

Uttlesford HCV Flag rate Increase Proposal

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Business Case: 12.5% Flag rate increase to offset increased operational costs.

Executive Summary

The most recent flag rate increase was in early April 2021 which was during the Covid shut down period which ran from March 2020 to December 2021. This increase was the first for nearly a decade and consequently was significant. At this time, the CEO of Uttlesford licensing (Mr. Russell Way) advised not to leave a request for a tariff increase so long again and further requests should be timelier such as every 2 years.

By the time, any increase to the current tariff is approved and implemented it will be 4 + years since the last increase, during this time there has been a significant increase in Uttlesford staff remuneration (see appendices 1) which had a direct impact on licensing costs. It will be 4 years plus since the last tariff increase before any new increase (if approved) will be operational.

Taking the significant cost of living increase across all aspects of operating a taxi business including the increase in cost of licensing, I ask you to look favourably on an increase to the Uttlesford taxi flag rate by 12.5%.

Appendices 1.

23 Jan 2023, at 3:46 pm, Russell Way <RWay@uttlesford.gov.uk> wrote:
Dear Robert

Thank you for your email regarding the recent taxi and PHV fees consultation.

I understand that the UK (and taxi trade) is in a post pandemic recovery phase. However, the legislation that we are bound by and which we set the fees is based on a cost recover service.

One of those aspects is staff cost. All local government staff have had a £2K pay rise. Also, for some a yearly increment. In real terms this means, for the majority of licensing staff they have had just shy of **10% pay rise**.

This unfortunately is reflected in the increase this year in the fees.
I hope this gives some clarity for the rise this year.

Kind regards

Russell Way
Licensing Manage

Business Need

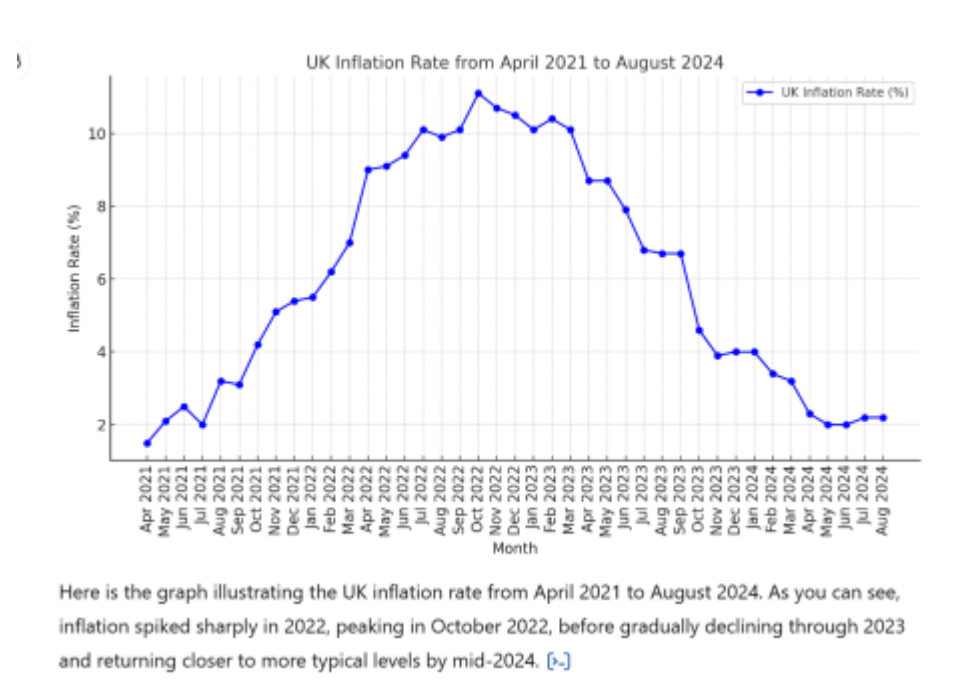
Since the suspension of business during the covid period and during the recovery period (see fig1) there have been significant cost increases to conduct the provision of taxi services, this is in no small way due to the wider world conflicts which has had a significant impact on inflation which has run from over 11% to the now current lower rate of 2.2%, the direct impact has been, and continues to be:

- Increased licensing costs.
- Increased fuel costs (currently falling but expected to rise again due to both world conflict and UK budget taxation decisions.
- Increased cost of vehicle servicing
- Increased cost of living and will continue due to the ongoing world conflicts and UK budget in October 2025 and beyond.
- Since the last increase in April 2021 the Uttlesford taxi tariff has dropped from the top quartile to lower than the quarter quartile of the tariff table.

Summary of inflation since April 2021 (the last tariff increase)

- **April 2021:** Inflation was at **1.5%**, following a gradual rise from the low levels seen during the pandemic.
- **Late 2021:** Inflation increased sharply, hitting **4.2% in October 2021** and reaching **5.4%** by December, driven by global supply chain issues and **energy prices.**
- **2022:** Inflation surged throughout the year, peaking at **11.1% in October 2022,** largely due to the energy crisis caused by the war in Ukraine. High food and energy costs were significant contributors during this period.
- **2023:** Inflation started to decline, dropping to **6.7% by September 2023,** though still above the Bank of England's target of 2%. It remained high due to persistent cost-of-living pressures.
- **2024:** By August 2024, inflation had reduced to **2.2%**, returning closer to pre-crisis levels. This period saw the effects of stabilizing energy prices and interest rate hikes by the Bank of England to curb inflation.

Fig 1.



Continuing increasing operational costs during the hugely challenging period of the post Covid recovery where business was terribly slow to restart proved to be a “perfect storm” of a double dip negative income blow of rising costs and reduced income, for many this proved too much to bear, as not all were afforded the lifeline of “bounce back” loans and/or monthly furlough payments, or afforded the available financial help from UDC.

Objectives

- A flag rate increase of minimum 12.5% increase to meet increased and living operational costs.
- To meet the need of taxi services from a growing community within Saffron Walden and the wider Uttlesford area.
- To afford attracting the correct caliber of taxi drivers
- To afford investment in quality vehicles which meet the standard of UDC licensing

Options Considered

1. **Do Nothing** (Stay as we are):
 - a. Pros: None will be a negative impact.
 - b. Cons: Continued loss of revenue due to higher operational costs, unable to meet customer demand due to a lack of affordability of developing our business model, eventual going out of business.

Mitigation: Minimum 12.5% increase to the taxi flag rate.

Benefits

- Meet growing demand for taxi services.
- Operational Efficiency: By investing in modern technology i.e., icabbie
- Improved Customer Retention and repeat business

Risk Analysis

- Resistance to Change: HCV Operators (Number 48) may resist embracing the new flag rate.
- Non-approval of the new flag rate: Operators will struggle to invest in their business and their quality of service provided will deteriorate.
- Uttlesford HCV operators currently number 48

Timeline

- **Start:** TBA 2025
- **Go-Live Date:** TBA 2025

Meter Rates

Existing	Rate 1	£4.80	Rate 2	£6.00
New	Rate 1	£5.40	Rate 2	£6.75
Existing	Rate 3	£8.00 (up to 4 passengers)	Rate 4	£10.00
New	Rate 3	£9.00	Rate 4	£11.25

Waiting Time

Existing	£30.00
New waiting time	£34.00

Conclusion This business case is to address the continued absorption of increased operational and living costs, and to support the continuation of provision of taxi services within Uttlesford the proposed flag increase is needed.