.00	£3.00	0.0%	£3.20	£3.40	6.3%	£3.60	£3.60	0.0%
1.0	£4.20	£4.20	0.0%	£4.60	£4.80	4.3%	£5.40	£5.40	0.0%
1.5	£5.20	£5.40	3.8%	£6.00	£6.20	3.3%	£7.00	£7.20	2.9%
2.0	£6.40	£6.60	3.1%	£7.40	£7.60	2.7%	£8.80	£9.00	2.3%
2.5	£7.40	£7.60	2.7%	£8.80	£9.00	2.3%	£10.40	£10.60	1.9%
3.0	£8.60	£8.80	2.3%	£10.20	£10.40	2.0%	£12.20	£12.40	1.6%
3.5	£9.80	£10.00	2.0%	£11.60	£11.80	1.7%	£13.80	£14.20	2.9%
4.0	£10.80	£11.20	3.7%	£13.00	£13.20	1.5%	£15.60	£16.00	2.6%
4.5	£12.00	£12.20	1.7%	£14.40	£14.60	1.4%	£17.20	£17.60	2.3%
5.0	£13.00	£13.40	3.1%	£15.80	£16.00	1.3%	£19.00	£19.40	2.1%
6.0	£15.40	£15.80	2.6%	£18.40	£19.00	3.3%	£22.40	£23.00	2.7%
7.0	£18.60	£19.00	2.2%	£21.60	£22.20	2.8%	£25.60	£26.20	2.3%
8.0	£21.80	£22.20	1.8%	£24.80	£25.40	2.4%	£28.80	£29.60	2.8%
9.0	£25.00	£25.60	2.4%	£28.00	£28.80	2.9%	£32.00	£32.80	2.5%
10.0	£28.20	£28.80	2.1%	£31.20	£32.00	2.6%	£35.20	£36.00	2.3%
11.0	£31.40	£32.20	2.5%	£34.40	£35.40	2.9%	£38.40	£39.40	2.6%
12.0	£34.60	£35.40	2.3%	£37.60	£38.60	2.7%	£41.60	£42.60	2.4%
13.0	£37.80	£38.80	2.6%	£40.80	£42.00	2.9%	£44.80	£46.00	2.7%
14.0	£41.00	£42.00	2.4%	£44.00	£45.20	2.7%	£48.00	£49.20	2.5%
15.0	£44.00	£45.20	2.7%	£47.20	£48.40	2.5%	£51.20	£52.60	2.7%
16.0	£47.20	£48.60	3.0%	£50.40	£51.80	2.8%	£54.40	£55.80	2.6%
18.0	£53.60	£55.20	3.0%	£56.80	£58.40	2.8%	£60.80	£62.40	2.6%
20.0	£60.00	£61.80	3.0%	£63.20	£64.80	2.5%	£67.00	£69.00	3.0%