

Taxis/Private Hire Vehicles Report

The Secretary of State for Trade and Industry (Ms Patricia Hewitt): We welcomed the Office of Fair Trading (OFT) report which was published on 11 November. It provides a useful analysis of the market impact of taxi regulations. The OFT made a number of recommendations to Government, aimed at improving services for consumers. The Government is committed to delivering better transport services and has carefully considered OFT's contribution to the debate. Taxis and private hire vehicles (PHVs) have an important role to play in the provision of public transport, especially when buses or trains are not available. As well as providing the connecting first or last trips of a journey,

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making it easier to use public transport, they can provide people in the lowest income groups with access to vital services and enhanced quality of life.

We strongly support the OFT's role in conducting analyses of this kind. They are useful in considering the economic effects of Government regulations.

That is why we have empowered the OFT and other economic regulators under the Enterprise Act 2002 to advise where laws and regulations may create barriers to entry and competition or channel markets in a particular direction, thereby holding back innovation and progress. The Government broadly accepted the conclusions of similar OFT and Competition

Commission investigations into the markets for pharmacies, private dentistry and prescription-only veterinary medicines.

In considering OFT's recommendations on taxis, the Government have consulted stakeholders and taken into account the many representations received. The Government has also taken into account the reports of the Transport Select Committee.

I attach below the Government's action plan responding to OFT's recommendations. This action plan relates to England and Wales. Legislation regarding the taxi market is devolved in Scotland and Northern Ireland and they have responded separately.

Restrictions on the numbers of taxis

In England and Wales outside London, local authorities (district/borough councils or unitary authorities) have been able to restrict the number of taxi licences that they issue since at least 1847. In practice, some 45 per cent. of authorities do so at present, but the legislation allows them to control numbers only if they are satisfied that there is no significant unmet demand.

Local authorities with quantity restrictions must be able to justify their policy in the event of an appeal by a taxi licence applicant who has had his application refused on the grounds of quantity controls. The usual method of ascertaining the level of demand is by means of a survey. The legislation does not stipulate any specific frequency for the surveys, but any licensing authority which controlled taxi numbers would want to ensure that its policy was based on up-to-date and sound information.

The OFT recommended that local authorities should not retain this power because they considered that such restrictions can:

- reduce the availability of taxis

- increase waiting times for consumers

- reduce choice and safety for consumers

- restrict those wanting to set up a taxi business.

The Government agree that consumers should enjoy the benefits of competition in the taxi market and considers that it is detrimental to those seeking entry to a market if it is restricted. The Government are therefore strongly encouraging all those local authorities who still maintain quantity restrictions to remove restrictions as soon as possible. Restrictions should only be retained if there is a strong justification that removal of the restrictions would lead to significant consumer detriment as a result of local conditions.

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However, the Government received a significant number of representations expressing the view that ultimately local authorities remain best placed to determine local transport needs and to make the decisions about them in the light of local circumstances. The Government believe that local authorities

should be given the opportunity to assess their own needs, in the light of the OFT findings, rather than moving to a legislative solution.

Nevertheless the Government believe that local authorities should publish and justify their reasons for restricting the number of taxi licences issued. The Government will therefore write shortly to each district/borough council or unitary authority maintaining quantity restrictions and ask them to review by 31 March 2005 the local case for such restrictions, and at least every three years thereafter, and make their conclusions available to the public.

The Government intend that the letter will include guidelines on quantity restrictions, including a review of the level of service available to consumers and consumer choice. The guidelines will cover:

effective surveys to measure demand, including latent demand, for taxi services;

consultation with:

all those working in the market;

consumer and passenger (including disabled) groups;

groups which represent those passengers with special needs;

the police;

a wide range of transport stakeholders e.g. rail/bus/coach providers and traffic managers.

publication of conclusions. This will include an explanation of the particular local circumstances which justify restrictions, what benefits they deliver to consumers and how decisions on numbers have been reached. Authorities will be encouraged to make all the evidence gathered to support the decision-making process available for public scrutiny.

This is to ensure that decisions to impose restrictions are based upon strong up-to-date evidence of benefits to consumers locally for their retention, and that the decision-making process is transparent and consultative. The Government consider that this would help local authorities with quantity restrictions to justify their policy if they were challenged about refusing to issue a taxi licence in the courts. If restrictions are not shown to be delivering

clear benefits to consumers, it is the view of Government that local authorities should remove them.

The Government itself will review in association with the OFT the extent of quantity controls in three years' time to monitor progress towards the lifting of controls. If necessary, the Government will then explore further options through the RRO or legislative process if insufficient progress has been made. The Local Transport Plan process requires local transport authorities to look holistically at how the transport provision for their area contributes to wider objectives such as economic growth, accessibility and the environment. Taxis and private hire vehicles are an integral part of local transport provision and should be properly taken into account in this process. The Government intends that the next five-year Local

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Transport Plans, due to be submitted by authorities in 2005, will include justification of any quantity restrictions in the wider local transport context¹. The Government will also include guidelines on quantity restrictions in its best practice guidance on taxi licensing.

Maintaining quality in service provision

The OFT states that there is a strong case for regulating quality and safety both for taxis and PHVs as:

consumers cannot judge certain standards when getting into a taxi or PHV; and

taxi services can have a role to play in broader social welfare policy.

The OFT concludes that quality and safety standards should be maintained and supported by effective enforcement. The Government agree.

The OFT recognizes that local authorities should be able to apply quality and safety regulations to suit their needs. In doing this, local authorities should ensure that any quality and safety specifications set do not go beyond what is required to achieve their policy aim. To help them, OFT recommended that the Department for Transport promote and disseminate local best practice in applying quality and safety regulations.

The Government agree with OFT that quality standards have an important role to play in securing the safety of the travelling public and ensuring that

they are provided with a high level of service. The Government also agree that these decisions should continue to be made by local authorities, but considers that there is scope for more sharing of best practice, particularly in ensuring proportionality.

The Government will therefore consult local authorities and other stakeholders in order to develop and publish best practice guidance as OFT recommend.

The Government intend that this will comprehensively cover licensing issues, including suitable criteria for licensed vehicles, drivers and PHV operators; driver training; safety; security and other topical issues. The draft guidance will also include sections on quantity controls; fares (see below); enforcement; taxi zones; flexible transport services; and a model taxi/PHV policy for the Local Transport Plan process.

The aim would be to consult on draft guidance later this year, with a view to publication by the end of the year.

Fares

The OFT recommends that local authorities should not set fixed or minimum fares. They should only set taxi fare tariffs which represent the maximum that can be charged:

- to protect vulnerable consumers;

- to address a lack of price competition; and

- to allow consumers to negotiate lower fares in certain situations.

The Government agree that where taxi fares are set by local authorities they should be a maximum. As the ¹ Those few authorities that will not be required to produce a Local Transport Plan will still be expected to justify their quantity restriction policy if any of the districts in their area have such restrictions.

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OFT notes, this is already the case in England and Wales outside London.

The Government agree that the situation in London should be clarified and is therefore grateful that the licensing authority for London has agreed to make clear through secondary measures that fares set in London are a maximum rather than mandatory as soon as it is feasible to do so.

The Government also note OFT's advice that consumers should be encouraged to negotiate for lower fares, particularly when booking taxi services over the telephone. In promoting more competition in the market, the Government will ask the OFT to advise on guidance as part of the Government's best practice guidance for local authorities (which will also encompass best practice on quality and quantity controls including unmet demand surveys as outlined above). The guidance will make clear that initiatives to promote greater competition should not jeopardise the safety of consumers or drivers, or create enforcement issues. There is scope to encourage some firms to differentiate their services thereby providing a greater range of choice for consumers (for example by providing a "happy hour" of lower cost journeys for, say, pensioners).

Further issues

The OFT also commented on several further issues that concern taxi and PHV licensing but which are outside the remit of the report:

Regulatory Reform Action Plan

The Government's Regulatory Reform Action Plan published in 2002 contained a number of proposals to use the streamlined order-making procedure in the Regulatory Reform Act 2001 to amend burdensome primary legislation. The plan included four proposals for taxi and PHV legislation in England and Wales outside London, which were subject to Ministerial decision. These were:

- removing the requirement for Secretary of State approval of local authority resolutions to amalgamate taxi zones;

- standardising driver and operator licence duration;

- removing local authority powers to restrict taxi licence numbers in their area; and

- clarifying/simplifying the position on PHV cross border hirings across the borders of different licensing authorities.

The OFT considered that these proposals represented areas of concern and recommended that they should be addressed. The issue of restrictions of taxi licences is covered earlier in this action plan. The Government are taking forward the repeal of the need for the Secretary of State to approve taxi zone

amalgamation resolutions in the regulatory reform order that will repeal various local authority consent regimes. The Government will include the issues of driver and operator licence duration and cross border hirings of PHVs (and taxis) for consultation in the draft best practice guidance.