House of Commons
Transport Committee

The Regulation of Taxis and Private Hire Vehicle Services in the UK

Third Report of Session 2003–04

Volume I
House of Commons
Transport Committee

The Regulation of Taxis and Private Hire Vehicle Services in the UK

Third Report of Session 2003–04

Volume I

Report, together with formal minutes

Ordered by The House of Commons
to be printed 4 February 2004
The Transport Committee

The Transport Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Transport and its associated public bodies.

Current membership

Mrs Gwyneth Dunwoody MP (Labour, Crewe) (Chairman)
Mr Gregory Campbell MP (Democratic Unionist, East Londonderry)
Mr Brian H. Donohoe MP (Labour, Cunninghame South)
Clive Efford MP (Labour, Eltham)
Mrs Louise Ellman MP (Labour/Co-operative, Liverpool Riverside)
Mr Ian Lucas MP (Labour, Wrexham)
Miss Anne McIntosh (Conservative, Vale of York)
Mr Paul Marsden (Liberal Democrat, Shrewsbury and Atcham)
Mr John Randall MP (Conservative, Uxbridge)
Mr George Stevenson MP (Labour, Stoke-on-Trent South)
Mr Graham Stringer MP (Labour, Manchester Blackley)

Powers

The committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the Internet via www.parliament.uk.

Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at www.parliament.uk/parliamentary_committees/transport_committee.cfm. A list of Reports of the Committee in the present Parliament is at the back of this volume.

Committee staff

The current staff of the Committee are Eve Samson (Clerk), Dr John Patterson (Second Clerk), Clare Maltby (Committee Specialist), Miss Frances Allingham (Committee Assistant) and Susie Wheeldon (Secretary).

Contacts

All correspondence should be addressed to the Clerk of the Transport Committee, House of Commons, 7 Millbank, London SW1P 3JA. The telephone number for general enquiries is 020 7219 6263; the Committee’s email address is transcom@parliament.uk
# Contents

<table>
<thead>
<tr>
<th>Report</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Introduction</strong></td>
<td>3</td>
</tr>
<tr>
<td><strong>2</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Quantity Regulation</strong></td>
<td>3</td>
</tr>
<tr>
<td>Reasons for the abolition of quantity controls</td>
<td>4</td>
</tr>
<tr>
<td>Waiting Times in Unrestricted and Restricted Areas</td>
<td>5</td>
</tr>
<tr>
<td>Taxi numbers</td>
<td>7</td>
</tr>
<tr>
<td>Reduced choice</td>
<td>10</td>
</tr>
<tr>
<td>Consumer safety</td>
<td>10</td>
</tr>
<tr>
<td>Impact on the Supply side</td>
<td>10</td>
</tr>
<tr>
<td>Reasons for imposing quantity controls</td>
<td>12</td>
</tr>
<tr>
<td>Maintaining the quality of service</td>
<td>13</td>
</tr>
<tr>
<td>To ensure an adequate supply of taxis</td>
<td>14</td>
</tr>
<tr>
<td>To prevent drivers working longer hours</td>
<td>14</td>
</tr>
<tr>
<td>To prevent overcrowding at ranks</td>
<td>14</td>
</tr>
<tr>
<td>To reduce congestion</td>
<td>15</td>
</tr>
<tr>
<td>To protect licence shortage premiums</td>
<td>15</td>
</tr>
<tr>
<td>Conclusion</td>
<td>16</td>
</tr>
<tr>
<td><strong>3</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Quality regulation</strong></td>
<td>16</td>
</tr>
<tr>
<td><strong>4</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Price regulation</strong></td>
<td>18</td>
</tr>
<tr>
<td><strong>5</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Conclusion</strong></td>
<td>19</td>
</tr>
<tr>
<td><strong>Conclusions and recommendations</strong></td>
<td>21</td>
</tr>
<tr>
<td><strong>Appendix: Note from the Committee Office Scrutiny Unit</strong></td>
<td>22</td>
</tr>
<tr>
<td>Consumer Surveys</td>
<td>22</td>
</tr>
<tr>
<td>Case study</td>
<td>24</td>
</tr>
<tr>
<td>Other evidence on the impact on consumers</td>
<td>25</td>
</tr>
<tr>
<td>Other areas</td>
<td>26</td>
</tr>
<tr>
<td>Conclusions</td>
<td>26</td>
</tr>
<tr>
<td><strong>Formal minutes</strong></td>
<td>28</td>
</tr>
<tr>
<td><strong>Witnesses</strong></td>
<td>29</td>
</tr>
<tr>
<td><strong>List of written evidence</strong></td>
<td>30</td>
</tr>
<tr>
<td><strong>List of other papers received</strong></td>
<td>30</td>
</tr>
<tr>
<td><strong>Reports from the Transport Committee since 2002</strong></td>
<td>31</td>
</tr>
</tbody>
</table>
1 Introduction

1. In November 2003 the Office of Fair Trading published a paper on “The Regulation of licensed taxi and PHV services in the UK”.1 The study made three recommendations:

- **quantity regulation** – limiting the number of taxis reduces availability and lowers the quality of the service to the public. These restrictions should therefore be lifted.

- **quality and safety regulation** – there are compelling reasons to regulate to safeguard driver and vehicle standards. But there are questions about whether quality regulation always achieves its goals proportionately.

- **fare regulation** – there are sound reasons to regulate taxi fares, for example, to protect consumers in vulnerable situations. But there could be greater freedom for beneficial price competition below regulated fare caps.”

The Government will respond to the recommendations within 120 days, and has invited a range of interested parties for their views. The Committee decided to examine the study and to hold a hearing to see whether it, too, wished to comment. We focused our examination on taxi and private hire services outside London; the regulatory structure within London differs from those elsewhere, and the recommendations will have most impact outside the metropolis. In the short time available to us we were able to gather a range of witnesses, including representatives from the local licensing authorities, evidence from the taxi industry, the unions and the National Association of Taxi and Private Hire Licensing Enforcement Officers (NATPHLEO), as well as the Office of Fair Trading. Some organisations copied us their responses to the Department for Transport.2 The Committee Office Scrutiny Unit also examined the statistics on which the OFT report was based, and produced a note which we print as an appendix to our Report. We are grateful to the Unit and to all our witnesses for their help.

2 Quantity Regulation

2. The market for hire vehicles in the United Kingdom has been the fastest-growing transport sector over the last 25 years. Turnover has risen 43% in real terms since 1994. Usage is higher among people in lower income groups, and disabled people. The market is divided between licensed taxis (otherwise known as hackney carriages or cabs), which can ply for hire in the streets or at ranks, although they can also be booked over the telephone, and PHVs which can only be pre-booked. There are differences in the regulation of the two sectors. The quality of service and safety standards of both taxis and private hire vehicles can be regulated by the licensing authority (broadly speaking, the district authority in the area). Drivers of taxis and private hire vehicles must both be licensed. The licensing authority may regulate the fares charged by taxis, and may set a limit on the number of

---

1 OFT 676
2 Because of the time constraints in producing this report, we have quoted from the uncorrected transcript of evidence; there may be slight differences between this and the published evidence.
licences for taxi vehicles (as opposed to taxi drivers). It does not have power to set limits on the number of PHVs, or to regulate their fares.

3. The choice of whether or not to impose quantity controls is left to local licensing authorities. If an authority chooses to set controls it must conduct an “unmet demand survey” every two to four years to ensure that there is “no significant demand that is unmet”. Currently, 45% of United Kingdom licensing authorities restrict the number of taxi vehicle licences granted. This represents 52% of licensed taxis in the UK outside London. The reason for this imbalance is that most of the local authorities applying quantity controls are urban. Councils may apply quantity controls in ways which lead to controlled expansion of the taxi fleet; for example, Manchester issues a minimum of 20 hackney carriage licenses a year. In addition, it conducts unmet demand surveys every other year, and may issue further licenses in response.

4. When a previous Transport Committee examined taxis and PHVs in 1994 it supported ending of quality control “but with an important qualification” that there should be a proviso allowing a licensing authority to receive a derogation “where it can show that to remove numbers control would cause significant problems of congestion or a risk to the safety of the public”. Our predecessors recognised the need for local conditions to be taken into account. We would go further. As Mr Perkins of the National Association of Taxi and Private Hire Enforcement Officers said:

   “a taxi service is a local service and local authorities are in a very good place to assess what the need is and to consult the local population to establish a system that is satisfactory for that particular area.”

We would need strong arguments before we were convinced that local authorities’ powers to set policy for their area should be overridden.

**Reasons for the abolition of quantity controls**

5. The Office of Fair Trading put forward many arguments for the abolition of quantity controls. We will take them in what we consider their order of significance:

- waiting times for taxis are lower in areas where no restrictions take place;
- there are more taxis per head in areas without restrictions;
- consumer choice is reduced in areas with restrictions;
- the service in restricted areas is less safe, as customers may use unlicensed vehicles;
- quantity regulations prevent individuals or businesses entering the market.

---

3 Q 597
4 Q 627
6 Q 142
Waiting Times in Unrestricted and Restricted Areas

6. We do not find the OFT’s evidence at all convincing. As the Report itself says:
   “a straight comparison of waiting times in quantity controlled and uncontrolled areas, aimed at providing background on taxi usage, found waiting times in restricted areas was 30% lower than in unrestricted areas.”

7. The data the OFT used at its Annex C were collected from a variety of sources over an extremely long period. Although most restricted areas are urban, the surveys used included only one city (Bristol) which did not have restrictions. The body doing the work itself notes, “Within the timescale of the project it was not considered feasible to conduct primary research in a sufficiently large number of authorities to create evidence of a robust national picture.”

8. Not only are there weaknesses in the data itself, the OFT claims that its data need to be adjusted to take account of the fact that restricted areas are mostly urban. The Scrutiny Unit analysis states, “with such a small number of unregulated authorities to apply these adjustments to the results would be subject to a wide margin of error.” The OFT report gives no explanation of the statistical adjustment, and our witnesses from the OFT were also unable to do so to our satisfaction. We were told that most of the difficulties arose because:
   “The figures that show 30% less waiting time were largely thrown out by the consumer perceptions in Worcester, which were not backed up by Halcrow’s own unmet demand study in that area for waiting time at ranks or the views of the local licensing officers. We did not count that, we did not use that data for the modelling surveys.”

This looks suspiciously like discarding the inconvenient data. The Scrutiny Unit’s analysis of the data in Annex C suggests:
   “9. If the simple results are taken at face value then they show that in regulated areas:
   • Fares were lower and more consumers thought they represented value for money;
   • Mean waiting times were less for each method of obtaining a taxi;
   • Satisfaction rates with waiting times were higher for each method of obtaining a taxi”.

Ultimately our questioning revealed that most of the “adjusted” data presented by the OFT relied on surveys carried out in two licensing authorities, Sheffield and Cambridge, before and after de-restriction. We do not consider this a wide sample, and we are disturbed...
that the OFT’s report implies that its findings rest on a broader statistical base than appears
to be the case.

9. If the OFT’s figures do indeed rest on two case studies, those studies must be robust and
their findings beyond question. In fact, we have profound reservations about the
Cambridge and Sheffield surveys. Some of those who submitted evidence to us, or copied
us their submission to the Department for Transport, criticised the Sheffield survey13 and
the way the OFT used it. We have not had the time to examine these criticisms, but we note
that the “actual mean reduction after derestriction in Sheffield was 14 seconds”.14

10. The Cambridge survey simply cannot be relied on. It compared a period before
derestriction during term time with a period after derestriction which was out of term.
There was a marked decrease in demand. Although witnesses from the council suggested
that the decrease had more to do with the reduction in travel from the US after September
1115, Liverpool suggested that, for them, at least, “It makes a significant impact on incomes
to taxi drivers when those students are away on holiday,”16 and Manchester agreed that
students had a significant effect on the local economy.17 We cannot believe that there
would not be some similar effect in Cambridge, where Halcrow identified the University as
one of the main generators of taxi demand.18 Full-time students make up 26% of the
working age population of Cambridge compared to a national figure of 7.3%; it is hardly
surprising that demand had fallen by nearly half between the two surveys, and that waiting
times had decreased. Even if the fall in demand was linked to a downturn in transatlantic
travel rather than the effects of term time, a responsible organisation which was faced with
survey data taken at such different times would have demanded that the work be redone so
that like was compared with like.

11. The OFT also concentrated on waiting times at ranks, or the time taken to hail a cab in
the street. In other words, it was concerned with the taxi, rather than the PHV market.
This is extremely partial, since the consumer survey undertaken by OXERA for the OFT
showed that telephone bookings were the most common means of hiring a vehicle.19 The
Transport and General Workers’ Union told us that telephone bookings constituted 60 per
cent of the market, which was, if anything, a lower estimate than the OXERA figures20. The
Scrutiny Unit analysis of the statistical basis for the report noted:

“The report goes further to show changes in method of hire. In both cities this
switched from telephone bookings to hail in the street. It states that this strongly
supports the proposition that consumers value and use the greater choice opened up
by removing quality controls. While consumers have used their greater choice, it is

---

13 North Western Taxi Associations response to the OFT Report; Jacobs Consultancy: Review of OFT Conclusion
regarding Quality Controls, North Western Taxi Association; York Hackney Carriage Association, Response to the
OFT Report on the regulation of Taxi Quantity Control, esp p13 - 14
14 Appendix
15 Q 12
16 Q116
17 Q 117
18 OFT Report, Annex D, Impact of regulation on taxi workers – case study analysis, table 3.1
19 OFT Report, Annex I, Consumer Survey Report, para 2.4
20 Q 16, TX 04, see also OFT Report, para 3.12
debateable whether they value this. Satisfaction with telephone bookings fell markedly in Sheffield. An alternate interpretation might be that removing restrictions cut the number of Private Hire Vehicles (PHVs) resulting in a poorer service with the consequence that more customers used other modes.”

The T&G told us:

“The weakness of the OFT Report is that it fails to analyse the major market, and answer the fundamental questions. How do people decide on what type of service they will use when using the telephone? What has been the impact of de-restriction on this market?

This is important because we contend that the telephone is the favoured option of many vulnerable groups e.g. the disabled and unaccompanied women.”

12. When the studies from Halcrow were commissioned the OFT asked them “to look chiefly at the taxi market, but to obviously bear in mind the impact that PHVs may have”. It is arguable that the OFT and its researchers have simply interpreted their survey data to support a foregone conclusion. When we asked OFT witnesses whether they had surveyed people trying to book by telephone in derestricted areas we were told “We have not come to a conclusion on that”. Since telephone booking is the predominant method of hire, we find this astounding. In spite of the OFT’s claims, there is no real evidence that waiting times are lower in areas without restrictions on the number of vehicle licences they issue, particularly if the telephone booking sector is also taken into account.

Taxi numbers

13. The OFT claims that taxi numbers increase when restrictions are lifted. We see no reason to doubt this. But taxis do not constitute the whole of the hire vehicle market, and the Report does not adequately discuss the fact that, although taxi numbers increase, the number of private hire vehicles decreases, and that the number of vehicles for hire per head of population is in fact lower in derestricted areas than in restricted ones.

---

21 TX 04
22 Q 190
23 Q 279
### TABLE 4.2: AVERAGE NUMBER OF TAXIS AND PHVS PER 1,000 OF THE POPULATION

<table>
<thead>
<tr>
<th>Type of LA</th>
<th>Restrictions on taxi numbers</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unrestricted</td>
<td>Restricted</td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td>All</td>
<td>Taxis</td>
<td>1.22</td>
<td>0.94</td>
<td>1.08</td>
</tr>
<tr>
<td></td>
<td>PHVs</td>
<td>1.01</td>
<td>2.01</td>
<td>1.46</td>
</tr>
<tr>
<td></td>
<td>All vehicles</td>
<td>2.21</td>
<td>2.93</td>
<td>2.53</td>
</tr>
<tr>
<td></td>
<td>Ratio PHVs to Taxis</td>
<td>0.83</td>
<td>2.14</td>
<td>1.35</td>
</tr>
<tr>
<td>Urban</td>
<td>Taxis</td>
<td>1.51</td>
<td>1.14</td>
<td>1.23</td>
</tr>
<tr>
<td></td>
<td>PHVs</td>
<td>1.43</td>
<td>2.42</td>
<td>2.17</td>
</tr>
<tr>
<td></td>
<td>All vehicles</td>
<td>2.94</td>
<td>3.52</td>
<td>3.38</td>
</tr>
<tr>
<td></td>
<td>Ratio PHVs to Taxis</td>
<td>0.95</td>
<td>2.12</td>
<td>1.76</td>
</tr>
<tr>
<td>Rural</td>
<td>Taxis</td>
<td>1.09</td>
<td>1.00</td>
<td>1.05</td>
</tr>
<tr>
<td></td>
<td>PHVs</td>
<td>0.66</td>
<td>0.93</td>
<td>0.73</td>
</tr>
<tr>
<td></td>
<td>All vehicles</td>
<td>1.71</td>
<td>1.93</td>
<td>1.75</td>
</tr>
<tr>
<td></td>
<td>Ratio PHVs to Taxis</td>
<td>0.61</td>
<td>0.93</td>
<td>0.72</td>
</tr>
<tr>
<td>Mixed</td>
<td>Taxis</td>
<td>1.25</td>
<td>0.75</td>
<td>1.01</td>
</tr>
<tr>
<td></td>
<td>PHVs</td>
<td>1.22</td>
<td>1.90</td>
<td>1.52</td>
</tr>
<tr>
<td></td>
<td>All vehicles</td>
<td>2.47</td>
<td>2.65</td>
<td>2.53</td>
</tr>
<tr>
<td></td>
<td>Ratio PHVs to Taxis</td>
<td>0.98</td>
<td>2.53</td>
<td>1.5</td>
</tr>
<tr>
<td>London</td>
<td>Taxis</td>
<td>2.88</td>
<td>-</td>
<td>2.88</td>
</tr>
</tbody>
</table>

*Source: OFT Statistical Analysis 2002 (annexe B)*

Note: The number of taxis and PHVs per head does not sum exactly to the total number of vehicles because a small number of LAs did not provide data for both taxis and PHVs.

14. The Report explains this by saying “the reason behind the high proportion of PHVs is that where taxi numbers are artificially limited and demand outstrips supply, PHVs come in to fill part of the gap. However, because PHVs cannot ply for hire in the street they cannot substitute for all taxi services.”24 The report goes on to say that “removing quantity controls generally stimulates members of the PHV trade to move over to driving taxis. This can often mean that there is only a small increase in the total fleet of licensed taxis and PHVs when taxi limits are lifted.”25 It does not examine the fact that its own figures show

24 para 4.18
25 para 4.20
that the total fleet is lower in areas without restrictions than in areas where restrictions apply.

15. When we questioned the OFT about this, they were evasive in their answers, and repeatedly fell back on the argument that taxi numbers increased and that consumers preferred taxis. They also implied that, since taxis were driven round-the-clock, the decline in total numbers did not mean there was a decline in availability. But double driving appears to occur primarily in restricted areas, and, as we discuss below, the OFT produced no evidence to show it does not decline after derestricion. Nor did the OFT consider whether the taxi market and the PHV market were directly interchangeable.

16. Our witnesses from Liverpool and Manchester considered that the reduction in PHVs was one of the strongest reasons for opposing deregulation. We were told that while taxis served the city centres, private hire vehicles served residential areas, particularly in deprived areas with low levels of car ownership. As Councillor Swannick of Manchester said:

> “the worry is that by moving directly to an unrestricted situation in Manchester we would, in effect, deprive some of the areas which are dependent on private hire vehicles – for the residents – by putting more cabs in the centre. That would benefit the centre but it would not necessarily benefit residential areas.”

Although the OFT suggested that derestricion could lead to more cabs plying for hire in suburban areas, they conceded “it may not be sufficient”. The OFT’s surveys did not consider the interrelationship between the taxi and PHV markets, particularly in cities. No sensible policy can be made without proper information on this.

17. The OFT also failed to consider the relationship between taxi numbers and taxi availability, resting its assertions that the supply increased on seemingly limited survey data. Many of our witnesses drew our attention to the fact that vehicles in areas with restrictions are frequently “double driven”, so that two drivers use them. This means that taxis are available even at unsociable hours, whereas in derestricted areas drivers will concentrate on peak hours and choose to work more sociable shifts. This argument was not restricted to those representing the taxi trade: Mr Edwards of Liverpool City Council told us:

> “I have a fear that if you increase the number of hackney carriage drivers there will be no surplus to double-shift vehicles, and that may impact on the availability of taxi cabs at peak periods, despite having more vehicles.”

26 Q 194
27 Q 194
28 Qq 59-69
29 Q 122
30 Q 201
31 Q 46, see also North Western Taxi Associations Response to the OFT Report; Jacobs Consultancy, Review of OFT Conclusions regarding Quality Controls, North Western Taxi Association; York Hackney Carriage Association, Response to the OFT Report on the Regulation of Taxi Quality Control
32 Q 122, see also, q 127
18. Since the OFT does not choose to address the issue of double-driving adequately there is no way we can be certain that lifting restrictions will not reduce the availability of taxis at off-peak hours, as vehicles are no longer shared by two drivers during a single day.

**Reduced choice**

19. The OFT claims that “if there are few taxis available, consumer choice is restricted as to the type of transport they can use. Consumers who otherwise would have taken a taxi may have to opt for other, less preferred and less suitable, modes of transport.”33 It is true that a shortage of vehicles for hire will restrict consumer choice, but since the report does not address the significant reduction in the overall number of vehicles for hire in areas where quantity controls were lifted, or deal adequately with the effects of derestriction on the telephone market, it is impossible to assert that derestriction would increase consumer choice.

**Consumer safety**

20. The OFT concentrates on difficulties in clearing the streets after closing time if there is not a large enough supply of taxis, and on the possibility that people will use illegal taxis if there are no legal vehicles available. The problem with this argument is that there will always be peaks when demand outstrips supply.34 Such peaks may be best dealt with by staggering closing hours, and ensuring an supply of public transport at appropriate times. Many of those who submitted evidence maintained that the use of unlicensed vehicles was a problem most prevalent in London, where, until recently, there was no licensing system for PHVs.35 We consider the OFT’s arguments on this point weak, at best.

**Impact on the Supply side**

21. The OFT is concerned by the fact that quantity controls “constrain individuals or businesses wishing to enter the market to serve consumers”36. In our view, such constraints can be justified if they are in consumers’ interests, or in the wider interests of society. Current policy allows licensing authorities to decide on policy in the light of local circumstances. There would be cause for concern if it was clear that restrictions on supply result in higher prices, either to cover the cost of taxi licence premiums, or as a response to shortage. The Department for Transport collects and publishes a great deal of information about taxis and private hire vehicles in the United Kingdom. This gives an average of tariffs for each region, and a breakdown of fares by licensing authorities. We note that authorities set tariffs only; they do not consider drivers’ earnings, or the average fare in a particular area. The actual level of fares collected (and the cost per mile travelled) may vary greatly depending on the nature of the area in which a particular driver works; even within a

---

33 para 4.31
34 North Western Taxi Association, Response to the OFT Report
35 London Taxi International: *Response to the DfT on Taxis and Private Hire in the UK*, North Western Taxi Associations Response to the OFT Report
36 para 4.40
standard tariff the driver doing a large number of short city centre journeys will have markedly different earnings than the driver who does longer suburban routes.\textsuperscript{37}

22. Even on a cursory examination, it is clear from the Department’s figures that there is no evidence that fares are higher in authorities where restrictions on the number of taxis apply and in many cases authorities with restrictions set fares below the average for their areas. The Transport and General Workers’ Union analysis of this data found that,

“In the metropolitan areas the average fare in the restricted areas is £6.05 compared with £6.10 in the derestricted areas. In the unitary areas it is £6.45 in restricted areas and £6.24 for derestricted areas. In the district councils it is £6.37 for restricted areas and £6.51 for derestricted areas. The average for England and Wales is £6.34 for restricted areas and £6.46 for derestricted areas.”\textsuperscript{38}

23. Bizarrely, the OFT produces the following table of the most expensive and least expensive taxi tariffs by licensing authorities with the comment that “there is no obvious geographical pattern to explain the above results.”\textsuperscript{39}

<table>
<thead>
<tr>
<th>Most expensive</th>
<th>Least expensive</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Luton (Airport)</td>
<td>1 Hartlepool</td>
</tr>
<tr>
<td>2 Vale of White Horse</td>
<td>2 Alnwick</td>
</tr>
<tr>
<td>Epsom &amp; Ewell</td>
<td>Bolsover</td>
</tr>
<tr>
<td>Hertsmere</td>
<td>3 North East Derbyshire</td>
</tr>
<tr>
<td>London</td>
<td>North Lanarkshire</td>
</tr>
<tr>
<td>3 Caradon</td>
<td>4 Berwick upon Tweed</td>
</tr>
<tr>
<td>4 Adur</td>
<td>Sedgefield</td>
</tr>
<tr>
<td>5 Maidstone</td>
<td>Warrington</td>
</tr>
<tr>
<td>Sevenoaks</td>
<td>5 Blaenau Gwent</td>
</tr>
<tr>
<td>Tunbridge Wells</td>
<td>Inverclyde</td>
</tr>
<tr>
<td>Thanet (Broadstairs)</td>
<td>North Tyneside</td>
</tr>
</tbody>
</table>

Source: Private Hire and Taxi Monthly, November 2003, based on a standard two mile daytime journey (The average UK fare is £3.93).

\textsuperscript{37} Qq 40-45, 123-126, TX 04
\textsuperscript{38} Q 21
\textsuperscript{39} para 6.14
To us at least, it is clear that the majority of high charging areas are in the South East, and the inexpensive areas are in more depressed or remote parts of the country. The OFT also fails to address the evidence quoted in a footnote to Annex D of its report that one paradoxical result of derestriction might be that tariffs rise:

A sample of 30 restricted and 30 derestricted authorities has been studied using the December 2000 edition of Private Hire and Taxi Monthly. The results are in the table below and show that prices have been increasing at a slightly higher rate in derestricted authorities than in restricted authorities.

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>2002</th>
<th>% increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restricted</td>
<td>£3.12</td>
<td>£3.80</td>
<td>21.8</td>
</tr>
<tr>
<td>Derestricted</td>
<td>£3.17</td>
<td>£3.94</td>
<td>24.3</td>
</tr>
</tbody>
</table>

OFT Report (Annex D), Para 4.29, Footnote 5

24. We note that the tariffs in the city of Cambridge are £7.20 for a 4 mile journey; although the Council told us that the fare increases were not linked to derestricion, the average tariff for such a journey in Cambridgeshire is £6.35, and in Huntingdonshire, the only restricted authority in the area, it is £6.20. It may be that the OFT’s failure to examine comparative fares was an oversight; we do not see how policy could be changed without an investigation of whether derestriction affected prices.

**Reasons for imposing quantity controls**

25. The Office of Fair Trading puts forward and rejects several possible arguments for quantity controls. The first is that there is no significant unmet demand. The OFT puts forward three reasons to reject this claim.

26. The first is that this argument does not justify quantity controls, but simply demonstrates that they do not have a detrimental effect “if it cannot be shown that quantity controls serve a useful purpose the presumption should be that they are unnecessary”.

27. The second and third are linked; the OFT maintains it has evidence that there is considerable unmet demand, and existing unmet demand surveys do not adequately measure the level of real demand.

28. We have set out our opinion of the OFT’s “evidence” earlier in this report. Whether or not an unmet demand survey will measure latent demand presumably depends on the design of the survey, and our witnesses suggested that, although surveys were usually “pretty good”, surveying techniques could be improved to ensure that latent demand was better measured. We would encourage local authorities to ensure that their surveys were designed to do this. Even so, given that the OFT studies do not examine the interrelationship between the taxi and the PHV market and that the statistical basis for

---

40 para 4.51
41 Q 31
42 Q 27
their claims that removing quantity controls increases the speed with which cabs can be obtained is weak, we consider the latent demand point irrelevant, since there is no evidence that removing quantity controls would meet it.

**Maintaining the quality of service**

29. The evidence collected from licensing officers by Halcrow was unequivocal:

“derestriction puts pressure on vehicle quality and requires tight conditions and enforcement of the conditions”.

Mr Conyon, of the National Taxi Association told us:

“I believe that if you take away the controls the quality must invariably drop because the earning power will drop and if you do not earn the same amount of money obviously you have to try and cut corners. I think the quality of the vehicle – and I believe local authorities are trying to enhance their quality stature – must suffer.”

We received ample evidence showing that derestriction led to a reduction in drivers’ incomes.

30. Nonetheless, the OFT dismisses the argument that quantity controls lead to a higher quality service, on the grounds that “quality specifications and quantity limits are regulated separately”. Both the OFT itself and those conducting the underlying studies appear willing to overlook inconvenient evidence suggesting that the two forms of regulation are interdependent. Halcrow surveyed a panel of licensing officers in a “broadly representative panel” of 13 licensing authorities. A single authority was reported as being concerned at the cost of unmet demand surveys. Licensing officers from three authorities with experience of derestriction considered that derestriction had resulted in lower vehicle quality, and another officer “expected that a policy of derestriction would increase the need to monitor vehicle quality”. The Halcrow study concludes that derestriction may reduce the cost of unmet demand surveys but it fails to consider the potential cost to the licensing authority of proper enforcement of a higher number of vehicles, even though it considered that tight enforcement of conditions was necessary.

Licensing officers in re-restricted authorities told Halcrow that “this change in policy has allowed for improvements in vehicle standards due to officers having more time to police the trade”, a finding which suggests that quality may suffer in derestricted areas both because of lower

43 OFT Report, Annex D, para 3.45
44 Q 32
45 Qq 7-11
46 para 4.56
47 Worcester
48 Leicester, Liverpool and South Ribble
49 from Leeds
50 OFT Report, Annex D, paras 3.16,3.30,3.34
51 National Taxi Association Response to the OFT Report; Jacobs Consultancy, Review of the OFT conclusions regarding Quality Controls, North West Taxi Association
52 OFT Report, Annex D, para 3.42
earnings and because of a reduction in the resources available for enforcement. Without hard evidence of the comparative costs of quantity and quality regulation, and the interrelationship between them it is impossible to judge whether it is better to regulate the two factors separately or together.

To ensure an adequate supply of taxis

31. The OFT dismisses the suggestion that derestriction may reduce the number of vehicles available throughout the day. Its opinion appears to rest on its flawed evidence about the effects of derestriction, and the blanket assertion that “in any event it would run counter to common sense for the lifting of quantity controls to result in less supply.” It simply ignores the fact its own figures show a higher total of vehicles for hire per head in restricted authorities than in unrestricted ones, and it does not address the double driving arguments explored earlier. In our view, there would need to be better research before this claim could be dismissed.

To prevent drivers working longer hours

32. In fact, the evidence submitted to us presented a more complex argument, namely that licensing limits protect the livelihood of drivers, and prevent them having to work excessive hours. The OFT does not address the first point directly. This may be because its concern is with the economic regulation of markets, rather than with the protection of the people who make up those markets. It asserts working hours can be separately regulated, although we were told this would be “very difficult.” As the OFT itself concedes “the working time regulations 1998 do not apply to self-employed taxi and PHV drivers.”

33. Workers’ livelihood is in this country is protected by a minimum wage. Similarly the working time regulations limit the hours that can be worked. These protections are clearly difficult to apply directly to the taxi trade. Provided that enough licences are issued to meet demand, we consider that it is reasonable to use a limit on vehicle licences as a way of ensuring acceptable working conditions

To prevent overcrowding at ranks

34. The OFT simply dismisses the difficulties of providing more ranks to meet taxi supply, asserting that vehicles could simply cruise for hire, or that temporary ranks or marshals could be used at peak times. It could give us no idea of the costs or practicality of the latter two options. There is certainly a cost in establishing new ranks. Mr Perkins of NATPHLEO considered that “knowing the taxi business on Friday and Saturday night, I do not think I would want to be a marshal.” He thought that the use of marshals would be impracticable and that, if they were used, ultimately the passenger would pay.

53 para 4.63
54 Q 174
55 para 4.67
56 Qq 167-8
57 Q152
58 Qq 153-7
To reduce congestion

35. The OFT is clearly struck by the fact that “the historical origin of quantity controls lie (sic) in Royal Proclamations by Charles I in the 1630s”, designed to protect the livelihood of watermen and reduce congestion. Whether or not quantity restriction has its roots in 17th century proclamations, it has been reaffirmed in much more recent legislation, and was clearly considered by those drawing up the Transport Act 1985. We have not needed to consider the competition between cabs and watermen, but urban congestion can hardly be said to have improved since the 1630s.

36. The OFT claims that “congestion and pollution caused by motor vehicles is a huge problem of which taxis are only a small part”; it produces no evidence about the contribution that cruising taxis would make to this. The Scrutiny Unit analysis notes:

“The impact of congestion is a vital issue, especially when average changes in waiting times tend to be relatively small. A small increase in congestion could easily outweigh the shorter waiting times mentioned in this report. If research was specifically carried out on this issue it should have been published. In any case congestion is such an important factor that the OFT should have commission and published research into its relation to quantity controls.”

37. Mr Edwards, Licensing Officer of Liverpool City Council, told us that when the authority had no restrictions on licences:

“Merseyside Police were very worried, towards the later stages when the higher numbers were being achieved; they felt it was causing a lot of problems in a restricted city centre, which Liverpool is. It did at the time because there was not sufficient rank provision, which caused bottlenecks and problems within the city centre.”

Mr Perkins of the National Association of Taxi and Private Hire Licensing Enforcement Officers agreed that councils might wish to reduce licence numbers because too many taxis cause “congestion in the towns and the police are not happy.” In our view, local authorities are best placed to judge whether quantity controls are a reasonable way to limit congestion.

To protect licence shortage premiums

38. We have examined the issue of licence shortage premiums earlier in this report. We agree that licensing authorities should not consider the need to protect such premiums when they consider whether or not quantity controls are appropriate for their area, and at what level controls should be set. The legislation does not permit them to restrict licences below the level required to meet demand. Although this argument was advanced by some of those submitting evidence to us, there are far stronger arguments in favour of quantity controls than this.
Conclusion

39. The OFT recommends that local authorities should no longer set quantity limits, and that, when time allows, the law should be changed to remove their power to do so. The current system allows local authorities to set policy for their area in the light of local knowledge. The fact that quantity restrictions are applied far more frequently in urban areas than in rural ones suggests that this power is being used appropriately. The Transport Act does not give licensing authorities power to impose a limit when there is evidence of unmet demand; “they may do so if, but only if, the person authorised to grant licenses is satisfied that there is no significant demand for the service of hackney carriages… which is unmet.” Licensing authorities’ measurement of demand can be challenged in the courts. In addition, the OFT itself recommends that quality and price regulation remain. This means that the market will always be tightly controlled, and that the removal of restrictions would lead to only limited competition on quality or price.

40. Given this, we would expect far more compelling evidence of market failure than that produced by the OFT before local discretion was removed. Our investigation has convinced us that the Office of Fair Trading study is partial, doctrinaire, sloppily conducted and does not provide sufficient evidence to support any change in the law which reduces local discretion.

3 Quality regulation

41. The OFT considers that quality and safety controls do assist consumers, but, it recommends that controls should be applied “in a proportionate manner”. There is little indication of what a proportionate manner may be, although it draws attention to widely differing age limits for taxis in adjoining areas, and different topographical knowledge tests. We agree with the OFT that there would be merit in licensing authorities comparing their practices, and learning from one another where appropriate, and that vehicles which are suitable for urban driving may not be appropriate in rural areas.

42. The OFT states:

“it is important that quality and safety controls are applied in a proportionate manner. Our study has highlighted substantial variation across LAs. In some LAs potential drivers may face a topographical knowledge test, an enhanced driving test and regular health checks. In other LAs any or all of these may not apply. For vehicles, differing age limits are allowed, depending upon the LA. These sorts of variations can easily occur in neighbouring authorities. For example, the maximum age for re-licensing a taxi in East Hertfordshire is 15 years. In North Hertfordshire it is seven years.

5.33 While we believe that local regulation should match local needs there is a question over whether quality and safety controls are striking the right balance

62 Q 149
63 Transport Act 1985; s.16, amending the Town Police Clauses Act 1847
between consumer protection and the costs incurred in satisfying the quality and safety requirements.

5.34 An example of this is the Metropolitan Conditions of Fitness. As mentioned above, these were written expressly to meet the needs of London but have been adopted by other LAs so that they cover 44 per cent of taxi vehicles in the UK. Only certain models of vehicle currently meet these requirements. These are significantly more expensive than the saloon cars and wheelchair accessible vehicles allowed by many LAs. There is a danger that the additional cost of MCF compliant vehicles may raise prices and deter entry to the market thus limiting supply and leading to a poorer service for consumers.”

43. In making this assertion the OFT ignored its own survey evidence demonstrating that consumers are willing to pay a premium for the use of a “black cab” and the fact that the PHV market provides a cheaper alternative to the use of taxis.64

44. Much of the OFT’s consideration of quality considers the needs of disabled people. As the OFT rightly points out, disabled people use taxis and PHVs more frequently than non-disabled people, and are more likely to use them for the essential activities of life. There is a high degree of satisfaction with taxi and PHV services among the disabled.

45. The Government is currently consulting on implementing taxi accessibility requirements under the Disability Discrimination Act 1995. The OFT report does not address this directly, but it does note that “as disabled consumers have different needs, several vehicle types are needed to satisfy varied requirements.”65 “The OFT goes on to say that “disability groups hope that implementation of the [Disability Discrimination Act 1995] will give LAs a national benchmark against which to set accessibility requirements for taxi services for their disabled population.”66 It quotes RADAR67 as saying that it is only possible if a variety of vehicle types can coexist under the regulation, meeting the needs of specific disabilities.68

46. The implication is that licensing authorities should not require cabs in their area to meet the Metropolitan Conditions of Fitness. However, the OFT’s conclusions are rejected by the Disabled Persons Transport Advisory Committee (DPTAC), which is the statutory body set up to advise on such matters. Its view was:

“until such time that a completely accessible taxi is commercially available we would like all licensing authorities to move towards making their entire taxi fleet wheelchair accessible, as in London and other cities.” 69

47. Liverpool told us:

64 OFT Report Annex I, Q80
65 para 5.43
66 para 5.46
67 Royal Association for the Disabled and Rehabilitation
68 para 5.47
69 DPTAC response to The regulation of licensed taxi and PHV services in the UK
“2.2 Liverpool has adopted a policy of approving only purpose built hackney carriages for use as licensed taxicabs. This policy has resulted in all 1417 taxicabs being wheelchair accessible. Current approved vehicle types i.e. FX4. METROCAB and TXI(II) are an instantly recognised icon ensuring public safety by removing any doubt as to the licensed status of a taxicab.

2.3 The dilution of vehicle standards which have been achieved and maintained by the taxicab trade would be a retrograde step without benefit to service users. The assumption by the OFT that the continued approval of only purpose built vehicles will result in a poorer service to consumers (1.19 Page 7) is unsustainable. Liverpool has a fleet of well-maintained, easily identified vehicles, designed for the specific use of public hire, equipped and able to satisfy the requirements of disabled users; this enviable status should not be jeopardised.” 70

48. Certainly, if a variety of vehicles was permissible, a disabled person seeking to hail a taxi or hire one from a rank would have no certainty that the vehicle in question was suitably adapted to meet his or her particular needs. As DPTAC points out, the division of the market into taxi and PHV sectors already produces a range of vehicles, and this may be a more appropriate way to ensure that those whose needs cannot be met by accessible taxis have alternatives available.

49. The OFT’s recommendations on quality are vague, and appear designed to discourage licensing authorities from requiring that vehicles meet the Metropolitan Conditions of Fitness. Part of its argument is that these do not necessarily meet the needs of all disabled people. We are astonished it should have made such a case without taking the views of DPTAC into account. It suggests the report was driven by a doctrinaire desire to hold prices down rather than a thorough investigation of disabled people’s needs.

4 Price regulation

50. The OFT found a strong case for retaining local authorities’ powers to set price controls since “the nature of the rank and hail sector of the taxi market makes it almost impossible for consumers to exercise choice on price as it is very difficult to shop around. Deregulating fares may therefore lead to higher prices. This is particularly important, for example for disabled consumers (who may not have access to alternative forms of transport), those concerned about their safety (for example if they are catching a taxi late at night), or for those who do not know the local area. In these and other instances, fare regulation protects consumers from being overcharged.” 71 We agree.

51. The OFT goes on to recommend that “throughout the UK LAs should only set fare tariffs which represent the maximum that can be charged, and not set fixed or minimum fares. It should be made clear to consumers that they are able to negotiate on fares, for example, when ordering a taxi over the telephone. We also recommend that, where

70 TX 01
71 para 6.3
possible, LAs actively facilitate more price competition in the market, particularly in the rank and hail section of the market.72

52. In contrast, Liverpool’s response to the Department for Transport consultation on the OFT report considered:

“It is difficult to imagine a sustainable fare system, which encourages diversity and promotes individual negotiation without the process descending into chaos, which would deter users utilising licensed vehicles.”

Mr Edwards said in evidence “The idea that everybody could negotiate a fare on entry to a taxicab is quite ludicrous,” and drew attention to the existence of PHVs as a cheaper alternative.73 Witnesses from the T&G were concerned that negotiation of fares at ranks or in the street could put cab drivers at risk, particularly in late night negotiations at city centres.74 On the other hand negotiation for the hire of PHVs when telephone bookings are made is common, and the ability to negotiate in this way benefits disabled or disadvantaged customers, whose use of such services is larger than average.

53. **It is our opinion that the service needs of the public have been given less consideration than the OFT’s desire to force down prices.** There is nothing in current law to prevent competition on price. We do not see any need to intervene, other than ensuring that it is clear that the licensing authority’s tariff simply sets the maximum price, not the minimum.

## 5 Conclusion

54. Taxis and PHVs provide an extremely important service, and do so successfully. They are particularly important for vulnerable groups such as the poor and disabled. It is important that policy recognises their importance.

55. There are proposals about quality, driver knowledge and safety in the OFT report that councils may wish to consider. Licensing authorities may wish to ensure that, where possible, their standards are similar to those in comparable areas, particularly in neighbouring areas, although this should not be an excuse to reduce quality downward. There are areas where the licensing authorities may wish to set different vehicle standards than those of the Metropolitan Conditions of Fitness. They may wish to change their practice to ensure that customers are made aware fares are, in principle, negotiable. None of these require legislation, or major changes in practice.

56. The proposal for the removal of quantity restrictions could produce major changes in the combined taxi and PHV market, and should only be made if there is compelling evidence that these would be changes for the better. The OFT has not produced such evidence.

---

72 ibid
73 Q 79
74 Q 45
57. Although vast amounts of surveys and literature searches were commissioned, our investigation has suggested that the research underlying the report was inadequate. The sample of authorities used in Annex C was far from representative, and, as far as we can establish, the inconvenient findings of that Annex were either abolished through “statistical adjustment” or simply discarded in favour of case studies. Very little new research was undertaken. One cannot rest proposals to take away local discretion throughout England, Scotland and Wales on two surveys, however well conducted. The surveys the OFT used, particularly the Cambridge survey, were open to serious question.

58. The surveys of licensing officers conducted by Halcrow raised questions which appeared to call for further research, the interrelationship between quantity and quality regulation. No further research was undertaken. There was no research into the effects of double driving, the practicality of regulating drivers’ hours, or even the costs of new ranks. Most importantly, to our mind, the OFT failed to look properly at the interrelationship between the taxi and the PHV markets, and failed to establish that a shift from PHVs to taxis would benefit all users of hired cars, rather than those who used taxi ranks, or hailed in the street - a minority of users. We are extremely disturbed that the OFT should base its conclusions on unsatisfactory studies, and that, within its evidence, it appears to have accepted those findings which accorded with its preconceived conclusion, and failed to consider findings which did not.

59. The OFT report manifestly does not contain the evidence required to support its only proposal for legislative change: the abolition of quantity regulation. Its figures only support its case with considerable “adjustment” (which is never explained), its statistical and survey evidence are flawed, and it fails to consider the relationship between the taxi and PHV markets. Nor does the OFT explain why the taxi and PHV market has been the fastest growing form of transport over the last 25 years, and has grown by more then 40 per cent in real terms since 1994, if quantity restrictions have been so detrimental. Its recommendations on quantity control should be rejected.
Conclusions and recommendations

1. In spite of the OFT’s claims, there is no real evidence that waiting times are lower in areas without restrictions on the number of vehicle licences they issue, particularly if the telephone booking sector is also taken into account. (Paragraph 12)

2. The Report does not adequately discuss the fact that, although taxi numbers increase, the number of private hire vehicles decreases, and that the number of vehicles for hire per head of population is in fact lower in derestricted areas than in restricted ones. (Paragraph 13)

3. The OFT’s surveys did not consider the interrelationship between the taxi and PHV markets, particularly in cities. No sensible policy can be made without proper information on this. (Paragraph 16)

4. There is no way we can be certain that lifting restrictions will not reduce the availability of taxis at off-peak hours, as vehicles are no longer shared by two drivers during a single day. (Paragraph 18)

5. It may be that the OFT’s failure to examine comparative fares was an oversight; we do not see how policy could be changed without an investigation of whether derstriction affected prices. (Paragraph 24)

6. Certainly, if a variety of vehicles was permissible, a disabled person seeking to hail a taxi or hire one from a rank would have no certainty that the vehicle in question was suitably adapted to meet his or her particular needs. As DPTAC points out, the division of the market into taxi and PHV sectors already produces a range of vehicles, and this may be a more appropriate way to ensure that those whose needs cannot be met by accessible taxis have alternatives available. (Paragraph 48)

7. The OFT’s recommendations on quality are vague, and appear designed to discourage licensing authorities from requiring that vehicles meet the Metropolitan Conditions of Fitness. Part of its argument is that these do not necessarily meet the needs of all disabled people. We are astonished it should have made such a case without taking the views of DPTAC into account. It suggests the report was driven by a doctrinaire desire to hold prices down rather than a thorough investigation of disabled people’s needs. (Paragraph 49)

8. It is our opinion that the service needs of the public have been given less consideration than the OFT’s desire to force down prices. (Paragraph 53)

9. The OFT report manifestly does not contain the evidence required to support its only proposal for legislative change: the abolition of quantity regulation. Its figures only support its case with considerable “adjustment” (which is never explained), its statistical and survey evidence are flawed, and it fails to consider the relationship between the taxi and PHV markets. Nor does the OFT explain why the taxi and PHV market has been the fastest growing form of transport over the last 25 years, and has grown by more then 40 per cent in real terms since 1994, if quantity restrictions have been so detrimental. Its recommendations on quantity control should be rejected. (Paragraph 59)
Appendix: Note from the Committee
Office Scrutiny Unit

This note gives a very brief assessment of some of the statistics used by the Office of Fair Trading (OFT) in making their conclusions about quantity controls on taxis.

Chapter 4 of the OFT report *The regulation of licensed taxi and PHV services in the UK* looks at quantity regulation of taxis in the UK. It concludes that:75

quantity controls have a clear detrimental impact on the public which shows up in the following ways:

- shifting consumers onto less preferred and/or suitable modes of transport;
- increasing waiting times;
- compromising public safety.

It also states that they found no cogent rationale for quantity controls to balance these detriments. They recommend that the legislation that allows authorities to impose quantity controls should be repealed and in the meantime authorities with quantity controls should remove them. This note concentrates on results from consumer surveys conducted between 1998 and 2003 and a case study of two authorities where controls had been removed.

**Consumer Surveys**

Annex C to the OFT gives details of the consumer surveys. Due to time restrictions the authors found it necessary to used data from existing surveys, rather than conduct primary research. The data was already held by Halcrow –the company commissioned to do the research by the OFT- and consisted of over 51,000 interviews with consumers from 58 local authorities across Great Britain. In principle there should be no problem with using existing data so long as it is fit for purpose. As the data covers users’ and non-users’ experiences of using taxis and their general attitudes the survey design would seem to be compatible.

The problem with their data concerns sample sizes, specifically its distribution between authorities with and without quantity controls. Only 6 of the 58 authorities in the sample were derestricted compared to 55% of all local authorities.76 The sample size for these authorities was 3,887, or 7.6% of the sample population compared to over half of the UK population. This mismatch need not be a problem unless it leads to bias one way or another. The sample size is not too small in absolute terms to yield meaningful

---

75 *The regulation of licensed taxi and PHV services in the UK*, Office of Fair Trading 2003, para 4.82
76 *ibid*, table 4.1
comparisons. The difficulties arise because the data comes from just six authorities, making it necessarily limited. As the use of taxis and other modes of transport is likely to vary by type and region of authority such a small number of examples will probably lead to skewed results. Unrestricted authorities are more likely to be rural than urban. This is reflected in the sample as Bristol is the only unrestricted authority with a population over 300,000. There were eight restricted authorities of this size, a number of which had data from more than one survey period. If Bristol is not a typical urban area in transport terms then the results would be skewed one way or another.77 It is vital to have representative data from urban unrestricted authorities as if quantity controls are to be lifted then it is urban areas that will be most affected.

If you are to compare the simple results of the restricted and unrestricted groups then there will be an urban bias in the restricted sample, i.e. any differences may reflect the urban character of an area – population density, public transport provision, traffic congestion – as well as its taxi regulation. Therefore such comparisons could be misleading. You could adjust for this by ensuring that the samples have the same proportion of each type of authority. Another alternative would be to make a statistical adjustment to the data so the results are matched. However, with such a small number of unrestricted authorities to apply these adjustments to the results would be subject to a wide margin of error.

The report acknowledges comparability problems, both directly and indirectly by largely ignoring its results. The only direct reference in Chapter four mentions a simple comparison of waiting times found that they were 30% lower in restricted areas,78 but the report stated that this was largely due to they fact that they were urban. After statistical adjustment the result was reversed and they were 2-7% lower in unrestricted areas. No details are given of how this adjustment was made.79 This is a crucial omission as it could be done in a number of ways, with differing results. Which ever method was used would have to be applied to the limited unrestricted sample and as mentioned above be subject to a wide margin of error.

A further limitation of this analysis is in the valuation of waiting times. The report goes on to gross up any cut in waiting times of 5% to reach a figure of 2.5 million potential hours saved. This assumes that time spent waiting is valued equally. It may be the case that consumers care more about the longer waits and are less concerned at marginal differences in waiting time so long as a taxi arrives within a certain period. The 2-7% figure could mean an average difference of less than 10 seconds. If consumers are not concerned by such marginal differences then it is meaningless to gross them up to national figures. On the simple analysis unrestricted areas had a greater proportion of very long waits. No statistical adjustment was made on these figures.

If the simple results are taken at face value then they show that in regulated areas:

- Fares were lower and more consumers thought they represented value for money;
- Mean waiting times were less for each method of obtaining a taxi;

77 Annex C points out specific factors about three of the six unrestricted authorities that may affect the results.
78 An alternative view on this might be that waits were 45% longer in unrestricted areas.
79 It is possible that the results are from annex H, which showed an increase in waiting times of 2% and in excess demand of 7%. If so, the report gives a false impressing of changes in waiting times.
• Satisfaction rates with waiting times were higher for each method of obtaining a taxi.

As already mentioned these results may well be due to urban factors rather than taxi regulations. A consistent approach would either be to adjust all data so that meaningful comparisons could be made; leave the annex in unadjusted but draw no conclusions from them; or to collect more data so that the two samples were directly comparable. The approach used in the OFT report is not consistent; it appears that evidence has been selected to support their case. Even this approach has provided a figure that at best provides very limited support for their case. Given the importance of consumers experiences and views the OFT should have ensured that data was comparable and used the results to inform its report and conclusions.

Case study

Annex D to the report is in two parts, a panel discussion with licensing officers from 13 authorities and a case study of two authorities where controls had been removed. The report concentrates on the case study. The study used existing data on unmet demand studies from Sheffield and Cambridge. The original studies found significant unmet demand for Cambridge, but none in Sheffield. The follow-up studies were carried out after restrictions were lifted in both areas.

In brief, the results related to delays in Sheffield were that average waits fell by 14%; excess demand (passenger queues >3) increased; and satisfaction with waiting times improved for rank and hail modes, but fell for telephone bookings. In Cambridge there was a reduction in excess demand and excess supply (cab queues >3) and a significant fall in delays and taxi usage. There was also a similar pattern of satisfaction with waits as seen in Sheffield. The fall in demand in Cambridge is described as ‘counter intuitive’ in the Annex. It states that this may have been influenced by the fact that the original study was conducted in university term time, while the follow-up was outside term time. Given that Cambridge district council area had 22,200 full-time students resident at the time of the Census (26% of the working age population compared to a national figure of 7.3%)\(^80\) it is safe to assume that the timing of the second survey had a significant effect on its results. Even if you assume that students are not major taxi users, their presence will alter traffic conditions to a major degree. To base any conclusions on such data is highly questionable.

Chapter 4 highlights the decreases in waiting times. The actual mean reduction after derestriction in Sheffield was 14 seconds. Again this is grossed up to a total figure for the city. As mentioned earlier it is debateable whether such marginal increases are meaningful. The report mentions the reduction in delays over 5 minutes (27% to 9%), but does not give a full breakdown by waiting time. It is possible that delays over, say, 15 minutes were much closer. Exactly the same comparisons are made for Cambridge. The fact that one survey was not in term time was only footnoted. This is not a transparent way to present these results. In effect the Cambridge results are invalidated and any conclusions have to rely on the experiences of one local authority.

\(^80\) Census 2001 Key statistics for local authorities, National Statistics
The report goes further to show changes in method of hire. In both cities this switched from telephone bookings to hail in the street. It states that this strongly supports the proposition that consumers value and use the greater choice opened up by removing quality controls.\textsuperscript{81} While consumers have used their greater choice, it is debateable whether they value this. Satisfaction with telephone bookings fell markedly in Sheffield. An alternate interpretation might be that removing restrictions cut the number of Private Hire Vehicles (PHVs) resulting in a poorer service with the consequence that more customers used other modes.

**Other evidence on the impact on consumers**

The other main statistical source covering the impact on consumers for this part of the report is an economic modelling of various data, including some of the Halcrow consumer surveys. This is a preferred method as it can take into account and adjust for other distorting factors, like whether an area is urban or rural. The authors of this research mention the difficulties of using the Halcrow data which was collected for another purpose. This research highlighted three dimensions of consumer welfare: perceived fare levels, waiting times and the quality of drivers and vehicles. It found that quantity controls increased perceived fares by 3.9-4.9\%, increased waiting times by 2\% but also increased driver and vehicle quality.\textsuperscript{82} Their assessment is that the overall effect on consumer welfare of quantity controls is ambiguous.\textsuperscript{83} However, in their concluding remarks they state that “the results support most of the expected outcomes identified from the literature, and suggest that the key factors that influence consumer welfare could be increased by deregulation in the taxi markets.”\textsuperscript{84} Presumably perceived fare levels and waiting times are given more weight than driver/vehicle quality.

The report gives a general summary of this research on waiting times only. It states that consumers wait longer for taxis in authorities with quantity controls, this “accords with common sense”.\textsuperscript{85} The 2\% increase in waiting times shown by the research is equivalent to a time saving of less than 10 seconds per trip. While the results are statistically significant there is still a question about whether they are meaningful. The research also showed that waiting times were longer in authorities with stricter controls. This is not necessarily a justification for removing quantity controls altogether. The chapter does not mention higher fares or the impact on quality, even in the section on maintaining the quality of service.

\textsuperscript{81} The regulation of licensed taxi and PHV services in the UK, Office of Fair Trading 2003. para 4.34
\textsuperscript{82} These results are for both the taxi and PHV sectors apart from quality that only includes taxis.
\textsuperscript{83} ibid. Annex H, table 7.1
\textsuperscript{84} ibid. Annex H
\textsuperscript{85} ibid. para 4.25
Other areas

Congestion

The OFT report dismisses the argument that removing quantity controls increases congestion:86

4.72 Another set of arguments is that limiting the supply of taxis encourages use of public transport, and reduces congestion and air pollution.

4.73 Again we do not find these arguments supportable:

our consumer research shows that if consumers are unable to get a taxi, they will generally not switch to public transport, nor to environmentally friendly and congestion reducing modes of transport, but would tend instead to use their car.

The report gives no indication of what consumer research this is based on. The impact of congestion is a vital issue, especially when average changes in waiting times tend to be relatively small. A small increase in congestion could easily outweigh the shorter waiting times mentioned in the report. If research was specifically carried out on this issue it should have been published. In any case congestion is such an important factor that the OFT should have commissioned and published research into its relation to quantity controls.

Financial costs

In general there is relatively little mention of cost factors in Chapter 4 of the report. In paragraph 4.61 it highlights the cost savings that could be gained from removing quantity controls and states that this could be used to improve quality controls. No mention is made of actual values. A consistent approach would have at least mentioned any possibility that removing quantity controls could increase an authority’s costs. However, after acknowledging that derestricion could lead to overcrowding at ranks it suggests employing marshals and/or creating new or temporary ranks. No mention of increased costs is made. A consistent and comprehensive approach would be to summarise the cost implications of derestricion in a balance way. The report instead takes a selective approach that supports its case.

Conclusions

It is clear that some of the data behind Chapter 4 of the OFT report has technical limitations. These are not fully acknowledge by the OFT. Most of these limitations stem from the limited time available for the research. The conclusions and recommendations included in the chapter would have more strength if additional primary research had been undertaken. In effect the report bases its findings on very slim evidence. It relies too heavily on data on taxis and PHVs per head which are very blunt measures. The authors are also selective in what they have included and what they have left out. This is not to say that their conclusions are necessarily wrong, just that they are not adequately supported. Excluding research on the impact of congestion and any discussion on the costs of removing quantity

86 ibid. paras 4.72-4.73
controls adds to the impression of selectivity. As Table 7.1 in Annex H states, the overall impact on consumer welfare is ambiguous.

3 February 2004
Formal minutes

The following Declarations of Interest were made:

Mrs Gwyneth Dunwoody, Member, Associated Society of Locomotive Engineers and Firemen

Mr Brian H Donohoe, Clive Efford and Mrs Louise Ellman, Members of Transport and General Workers’ Union

Miss Anne McIntosh, Member, RAC, Holder of shares in: First Group, Eurotunnel, BAA plc, BA and BAE SYSTEMS

Wednesday 4 February 2004

Members present:

Mrs Gwyneth Dunwoody, in the Chair

Mr Brian H Donohoe
Clive Efford
Mrs Louise Ellman
Ian Lucas

Miss Anne McIntosh
Mr John Randall
Mr Graham Stringer

The Committee deliberated.

Draft Report (The Regulation of Taxis and Private Hire Vehicles in the UK), proposed by the Chairman, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 59 read and agreed to.

Resolved, That the Report be the Third Report of the Committee to the House.—(The Chairman.)

Ordered, That the Chairman do make the Report to the House.

Ordered, That the following paper be appended to the Report; Note from the Committee Office Scrutiny Unit.—(The Chairman.)

Ordered, That the provisions of Standing Order No. 134 be applied to the Report.

Ordered, That the Appendix to the Report and the Appendices to the Minutes of Evidence taken before the Committee be reported to the House.

[Adjourned till Wednesday 11 February at 2.30pm.]
Witnesses

Wednesday 28 January 2004

Peter Kavanagh, Regional Industrial Organiser with National Responsibilities for Taxis, Edward Benton, Member National Taxi Liaison Committee, and Roger Sealey, Researcher, Transport, Transport & General Workers Union

Dennis Conyon, Chairman, and Timothy Gray, National Taxi Association

Jennifer Liddle, Chair of Licensing, and Ray Miller, Taxi Licensing Officer, Cambridge City Council

Damien Edwards, Licensing Officer, Liverpool City Council

Councillor Neil Swannick, Deputy Executive Member for Planning and Environment, and Andrew Scallan, Head of Regulatory and Enforcement Services, Manchester City Council

Peter Perkins MBE, former Chair, National Association of Taxi and Private Hire Enforcement Officers

Jonathan May, Director of Markets and Policy Initiatives Division, Daniel Gordon, Director of Market Studies and Keith Davis, Team Leader Taxi and Private Hire Vehicle Market Study, Office of Fair Trading
List of written evidence

TX 01 Memorandum by Liverpool City Council
TX 02 Memorandum by Cambridge City Council
TX 03 Memorandum by the Office of Fair Trading
TX 04 Memorandum by Transport & General Workers Union
TX 05 Memorandum by The National Private Hire Association
TX 06 Memorandum by Stuart Robertson Esq.

List of other papers received

The following papers have been referred to in the Report but have not been printed. Copies have been placed in the House of Commons Library, where they may be inspected by Members. Other copies are in the Record Office, House of Lords, and are available to the public for inspection. Requests for inspection should be addressed to the Record Office, House of Lords, London SW1 (telephone 020 7219 3074). Hours of inspection are from 9.30 a.m. to 5.00 p.m. on Monday to Fridays

Responses to the Department for Transport Consultation on the Office of Fair Trading Report

Disabled Persons Transport Advisory Committee
National Taxi Association
North Western Taxi Associations (sent by the National Taxi Trades Group)
Transport & General Workers Union
York Hackney Carriage Association

Other Papers

Jacobs Consultancy: Review of OFT Conclusions regarding Quantity Controls
# Reports from the Transport Committee since 2002

## Session 2003–04

<table>
<thead>
<tr>
<th>Report</th>
<th>Title</th>
<th>HC</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Report</td>
<td>Traffic Management Bill</td>
<td>144</td>
</tr>
<tr>
<td>Second Report</td>
<td>The Departmental Annual Report</td>
<td>249</td>
</tr>
<tr>
<td>Third Report</td>
<td>The Regulation of Taxis and Private Hire Vehicle Services in the UK</td>
<td>251-I</td>
</tr>
</tbody>
</table>

## Session 2002–03

<table>
<thead>
<tr>
<th>Report</th>
<th>Title</th>
<th>HC</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Report</td>
<td>Urban Charging Schemes</td>
<td>390-I</td>
</tr>
<tr>
<td>Third Report</td>
<td>Jam Tomorrow?: The Multi Modal Study Investment Plans</td>
<td>38-I</td>
</tr>
<tr>
<td>Fourth Report</td>
<td>Railways in the North of England</td>
<td>782-I</td>
</tr>
<tr>
<td>Fifth Report</td>
<td>Local Roads and Pathways</td>
<td>407-I</td>
</tr>
<tr>
<td>Sixth Report</td>
<td>Aviation</td>
<td>454-I</td>
</tr>
<tr>
<td>Seventh Report</td>
<td>Overcrowding on Public Transport</td>
<td>201-I</td>
</tr>
<tr>
<td>Eighth Report</td>
<td>The Work of the Highways Agency</td>
<td>453</td>
</tr>
<tr>
<td>Ninth Report</td>
<td>Ports</td>
<td>783-I</td>
</tr>
<tr>
<td>Second Special Report</td>
<td>Government Response to the Committee’s Fourth Report, Railways in the North of England</td>
<td>1212</td>
</tr>
</tbody>
</table>

## Session 2001–02

<table>
<thead>
<tr>
<th>Report</th>
<th>Title</th>
<th>HC</th>
</tr>
</thead>
</table>