



Taxi Licensing: Review of Local Authority Quantity Control Policies

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Controlling taxi numbers: responses from local licensing authorities

Summary

1. The Department for Transport wrote to 151 local licensing authorities last year asking them to review their policy of controlling taxis numbers. This paper summarises the responses to that request from those local licensing authorities which decided to maintain quantity controls.

2. In total, 82 final responses were received by the end of August 2005. 35 local authorities have made a decision to remove quantity controls and 47 have decided to retain a limit on the number of taxi licences they are prepared to grant. A number of authorities have sent interim replies indicating that they are still considering the matter

Background to the request.

3. The Office of Fair Trading undertook a study of the UK taxi and private hire vehicle (PHV) market in 2002/03; its report was published in November 2003. The principal recommendation was that local licensing authorities' power to restrict the number of taxi licences they issue should be repealed.

4. The Government's response was published in March 2004. The Government did not accept this recommendation, taking the view that local authorities should continue to be responsible for making decisions about whether or not to control taxi numbers in their respective areas.

5. However, in its response to the OFT report, the Government conveyed its belief that, in general terms, quantity restrictions were unlikely to be in the best interests of consumers. The response said that those local licensing authorities that imposed quantity controls would be asked to review their policy with particular emphasis on benefits for consumers. A letter duly issued from the Department on 16 June 2004; it asked 151 local licensing authorities to carry out a review of their quantity control policy. Local authorities were asked to publish the results of their review by 31 March 2005 and to send the published outcome to the Department by 30 April 2005.

6. In essence, those licensing authorities who decided to maintain quantity controls were asked for a justification of their policy. In other words, they were asked "*why continue to control taxi numbers at all; why not remove the limit altogether?*" This paper collates and summarises the responses to that question (the replies from individual authorities should have already been made public by the authority; copies should be available from the authority but can also be obtained on request from the Department).

Background to the legislation

7. In England and Wales (outside London) local licensing authorities can choose to place a limit on the number of taxi (vehicle) licences which they grant. (This relates solely to vehicle licences; there is no power to control the number of driver licences.) More than half of all licensing authorities choose not to impose a limit.

8. 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".

9. 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.

10. This issue is restricted to England and Wales (outside London). Different legislation applies in London where quantity controls are not permitted. Different legislation also applies in Scotland and Northern Ireland (and the respective Administrations made separate responses to the OFT report).

Responses - general

11. The Department had, by the end of August 2005, received 82 responses. Of these, 47 were received from local authorities which decided to retain a policy of controlling taxi numbers 35 of the local authorities had abandoned their policy of controlling taxi numbers. (A table listing replies to date is

attached)

12. The detail provided in replies varied; some local authorities simply conveyed the fact that they were retaining quantity controls (in which case they were pressed for their reasoning) whilst others went into detail about the positive aspects of controlling taxi numbers.

13. Authorities were asked to make their responses public so that local people could see the decision reached by the local authority and - where quantity controls were being maintained - the justification for that decision.

Reasons given for retaining quantity controls

No reason to change a policy that works

14. The most common response amongst local authorities for retaining quantity controls was that if the limit on taxis was set at the correct level with an adequate level of supply, **no change to the policy was warranted**. The argument ran if the limit was set at the right level with no significant unmet demand (as evidenced by a recent survey), passengers did not have to wait unreasonable lengths of time to secure a taxi and the status quo could therefore prevail with no ill-effects. In essence, they saw no reason to change a policy that they regarded as satisfactory just for the sake of it.

15. In a few cases, the **sole** reason given by licensing authorities was that there was no unmet demand for taxis in the area so there was no need to change the status quo. In other cases, the absence of any unmet demand was cited as a **contributory factor** in the local authority reaching a decision to retain quantity controls.

16. In justifying that their limit was set at an adequate level, some local licensing authorities compared their local provision to the average ratio of taxis per head of population of 1.1 taxis per 1000 population (a generally agreed rate quoted by consultants). One urban area said its level was double the national average - 2.1 per 1000 and another was 2.15 per 1000 which it claimed was similar to derestricted authority 2.15 per 1000 and justified retention of its policy.

Consumer benefits

17. Local licensing authorities were asked specifically about benefits for consumers. Indeed, the Government's response to the OFT report urged them to abandon quantity controls unless it could be demonstrated that such a policy was in the best interests of consumers. As a general observation, consumer interests did not feature prominently in responses; some did not mention consumers at all. Those that did can be summarised as follows:

- quantity controls allow for multi-shifting (ie those drivers who cannot acquire a licence must rent a vehicle; the vehicle owner will tend to work through the day and the driver who rents is forced to work at less attractive times - evenings and nights); it is this system which ensures adequate coverage throughout the day and night. Increased numbers of cabs - allowing renting drivers to acquire their own vehicle - could undermine the current structure of taxicab provision and could lead to under provision at night time and weekends.
- where the limit is deliberately fixed above the level of demand identified - issuing more licences than

identified by survey of unmet demand - consumers benefit from an excess in supply. More than enough cabs - evidenced by very small passenger delay and long driver wait at ranks.

- wider public benefits to be gained from a good relationship between the trade and the licensing authority - no need to jeopardise that relationship for no real gain.
- quantity controls mean that PHV drivers remain in the PHV trade (rather than shifting to the taxi trade) so consumers benefit from having an adequate supply of PHVs for pre-booked work. Particular benefits for consumers in outer lying areas where pre-booked hirings are more common.
- quantity controls enable the trade to earn enough to afford a high quality and safe vehicle fleet which is beneficial to consumers.
- limitation policy per se does not have any adverse impact on customer safety; received no representations or complaints about the level of taxi service provided in the last 12 months.
- deregulation would mean considerable disruption to the level and quality of supply, at least in the short term. In the longer term the level of turnover of proprietors and drivers is also likely to be higher which may have an adverse effect on the quality of vehicles and drivers.
- quantity control policy helps to develop accessibility policy by supporting substantial investment.
- no complaints from members of the public about difficulties in obtaining taxis or excessive waiting times.

Trade interests

18. A number of local licensing authorities considered that an important part of their role in relation to taxi licensing was to provide a degree of protection for the taxi trade and thought that quantity controls contributed to this objective:

- deregulation might lead to reduction in earnings for drivers (and increased waiting times at ranks) resulting in material hardship.
- deregulation would generate an influx beyond just PHV drivers shifting over to taxi work, leading to oversupply and an unviable business.
- in areas of highly seasonal work (eg. seaside town), low level of activity during the winter months, drivers' incomes should be protected.
- restriction in name only; there are unallocated plates, but formally removing limit would be unnecessary and confrontational - dissent within trade for no real reason.
- taxis no longer able to work from the station which mean that there are surplus cabs in the area; quantity controls protect income and value of owners' investment.
- quantity controls enable the quality of the fleet to be maintained whilst also recognising the substantial investment in such vehicles by the trade.
- quantity controls protect the taxi trade; it means reduced competition; in a small town. Income can be insufficient to cover operating costs so protection is justified.
- deregulation might encourage "cherry pickers" to the detriment of full time workers.
- deregulation would mean reduced custom for existing licence holders.
- a quantity control policy provides stability within the trade.

Taxi ranks

19. Some local licensing authorities which decided to retain quantity control expressed concern about the provision of adequate rank space if they were to deregulate.

- if quantity controls were removed, there would be insufficient rank space available to cater for the increased number of cabs.
- there would be a need to manage the ratio of ranks to taxis.
- some cities do not readily lend themselves to additional rank space eg shortage of adequate kerb space.
- the unpredictability of deregulation would exacerbate lack of sufficient taxi ranks in appropriate locations.

Traffic congestion

20. A number of local licensing authorities feared the potential impact that removing quantity controls might have on local congestion:

- if quantity controls were removed, there would be a risk of oversupply; additional vehicles cruising the streets would give rise to traffic management concerns.
- potentially adverse impact on the environment, particularly air pollution, especially where low emission zones are being considered.
- any increase would have a detrimental effect on traffic flow; it would place increased pressure on enforcement resources designed to ensure through flow of traffic within the city centre.
- already a problem with drivers parking up illegally because of shortage of rank space; additional cabs would exacerbate the problem.

Wider transport/social policy

21. A policy of controlling taxi numbers was cited by a number of local licensing authorities as being an integral part of a wider transport/social policies:

- a policy of controlling taxi numbers meets the aims of the area's Local Transport Plan.
- considering taxi provision in the context of a pedestrianised town centre means that deregulation would not be appropriate -only small increments should be made to the existing fleet depending on the evidence for demand.
- policy supports town's transportation policy and existing transport infrastructure.
- potential environmental consequences of change in terms of infrastructure requirements and the impact on the historic city means that the absence of disbenefit is adequate reason to maintain quantity controls.
- small sized city and low density suburban areas do not provide market conditions that lend themselves to traditional taxi activity; PHVs are more geared up to serving this type of market.
- local authority is best placed to determine local needs and those needs must be determined in the context of the long standing and consistent traffic and transport policies in the area. Taxis allowed into certain controlled areas where private cars are prohibited - control of taxis is therefore paramount importance to city council.
- local solutions to local problems.

- deregulation would exacerbate local traffic problems to no apparent benefit given that regular surveys do not indicate unmet demand.
- monitoring major town centre redevelopment before reviewing policy.
- size and geographical nature of the area.

Premiums

22. Where quantity controls are imposed, it is usual for the licences which are in circulation to acquire an intrinsic value; they can be sold for a premium often reaching many thousands of pounds. Some local licensing authorities referred to these - unofficial - premiums in their responses:

- there is an obligation on local authorities to protect licence holders' investment.
- a relatively low level of premium compared to neighbouring areas suggests that little unmet demand, thereby justifying retention of quantity controls.
- the existence of a premium is not necessarily an indicator of unmet demand. The premium may reflect low cab waiting time associated with under supply, and hence passenger delay. It might be due to fares level which is higher than break even level for a given supply. It may simply be a reflection of the absence of alternative means of gaining employment. In an area with low level of passenger delays, it is likely that the high premium is resulting from fare levels having risen above the equilibrium for the given number of vehicles. So, removing the limit would simply remove the premium whilst providing very little measurable benefit to customers. If, on the other hand, fare levels were addressed the disbenefit to the trade would at least be balanced by benefit to customers.

Miscellaneous

23 Some local licensing authorities put forward other arguments in favour of retaining quantity control policies:

- deregulation would increase the resources required to enforce taxi standards.
- deregulation would introduce uncertainty as to the speed with which licences would be taken up and this could have consequential impact upon matters such as the general management of transport provision and the administration processes within the taxi and PHV licensing section.
- fluctuating staff levels to administer licensing system might lead to redundancies.
- could cost LA £20,000 to defend a judicial review.

Buses and Taxis Division
 Department for Transport
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Annex A

Name of licensing authority	Final reply	Removing or retaining quantity controls	Comments
Adur			No communication from Council

Amber Valley	28 June 04	Removing	
Ashford	29 March 05	Removing	
Aylesbury Vale	23 June 05	Retaining	
Babergh			Interim 15 June 05; undertaking review
Barnsley			Interim 29 June 05; undertaking review
Barrow-in-Furness			Interim 21 Feb 05; undertaking review
Basildon	10 June 05	Removing	
Basingstoke	24 March 05	Retaining	
Bassetlaw			No communication from Council
Bath and NE Somerset	14 April 05	Retaining	
Bedford	7 July 05	Retaining	
Blackburn Darwen	22 June 05	Retaining	
Blackpool	23 March 05	Retaining	
Blyth Valley			No communication from Council
Bournemouth			Interim 11 Jan 05; undertaking review
Bradford			Interim April 05; undertaking review
Braintree	26 Oct 04	Retaining	
Brighton and Hove	7 March 05	Retaining	
Burnley	18 Feb 05	Retaining	

Calderdale	28 June 05	Retaining	
Cardiff			Interim 29 June 04. Judicial review taking place.
Carrick	1 July 05	Retaining	
Castle Point	17 June 05	Removing	
Chelmsford	14 June 05	Removing	
Cherwell			Interim 28 Jan 05; undertaking review
Chester	May 05	Retaining	
Chester-le-Street			Interim 14 June 05; undertaking review
Chorley	6 June 05	Retaining	
Colchester			No communication from Council
Congleton	30 June 05	Retaining	
Conwy	28 June 05	Removing	
Copeland	4 March 05	Removing	
Corby	29 April 05	Retaining	
Crawley	13 June 05	Removing	
Denbighshire	7 Feb 05	Removing	
Dover			No communication from Council
Durham	22 April 05	Removing	
Easington	25 April 05	Removing	
East Lindsey	10 Dec 04	Removing	

East Northants	11 April 05	Removing	
East Riding	31 March 05	Removing	
Eastbourne			No communication from Council
Eastleigh			No communication from Council
Ellesmere Port	12 April 05	Retaining	
Exeter			Interims seeking clarification re review Oct and Dec 04
Fylde	21 June 05	Removing	
Gosport	19 April 05	Removing	
Great Yarmouth			Interim 8 Nov 04; undertaking review
Guildford	4 July 05	Removing	
Gwynedd			No communication from Council
Halton	26 Jan 05	Retaining	
Harlow			No communication from Council
Harrogate	1 April 05	Retaining	
Hastings			Interim 10 June 05; undertaking review
Havant	30 March 05	Retaining	
High Peak			Interim 21 June 05; considering undertaking cons exercise
Huntingdonshire			
Hyndburn			Interim 18 Oct 04; seeking clarification
Ipswich	8 April 05	Removing	
Kerrier	2 July 04	Removing	

Kettering	13 June 05	Removing	
Kings Lynn			Interim 13 May; undertaking review
Kingston-upon-Hull			
Kirklees			Interim 15 June 05; undertaking review
Knowsley			No communication from Council
Lancaster	8 June 05	Retaining	
Leeds	18 March 05	Retaining	
Leicester	23 June 05	Retaining	
Lincoln	8 Feb 05	Retaining	
Liverpool	6 April 05	Retaining	
Luton			Interim 2 Feb 05; seeking clarification
Maidstone	3 May 05	Retaining	
Manchester			Interim 27 June 05; undertaking review
Merthyr Tydfil			Interim 15 July 04; undertaking review
Middlesbrough			Interim 22 June 04; seeking clarification
Mole Valley	14 June 05	Removing	
New Forest			No communication from Council
Newcastle-upon-Tyne	23 June 05	Retaining	
Newcastle-under-Lyme	14 June 05	Retaining	
N E Lincolnshire	11 June 05	Removing	

Nottingham			No communication from Council
Oldham			Interim 28 Feb 05; undertaking review
Oxford	31 Jan 05	Retaining	
Pendle			No communication from Council
Penwith	25 May 05	Retaining	
Plymouth			Interims 25 Jan and 29 July 04; seeking clarification
Poole	8 April 05	Retaining	
Portsmouth			Interim 14 March 05; undertaking review
Preston			Interim 30 June 04; seeking clarification.
Reading	31 March 05	Retaining	
Reigate and Banstead			No communication from Council
Restormel			Interim 18 June 04 - acknowledgement
Ribble Valley	1 July 05	Retaining	
Richmondshire	15 April 05	Retaining	
Rochdale			Interim 29 March 05; undertaking review
Rotherham	17 Feb/21 July	Retaining	
Rugby			Interim 14 June 05; undertaking review
Salford	25 July 05	Retaining	
Scarborough			No communication from Council
Sefton			Interim 5 July 05; seeking clarification

Selby	24 June 04	Removing	
Slough	16 June 05	Removing	Judicial review; LA won.
Solihull	14 April 05	Removing	
South Bedfordshire	30 March 05	Removing	
South Ribble	13 June 05	Removing	
South Tyneside	15 June 05	Retaining	
Southampton			Interim 10 June 05; undertaking review
Southend-on-Sea	29 Oct 04	Retaining	
St Edmundsbury			Interim 19 May 05; undertaking review
St Helens			No communication from Council
Stevenage			Interim 8 June 05; undertaking review
Stockport			Interim 11 March 05; undertaking review
Stoke on Trent			No communication from Council
Stratford-upon-Avon	23 July 04	Removing	
Sunderland			Interim 14 Jan 05; undertaking review
Swindon	21 July 05	Removing	
Tameside			Interim 8 July 05; undertaking review
Teignbridge			Interim 23 June 05; undertaking review
Test Valley			Interim 21 June 05; undertaking review

Thanet			Interims 15 Dec, 25 Feb, 1 Mar; undertaking review
Thurrock			No communication from Council
Torbay	22 June 05	Retaining	
Torfaen			Interim 31 March 05; undertaking review
Torridge			Interim 28 June 05; undertaking review
Trafford	17 June 05	Retaining	
Tunbridge Wells			No communication from Council
Wakefield			Interim 1 July 04; query re interaction with zones
Walsall	15 June 05	Removing	
Wansbeck	6 July 05	Retaining	
Warrington	17 August 05	Retaining	
Watford	14 March 05	Retaining	
West Somerset	9 June 05	Removing	
Weymouth			Interim 27 April; undertaking review
Wigan			Interim 9 Dec 04; undertaking review
Windsor and Maidenhead			Interim 10 June 05; undertaking review
Woking	9 June 05	Removing	
Wolverhampton	31 March 05	Removing	
Worthing			Interim 19 Jan 05; undertaking review
Wrexham	10 Feb 05	Removing	

Wycombe			No communication from Council
Wyre	26 May 05	Retaining	
Wyre Forest	14 June 05	Retaining*	*Deregulation plan - but yet to be ratified
York			Interim 28 June 05; undertaking review
Bristol (sent 28 June 04)			Interim 8 August 05; undertaking review
Mid-Sussex (sent 30 Sept 04)	29 June 05	Retaining	
South Somerset (sent 12 July 04)	28 July 05	Removing	
North Tyneside (sent 1 April 05)	10 May 05	Retaining	
Bolton (sent 10 March 05)			No communication from Council
Sevenoaks (sent 10 March 05)	5 April 05	Retaining	
Welwyn Hatfield (sent 10 Mar 05)			No communication from Council