

6 SUMMARY OF THE LICENCES ISSUED BY THE LICENSING DEPARTMENT SINCE DEREGULATION OF VEHICLE NUMBERS.

REPORT BY: Head of Environmental Health and Trading Standards

Wards Affected

County-wide

Purpose

1. To report to the Regulatory Committee the numbers of hackney carriage vehicles, private hire vehicles and operators in Herefordshire since deregulation in 2000.

Background To The Legislation

2. In England and Wales (outside London) local licensing authorities can choose to place a limit on the number of taxi (vehicle) licences that they grant. (This relates solely to vehicle licences; there is no power to control the number of driver licences.) From a recent Department of Transport report more than half of all licensing authorities choose not to impose a limit.
3. Those licensing authorities that choose to control taxi numbers cannot just set an arbitrary limit; they must have regard to the question of demand. Section 16 of the Transport Act 1985 provides that:

"the grant of a licence may be refused, for the purpose of limiting the number of hackney carriages in respect of which licences are granted, if, but only if, the person authorised to grant licences is satisfied that there is no significant unmet demand for the services of hackney carriages (within the area to which the licence would apply) which is unmet".

4. The usual way of assessing demand is by means of a survey. Taxi licence applicants have a right of appeal to the Crown Court against a decision to refuse a licence; if the refusal was on the grounds of limiting numbers, the onus would be on the local authority to demonstrate to the court that there was no significant unmet demand.
5. The issue of unmet demand needs to be considered carefully. Whilst there may be some particular pressure areas, (where taxi supply appears to outstrip demand), this may be restricted to limited times and sites. In other areas demand may be "stretching supply" for example in the early hours of the morning when customers leaving pubs and nightclubs across the County put a heavy demand on taxis. A reduction in the number of taxis available to help in dispersing people at this time could create other problems such as an increase in disorder.

6. An unmet demand survey would cost the local authority and the trade a considerable amount of money. Whilst no detailed estimates have been sought, indications from companies who undertake such surveys suggest the figure would be in the order of twenty thousand pounds, for which there is currently no budget. In addition such surveys would need to be undertaken on a fairly regular basis to ensure "need" had not changed. The Office of Fair Trading suggests that the national average for such surveys is every two to four years.
7. A report from in November 2003 from the Office of Fair Trading (OFT), entitled, "The Regulation of Licensed Taxi and PHV Services in the UK" examined, amongst other things the regulation of the quantity of Taxis operating in a local authority area. The OFT report recommended, *"that the legislative provisions allowing licensing authorities to impose quantity controls should be repealed. In the meantime we recommend that LAs with quantity controls remove them."*
8. The basis for the OFT recommendation is detailed in the report and an extract of that report is produced below:

"Consumers suffer through:

- *reduced availability of taxis - quantity controls, on average, reduce the number of taxi vehicles by about 25 per cent and in some cases by much more than that. For example, since removing quantity controls Sheffield now has 52 per cent more taxis.*
- *increased waiting times - quantity controls increase the amount of time that people have to wait for a taxi. Overall, our research shows that restricting quantities increases average waiting times. At certain times of day, such as peak times, waiting times increase on average 10 per cent.*
- *reduced choice – the lower availability of taxis in LAs with quantity controls reduces transport options for consumers. These consumers use other forms of transport to make their journey.*
- *reduced safety – a shortage of licensed taxis on the streets, especially during the evening, encourages the use of illegal taxis, potentially exposing consumers to serious safety threats. This is a significant problem. We estimate that approximately 1.8 million people have taken an illegal taxi at least once in the past 12 months. Limited supply of taxis can also contribute to difficulties faced by the police in clearing city centres or public places in the evenings."*

"Quantity regulations also restrict those wanting to set up a taxi business from entering the market to meet the demands of consumers. They do this by:

- ***creating a premium on taxi licences*** – *in areas where licences are limited in number they have themselves become valuable commodities typically ranging from £12,000 to £50,000. This creates a sizeable entry barrier.*
- ***delaying market entry*** – *areas with quantity controls have a waiting list for people wanting to set up taxi businesses. In some areas the number of people on the waiting list exceeds the number of licences already in circulation, indicating that there are more people wanting to enter the market than are currently serving it."*

Overall therefore these quantity restrictions serve neither consumers nor potential entrants. There is no clear rationale for maintaining these regulations. We have nonetheless explored potential rationales which have been put forward to justify the regulation, and found none to be convincing.

The main arguments which could be offered in favour of quantity controls are:

- *that there is no excess demand for taxis. **We reject this as our research shows that demand is there but is not being met***
 - *that they ensure the quality and safety of the fleet in terms of vehicles and drivers. **We believe that effective quality regulation, rather than restricting taxi numbers, is the reliable way to ensure this***
 - *that they ensure a supply of taxis outside peak times. **We reject this as our study shows that when quantity controls are removed taxi supply increases across all times of day, and***
 - *that they can be used by LAs to control congestion and pollution levels and encourage public transport use. **Our view is that applying quantity controls will not achieve these aims and that there are more effective ways of meeting these goals.***
9. Whilst this report is clearly a review of the national situation Herefordshire's position is not dissimilar to that reflected in the national picture.

Numbers Of Vehicles, Drivers And Operators in Herefordshire

10. Appendix 1 shows the position with regard to the increase in Hackney Carriage, Private Hire and Driver Licences since 1999. The August 1999 figures show the position prior to the deregulation in 2000. The December 2005 figure shows an increase of some 44 Hackney Carriages from the number prior to deregulation (this equates to a 20.28% increase on the 1999 number). The greatest growth in numbers appears to have occurred in the period immediately after deregulation with a further slight increase again in 2005.
11. The impact of deregulation in Herefordshire has varied from the national picture (outlined in the OFT Report), whilst there is no comparative data on growth in the number of taxis post deregulation (other than Sheffield and Cambridge which showed 52% and 46% growth respectively) there is evidence that deregulated local authorities have on average 30% more taxis per head of population than regulated local authorities. In Herefordshire the growth as a consequence of deregulation has been slightly above 20%. In addition the national picture (OFT Report) has tended to show a decrease in the number of Private Hire Vehicles when deregulation has been introduced in Herefordshire there has been an increase of Private Hire Vehicles of 30.92% (which of course were not impacted by the deregulation in 2000).
12. The figures might show that against a national average (based on 2003 figures) Herefordshire (based on 2005 figures) has 0.25 taxis per 1000 population more than the national average. The figures also show that Herefordshire has 0.40 Private Hire Vehicles per 1000 population less than the national average. Overall Herefordshire has 0.03 Taxis **and** Private Hire Vehicles per 1000 population less than the national average.

Recommendation

That:

the Report be noted

BACKGROUND PAPERS

- Review of Local Authority Quantity Control Policies Department of transport. Buses and Taxis Division Department for Transport September 2005:
http://www.dft.gov.uk/stellent/groups/dft_localtrans/documents/page/dft_localtrans_041411-01.hcsp#P17_350
- The Regulation of Licensed Taxi and PHV Services in the UK, November 2003, OFT676:
<http://www.offt.gov.uk/NR/rdonlyres/C309CE26-2D4E-46A6-8C1F-11B06BA8338B/0/OFT676.pdf>