

Hackney Carriage (Taxi) Table of Fares Methodology and Procedure 2024

1. This methodology has been created to provide a transparent process for calculating taxi fares. The methodology was originally approved by Executive in 2013 and reviewed by Licensing Committee and Executive in 2016. The information provided in this document is supported by factual evidence. If statistical data is not available the calculations are based on reasoned argument.
2. In determining the factors, consideration has been given to the fact that taxi proprietors often have differing business practices. Consequently it is accepted that running costs may vary between businesses and it is not intended to recompense inefficient business practice or for figures that differ greatly from the average (eg higher salaries, costs of diverting telephones etc, not charging the full tariff amount). For this reason an average calculation has been used.
3. All factors that are relevant to running a taxi have been considered following consultation with the taxi trade. In February 2022 questionnaires were sent to all licensed hackney carriage drivers and proprietors asking for views as to costs to input. Only one partially completed reply was received providing minimal input of data from the licensed trade. This methodology and the relevant factors have been subject of an independent audit prior to initial approval by Executive. The factors include:

| | |
|---|--------------|
| An allowance for an annual salary for the taxi driver | £36,912.00 |
| The average annual mileage of a licensed Guildford taxi | 27,184 |
| The amount of mileage without a fare paying passenger. This is referred to as the 'dead' mileage. | 12,233 miles |
| The amount of mileage with a fare paying passenger. This is the average live mileage | 14,951 miles |
| The average travelled for each fare paying journey | 2.5 miles |
| The average number of journeys travelled with a fare paying passenger in the taxi | 5,980.6 |
| Costs of running a diesel car in the £26,000 to £36,000 price bracket when new per mile. | |
| Depreciation per annum | £5014.72 |
| Cost of Capital | £804.32 |
| Annual cost of insurance | £893.52 |
| Additional insurance costs associated with the taxi trade | £500 |
| Cost of road tax | £190 |
| Average breakdown cover | £74.34 |
| The average cost of fuel per litre | 158.9p |
| Cost of tyres | 3.00 |
| Service labour costs | 3.33 |
| Replacement parts | 4.45 |
| Parking and tolls | 2.97 |
| Annual station rank fee | £1038 |
| Cost of CCTV (allowance per year) | £100 |

| | |
|---|----------------------|
| Cost of livery (over 10 years) | £1200 (£120/year) |
| Annual maintenance of livery | £300 |
| Cost of removing the livery (over 10 years) | £300 (£30/year) |
| Cost of providing a roof sign and meter, and annual meter change (per year) | £60 |

4. Unless additional factors are identified they will remain constant each year however it is anticipated that the values will change annually.
5. The values will be entered into the Guildford Hackney Carriage Fares Calculator which will be used to calculate the charge per mile for the relevant year.
6. Any changes to the value of the charge per mile will be entered into the table of fares which will be passed to the Lead Councillor for determination in consultation with the Head of Service with responsibility for licensing functions.

The Average Wage

7. The proprietor (owner) of a taxi will not necessarily be the driver. Consequently, different arrangements may exist regarding any income from the use of the vehicle as a taxi. An owner and driver will retain all the income; however a driver may pay the owner a sum of money to rent the vehicle on a weekly or monthly basis. The non-owner driver will then retain the remaining income obtained from taxi fares.
8. Therefore in determining the taxi fares an appropriate level of remuneration must be established that recognises that different arrangements exist but which does not take individual circumstances and business practices into account.
9. The median annual gross salary for Guildford is £35,601 per annum which has been obtained from data published in ASHE 2022 (revised) Table 10 by the Office for National Statistics. This table refers to places of residence by parliamentary constituency. Following the audit recommendations, the Council has expanded the data sets to include:
 - a. ASHE 2023 (provisional) Table 7 - Place of Work by Local Authority – Median £37,368
 - b. ASHE 2022 (revised) Table 8 - Place of Residence by Local Authority – Median £37,942
 - c. ASHE 2022 (revised) Table 9 - Place of Work by Parliamentary Constituency – Median £36,737
 - d. ASHE 2022 (revised) Table 10 - place of residence by parliamentary constituency – Median £35,601
10. Usually the most recent data, such as the ASHE 2023 (provisional) data would be used to gather the necessary information, however at time of writing some of the data relating to Guildford was not available. Consequently, the Licensing

Authority on those occasions has used the most recent complete data available, from the ASHE 2022 (revised) data sets.

11. The total of the four data sets above (Section 9) is £147,648. The average can be calculated by dividing £147,648 by 4. This equals £36,912.
12. The reason for using the median rather than the mean is that it is not influenced by outliers at the extremes of the data set which can often be the case when calculating income data for a group of people.

<http://www.ons.gov.uk/ons/datasets-and-tables/index.html?pageSize=50&sortBy=none&sortDirection=none&newquery=ashe&content-type=Reference+table&content-type=Dataset>

13. Consideration was given to using the National Minimum Wage based on a 40 hour working week. The national minimum wage was increased to £11.44 per hour in April 2024. Assuming a person works 40 hours per week for 52 weeks of the year the minimum annual wage is equal to £23,795.20p.
14. If the national minimum wage is used the average running costs for a taxi would significantly reduce and the fares would therefore significantly reduce.
15. It is therefore proposed that the median average wage is used for the Borough of Guildford obtained from the website of the Office for National Statistics.

The figure that should be used for calculations is the average of the four data sets shown in 9 above.

In respect of 2022 this is:

£36,912.00

This is shown as Item (A) on the Fares Calculator

The Average Annual Mileage

16. The average annual mileage is relevant in determining taxi fares because it can be used to determine the annual cost of running a taxi.
17. This average annual mileage is obtained from the odometer readings of all vehicles licensed by Guildford Borough Council when presented at the Woking Road Depot for testing.
18. The audit recommended dividing the average annual mileage per vehicle by the number of licensed drivers to provide a true reflection of the average annual

mileage per driver and address the issue of vehicles being used by multiple drivers. This recommendation was adopted for previous reviews.

19. However over the past few years the numbers of licenced hackney carriage drivers in the taxi trade has grown considerably. This is primarily down to the popularity of the Council's 'online' knowledge test that has resulted in a large number of drivers 'converting' from private hire to hackney. Not all of these drivers have subsequently gone on to licence a vehicle resulting in a difference between the number of licensed drivers and vehicles. There are currently 467 licensed drivers however only 165 licensed vehicles, resulting in a significant disparity between the number of drivers and vehicles, whereas in previous years this number was relatively similar.
20. The difficulties previously identified as being a result of the Covid Pandemic did cause a reduction in total number of miles, such as in 2021 the number of miles carried out by 134 licensed taxis was 2,381,135. When this is compared to 214 taxis licensed in 2019 was 4,295,610 miles. When a smaller mileage number is divided over a larger number of drivers, the resulting figure will result in a significantly lower number of miles and journeys over which costs can be recovered, resulting in much higher fares. Higher fares are likely to be unpopular with drivers and will potentially result in less business as customers seek cheaper alternatives. Furthermore, significantly higher fares may undermine the Council's methodology, which in itself has been subject of legal challenge.
21. Whilst the ratio of drivers to vehicles in 2022 was 194:134, which gave an annual mileage of 17,770 when dividing the total annual mileage by the number of drivers (as per paragraph 17) – with the dramatic increase in the number of Hackney Carriage Drivers resulting in a 2024 ration of 468:164 this would, using the above methodology, result in an average annual mileage of 9,211 – noticeably lower than the actual average mileage of most vehicles.
22. It is therefore suggested that in order to retain a more realistic number for this calculation – the recommendation of the audit be ignored in order to prevent unrealistic figures caused by the disparity in numbers between drivers and vehicles, and simply divide the total mileage by the number of licenced hackney carriage vehicles.
23. Consequently, for the 2024 review it is proposed to use the total annual average number of miles per vehicle by the number of currently licenced vehicles which gives us 27,019. This figure is marginally higher than the 2019 figure of 23,219 and considerably higher than the 2022 figure of 17,770.
24. 4,458,280 miles divided by 164 vehicles is an average of 27,184 miles per vehicle.

The figure that should be used for calculations is the average mileage shown in 22 above.

In respect of 2024 this is:

27,184 miles

This is shown as Item (E) on the Fares Calculator

Dead Mileage

25. A taxi does not travel all of its mileage with a fare paying passenger on board. This is usually referred to as “dead mileage”. It is not possible to calculate the exact amount of dead mileage travelled by each taxi.
26. For example, if customers are taken from point A (the rank) to point B and the taxi always returns to point A without a customer on board the dead mileage would be approximately 50 per cent of the total mileage therefore this is the starting point for the calculation.
27. However if customers are taken from point A to point B and the taxi occasionally returns to point A with a customer the dead mileage would be less than 50 per cent of the total mileage.
28. In addition a number of other factors should be taken into account as follows:
 - a. taxis do not always return empty to the point of initial departure
 - b. taxis may travel with a customer from point A to point B and then from point B to point C thus not enduring any dead mileage
 - c. the taxi may be flagged down whilst returning empty to point A therefore the dead mileage will not always be the same distance as the initial paid mileage
 - d. taxis may operate by being pre-booked and this can reduce the amount of dead mileage for example from Point A to the taxi rank and then from the taxi rank to point B
 - e. taxis drivers use the vehicle travelling to and from work
 - f. some drivers use their taxi for personal, social and domestic journeys away from work
29. By increasing the dead mileage, the cost of running a taxi will increase. Consequently, the cost of the fare and income will increase. Careful consideration should therefore be given to the figure allowed for dead mileage.
30. The auditor recommended additional consultation to support the above assumptions for future calculations and this has been carried out with HMRC, Taxi drivers and proprietors and Surrey licensing authorities.

31. In order to determine whether data obtained from taximeters can be used to calculate dead mileage; enquiries were made with the taximeter agents within Guildford. Information supplied on 12 December 2012 by two agents shows that all taximeters can record the mileage travelled by each taxi and this could be used to calculate the dead mileage. However they state that the records would not be accurate for the Council's purposes because the data can be deleted from the taximeter, the meter may be left on when the vehicle is not hired and the data obtained cannot differentiate between private mileage and dead mileage. Similar advice was given during this review.
32. Information supplied by HMRC shows that the level of dead mileage will vary between council areas and cannot therefore, be stated as a fixed percentage. HMRC is aware that taxi journeys carried out on contract such as home to school trips or pre-agreed fares to airports will not always be recorded on the taximeter and could appear to be dead mileage when in fact there is a fare paying passenger in the vehicle. HMRC also state that any travel to and from the taxi drivers place of work is not deemed to be dead mileage for the purposes of calculating tax liability. Both of these factors therefore reduce the amount of dead mileage that can be included in the overall calculation.
33. Previous consultation with taxi drivers provided information to show that dead mileage accounts for between 33 per cent and 50 per cent of the total mileage travelled by the taxi.
34. It is clear from information provided by HMRC, the taximeter agents and consultation responses that a number of factors will cause this initial percentage to reduce such as travel to and from work, private journeys and unmetered journeys.
35. An issue only arises in relation to mileage completed whilst travelling to and from work if the driver does not live within the Borough of Guildford. A driver who is resident in Guildford can ply for hire immediately within the district in which the driver is licensed. However the driver who is not resident in Guildford cannot ply for hire until the driver is within the Guildford Boundary. Therefore, any mileage travelled before entering Guildford cannot be included in the dead mileage calculation.
36. The consultations and additional enquiries have not provided sufficient evidence to identify the exact amount of dead mileage travelled by taxis in Guildford. The rate of dead miles was set at 45% for fare reviews in 2013, 2015, 2016, 2019 and 2022 and the consultation responses do not provide any evidence in order to justify any changes to this figure.

The percentage that should be used for calculations is 45 per cent as shown in 32 above.

In respect of 2024 this is:

12,233 miles

This is shown as Item (F) on the Fares Calculator

Average Live Mileage

37. The average live mileage is calculated by subtracting the dead mileage (F) from the Annual Average Mileage (E).
38. 27,184 minus 12,233 is 14,951 miles.

The mileage that should be used for calculations is shown in 34 above.

In respect of 2022 this is:

14,951 miles

This is shown as Item (4) on the Fares Calculator

Average Distance per Journey

39. The average distance travelled for each fare paying journey does not affect the cost per mile of running a taxi in Guildford however the figure is relevant when calculating the amount that may be charged by a taxi driver.
40. Previous consultation provided some evidence to support an average distance of 2 to 3 miles per journey and empirical evidence obtained during the consultation in October and December 2011 and comments made by taxi drivers to the Licensing Committee on 7 November 2013 also suggests that the average journey is between 2 and 3 miles.
41. This point is not in dispute and the value of 2.5 miles has been used for the average journey.

The distance that should be used for calculations is shown in 37 above.

In respect of 2024 this is:

2.5 miles

This is shown as Item (J) on the Fares Calculator

Average Number of Journeys

42. The average number of journeys travelled by a taxi in Guildford can be calculated by dividing the average live mileage (4) by the average distance per journey (J).
43. 14,951 divided by 2.5 equals 5,980 journeys.

The number of journeys that should be used for calculations is shown in 39 above.

In respect of 2024 this is:

5,980 Journeys

This is shown as Item (K) on the Fares Calculator

Costs of Running Diesel Car

44. The average costs of running a diesel car have been calculated without taking individual or differing business practices into account.
45. The AA calculates the running costs of a vehicle from various sources and quotes the figures as typical. However the figures do not represent all types of vehicle and conditions of use. The AA Motoring Costs 2014 are calculated on the purchase price of the car when new and fall into 5 brackets
- a. Up to £16,000
 - b. £16,000 to £22,000
 - c. £22,000 to £26,000
 - d. £26,000 to £36,000
 - e. Over £36,000.
46. Guildford has a mixture of saloon and purpose built wheelchair accessible vehicles in the licensed taxi fleet and generally values of these vehicles when

new fall between brackets (£22,000 to £26,000 and £26,000 to £36,000). Running costs vary considerably between each bracket and therefore the higher figure has been used to reflect the vehicles being used as taxis rather than purely for domestic use.

47. There are 165 Licensed taxis in 2024 within Guildford using the following fuel:
- a. Diesel 83 (down from 107 in 2022)
 - b. Petrol 3 (remained the same)
 - c. Hybrid 79 (up from 27 in 2022)
48. Historically the number of diesel vehicles has vastly outweighed the number of hybrid or petrol vehicles and the position has been that it was considered appropriate to use the motoring costs for a diesel vehicle rather than an average of the running costs for diesel and petrol cars, as figures are not available for hybrid vehicles. This follows the recommendation of the auditor to calculate costs using the actual number of vehicles by their fuel type.
49. The latest figures show that the number of Hybrid vehicles has grown significantly over the last few years, with hybrid vehicles fast approaching diesel vehicles. However, at this time the view is to keep the figures based off the number of diesels due to those figures being available. Looking forward it is anticipated that, taking in to account the levels of eco-planning and changing standards from vehicle manufacturers in relation to the production of hybrid/electric vehicles, that these numbers will continue to rise and we will see the decline of diesels. This will mean that – in the future – these figures will need to be reassessed in order to keep fares fair.
50. **Adjustment for inflation:**

One of the main elements of challenge to the Judicial Review of the 2016 fares was that the AA data was out of date. The data used for the 2016 fares was the AA Running Costs 2014, published by the AA in July 2014. At the time using this data was not disadvantageous to the taxi trade as the [ONS RPI Motoring Expenditure Costs Index](#) had shown a sustained deflation of the cost of motoring between March 2014 to May 2016.

The AA has however ceased producing its annual “Running Costs” upon which the methodology is based. The 2018 consultation with the trade proposed calculating fares using the previously approved 2014 Figures, however adjusted for inflation using the ONS RPI Motoring Expenditure Costs Index. We consider this a reasonable approach. No comments from the trade were received about this adjustment.

The costs associated with a vehicle in the bracket below should be used for calculations and adjusted for inflation using ONS RPI Motoring Expenditure Cost.

£26,000 to £36,000

This is included in item (B) on the Fares Calculator

Depreciation

51. Different vehicles lose value at different rates depending on their make, age, mileage and condition.
52. The AA figures assume depreciation over 4 years at £3373 per year. This is equal to £13492 at the end of 4 years.
53. It must be noted that 72.3% per cent of the licensed fleet are already over 4 years old. Therefore these vehicles have already depreciated beyond the level of the figures used and any depreciation beyond this point is not usually considered for accounting purposes.

Depreciation associated with a vehicle in the £26,000 to £36,000 bracket adjusted for inflation should be used for calculations.

£ 5,014.72

This is included in item (B) on the Fares Calculator

Cost of Capital

54. This sum represents the loss of income from the owner having money tied up in a vehicle which could otherwise be earning money in a deposit account.
55. The purchase of vehicles is funded in different ways. Some vehicles are paid for with cash, some on Hire Purchase Finance, some vehicles are leased. The decision on how to purchase or lease a vehicle is an individual decision for the proprietor and differing business practices have not been taken into account.

Cost of capital associated with a vehicle in the £26,000 to £36,000 bracket adjusted for inflation should be used for calculations.

£804.32

This is included in item (B) on the Fares Calculator

Annual Cost of Insurance

56. All insurance policies are different, and some proprietors pay more than others depending on individual circumstances.

Cost of insurance associated with a vehicle in the £26,000 to £36,000 bracket adjusted for inflation should be used for calculations.

£ 893.52

This is shown as Item (B) on the Fares Calculator

Additional Insurance Costs

57. The Council acknowledges that additional insurance premiums may be incurred for the 'hire and reward' element of driving a taxi and the final calculation includes an additional £500 allowance for this purpose. This is shown as Item C on the Fares Calculator.

Additional cost of insurance associated with hire and reward element should be used for calculations.

£500

This is shown as Item (C) on the Fares Calculator

Cost of Road Tax

58. For diesel vehicles this is based on cost of road tax associated with a vehicle in the £26,000 to £36,000.

Cost of road tax associated with a vehicle in the £26,000 to £36,000 bracket adjusted with current tax brackets should be used for calculations.

£190

This is included in item (B) on the Fares Calculator

Cost of Average Breakdown Cover

59. The figure is based on the cost of annual roadside vehicle based cover, adjusted for inflation.

Cost of breakdown cover associated with a vehicle in the £26,000 to £36,000 bracket adjusted for inflation should be used for calculations.

£ 74.34

This is included in item (B) on the Fares Calculator

The Average Cost of Fuel per Litre

60. The figures used by the AA are based on the national average fuel cost. The latest figures available (published March 2024) show the average cost of diesel at 153.9 pence per litre
61. In addition to the cost of diesel (March 2024) an additional 5 pence per litre has been factored in to allow for any future changes upwards to 158.9 pence per litre. Figures were obtained the latest AA Fuel Price reports.

http://www.theaa.com/motoring_advice/fuel/index.html

Average cost of diesel associated with a vehicle in the £26,000 to £36,000 bracket should be used for calculations with an additional 5 pence per litre.

158.9 pence per litre

This is included in item (B) on the Fares

Cost of Tyres

62. Average tyre life is approximately 27,000 miles however the following calculations are based on the driver completing an annual average mileage of 27,184 miles.
63. Tyre prices are based on online tyre dealer prices and not main dealer prices which will possibly be higher.

64. Cost per mile of fuel is obtained from the AA running costs for a diesel vehicle in the £26,000 to £36,000 price bracket and is 2.02 pence per mile. Adjusted for inflation this works out at 3.00 pence per mile.
65. $3.00 \times 27,184$ miles equals £815.52.

Average annual cost of tyres associated with a vehicle in the £26,000 to £36,000 bracket adjusted for inflation should be used for calculations.

£815.52

This is included in item (B) on the Fares Calculator

Service Labour Costs

66. The Service Labour costs cover normal servicing and parts replacement taking UK average labour rates.
67. Cost per mile is obtained from the AA running costs for a diesel vehicle in the £26,000 to £36,000 price bracket and is 2.24 pence per mile. Adjusted for inflation this works out at 3.33 pence per mile.
68. 3.33 multiplied by $27,184$ miles equals £905.22.

Average service labour costs associated with a vehicle in the £26,000 to £36,000 bracket adjusted for inflation should be used for calculations.

£905.22

This is included in item (B) on the Fares Calculator

Replacement Parts

69. Replacement parts items that may need to be replaced through normal driving conditions such as brake materials, oils, filters, bulbs, wipers etc.
70. Cost per mile of is obtained from the AA running costs for a diesel vehicle in the £26,000 to £36,000 price bracket and is 2.99 pence per mile. Adjusted for inflation this works out at 4.45 pence per mile.
71. 4.45 multiplied by $27,184$ miles equals £1,209.69.

Average replacement parts costs associated with a vehicle in the £26,000 to £36,000 bracket adjusted for inflation should be used for calculations.

£1209.69

This is included in item (B) on the Fares Calculator

Parking and Tolls

72. This figure could be excluded however a response to the consultation has indicated that parking charges are incurred when taking passengers to the airports.
73. Cost per mile of is obtained from the AA running costs for a diesel vehicle in the £26,000 to £36,000 price bracket and is 2 pence per mile. Adjusted for inflation this works out at 2.97 pence per mile.
74. 2.97 multiplied by 27,184 miles equals £807.36.

Parking and toll costs associated with a vehicle in the £26,000 to £36,000 bracket adjusted for inflation should be used for calculations.

£807.36

This is included in item (B) on the Fares Calculator

Other Factors

75. Additional costs associated with running- a taxi in Guildford are also included in the overall costs:
 - a. The annual vehicle licence fee 2024/25 applies to all vehicles. This (including two vehicle tests at £58) is currently £402.90 (Item **D** on the Calculator).
 - b. The tri-annual driver's licence fee (Item **H** on the Calculator). The total fee is £371.44 which is £123.82 per year (pro-rata).

- c. The cost of using Guildford Railway Station taxi rank (Item **G** on the Calculator). This is £1,038 per annum, however this cost is not incurred by all taxi drivers.
- d. The costs associated with the new Taxi and Private Hire Policy (Item **I** on the Calculator). These costs relate to the CCTV requirement for all vehicles and livery of hackney carriage vehicles.
 - i. The cost of the livery will depend on the size of vehicle and the different rates of each provider. The average cost is £1200. Similarly a vehicle does not require a new livery and the cost incurred every year. Assuming that the cost of livery will be recovered over 10 years, which is the maximum period a vehicle could be licensed for, the annual contribution towards the cost of initially applying a new livery will be as follows:
£1200 over 10 years equals a contribution of £120 per annum.
 - ii. It is acknowledged that there will be other costs associated with the livery requirement, such as maintenance or repairs resulting from accidents or general wear. Feedback received during the consultation on the Policy also demonstrated that it is important that the livery is removed when the vehicle ceases to be a licensed taxi. This would be a one off cost at the end of the vehicles life.
These costs should be included in the calculator as follows:
Contribution towards annual maintenance of the livery: £300 per year.
Cost of removing livery £300 over 10 years equals £30 per year.
 - iii. In April 2021 the Council mandated CCTV in all licensed vehicles by April 2023. The typical cost of a CCTV unit meeting the Council's specification is approximately £650. An allowance of £100 per year (over a 10 year life of a vehicle) to cover the cost of the unit, together with any servicing costs is considered reasonable.
- e. The cost of providing a taxi roof sign and taxi meter. (Item **I** on the Calculator). All taxis have to be equipped with a roof sign and meter. There is a one off cost of supplying a roof sign and meter, and the meter has to be adjusted annually to the current tariff. Discussion with meter agents indicates that a roof sign costs £100, and a meter £400. An annual tariff change costs £10. Over a 10 year life of a vehicle these this is a cost of £60 per year.
- f. Cost of Card Payment Device. In February 2018 the Council introduced a requirement for all taxis to accept payment by credit/debit card. Research from card providers indicates that there is a fee of between 1 to 3% per transaction to provide the device, taken by the device provider. As such, on a typical £10 fare a fee of between 10p to 30p would be taken by device provider.

However as not all customers pay by card, an allowance of £500 is included within the running costs to provide a card terminal and printer.

Additional costs associated with operating a taxi in Guildford should be used for calculations.

Vehicle Licence and Test Fees £402.90

This is included in item **(D)** on the Fares Calculator

Driver's Vehicle Licence Fee £123.82

This is included in item **(H)** on the Fares Calculator

Railway Rank Fee £1,038

This is included in item **(G)** on the Fares Calculator

CCTV and Livery Cost £610

This is included in item **(I)** on the Fares Calculator

Cost of Card Payment Device £500

This is included in item **(I)** on the Fares Calculator

Calculation of the Fare that should be Charged per Mile

76. Each of the factors outlined in this methodology are then used to calculate the average cost per mile of running a taxi in Guildford.
77. To calculate the average running costs:
 - a. Multiply the cost per mile of running a diesel car (Item **B** on the Calculator) by the annual average mileage of a Guildford taxi (Item **E** on the Calculator) and add
 - b. Items **C, D, G, H** and **I**
78. To calculate the total running costs (Item **3** on the Calculator) add the Annual salary (Item **1** on the Calculator) to the Average Running Costs (Item **2** on the Calculator).
79. To calculate the cost per mile (Item **5** on the Calculator) divide the total running costs (Item **3** on the Calculator) by the average live mileage total running costs (Item **4** on the Calculator)

80. The cost that should be charged per mile can then be calculated.
81. Each journey will include an initial fare that may be charged for any distance up to the 660 yards. This fare is called the "Flag Drop". Once the first 660 yards has been completed an amount may be charged for each 220 yards (eighth of a mile) or part thereof.
82. In order to prevent the flag drop artificially exaggerating the cost per mile, the fare that should be charged for each mile should also take the flag drop into account. To achieve that the following calculation should be used:
 - a. subtract the average number of journeys (Item **K** on the Calculator) multiplied by the 'flag drop' (Item **T1** on the Calculator) from the total running costs (Item **3** on the Calculator) and then
 - b. divide this figure by the average live mileage (Item **4** on the Calculator) to give the Charge per mile (Item **6** on the Calculator) then
 - c. divide the charge per mile (Item **6** on the Calculator) by 8 and multiply by 100 to produce a figure in pence
 - d. This figure should then be rounded to the nearest 10 pence (Item **7** on the Calculator).
83. This figure should be multiplied by 5 and added to the Flag drop to obtain the value that may be charged for one mile.
84. Any subsequent miles (or part thereof) can be calculated by multiplying (Item **7** on the Calculator) by 8.

Extras

85. In addition to the charge per mile, the existing extra charges of 50 pence for passenger in excess of two may be applied to each journey.
86. This will assist the larger vehicles which have a lower fuel economy. These vehicles are predominantly wheelchair accessible, and this extra charge will provide an incentive for such vehicles to remain licensed.