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Dear Sir/Madam,

Government request to all councils restricting the number of taxi licences in England and Wales outside London to review Quantity Control policies

1. I am writing to ask you, following the announcement of a Government Action Plan for taxis (and private hire vehicles), to review your local policy to restrict the number of taxi licences that you grant and to publish the outcome by 31st March 2005.

Background to this letter

2. As you will know, the Office of Fair Trading published a market study into the regulation of taxis and private hire vehicles in the UK in November 2003. The Government responded in respect of England and Wales on 18th March by means of a Written Statement in the House of Commons.
3. The Written Statement included an Action Plan for Taxis and Private Hire Vehicles that I attach as annex A to this letter. Paragraphs 1 to 11 of the Action Plan, in particular paragraphs 4 to 8, cover restrictions on the number of taxi licences issued by licensing authorities.
4. As a result, this letter is for the attention of those taxi licensing authorities in England and Wales outside London that restrict the number of taxi licences that they issue. I am addressing this letter to the Chief Executives of the councils listed at Annex B¹. For ease, I enclose a further copy for the appropriate taxi licensing officer. I am also copying this letter for information to the Chief Executives of County Councils and

¹ Please note this list has been compiled from the latest information that we hold centrally, but some councils may have subsequently changed their local policy with regard to quantity restrictions. In such cases, we should be grateful if you would let us know of the policy change.

Passenger Transport Executives who will need to include justification of local policies to restrict taxi licences in their Local Transport Plans².

The power to issue taxi licences

5. Section 37 of the Town Police Clauses Act 1847, as amended by section 16 of the Transport Act 1985, enables district/borough councils or unitary authorities to license taxis within their area and to restrict the number of taxi licences issued only if they are satisfied that there is no significant unmet demand for taxi services in their area.
6. In effect, this means that a council can:
 - issue a taxi licence to any applicant meeting the local application criteria
 - grant at least such number of taxi licences as it considers necessary to ensure that no significant unmet demand remains
 - refuse to grant additional taxi licences provided that it is satisfied that there is no significant unmet demand.

However

- if a council is unsure of the presence or absence of significant unmet demand it is not in a position to refuse to grant a taxi licence provided the application criteria are met.

The Government's position

7. The Action Plan makes clear that the Government believes restrictions should only be retained where there is shown to be a clear benefit for the consumer, and that councils should publicly justify their reasons for the retention of restrictions and how decisions on numbers have been reached. Thus, the Government considers that, unless a specific case can be made, it is not in the interests of consumers for market entry to be refused to those who meet the application criteria.
8. However, the Government also makes clear in the Action Plan that local authorities remain best placed to determine local transport needs and to make the decisions about them in the light of local circumstances. So it is not proposing at this time to take away the power to restrict taxi licences from local authorities.

What we are asking you to do

9. Accordingly, **we ask you to review the case for restricting taxi licences for your area and to make that review public.**
10. Though this is a new request, we do not consider that this should be burdensome in the light of what you should already be doing for your licensing area in respect of issuing taxi licences.

² 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.

11. It is of course for you to make the case for your area in the light of your local knowledge of local needs and circumstances. Inevitably, this will mean that you will need to know whether or not there is any unmet demand for taxi services in your area. For example, if your understanding of (unofficial) taxi plate values in your district is that they are high, this would seem to indicate that there is significant unmet demand for taxis in your area.
12. Unless you are confident of the situation in this regard in your area, your consideration may therefore necessitate an unmet demand survey. However, such a survey may not be necessary if a recent survey can be demonstrated to have addressed the issues adequately.
13. In those areas that need to undertake a new unmet demand survey, the Action Plan makes clear that for the survey to be effective, latent demand should be taken into account.
14. To help you formulate and carry out a comprehensive review and reach a satisfactory conclusion, we thought it might be useful to provide some questions that highlight the issues that you will almost certainly need to take into consideration. The checklist of questions is at Annex C. Please note that the checklist is not exhaustive, but is offered in the spirit of aiding local consideration.
15. In reaching your decision, we would also ask you to take into account the advice we issued to all councils about local accessibility policies in September 2002. In particular, if you are lifting restrictions or issuing new taxi licences because you have found unmet demand in your area, we would urge you to consider whether the new licences should be for accessible vehicles. For ease, that advice is attached at Annex D.
16. We would encourage you to make all the evidence gathered to support the decision-making process available for public scrutiny.
17. Those councils who have not undertaken an unmet demand survey for some time and now decide to do so, might find it helpful to consult neighbouring, local councils who have recent experience of such surveys.
18. **We would ask you to make your conclusions public by 31st March 2005 and would appreciate a copy of them no later than 30th April 2005.**
19. **It seems to us that the outcome of your review will be either (i) to deregulate and thereby grant a taxi licence to anyone meeting the application criteria, or (ii) to continue restricting the number of taxi licences issued. In that instance, three scenarios would appear to be possible outcomes:**
 - **maintaining the current limit of taxi licences;**
 - **granting a number of new licences to meet the unmet demand that you have identified by means of a new survey;**

- **granting a specific number of new taxi licences each year.**

Future requirements

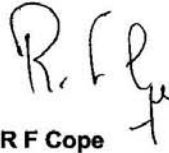
20. The justification by 31st March 2005 is a one-off requirement for local councils. The Action Plan sets out the following on-going arrangements for councils continuing to restrict taxi licences:

- a three yearly review, with published conclusions
- justification of the local policy for quantity restrictions in the 5 yearly Local Transport Plan process.

21. The Action Plan commits the Government to review the situation regarding quantity controls in three years' time, with a view to further action if necessary.

22. We look forward to hearing from you.

Yours faithfully,



R F Cope

The Government's Action Plan for Taxis and Private Hire Vehicles in England and Wales

Restrictions on the numbers of taxis

- 1 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% 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.
- 2 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.
- 3 The OFT recommended that local authorities should not retain this power because they considered that such restrictions can:
 - a) reduce the availability of taxis
 - b) increase waiting times for consumers
 - c) reduce choice and safety for consumers
 - d) restrict those wanting to set up a taxi business.
- 4 The Government agrees 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 is 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.
- 5 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 believes 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.
- 6 Nevertheless the Government believes 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 31st March 2005 the local case for such restrictions, and at least every three years thereafter, and make their conclusions available to the public.

- 7 The Government intends 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:
- a) **effective surveys** to measure demand, including latent demand, for taxi services;
 - b) **consultation with:**
 - i) all those working in the market;
 - ii) consumer and passenger (including disabled) groups;
 - iii) groups which represent those passengers with special needs;
 - iv) the police
 - v) a wide range of transport stakeholders e.g. rail/bus/coach providers and traffic managers.
 - c) **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.
- 8 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 considers 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.
- 9 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.
- 10 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 5-year Local Transport Plans, due to be submitted by authorities in 2005, will include justification of any quantity restrictions in the wider local transport context³.
- 11 The Government will also include guidelines on quantity restrictions in its best practice guidance on taxi licensing.

³ 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.

Maintaining quality in service provision

- 12 The OFT states that there is a strong case for regulating quality and safety both for taxis and PHVs as:
- a) consumers cannot judge certain standards when getting into a taxi or PHV; and
 - b) taxi services can have a role to play in broader social welfare policy.
- 13 The OFT concludes that quality and safety standards should be maintained and supported by effective enforcement. The Government agrees.
- 14 The OFT recognises 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.
- 15 The Government agrees 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 agrees 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.
- 16 The Government will therefore consult local authorities and other stakeholders in order to develop and publish best practice guidance as OFT recommend. The Government intends 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.
- 17 The aim would be to consult on draft guidance later this year, with a view to publication by the end of the year.

Fares

- 18 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:
- a) to protect vulnerable consumers;
 - b) to address a lack of price competition; and
 - c) to allow consumers to negotiate lower fares in certain situations.
- 19 The Government agrees that where taxi fares are set by local authorities they should be a maximum. As the OFT notes, this is already the case in England and Wales outside London. The Government agrees 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.

- 20 The Government also notes 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

- 21 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

- 22 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:
- a) removing the requirement for Secretary of State approval of local authority resolutions to amalgamate taxi zones
 - b) standardising driver and operator licence duration
 - c) removing local authority powers to restrict taxi licence numbers in their area
 - d) clarifying/simplifying the position on PHV cross border hirings across the borders of different licensing authorities.
- 23 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 is 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.

Taxi Licensing Zones

24 The OFT considers that where taxi licensing areas are divided into more than one zone, greater clarity would be brought to the market if local authorities removed the zones and established a single licensing area. The Government agrees and will include a statement to this effect in the draft best practice guidance.

ANNEX B

Local Licensing Authorities Operating Quantity Control Policies

| | |
|-----------------------|--------------------|
| Adur | Dover |
| Amber Valley | Durham |
| Ashford | Easington |
| Aylesbury Vale | East Lindsey |
| Babergh | East Northants |
| Barnsley | East Riding UA |
| Barrow-in-Furness | Eastbourne |
| Basildon | Eastleigh |
| Basingstoke | Ellesmere Port |
| Bassetlaw | Exeter |
| Bath & NE Somerset UA | Fylde |
| Bedford | Gosport |
| Blackburn Darwen UA | Great Yarmouth |
| Blackpool UA | Guildford |
| Blyth Valley | Gwynedd |
| Bournemouth UA | Halton UA |
| Bradford | Harlow |
| Braintree | Harrogate |
| Brighton and Hove UA | Hastings |
| Burnley | Havant |
| Calderdale | High Peak |
| Cardiff | Huntingdonshire |
| Carrick | Hyndburn |
| Castle Point | Ipswich |
| Chelmsford | Kerrier |
| Cherwell | Kettering |
| Chester | Kings Lynn |
| Chester-le-Street | Kingston-upon-Hull |
| Chorley | Kirklees |
| Colchester | Knowsley |
| Congleton | Lancaster |
| Conwy | Leeds |
| Copeland | Leicester UA |
| Corby | Lincoln |
| Crawley | Liverpool |
| Denbighshire | Luton UA |

| | |
|----------------------------|---------------------------|
| Maidstone | Southend-on-Sea UA |
| Manchester | St Edmundsbury |
| Merthyr Tydfil | St Helens |
| Middlesbrough UA | Stevenage |
| Mole Valley | Stockport |
| New Forest | Stoke-on-Trent UA |
| Newcastle on Tyne | Stratford-upon-Avon |
| Newcastle-under-Lyme | Sunderland |
| North East Lincolnshire UA | Swindon UA |
| Nottingham UA | Tameside |
| Oldham | Teignbridge |
| Oxford | Test Valley |
| Pendle | Thanet |
| Penwith | Thurrock UA |
| Plymouth UA | Torbay UA |
| Poole UA | Torfaen |
| Portsmouth UA | Torridge |
| Preston | Trafford |
| Reading UA | Tunbridge Wells |
| Reigate and Banstead | Wakefield |
| Restormel | Walsall |
| Ribble Valley | Wansbeck |
| Richmondshire | Warrington UA |
| Rochdale | Watford |
| Rotherham | West Somerset |
| Rugby | Weymouth |
| Salford | Wigan |
| Scarborough | Windsor and Maidenhead UA |
| Sefton | Woking |
| Selby | Wolverhampton |
| Slough UA | Worthing |
| Solihull | Wrexham |
| South Bedfordshire | Wycombe |
| South Ribble | Wyre |
| South Tyneside | Wyre Forest |
| Southampton UA | York UA |

Useful questions when assessing quantity controls of taxi licences

- Have you taken into account the Government's view that quantity controls should be removed unless a specific case that such controls benefit the consumer can be made?

Questions relating to the policy of controlling numbers

- Have you recently reviewed the need for your policy of quantity controls?
- What form did the review of your policy of quantity controls take?
- Who was involved in the review?
- What decision was reached about retaining or removing quantity controls?
- Are you satisfied that your policy justifies restricting entry to the trade?
- Are you satisfied that quantity controls do not:
 - reduce the availability of taxis;
 - increase waiting times for consumers;
 - reduce choice and safety for consumers?
- What special circumstances justify retention of quantity controls?
- How does your policy benefit consumers, particularly in remote rural areas?
- How does your policy benefit the trade?
- If you have a local accessibility policy, how does this fit with restricting taxi licences?

Questions relating to setting the number of taxi licences

- When last did you assess unmet demand?
- How is your taxi limit assessed?
- Have you taken into account latent demand, ie potential consumers who would use taxis if more were available, but currently do not?
- Are you satisfied that your limit is set at the correct level?
- How does the need for adequate taxi ranks affect your policy of quantity controls?

Questions relating to consultation and other public transport service provision

- When consulting, have you included etc
 - all those working in the market;
 - consumer and passenger (including disabled) groups;
 - groups which represent those passengers with special needs;
 - local interest groups, eg hospitals or visitor attractions;
 - the police;
 - a wide range of transport stakeholders eg rail/bus/coach providers and traffic managers?
- Do you receive representations about taxi availability?
- What is the level of service currently available to consumers (including other public transport modes)?

Extract from DfT advice letter of September 2002

Local accessibility policies for taxis prior to taxi regulations being made under the Disability Discrimination Act 1995

1. As you know, we planned to make taxi accessibility regulations under the Disability Discrimination Act 1995 (DDA) effective between 2002 and 2012. When we realised that this could not be achieved in a way that would be acceptable to both disabled people and the taxi trade, the Minister announced in 2000 that regulations would not be introduced in 2002. Since that time we have been exploring a range of options to help to increase the number of accessible taxis available to disabled people throughout the country. We hope to issue further information on our future plans shortly.
2. In the meantime, local licensing authorities may of course make their own policy with regard to accessible taxis for their area, and many do so.
3. As we suggested in our letter to Chief Executives of 31 January 2000, local licensing authorities wishing to set local accessibility standards are advised to look at the various accessible vehicles on offer and judge their suitability against local circumstances and operating conditions. One effective way of making comparisons is to invite several manufacturers to present vehicles on the same day and to invite local disability organisations to try out the options and to offer comments. There are a number of vehicles currently available, which offer good accessibility, and from discussions with industry the Department expects that several vehicles are likely to be suitable.
4. We would stress that the adoption of a policy for accessible taxis is entirely a matter for local consideration and decision. There are several options for such policies which could result in the taxi fleet being wholly or partly accessible. Some authorities require the whole taxi fleet to be accessible whilst others require all new taxi licences issued to be for accessible vehicles only. Moreover, some authorities in areas where the number of taxi licences is controlled have issued additional licences specifically for accessible vehicles in order to improve the number of accessible taxis in their area.
5. In assessing the accessibility of particular vehicles, licensing authorities will want to ensure that they meet the needs of the widest range of disabled people, not only those who are wheelchair users. They will also wish to assure themselves that the equipment provided for wheelchair access and securing is appropriate. For example, the design should allow for wheelchair users to travel facing forward or rearward – never sideways.
6. The choice of vehicle is clearly important. However, unless the drivers know how to use the equipment which is provided for disabled people, for example, the ramps for wheelchair access, and have an understanding of the needs of disabled people, then many of the benefits of accessible transport will be lost. Licensing

authorities will therefore want to consider what training is necessary for drivers, both would-be and existing, to help them better meet the needs of their disabled passengers.

7. We know that some authorities have been holding back on any local initiative in this area in anticipation of national regulations. We would urge them not to do so. As and when any national requirements are introduced there will be a sufficient lead-time for any necessary changes to be made. In the meantime licensing authorities may be able to make significant improvements in the availability of taxis to disabled people in their area.
8. Some points to consider and questions which we consider might be useful for licensing authorities when making an accessibility policy for their area are attached as an annex to this letter. Please note that neither list is meant to be exhaustive.

Annex to September 2002 letter:

POINTS TO CONSIDER WHEN ASSESSING VEHICLES

- Other authorities may already have experience of introducing accessible vehicles, or are in the process of doing so. Sharing experience and resources may be useful.
- The vehicles should be available for viewing, but it might also be useful to invite the companies involved to provide data on the basic specification of their vehicles, and information on any optional extras. This information can then be made available to those attending the viewing or to others with an interest who are unable to attend in person. The companies should also make clear what specification of their vehicle is on display.
- It will be important to involve local disabled people and their organisations in the assessment process. In doing so authorities will want to consider the accommodation provided – which should preferably be somewhere with weather protection and access to facilities such as toilets and refreshments. They will also need to ensure disabled people can get to the venue and may wish to provide transport support.
- Authorities will want to ensure that the vehicles meet the needs of the widest range of disabled people, not only those who are wheelchair users.
- The wheelchair users who participate should ideally represent a cross-section of wheelchair users, eg users of both manual and powered wheelchairs. They should be invited to look at wheelchair entry, exit and the restraint equipment provided for wheelchairs and occupants.
- This exercise should help authorities to establish their minimum standard for accessible taxis which ideally should provide for a range of vehicles, catering for the needs of the widest range of disabled people. A list of the vehicles, including the specifications, which are accepted for licensing should be publicly available.

- It is important, however, that new designs of vehicle are not excluded because they do not feature on the published list. The minimum standard set by the authority could, therefore, be used as the benchmark against which to assess any new vehicle presented to the authority for licensing as a taxi.

USEFUL QUESTIONS WHEN ASSESSING VEHICLES

Entry for Ambulant and Semi-ambulant Passengers

How easy do people find it to enter and exit the vehicle?

How easy is it to open and close the door from both inside and outside the vehicle?

Are grab handles provided in appropriate places; are they highly visible and are they helpful?

Would the doors be sufficiently illuminated at night?

Assisted Entry

On vehicles with a high floor height, is a step provided and how easy is it to use?

Is a swivel seat provided and how helpful is it?

Entry for wheelchair users

How easy is it for wheelchair occupants to enter, exit and manoeuvre within the vehicle?

Are the wheelchair and occupant restraint systems suitable for a range of wheelchairs?

Internal Features

How easy is it for people with different disabilities to locate and operate passenger controls within the passenger area?

Safety Considerations

Is there a slip-resistant surface to the ramp, step (where fitted) and vehicle floor?

What is the Safe Working Load of the ramp?

Do the wheelchair and occupant restraint systems secure the wheelchair and occupant safely? Have they been tested in the vehicle?

Are the wheelchair and occupant restraint systems easy to use?

To which one of the following has the vehicle been tested in the converted state:

- European Community Whole Vehicle Type Approval
- UK Low Volume National Type Approval
- Single Vehicle Approval?

