

Title: Taxi and private hire services IA No: LAWCOM0033 Lead department or agency: Law Commission Other departments or agencies: Department for Transport	Impact Assessment (IA)
	Date: 23/05/2014
	Stage: Final
	Source of intervention: Domestic
	Type of measure: Primary legislation
	Contact for enquiries: Jessica Ugucioni Tel No. 0203334 3868
Summary: Intervention and Options	RPC Opinion: RPC Opinion Status

Cost of Preferred (or more likely) Option				
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANCB on 2009 prices)	In scope of One-In, Two-Out?	Measure qualifies as
£241.88 m	£m	£m	No	N/A

What is the problem under consideration? Why is government intervention necessary?

There are numerous Acts regulating the 78,000 licensed taxis and 152,600 licensed private hire vehicles (PHVs) in England and Wales (figures as in 2013). Many of these Acts date back to the 1800s and are not suited to the modern environment in which taxis and PHVs operate. There is complexity and a lack of clarity within the legislation that fosters uncertainty, and a restrictive effect on business. The structure of regulation is also fragmented and this gives rise to inconsistencies. Taxis and PHVs have a significant role within the transport network and inefficient law imposes unnecessary costs on local government, the court system and taxi and PHV businesses, many of which are owner-operated micro-businesses. Government intervention through primary legislation is required to reform the legislative framework.

What are the policy objectives and the intended effects?

The policy objectives are to (1) simplify, modernise and make the legal framework within which taxis and PHVs operate more consistent; (2) bring legal certainty and allow for development and innovation in areas such as transport technology and business models; (3) remove unnecessary burdens on business; (4) improve public safety and accessibility, through the establishment of national safety standards; and (5) facilitate more effective enforcement which includes new cross-border powers and targeted sanctions.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

Option 0 – Do Nothing
 Option 1 – Reformed two-tier system to update and rationalise the regulatory framework and make it more cost efficient. The distinction between taxis and PHVs is maintained, allowing for targeted and proportionate regulation. Licensing is still administered by local authorities and Transport for London. However, PHV standards are placed on a national footing with mandatory standards and geographical limitations to their work are removed. Taxis remain more local in focus, with local licensing authorities able to impose conditions. Licensing authorities are granted strengthened enforcement powers.

Will the policy be reviewed? It will not be reviewed. If applicable, set review date: Month/Year					
Does implementation go beyond minimum EU requirements?			N/A		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	Micro Yes/No	< 20 Yes/No	Small Yes/No	Medium Yes/No	Large Yes/No
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)			Traded:		Non-traded:

I have read the Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) that the benefits justify the costs.

Signed by the responsible SELECT SIGNATORY: _____ Date: _____

Description:

Reformed two-tier system – Modernisation of regulatory framework with improved cost efficiency

Price Base Year 2013/14	PV Base Year 2013/14	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: £103.71	High: £527.65	Best Estimate: £241.88

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant)	Total Cost (Present Value)
Low	£3.29	£0.49	£7.38
High	£6.20	£1.10	£15.34
Best Estimate	£4.47	£0.78	£10.99

Description and scale of key monetised costs by ‘main affected groups’

Transitional costs (best estimate): Training of Licensees £4,375,000 [taxi and PHV drivers]; training of licensing officers £43,820 [local licensing authorities]; complaints information display £46,200 [taxi and PHV drivers]; expert panel meetings: £5,850 [central government].
On-going costs (best estimate): licensee training £300,000 per annum; triennial public interest test £484,000 per annum [taxi trade]

Other key non-monetised costs by ‘main affected groups’

Legislative reform requires change in practice across several strands – taxi drivers, enforcement officers, local authorities – there is the potential for the lack of synchronicity leading to upset in the early years before new framework settles.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant)	Total Benefit (Present Value)
Low	0	£13.36	£111.09
High	0	£65.29	£542.99
Best Estimate	0	£30.41	£252.87

Description and scale of key monetised benefits by ‘main affected groups’

No transitional benefits identified.
On-going benefits (best estimate): reduced regulatory burden £26.55 million [taxi and PHV business]; reduced taxi and PHV driver assaults £3,767,430 [taxi trade]; Improved safety standards £81,860 [taxi users]; reduced enforcement costs £8,125 [TfL]

Other key non-monetised benefits by ‘main affected groups’

Reduced taxi and private hire driver assaults; improved social inclusion; more efficient regulatory system – less resource wastage. Consistency in quality of services and accessibility for passengers.

Key assumptions/sensitivities/risks	Discount rate	3.5%
Assumptions: groups identified as potentially excludable from the licensing regimes would all be excluded; current arrangements regarding government funding for licensee training remain in place. Risks: industry revenue value is over-estimated reducing the scope for savings; the Secretary of State may choose to exclude fewer groups than indicated above - a low risk; There is a high risk that given the current economic climate funding of licensee training is no longer available – licensees are required to self-fund.		

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			In scope of Yes/No	Measure qualifies IN/OUT/Zero net cost
Costs:	Benefits:	Net:		

Introduction

The term taxi is generally used colloquially to refer to the two main types of licensed vehicles – hackney carriages (the legal term for taxis), which undertake hail and rank work but can also do pre-booked work, and private hire vehicles (PHVs), which can only undertake pre-booked work. Throughout the impact assessment we use the term taxi with reference to hackney carriages.

As of the end of March 2013, there were about 78,000 taxis and 153,000 PHVs and nearly 300,000 licensed taxi and private vehicle drivers in England and Wales.¹ Taxis and PHVs are a staple aspect of the transport network in England and Wales, and indeed in most countries throughout the world. An estimated 138,000 people used taxis or minicabs in 2011 to travel to work² in London, with much higher usage evident outside London. Such point to point services are essential for passengers with disabilities. It is estimated that around one-fifth of the population in the UK is disabled – over 10 million people.³ Approximately 4.6 million of those with disabilities are over the state pension age and, with an ever-aging population, this will continue to increase.⁴ Disabled persons are reported to travel approximately a third less often than those who are not disabled, but disabled people use taxis and PHVs approximately 67 percent more than people who are not disabled.⁵ The Disabled Persons Transport Advisory Committee report that

For a large and growing number of elderly and disabled people, they are quite literally a lifeline. Often taxis provide the only means of accessible local transport, or the only accessible link to long distance transport, for example, by rail or air. In fact, they are the most flexible form of public transport this is.⁶

Taxis and PHVs play an important social role enhancing the provision of the public transportation system. Generally they facilitate social inclusion and also enable greater access to those who live in rural communities. Car availability is strongly correlated with income and directly impacts on the demand for taxi and PHV services. In 2012 it was estimated that households without cars made four times as many trips in taxis compared with households with cars (relative to five times as many trips by bus).⁷ The National Travel Survey identified 48 percent of households in the lowest income quartile as being car-less as against 11 percent in the highest income quartile.

The terms of reference from the Department of Transport are to review the law relating to the regulation of taxis and PHVs. We have undertaken a root and branch approach to reforming the regulatory framework with a view to its modernisation and simplification, taking into account the potential advantages of de-regulation.

Background

In both the private hire and taxi markets, the vast majority of drivers are self-employed, and most own their own vehicle. In the pre-booked market, there is a diverse range of market providers, from big regional operators like Addison Lee or Delta to small local operators and independent driver/operators.

¹ Department for Transport, Taxi and Private Hire Statistics 2013, at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/226355/taxi-private-hire-statistics-2013.pdf.

² http://www.ons.gov.uk/ons/dcp171766_299766.pdf page 3 (last visited 21/11/2013)

³ This statistic was taken from Department for Transport, *Consultation on Improving Access to Taxis* (February 2009) para 1.5, bullet 2. The source is not attributed.

⁴ We note however that older people are likely to be under-represented by such figures as they do not include care home residents; and further, the figures are based partly on self-declaration and most studies show that older people are either less likely to disclose a disability or identify as being disabled.

⁵ Disabled Persons Transport Advisory Committee, *Attitudes of Disabled People to Public Transport – a research study conducted for the Disabled Persons Transport Advisory Committee* (November 2001).

⁶ Disabled Persons Transport Advisory Committee, *Advice for taxi drivers – meeting the needs of disabled passengers*, available at: <http://dptac.independent.gov.uk/pubs/taxiadvic/index.htm> (last visited 12 March 2012),

⁷ See National Travel Survey 2012, Travel by car availability, income, ethnic group, household type and NS-SEC, page.18, published by the Department for Transport, 2013

On the taxi side, radio networks take pre-bookings for taxis and independent taxi drivers may also take pre-booked work directly.

When pre-booking, consumers can shop around for the best deal in selecting their ride. The normal market mechanism of advertising operates, providing consumers with information on quality and price. Competition can be on the basis of offering a better price, or in respect of features which consumers would be willing to pay for if given a choice. A consumer who is a repeat player may try various providers, and make an informed decision based on factors important to him or her. A consumer can in future avoid an operator if he or she is unsatisfied with the quality of car or driver. This might include a cheaper price, better perceived safety features, or purely quality based considerations such as the comfort of the vehicle or its appearance, and customer service.

Both taxis and PHVs are required to adhere to standards imposed by local licensing authorities, including in respect of safety and quality of vehicles and drivers, colour, appearance and signage on vehicles. In addition, taxis are subject to price regulation and, in some areas, to limits on numbers.

There are currently over 250 different pieces of legislation governing taxis.⁸ The oldest taxi legislation that still applies dates from 1831 and the regime has been extended, amended and adapted ever since. Not only is the terminology often outdated, where statutes of the Victorian era and before envisage vehicles such as hackney carriages and charabancs, but the legislation is often out of touch with modern practice. PHV legislation was not introduced until 1976 (1998 in London), in response to growth in the unlicensed trade, and many regard the 1976 legislation as hastily constructed and ill thought out.

The confusing nature of the legislation may create a chilling effect on regulators' actions. Where licensing authorities are unsure of their powers and duties they may unduly refuse to licence a vehicle, put in place a restrictive policy or fail to enforce against illegal vehicles and drivers. Where a driver or operator is unclear as to what they can or cannot do, they may unwittingly break the law or hesitate in expanding their business for fear of legal repercussions.

The enforcement powers available to licensing officers are also limited. Sometimes this is as a result of the fragmented and local nature of the licensing system; for example, licensing officers cannot take action against the licence of a non-compliant vehicle or driver from another area. Sometimes it is simply because officers' powers are not sufficiently robust and available sanctions do not provide an appropriate deterrent.

Problem under consideration

Fragmentation of the legal framework

The body of law which applies to the licensing of taxis and private hire services has evolved in a piecemeal fashion over more than a century and a half and has frequently failed to take into account existing regulation, the regulation of other sectors or the possibility of future developments. There are, broadly speaking, two licensing regimes applying respectively to private hire services and the taxi trade. These apply differently across London and the rest of England and Wales. Further, although essentially the same in substance as in the rest of England and Wales (outside London), private hire legislation in Plymouth is based on a discrete statute. Not only does this give rise to unmerited inconsistency, but, in developing regulation little thought has been given to the overlap with existing and future regulation. Furthermore, the boundaries between different regulatory regimes are not always clear; for instance, that between PHVs and public service vehicles.

⁸ Sources collated by NALEO, *The Book*, indicate that as of 10 February 2011, there are 261 pieces of legislation affecting taxis and PHVs.

Inconsistencies and uncertainty in the legal framework

Inconsistencies arise from the piecemeal and fragmented development of legislation. For example, the existence of a separate local Act governing PHVs for Plymouth has resulted in undesirable inconsistencies, as Plymouth has been left behind where changes were made to update the general Act. For example, there is no provision allowing for PHV taxibus services in Plymouth and licensing officers do not have the power to issue immediate suspensions of driver licences in cases where there is a danger to public safety. Inconsistencies are also due to the broad variations in licensing practice which exist between licensing authorities, for example concerning whether volunteers or those who provide transport as part of a wider package of services such as tour guides and childminders ought properly to be licensed. This results in burdensome and costly conditions excluding vehicles and services which would be licensed in neighbouring areas. There are also significant areas of uncertainty in the law. For example, because of the current uncertainty around the regime applicable to novel vehicles, service providers may have to make several applications to several licensing authorities and the Traffic Commissioners; equally, a significant part of licensing officers' time may be spent dealing with the issue of novel vehicles.

Outdated and inflexible law

Although we recognise that the age of legislation does not necessarily render it useless, it can lead to the ossification of the law. For example, although it has allowed for a great deal of flexibility, the current definition of a taxi or "hackney carriage", as it is known legally, bears little resemblance to modern vehicles. References to stage coaches and other old-fashioned vehicles within the definition have had, perhaps, an unnecessarily restrictive effect; for example, in London it has been found that a pedicab is within the legal definition of a stage carriage, and thus not liable to licensing (and control) as a taxi.

It is not only the Victorian legislation which suffers from these deficiencies; the far more modern private hire regime was designed on the basis of bookings made in person in a designated office or through a (landline) telephone booking and seems to require that the operator be based in a particular location, which does not make sense with developments such as the mobile telephone and the internet. Similarly, the geographical constraints imposed on private hire operators,⁹ set up by Plymouth at a time when it was the only licensing area regulating private hire services, have largely lost their justification.

Because of technological advances, key notions such as "plying for hire", based on the notion of immediate hiring (now possible through a variety of technological means, and not just a traditional hail), and "private hire operator", as distinct from a simple intermediary passing on the booking to an operator, are questioned. The inability of the law to adapt and take these changes into account means that the distinction between taxi and private hire services becomes increasingly blurred, at the expense of business which cannot operate with all the required legal certainty. It also has an adverse impact on businesses wishing to take advantage of technology, but unsure of the legal implications, and the market of intermediaries inviting or accepting bookings, such as smartphone applications. Given the broad definition of private hire operators, the activities of these intermediaries are currently within scope and subject to licensing, although there is no rationale for licensing as they do not dispatch vehicles themselves, and thus have no direct role in ensuring the provision of a safe, quality service.

Cost inefficiencies

The uncertainty created by confusing legislation imposes disproportionate costs on micro businesses. The vast majority of taxi services are owner-operated. The barriers to entry to becoming a taxi or private hire driver are generally low (with the notable exception of London taxi drivers)¹⁰ making this an

⁹ under current law it is illegal to make provision for, or accept bookings, unless the person accepting or making provision for the booking holds an operator licence issued by the local licensing authority for the area in which the "operation" takes place, which must also be the same area as where the vehicle and driver are licensed; this is the so-called "triple licensing".

¹⁰ The topographical knowledge that applies to green badge drivers in London is very demanding, and generally takes three years to complete.

attractive option for self-employment. However, the regulatory burden imposed through unclear regulation significantly increases the average operating cost. For example, grey areas in private hire licensing may put off volunteers or child minders from providing valuable services to the community or unnecessarily add costs; differing views about the appropriate scope of cross-border can result in licensing authorities requiring licensing in multiple districts or imposing additional burdens such as the establishment of a separate office within their licensing area. Earnings are also adversely affected by illegal operators – taxi touts and the like - who exploit the uncertainty created by complex rules.

There is also unnecessary expenditure on costly litigation, of which there has been a great deal. Were the definitions and powers of local authorities clearer, there would be far less need for cases to go to court. Local authority expenditure on court cases is very high, and this also incurs costs in the justice system. Those within the trade are often subject to considerable costs by virtue of policies and conditions put in place by licensing authorities.

Lack of clarity also imposes costs on Government. The Department for Transport has issued a number of guidance notes in recent years, as well as circulars and ad hoc advice to stakeholders. Many of these notes have been intended to encourage greater consistency between licensing authorities or to provide clarity on complex areas of the law.

Rationale for intervention

In the taxi hailing and ranking markets, competitive market forces cannot work effectively. As a consumer is unlikely to get in the same cab twice through either hailing or going to a rank, taxis have no incentive to raise standards (at least beyond a minimum mandated by regulation). Raising standards is a cost to each individual taxi yet they are not in a position to reap the benefits. This is because the next taxi may not adopt these higher standards and consumers have no obvious way of distinguishing between them. This means that innovation and improvement of standards in matters such as safety and quality, and cheaper prices, will not happen as a result of competition in the taxi market even if consumers have a demand for it.

In the on-street hail market, once a cab has been stopped the seller is in the position of a temporary monopolist. There is no real competitive pressure in relation to price – under monopoly conditions, prices will generally be higher than where competition prevails. If the customer refuses the offered fare he or she faces an uncertain waiting time before repeating the same negotiation with another cab.¹¹

At ranks, it is a generally accepted social practice that customers will engage the first taxi in the rank, without negotiating on price, and without consideration of safety or quality. The result is that there is little room for competition between providers. In some cases, reformers have sought to change this social practice in order to encourage competition, but apparently without success.¹² We take the view that we should take such practices as independently fixed in assessing the need for regulation, rather than relying on people changing their behaviour to suit economists' prescriptions.

The importance of taxis and PHVs to the national transport network makes it essential that the regulatory system they operate within is appropriate. Passenger and driver safety is paramount, but it is also important to ensure fair and effective competition, and clear and transparent licensing and enforcement. The regulation of taxis and PHVs is currently opaque, cumbersome and often restrictive in its effect.

The profile of taxi users raises particular concerns. Vulnerable groups such as those on low income and those with impaired mobility constitute a significant proportion of users. The absence of a viable service that meets the needs of taxi users within these groups would effectively restrict their opportunity for travel, be it for leisure or business. Societal-wide benefits flow from ensuring social inclusion and their

¹¹ D Biggar, *Why and how should we regulate taxis?* (2011) p 5.

¹² See the example of herring-bone patterned ranks in the Netherlands, where taxi drivers continued to direct passengers to the "first" taxi in the line, even when to do so was unlawful: A Baanders and M Canoy *Ten Years of Taxi Deregulation in the Netherlands – The Case for Re-Regulation and Decentralisation* (2010), <http://etcproceedings.org/paper/ten-years-of-taxi-deregulation-in-the-netherlands-the-case-for-re-regulation-a> (last visited 23 April 2012).

value is often insufficiently captured within market evaluations.

This project aims to secure targeted, appropriate and transparent regulation. Given the deregulatory focus of the project, it is intended that regulation be as proportionate and light-touch as possible.

Policy Objectives

Simplification, modernisation, further consistency

A clearer, more consistent and cohesive statutory framework would give rise to better, more transparent decision-making, with fewer unnecessary geographical variations and a better interplay between the different areas of law. Modernising the law through the adoption of updated terminology and concepts would make the law more accessible and enhance legal certainty.

These changes would enable the law to be more easily understood both by licensing officers and those within the industry. This would ensure that decisions were taken in a more appropriate fashion, and that those within the industry were able to plan their actions around a predictable body of law. In addition, legislation which not only takes into account modern technological developments, but equally recognises the possibility of significant future developments, will lead to less uncertainty in the law and a greater ability for those within the industry to expand and develop.

Improvement of public safety

One of the main drivers to our reforms is public safety. This is best achieved by greater consistency and clarity in the scope of licensing and through having a flexible legal framework which is capable of dealing with new and novel developments.

Further, an enhanced level of safety would derive from the establishment of national safety standards by the Secretary of State, further to consultation. They would guarantee that passengers are adequately protected, irrespective of the area where the licenses have been issued.

Regardless of the strengths of the statutory framework, public safety is at risk of being undermined by poor enforcement. Although much of this is a question of resources, increasing and clarifying the powers of enforcement officers, including the possibility to take enforcement action against vehicles, drivers and operators licensed outside their licensing area; the possibility to suspend immediately all types of licenses; the new powers for licensing officers to stop and impound vehicles; the extended recourse to fixed penalty notices; a clearer distinction between licensed and unlicensed activity, which would allow licensing officers to tackle more efficiently most potentially harmful services for the public and industry, will help achieve this objective.

The removal of unnecessary burdens on business

A number of the recommended reforms are intended to or have the indirect effect of removing direct burdens on business. For example, the current requirement that a PHV operator may only use drivers and vehicles licensed in the same area as them can lead to businesses wishing to expand holding more than one licence, at additional cost. Furthermore, a PHV licence-holder wishing to work in more than one area may have to comply with different sets of standards in each area. Both of these restrictive features would be removed.

Although we recognise that scope for competition can be limited, particularly within the taxi market, removing some of the restraints on competition would lead to a more efficient market. Competition is likely to be improved by several proposed changes such as the removal of restrictions on cross-border hiring; the new possibility of subcontracting private hire work; a more transparent public interest test as a pre-requisite for the imposition or continuation of quantity restrictions; and a narrower definition of operators of PHVs. Competition would also be improved indirectly by recommendations allowing an

improved fight against unlicensed vehicles and a clearer boundary between the work taxis and PHVs can legally carry out.

Public consultation exercise

In May 2012 we published a consultation paper setting out our provisional proposals in this area.¹³ We undertook a very thorough consultation between May and October 2012, although we continued to accept responses after this date. We received over 3000 responses and attended approximately 85 consultation meetings across England and Wales, meeting with well over 1000 stakeholders.¹⁴

Certain key themes emerged from this consultation. The extent to which the taxi market in particular does not function in accordance with normal economic principles was striking. This is particularly true with regards to the divergence between the results of reform as predicted by economic theory and the results, or likely results, in practice. We discuss this in greater detail in relation to quantity restrictions.

Our provisional proposal to maintain the two-tier system was supported by a significant majority of stakeholders. However, we also received a surprising number of responses in favour of a one-tier regulatory system. It was clear, though, that the majority of stakeholders favoured maintaining the current system, and we found that even those models of a one-tier system put forward by consultees were not truly one-tier, as they would require some modification in order to accommodate less standard services such as limousines and larger vehicles. Furthermore, the two-tier system recognises the different ways in which taxis and PHVs work and the different ways in which consumers engage their services. This model of regulation allows for a more targeted form of regulation, which is particularly important to allowing competition to flourish where there is scope for it.

Our provisional proposal for national standards governing PHVs and providing a baseline standard for taxis also met with general support. This is key to allowing greater competition in the PHV market: businesses would have the ability to expand across licensing districts unhindered, and could work with drivers and vehicles from across England and Wales. Sub-contracting would also be permitted, providing efficiency benefits to both the industry and consumers.

We were provided with overwhelming evidence of the restrictive effect of existing regulation. We heard from and spoke with a great number of stakeholders who were unable to expand their business, either due to current law, a local interpretation or standard, or simply because of the lack of certainty and unwillingness to inadvertently breach the law and suffer the consequences.

One example is the firm Blueline Taxis, which has been based in the North East for over 50 years. Licensed originally in North Tyneside, the firm expanded to Newcastle, but restrictive licensing law required them only to use vehicles and drivers licensed in Newcastle for journeys booked through this office. Newcastle City Council required that the company must have an active call centre in Newcastle, as well as at their main base in North Tyneside. This added restriction caused Blueline to withdraw from Newcastle.¹⁵

We also heard examples of taxi and private hire organisations being subject to varying levels of burdensome regulation. For example, one provider of accessible transport complained that the cost of putting brand new specially adapted vehicles through frequent additional testing required by their local authority was likely to result in business closure.

We also received significant opposition to our provisional proposal that the exemption from licensing in respect of wedding and funeral cars should be moved from primary to secondary legislation. We have now changed our position on this and in our draft Bill, the exemption continues to feature in primary legislation.

Quantity restrictions

A key part of our provisional proposals was the abolition of licensing authorities' power to restrict the number of taxi vehicle licences issued.¹⁶ Overall we received about 1500 responses on this issue; the vast majority disagreed with lifting restrictions. In the impact assessment which accompanied the

¹³ Reforming the law of taxi and private hire services (2012) Law Commission Consultation Paper No 203.

¹⁴ The written responses we received are available online at <http://lawcommission.justice.gov.uk/areas/taxi-and-private-hire-services.htm>

¹⁵ See <http://www.newsguardian.co.uk/news/tyneside-taxi-firm-driven-out-of-city-1-5020867>

¹⁶ Reforming the law of taxi and private hire services (2012) Law Commission Consultation Paper No 203, chapters 9 and 17.

consultation paper, we noted that quantity restrictions are a significant barrier to entry and distort the market. We were of the view that the removal of quantity restrictions would not only allow the market to function better, but would bring greater employment and social inclusion in those areas.¹⁷ Quantity restrictions, as they are commonly known, apply in a number of primarily urban licensing districts.

During consultation we heard many arguments against the removal of quantity restrictions, primarily from those within the taxi trade but also from licensing authorities and the police. We have come to the conclusion that the evidence of benefits arising from their removal, and in particular benefits to the customer, is too sparse to justify the severe disruption their removal would cause within the taxi industry,

In particular, following consultation, it is clear that, whilst generally taxi numbers will rise following derestriction, this may not lead to greater availability when they are required. This is because many market entrants, choose to work at times which suit them rather than when there is higher demand for vehicles. Furthermore, not all areas enjoy a rise in vehicle numbers following derestriction, as this might have the effect of pushing out a number of existing players.

Following consultation we undertook a study of taxi fares in order to ascertain whether quantity restrictions and their removal had any discernible effect on cost. The overwhelming trend in tariff setting is to raise fares and even if quantity restrictions were removed, fares were highly unlikely to decrease. This is compounded by the fact that taxi drivers do not commonly charge beneath the local authority-set tariff. Some stakeholders argued that deregulation in fact pushes prices up, as drivers wait longer between jobs and thus are less likely to discount and more likely to put pressure on the local authority to raise the regulated tariff. The quality of taxi service is also likely to decline following deregulation.¹⁸

We also noted a number of significant externalities which could be generated by the removal of quantity restrictions. Chief amongst these were congestion, a particular concern given that quantity restrictions tend to be in place in busy urban areas and city centres. There is also the environmental impact of taxis which spend more time cruising than private vehicle, and which are more likely to be diesel fuelled.¹⁹

As a result, we have proposed that local authorities retain the ability to impose quantity restrictions, but on the basis of a more transparent public interest test combined with procedural requirements, such as a review every three years and a duty to consult.

Plate values

During consultation it became clear to us that the question of plate values can be separated from that of quantity restrictions. Plate values reflect the cumulative value of economic rent derived from restricting market entrants. By economic rent, we mean the excess fare demanded over and above what would otherwise be the competitive fare or rate. Even if they otherwise supported quantity restrictions, many consultees were in favour of tackling the trade in licence plates. Some pointed to the negative impact on standards: the ability to sell a vehicle with attached licence for upwards of £10,000 deters owners from replacing their vehicle, thus limiting standards and environmental protection.

There is a great deal of money currently bound up in plate values in those areas which operate quantity restrictions. We have heard of areas in which licences attract values of up to £120,000, and it seems rare for them to be worth less than £5,000. We are aware that many people have invested in these licences, sometimes remortgaging their home in order to do so, and that many rely on them as alternatives to a pension fund. Although investing in something which could lose its value following a decision of the local authority is inherently risky, it would not be appropriate for the Law Commission to make a decision which would result in such significant losses.

¹⁷ Our view was that social inclusion would improve with the removal of quantity restrictions as the current lucrative trade in licence plates tends to occur within closed communities. See page [x] for further discussion on plate values.

¹⁸ M Aquilina et al, "Quantity de-restriction in the taxi market, results from English case studies" (2011) *Journal of Transport, Economics and Policy* vol 25 no 2 pp 179 – 195; Europe Economics, *Evaluating the impact of the taxis market study* (2007) p 3.

¹⁹ See response TPH787 – Derek McCreddie, City of York Council. Available at <http://lawcommission.justice.gov.uk/areas/taxi-private-hire-services-docs.htm>

Instead, we are proposing that in any area which seeks to introduce quantity restrictions under the reformed law, trading in licence plates be prohibited. In these newly quantity restricted areas, licence holders wishing to give up their licence would be required to return it to the licensing authority, which would then issue it at the standard rate. This would have the effect of making access to the market far easier and less exclusive. At face value, this decision could be seen as a loss of an opportunity for the licensees to derive a profit from the sale of their licence. However, it should be borne in mind that under the reformed law, the licensee will not face the need for an initial large investment to purchase these licences, so that recouping such investment will not be needed any longer.

Option Description

We have considered two options as follows:

1. Option 0 – do nothing
2. Option 1 – reformed two-tier system (moderate reform)

Option 0 – Do Nothing

Option 0 is the status quo. It is associated with a number of drawbacks, including fragmentation, complexity, inconsistency, inflexibilities, which are summarised in the following table 1.

Table 1: Option 0 – Key features and associated problems

Key feature	Associated problem
Fragmented and complex law.	No consistent or comprehensive regulatory scheme; Grey areas, loopholes and a significant lack of clarity; Chilling effect on licensing practice. Increased costs stemming from appeals and challenges.
Inconsistent legislation – geographically and as between taxis and PHVs	Licensing authorities have broad discretion which allows them to exclude vehicles and services which would be licensed in neighbouring areas. This can result in burdensome and costly conditions.
Inflexible statutory framework - inability to accommodate modern developments and technology.	Private hire operators are limited in ability to work - a restriction which is outmoded in the age of the mobile phone. Geographical limitations to private hire work were of more relevance where booking of a PHV was made by visiting the operator's office or by making a landline telephone. These limitations become irrelevant with mobile phone and internet bookings. Definition of plying for hire undermined by mobile phone bookings, as electronic bookings can be very fast, and therefore the PHV so pre-booked can appear to be immediately available.
Lack of targeted regulation	Restricts ability of market to work efficiently.
Lack of enforcement powers	Limits effectiveness of local enforcement; increases cost by requiring police involvement.

Option 1: Reformed two-tier system

This option retains the regulatory distinction between taxis and PHVs to allow for an appropriate balance of local and national standard-setting.

The scope of our preferred reform option covers all road transport services provided for hire with the services of a driver, up to a maximum passenger carrying capacity of 16, subject to carve-outs and exemptions through statute or secondary legislation. The interaction between the scope of the private hire services and the public services vehicles legislations would be clarified and stretch limousines and novelty vehicles would be subject to taxi and private hire licensing. The boundaries between private hire services and taxis would also be made clearer with the removal of the notion of “plying for hire” and introduction of a statutory requirements on a lawfully pre-booked journey (including record keeping and estimates to be provided on request before the start of the journey) and a new offence of accepting a hire “there and then”, unless the person is a locally licensed taxi driver. We also recommend the introduction of a new power for licensing officers to move vehicles on, which can help deal with so-called unofficial ranks of private hire vehicles for example.

In respect of safety we recommend the creation of a set of equivalent standards for both taxis and PHVs. Our starting point is that all vehicles and drivers carrying passengers for hire and reward should be safe. This suggests that equivalent safety requirements should apply to both taxis and PHVs. Such national standards would be set by the Secretary of State in respect of drivers, vehicles and operators (or dispatchers, as they would be known under the reformed framework). In particular, private hire and taxi drivers would be required to undergo recognised disability awareness training. We recommend that a requirement that standard setting be done only following consultation with a technical advisory panel including representatives of the taxi and private hire trades, licensing authorities, consumers, and following a public consultation. Again, this proposal was met with almost unanimous agreement.

In respect of PHVs, which operate exclusively on a pre-booked basis, competitive forces work reasonably well, and the argument for intervention beyond safety is not so strong. We propose these standards should promote safety, accessibility and enforcement of the rules. We propose the national standards above would be mandatory so that local authorities could not impose more stringent conditions and fees for issuing PHV driver and vehicle licences would be set nationally. Whilst a number of respondents expressed concerns about this, this tended to be focused on the inability to predict what these standards should be. Others disagreed on the basis that PHVs should be regulated to the same standard as taxis. However, the Law Commission view is that this would be over-regulation.

We propose maintaining operator licensing as a useful layer of enforcement and information gathering in respect of licensing functions for local authorities. This represents no change to the current law, although our proposed redefinition of the term “operator” would remove burdens on those whose actions are not close enough to the provision of a vehicle and driver to justify licensing. At the same time, operators would have to provide a price or estimate up front (on request) in respect of PHVs and pre-booked taxis and to keep uniform records; these aspects form part of the definition of a lawful booking and assist in enforcing the necessary boundary between taxis and PHVs. The same obligations would have to be fulfilled by taxis when they offer pre-booked services, as they can only work outside their licensing area on a pre-booked basis (and thus the same need to identify a pre-booking arises) and participate in a more competitive market when they work in this way.

By contrast the hail and rank markets do not allow competition to operate effectively. These forms of engagement by consumers in the market prevent competition on price and standards. By making these markets the exclusive remit of taxis it is possible to target regulation to address specific market failures more effectively and at a local level. On this model taxi regulation should continue to be a local matter subject to national *minimum* standards. Local authorities would be able to impose higher standards. Although stakeholders did give us examples of competition operating in the hail and rank market, primarily through the practice of discounting the metered fare, this is not widespread enough to suggest that our view of the operation of the market is wrong.

Matters over which local authorities would retain standard-setting powers in relation to taxis include:

- 1) maximum fares, with a duty, where they decide to regulate fares, to review fare levels at least every two years;
- 2) disabled access, to the extent that this did not reduce the effect of any national standards in this area set by the Secretary of State;
- 3) additional driver requirements such as topographical knowledge; and
- 4) vehicle standards, to the extent that they did not reduce the base standard put in place by the Secretary of State;
- 5) appointment of ranks, with a duty for the licensing authorities to consider whether new ranks should be appointed, or current ones moved or removed, at least every three years;
- 6) quantity restrictions, on the basis of a more transparent public interest test combined with procedural requirements. In newly quantity restricted areas plates would not be transferable.

We believe that where national and local standards are set in an appropriate fashion, the licensing regime will be simpler, more consistent and more transparent. This will lead to fewer burdens being placed on those within the industry, by way of local variations and restrictions, as well as unforeseen costs. It will also give licensing officers greater clarity in performing their role.

The appropriate setting of these two sets of standards and of fees, with the taxi minimum standard and fee at least as high as the national PHV mandatory standard and fee, should remove any incentive for operators to register as taxis in one area in order to operate as PHVs in another, one of the problems with the current law.

The issuing of licences and enforcement would remain a local authority function. A more flexible use of licensing fees would be permitted and enforcement powers of licensing officer strengthened. Enforcement officers would be able to enforce against any vehicle, driver or operator, no matter where licensed. It should be possible to enforce conditions of licence prescribed as part of national standards. However, licensing officers from area B would not be able to enforce local taxi conditions applicable in area A, on a taxi licensed in area A, unless officers in area B had express delegated powers from authority. The requirement that driver, vehicle and operator all be licensed in the same area would no longer apply. The PHV industry, which in many ways already operates on a more national scale than the taxi trade, would no longer be restricted by what are often redundant borders. Sub-contracting across regional borders would be also allowed. During consultation, it became clear that for this system to function well would require private hire licensing fees to be set on a national basis, collected by local authorities and redistributed according to need.

We think London could be accommodated within the regulatory framework above as it would provide sufficient scope to set appropriate standards reflecting its unique governance arrangements in respect of transport, as well as its particularly vibrant rank and hailing markets. We have received some resistance to this from the regulator in London, Transport for London, as well as from the trades. However, we remain of the view that our proposed framework is sufficiently flexible to accommodate the clear differences and in many ways unique make-up of the taxi and private hire market in the capital.

Other option considered but subsequently not pursued

One possible option for reform would be to move away from the current distinction between taxis and PHVs to what is described as a “one tier” system.

This option would provide for a single category of licensed vehicle that would be able to take pre-

bookings, to be hailed and to wait on ranks on the same basis as current taxis. There would be no free-standing category of PHV licence. Variants of this option would introduce some modifications to the basic model. An example might be to reserve certain positions in prime ranks for use only by wheelchair accessible vehicles.

Although we were impressed by the strength of arguments in favour of a one-tier system, which may seem attractive in its simplicity, it would in practice be impossible to install a truly one-tier regulation. Even those models of a one-tier system put forward by consultees were not truly one-tier, as they would require some modification in order to accommodate less standard services such as limousines and larger vehicles. Under this option regulation has to encompass a broad range of services and vehicles, and over-simplification could have the unwanted effect of squeezing out some providers and different elements of the market.

We have chosen not to pursue this option because we see the pre-booked market on the one hand, and hailing and ranking markets on the other, as having very different characteristics. As described above, these characteristics suggest the imposition of uniform national standards on PHVs, but no more. By contrast, there is case for greater intervention in the taxi market, to regulate fares, for example.

It follows, in our view, that the economics of the market in which taxis and PHVs operate, and the regulatory implications thereof, support a market distinction. In one market there are those vehicles and drivers who should be permitted to undertake only pre-booking, and another market for those able to engage in the hailing and ranking markets.

If greater intervention is needed in one market and not the other, then a one-tier approach necessarily implies that either one market will be over-regulated, or the other under-regulated. Either we accept unnecessary and anti-competitive restrictions on pre-booking, such as fare regulation and higher quality standards; or we fail to properly regulate fares and quality in the hailing and ranking markets. Either way, consumers lose. In the first situation, they are faced with inflated prices (and, possibly, less choice in respect of quality) in the pre-booked market. In the second situation, they face exploitative monopoly fares and poor quality provision in the hailing and ranking markets. Equally, it would be very difficult to ensure proper provision for disabled users in a one-tier system. The loss of the distinction between taxis and PHVs would, as with fares, result in either over-regulation – in the form of a requirement that all vehicles be wheelchair accessible [WAVs], or by only allowing WAVs to access ranks, for example – or under-regulation, for example simply allowing market forces to operate. As we have seen, market forces do not ensure sufficient provision in the hailing and rank markets.

For the above reasons, we do not pursue the one-tier system as a valid option. Our analysis below focuses on our preferred option, that of a reformed two-tier system.

In conclusion, for the reasons mentioned above, a reformed two-tier system is our preferred option. 85 percent of those who responded to this question agreed.

Main Stakeholders

The main stakeholders are:

1. Taxi service providers: this includes drivers, vehicle owners and operators, and extends to limousine services and other non-standard services;
2. Licensing bodies, for example Transport for London [TfL] and local authorities outside London;
3. Enforcement agencies, including the police;
4. The court system; and

5. Taxi users – the general public, and in particular those with mobility needs and those in areas which do not enjoy good public transport.

Scale and scope

The scope of the project covers services in England and Wales, including London. Significantly, we propose to bring stretch limousines clearly within private hire regulation. Under the current regime they fall between two categories –PHVs and public service vehicles. The same is true of pedicabs, which would fall within taxi licensing in London for the first time, pursuant to our reforms.

Number of drivers

As at the end of March 2013 there were 297,000 licensed taxi and PHV drivers in England and Wales driving 78,000 taxi vehicles and 152,600 PHVs. The number of vehicles has fallen relative to 2011. This is the first occasion of a decline since 2005 when biennial statistics were first produced by the Department of Transport. The evidence is consistent with the declining trend also captured in 2014 data from the National Private Hire Association.²⁰ The Association also conducts a biennial review based on surveys and member response to coincide with the Department's gap years. See table 2 below.

Table 2: Comparative number of taxi, PHVs and Limousines in England and Wales, 2011 and 2013

Taxi service	Number of vehicles	
	2013	2011
Hackney carriage	78,000	78,000
PHVs	152,600	154,100
Limousines*	6,000	6,000

Source: DfT Taxi Survey, 2013; * Anecdotal evidence supplied through consultation

The number of licensed drivers includes both part-time drivers and those who still have a licence but are inactive. Arriving at a realistic figure for the total of full-time equivalent active drivers is not easy, and there is little data available. We accept that the concept of full-time equivalent active drivers is itself speculative given the wide variety of working patterns present within the trades. We suggest a range of active drivers between 200,000 and 297,000 with a best estimate of 250,000 full-time equivalent active drivers. The estimate reflects the views of well-placed industry sources with many years industry experience. We refer to this figure for the purposes of estimating the total revenue for the trades. However, for the purposes of estimating training costs, for example, we have used a conservative figure including all licence holders.²¹

There is a clear geographical difference between the number of vehicles operating in London and numbers in all other regions outside of London. In 2013 London continued to account for a disproportionately large share of industry activities, with an estimated 28.5 percent of taxis and 32.7 percent of all PHVs.²² People in the lowest 20 percent of incomes are 40 percent more likely to use taxis

²⁰ The National Private Hire Association undertakes a biennial survey of vehicle numbers and also fares to coincide with the Department for Transport's gap years. The survey months are generally May to July, by exception - to facilitate the provision of the most up to date evidence the survey took place in January to April 2014.

²¹ The distinction between full time and part time working does not, however, impact training costs because all drivers would need to be qualified to the same relevant standard.

²² <http://www.dft.gov.uk/statistics/releases/taxi-and-private-hire-vehicle-statistics-2011/>

and PHVs than those in the highest 20 percent.²³

Wheelchair accessible vehicles

An estimated 58 percent of licensed taxis are wheelchair accessible – this is 100 percent in London²⁴ and around 45,000 vehicles in total. This proportion has been broadly unchanged since 2009. All 22,000 London taxis are accessible, and outside London the more urban areas have a higher proportion of accessible taxis. In total 176 authorities (58 percent of those responding) had a requirement for accessible vehicles in all or part of their taxi fleet.

It is estimated that around one-fifth of the population in the UK is disabled – over 10 million people.²⁵ Approximately 4.6 million of those with disabilities are over the state pension age and, with an ever-aging population.²⁶ Disabled persons are reported to travel approximately a third less often than those who are not disabled, but disabled people use taxis and PHVs approximately 67 percent more than people who are not disabled.²⁷ The Disabled Persons Transport Advisory Committee report that

For a large and growing number of elderly and disabled people, they are quite literally a lifeline. Often taxis provide the only means of accessible local transport, or the only accessible link to long distance transport, for example, by rail or air. In fact, they are the most flexible form of public transport there is.²⁸

Industry revenue

The Law Commission estimates that in 2012 about £2.72 billion was spent by UK households on taxi journeys based on ONS estimates of household expenditure on transport services of £7.78 billion for the same period.²⁹ Adjusted on a simple population basis to reflect the population of England and Wales rather than the UK, this gives a domestic household figure of £2.47 billion [for 2013/14].³⁰ This figure significantly underestimates total industry revenue because it excludes expenditure on taxi and private hire services by (a) businesses; (b) statutory services; and (c) foreign households – that is, primarily foreign tourists.

In our previous Impact Assessment which accompanied the Consultation Paper we attempted to estimate total revenue to take account of the excluded expenditure. We consulted with a wide range of industry stakeholders on this specific aspect. On this basis we identified a plausible industry range of £4.3 billion to £5.6 billion, best estimate being £5.0 billion by using the following four different methods:

Method 1 – ONS adjusted revenue

Method 2 – Average passenger mileage

Method 3 – Driver gross receipts

²³ Department for Transport: *Travel by Taxi and Private Hire Vehicle in GB*, January 2003. All the figures refer to the years 1999-2001.

²⁴ <https://www.gov.uk/government/collections/taxi-statistics>.

²⁵ This statistic was taken from Department for Transport, *Consultation on Improving Access to Taxis* (February 2009) para 1.5, bullet 2. The source is not attributed.

²⁶ We note however that older people are likely to be under-represented by such figures as they do not include care home residents; and further, the figures are based partly on self-declaration and most studies show that older people are either less likely to disclose a disability or identify as being disabled.

²⁷ Disabled Persons Transport Advisory Committee, *Attitudes of Disabled People to Public Transport – a research study conducted for the Disabled Persons Transport Advisory Committee* (November 2001).

²⁸ Disabled Persons Transport Advisory Committee, *Advice for taxi drivers – meeting the needs of disabled passengers*, available at: <http://dptac.independent.gov.uk/pubs/taxiadvise/index.htm> (last visited 12 March 2012),

²⁹ £7.78 billion refers to UK household expenditure on transport services which includes bus, coach and taxi services, See <http://www.ons.gov.uk/ons/datasets-and-tables/data-selector.html?cdid=ADWI&dataset=ct&table-id=07.CN> (last visited 3rd Feb. 2014)

³⁰ <http://www.ons.gov.uk/ons/publications/re-reference-tables.html?tid=tcn%3A77-315018> (Last visited 3rd Feb 2014)

Method 4 - Average driver mileage

We put the resulting figures forward as a basis for consultation. We received very little response suggesting an alternative position and feel that this is an appropriate estimate. We have retained the range but updated it to 2013/14 prices, i.e. £4.57 billion to £5.95 billion with £5.31 billion being the best estimate.

Licensing arrangements

Taxis and PHVs provide a licensed service subject to set terms and conditions determined by a licensing authority. In London, taxis and PHVs are licensed by TfL. There are currently 313 licensing bodies outside London and each sets its own licensing conditions including, for taxis, a determination of the fare structure. Of the 297,000 drivers 52 percent had PHV-only licences, 21 percent had taxi-only licences and 26 percent had dual taxi/PHV licences. The proportion of dual licences had risen by 23 percent in 2005 and continues to increase in 2013. These figures essentially count licences, rather than drivers – the actual number of licensed drivers is likely to be slightly lower as in areas where dual licences are not issued some drivers will hold both taxi and PHV licences.³¹

Whereas the fares charged by taxis are regulated, those charged by PHVs are not. In understanding fare-setting a helpful distinction is made between the flagfall and the running mile. The flagfall refers to the initial charge for a distance travelled and this can range from under 100 yards to over one mile. Considerable variability in councils' approach to the flagfall distance means that it is neither practical nor meaningful to refer to taxi charges on the basis of a common flagfall (distance) value. The running mile has emerged as a simple means of understanding how much a taxi will charge per mile. One stakeholder referred to it as "the lowest common denominator" and it is now calculated for five and ten mile fares. The national average (simple average) of the running mile for regulated fares in tariff one - daytime and week days - in May 2014 was estimated to be £1.85³².

The Local Government Association states that most licensing authorities will have between one and three full-time equivalents for taxi and private hire licensing officers and the Local Government Association notes that the salary of a licensing officer is between £17,500 and £21,800 (in 2011 prices).³³ We are not aware of other reliable sources regarding the numbers of dedicated licensing officers generally and anecdotally we understand there is great variation between different authorities' licensing teams.

Fees and entry restrictions

The latest available information on license fees charged by for the 2011/12 period councils outside London reveals significant variations³⁴. One year driver licence fees can range from £33 to £299 across licensing authorities and one year vehicle licence fees can range from £70 to £400.³⁵

Licensing authorities outside London can impose quantity restrictions on the number of taxis that can ply for trade within the area. Entry restrictions can vary dependent on whether licence applicants are intending to operate wheelchair accessible vehicles (WAVs). In 2013/14, 88 authorities chose to impose quantity restrictions. These authorities include some of the larger ones and account for nearly 40% of total taxis in England and Wales outside London.

For areas that have retained restrictions it is often the case that licences are in short supply and as a result attract a premium value. The premium value is significantly greater than the administrative cost of

³¹ Department for Transport, Taxi and Private Hire Statistics England and Wales 2013, at <https://www.gov.uk/government/publications/taxi-and-private-hire-vehicle-statistics-england-and-wales-2013>.

³² Consultation response - National Private Hire Association, May 2014

³³ Local Government Association, <http://www.lgcareers.com/careers-az/licensing-officer/> (last visited 17 April 2012).

³⁴ Data provided by the National Private Hire Association based on earlier survey done at members request following the Guildford case

³⁵ Data on annual survey provided by the national private hire association

purchasing a license from the licensing authority. Two independent studies in 2007 estimated the weighted average premium value as £29,753 and £33,635.³⁶ However licences can be sold for as much as £60,000 or more. Local authorities can only restrict taxi numbers if they can show that there is no significant unmet demand for taxi services. To satisfy this legal requirement, it has become a universal practice to undertake an unmet demand study a survey of rank based demand conditions capturing consumer waiting time experience and incorporating latent demand.³⁷

The extent to which the survey provides an accurate depiction of demand conditions had been criticised. In particular there is concern over an insufficient acknowledgement of latent demand, that is, hidden demand that typifies users' decisions to not present at ranks because of the lengthy waiting times. Moreover the focus on rank-based demand ignored demand at the street level potentially further underestimating the true value.³⁸ Since 2006 unmet surveys, for example the recent Wirral taxi unmet demand survey,³⁹ have attempted to capture latent demand within the index of significant unmet demand through the "latent demand factor". This is derived from a public attitude survey of the proportion of the public who have given up trying to obtain a taxi. The survey involves consultation across a broad range of stakeholders and is a cost to the taxi trade of about £15,000 to £40,000 per survey.

Training

Most licensing authorities operate a system of on-going training for their licensing officers. Much of the training is currently undertaken in-house and through national organisations. Licensees also undertake training – some of which is mandatory within particular licensing authorities. We are aware of at least one local authority (North West Leicestershire) which provides in-house disability awareness training for just £20.

Taxi offences, enforcement and prosecution costs

The burden on the justice system created by licensing issues is great. The majority of cases are heard in the magistrates' court, although some are appealed to the Crown Court or High Court.

When court costs are added to the cost of undertaking the initial investigation and enforcement work, the final cost is often significant. As these are criminal cases, the costs awarded where the defendant is found guilty rarely reflect the outlay incurred by the prosecuting authority.

The following information was supplied by Middlesbrough Council. It is based on a representative range of offences prosecuted between 2008 and 2011. This information can be built upon to give an impression of costs incurred by licensing authorities across England and Wales. The information below relates to criminal prosecutions. Unfortunately it has not been possible to obtain similar statistics for civil cases, such as where a licensee appeals against the imposition of a condition, the refusal of a licence or a decision to suspend or revoke a licence. See table 6 below.

Table 6: Middlesbrough Council average prosecution costs 2008 - 2011

Category	Cost	Range
Average investigation costs	£132.22	£101.98 – £155.81

³⁶ The weighted average values reflect the views of the Europe Economics survey (£29,753) and the Taxi Driver Online (£33,635). See Evaluating the impact of the taxis market study, A report for the OFT by Europe Economics, p. 91 at http://www.google.co.uk/url?q=http://www.of.gov.uk/shared_of/reports/Evaluating-OFTs-work/oft956.pdf&sa=U&ei=GS2qT83JGIPi4QTIsb28CQ&ved=0CBMQFjAA&usq=AFQjCNEGFQFiw9sUmOr5QAiYkUF7VrppIQ , last visited 9th May 2012.

³⁷ Measuring unmet demand is all a question of evidence, see *R. (on the application of Maud) v Castle Point BC* [2002] EWCA Civ 1526, [2003] RTR 7, at para 24 by Keene LJ.

³⁸ See OFT report for full development of the failings of the unmet demand survey at http://www.google.co.uk/url?q=http://www.of.gov.uk/shared_of/reports/comp_policy/oft676.pdf&sa=U&ei=dAoDT-nFOoqOceWjKoB&ved=0CBQQFjAB&usq=AFQjCNHFW_bLy3MpV2Ty-Swl1fVhST3HeA

Part 1³⁹ <http://www.national-taxi-association.co.uk/wp-content/uploads/2012/01/HALCROW-WIRRAL-SURVEY-2011.pdf> (last visited 7th may 2012)

Average legal costs	£510.93	£200 - £1537.50
Average total cost to council	£615.03	£304.58 - £1693.31
Average costs awarded	£148.86	Nil - £362
Average loss to council	£466.17	N/A
Average recovery rate	24.2%	N/A

Looking at the prosecution costs in Birmingham as published on their website,⁴⁰ the average cost of prosecution is £315, as granted, and £650, as requested.

Plymouth provides an example of enforcement costs. Plymouth counts 367 taxis, 815 PHVs and 3 enforcement officers, for a population of 256,400. The enforcement budget amounts to £111,708 (2011/2012) and £103,017 (2012/2013).⁴¹

Taxi and private hire licensing is a self-funding function of licensing authorities. Where a local authority incurs, for example, annual expenditure of £10,000 on enforcement activities (including unrecovered legal costs), this may be passed on to the trade via increased licence fees.⁴² This leads to a great deal of resentment, as legitimate licensees are essentially penalised for the actions of rogue operators.

A prosecution incurs the additional investigation costs inclusive of professional fees of expert witnesses and officers' time. It is often the case that the true cost in bringing a case is not reflected in the costs sought from courts. This means that licensing authorities may face considerable losses through taking cases to court and this may act as a disincentive.

Safety and assault evidence

Safety improvements are a significant objective of the proposed legislative reform. Safety improvements would stem from a number of sources: a reduction in journeys involving an unlicensed vehicle and/or driver through a clearer distinction between licensed and unlicensed activity, which would allow to tackle more efficiently most potentially harmful services for the public and industry; greater consistency and clarity as to which services must be licensed, and which need not be; a flexible legal framework capable of dealing with new and novel developments instead of leaving them outside licensing; improved and uniform vehicle safety standards; the design of a more efficient enforcement regime including the possibility to take enforcement action against vehicles, drivers and operators licensed outside their licensing area; the possibility to suspend immediately all types of licenses; a new powers for licensing officers to stop and impound vehicles; and the extended recourse to fixed penalty notices.

Passenger safety

Statistics on the number of accidents involving taxis and PHVs for the 2008-2010 period indicate the extent to which fatalities and serious accidents occur relative to licensed cars and minibuses. Some care has to be taken in interpretation as the average daily mileage is considerably higher for taxis and PHVs. See table 7 below

Table 7: Fatalities and serious accidents per 1000 vehicles: Taxis and PHVs vs. cars and minibuses, 2008-2010

Vehicle type	2008	2009	2010
Taxis/PHVs			

⁴⁰ Concerning 34 cases mainly relating to unlawful plying for hire and invalid insurance (at <http://www.birmingham.gov.uk/cs/Satellite?c=Page&childpagename=SystemAdmin%2FCFPageLayout&cid=1223092615524&packedargs=web%3D4&pagename=BCC%2FCommon%2FWrapper%2FCFWrapper&rendermode=live>). By contrast, in Brighton, there is no separate enforcement budget as enforcement is part of the officers' work and is not calculated separately.

⁴¹ https://www.whatdotheyknow.com/request/taxi_licensing_and_byelaw_enforc.

⁴² Outside of London, only vehicle licence fees can fund enforcement whereas driver and operator licence revenue cannot be used for this purpose, see See Local Government (Miscellaneous Provisions) Act 1976, s 53; and the Guildford Auditor case at www.guildford.gov.uk/cHttpHandler.ashx?id=6647&p=0 (last visited 23 April 2012)..

- Fatal	1.14	0.78	0.91
- Serious	14.65	14.01	12.69
- Slight	101.74	103.25	104.89
Cars			
- Fatal	0.09	0.08	0.07
- Serious	0.89	0.84	0.76
- Slight	7.22	6.91	6.45

Source: Department for Transport

Transport for London reported 111 cab-related sexual offences in 2010 alone⁴³ and Greater Manchester Police recorded 98 offences of rape or sexual assault linked to taxis and PHVs in the same period.⁴⁴ Whilst the latter figure may appear to be disproportionately high, the data was obtained through a Freedom of Information request. In its response, Greater Manchester Police noted that the information given was based on a search for offences where keywords such as "taxi", "cab" and "minicab" featured. This means that offences which took place against a taxi-related background, but were not perpetrated by the driver or passenger may have been included. A recent Freedom of Information request submitted to Merseyside Police revealed 22 sexual offences alleged to have been committed by taxi or private hire drivers against passengers.⁴⁵

The Home Office 2003/04 study of the cost of crime⁴⁶ estimated that the most costly crimes are those such as sexual offences and homicide which have a very high emotional and physical impact. The estimated total cost of £31,438 (in 2003 prices) attempts to capture the costs to the criminal justice system, lost productivity but even so it still considerably underestimates costs.

Driver safety

It is important to recognise that drivers too are at risk. In the past 20 years, 63 taxi or private hire drivers have been murdered.⁴⁷ Whilst this figure does not distinguish between those who were killed whilst working and those whose deaths were not linked to the trade, it is nevertheless a substantial concern. Drivers are frequently victims of assaults and robberies. Our proposals would allow for driver safety measures to be provided for by regulation.

Special case of pedicabs

Safety problems partly derive from the fact that there are no set standards for the construction and use of the pedicab and no set standards for the vetting of operators or riders to check they are suitable. Many pedicabs fail to have working brakes, lighting or seat belts and the high turnover of employees limits the long-term effects of enforcement.⁴⁸ Common unlawful behaviour includes contravention of one-way streets; riding on the footway; blocking the pavement; parking in bus lanes or on pedestrian crossings, and disobeying red lights.⁴⁹ Blocking of bus lanes is particularly problematic, resulting in delays and disruption to planned bus services through what are generally already busy parts of the town centres in which they operate. Obstruction is also a major issue.

TfL have provided us with a number of statistics relating to criminal offences and pedicabs in London, where they are perceived to pose a particular problem. From April 2009 to January 2014, 7 sexual offences have been attributed to pedicabs. A number of thefts and robberies have reportedly been

⁴³ See <http://www.tfl.gov.uk/corporate/media/newscentre/archive/21165.aspx> (last visited 10 April 2012).

⁴⁴ Freedom of Information request submitted by Mr L Reid to Greater Manchester Police, 3 January 2011, reference 10/11.

⁴⁵ Freedom of Information request DM106/12.

⁴⁶ R Duborg and J Hamed, *The economic and social costs of crime against individuals and households 2003/04*, June 2005.

⁴⁷ Source: National Private Hire Association

⁴⁸ Annex 4, letter of 6th July 2012 by the Metropolitan Police. It is however noted that besides a large number of "roge operators", there is a small minority of "high calibre operators" that have set high standards of training and construction and use, and cooperate on a volunteer basis to facilitate police checks (see also Annex 10).

⁴⁹ Annex 10.

perpetrated by drivers.⁵⁰ There were more than 650 incidents reported in 2013, and twenty personal injury collisions were recorded over the three year period to March 2013.

There are substantial enforcement costs. From 2010 to January 2014, TfL has funded or part funded over 160 operations against pedicabs, at the cost of almost £65,000, resulting in 389 arrests being made by the Metropolitan Police. For the Metropolitan Police Service, the cost of a targeted operation to deal with pedicabs is currently approximately £1,500 each. Processing a case is highly time-consuming: initial arrest and process takes approximately 4-6 hours to the Metropolitan Police Service. Significant time is spent dealing with the criminal justice system and the administration for the restoration of the seized pedicabs.

Cost Benefit Analysis

This impact assessment identifies both monetised and non-monetised impacts of intervention, with the aim of understanding the overall impact on society and the wider environment. The costs and benefits of each option are measured against the “do nothing” option. Impact assessments place a strong emphasis on valuing the costs and benefits in monetary terms (including estimating the value of goods and services that are not traded). However there are important aspects that cannot sensibly be monetised. These might include impacts on equality, either positive or negative, or enhanced (or diminished) public confidence.

The impact assessment process requires that we make an assessment of the quantifiable costs and benefits even when there is insufficient material on which to base those calculations. Where possible we have spoken to practitioners to inform our view of the likely aspects to be affected by the change in policy and have used this as the basis for our calculations. Where it has not been possible to obtain a rough indication of numbers in this way we have had to make a realistic estimate. In such cases we have taken a conservative approach and have tended to use figures that we considered likely to underestimate benefits and over-estimate costs.

In the absence of sufficient data we have used a range of estimates in our calculations. Some of the assumptions apply in both the cost and benefit calculations. When calculating the net present value (NPV) for the impact assessment we have used a time frame of ten years, with the current year (2013/14) being year 0.⁵¹ We have assumed that the transitional costs and benefits occur in year 0, with any exceptions to this rule being clearly identified, and ongoing costs and benefits accrue in years 1 to 10. We have discounted the values accordingly using a discount rate of 3.5% in all cases in accordance with HM Treasury guidance. Unless stated, all figures are in 2013/14 prices, and have been updated using the GDP deflator.

A summary analysis and evidence sheet is available for our preferred Option 1.

Option 0 – Do nothing

Costs

Extreme variability in councils’ approach to licensing creates unpredictable, burdensome and at times arbitrary additional costs for those within the trade. For example, a licensing authority may decide to impose an age limit, requiring certain proprietors to acquire new vehicles, or a colour policy which will require vehicles to be resprayed. The time and resource put into determining matters such as this presumably gives rise to costs for the local authorities concerned as well, as these decisions involve elected members as well as officers, and sometimes involve consultation with the industries and members of public. For example, the local legislation governing PHVs in Plymouth lags behind the legislation applicable in the rest of the country. According to estimates from Parliamentary Agents in

⁵⁰ Annex 9, Briefing note. TfL contribution to the Law Commission’s Pedicab Impact Assessment of 15th January 2014.

⁵¹ The net present value is the discounted stream of benefits less the discounted stream of costs. The present value of an annual cost is the discounted stream of that cost.

2010, the repeal of this specific statute would cost of up to £25K if the repeal went without opposition, above £50K if opposed.

The inability of private hire operators to expand their business into other local authority areas constrains the competitive process. The requirement that driver, vehicle and operator be licensed by the same local authority, and the prohibition on sub-contracting out of area, significantly constrains the competitive process.

The variable and sometimes arbitrary nature of licensing decisions leads to a high volume of court cases. These are expensive both in terms of court time and costs, and the costs for local authorities and appellants. It is inefficient as licensing officers often lack sufficient powers to deal with offenders and are only able to tackle offenders who are a) licensed and b) licensed by the authority for which they work. Enforcement officers often require to be accompanied by police officers, who clearly have far greater powers, and indeed in some local authorities enforcement only takes place with police officers, as to do otherwise is seen to be wasteful.

Consumer welfare can be affected by the limited availability of PHVs; for example, where an operator is unable to sub-contract a booking to an operator in another region, thus reducing supply, or where an operator is unable to use a vehicle and driver near to the passenger because they are not licensed by the same authority.

Benefits

The only benefit which accrues from the do nothing is the avoidance of costs associated with the implementation of the preferred option 1.

Option 1: Reformed two-tier system

Transitional costs

Local authorities

1. Training of licensing officers

Whilst we believe that much of the cost associated with training to assist licensing officers in working within our proposed framework would be covered by existing training budgets, the significance of the changes would be likely to require additional training. This would be a one-off cost.

We have assumed a per delegate cost to cover the cost of hiring training professionals and providing a delegate resource pack whilst the local authority provides the venue, refreshments and lunch.⁵² See table 6 below.

Table 6: Training cost of licensing officers

	Low estimate	Best estimate	High estimate
A. Number of licensing officers	313	626	939
B. Per delegate cost of training	£60	£70*	£80

⁵² The local government ombudsman provides similar training opportunities, see <http://www.lgo.org.uk/training-councils/> [last visited 07/02/2014]

C. Total cost (A x B)	£18,780	£43,820	£75,120
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* Mid-point between high and low estimate.

Assumptions:

1. Full day of training [7 hours]

2. No. of licensing officers per local authority:

Low estimate = 1 officer;

Best estimate = 2 officers;

High estimate = 3 officers.

3. Local authorities adopt a pooled approach to training by licensing authorities, e.g. a rotating licensing authorities host training events - removing the expense of an external venue.

Low estimate - £60 per delegate

Best estimate - £70 per delegate

High estimate - £80 per delegate

Total cost £43,820 [best estimate]

2. Familiarisation costs

Familiarisation costs are expected to be negligible. Any new legislation would form part of licensing officers' general training, and the current range of legislation governing taxi and private hire regulation suggests that they are already adept at keeping abreast of legislative change.

Licensing authorities had, in general, good awareness of this review. It has been our aim to keep stakeholders as informed as possible of the progress of our review and any recommendations, and as such any change will have been anticipated, at least to a degree.

Government

3. Implementation of the new legal framework

One-off costs are associated with the drafting of regulations and statutory guidance; national safety standards, as set out below; regulations; the setting of the national licence fee for private hire services; the design of a cross-border enforcement procedure and disability awareness training.

4. Display of complaint information

We recommend that the Secretary of State use their standard-setting powers to require all vehicles to display information on how customers can complain to the relevant licensing authority. This is an important part of our recommendations aimed at improving the experience of disabled customers when using taxis and PHVs. This means that it would be important for the information to be displayed in accessible formats. We envisage this being a very small cost, as the information would be in a standardised format and so could be distributed by local authorities, with the cost passed on the licence holder. Based on the figures we give in Table 1 above, we estimate there to be 231,000 licensed vehicles.

Cost of complaints information display sticker (with braille)	Cost for entire fleet (231,000 licensed vehicles)
10p (low estimate)	£23,100
20p (best estimate)	£46,200
50p (high estimate)	£115,500

Total cost £46,200 [best estimate]

5. Setting up an expert panel

An important part of our proposed framework is the requirement that the Secretary of State, when setting standards, convene and consult with an expert technical panel. This is because we recognise the importance of expertise from those with knowledge of how the trades operate and more technical matters such as vehicle specifications. Although the Secretary of State would be left with a broad discretion as to how to appoint this Panel, its structure and finance, we have recommended a number of categories from which members should be drawn, including trade representatives. We would expect the panel to consist of ten to twenty members. The only cost would be the payment of expenses for panel members.

Table 7: Panel expense costs

	Low estimate	Best estimate	High estimate
A. Number of panel members	10	15	20
B. Average daily expense	£65	£130	£180
C. No. of days	3	3	3
D. Total expenses cost [A x B x C]	£1,950	£5,850	£10,800

Assumptions:

1. Panel members are not paid a daily rate
2. Three day expenses required for technical panel
3. Number of panel members:
 - a. Low estimate – 10 members
 - b. Best estimate – 15 members
 - c. High estimate – 20 members
4. Average daily expenses⁵³

⁵³ Based on evidence on members expenses in Nursing and Midwifery Council, *Annual Report 2011 – 2012* (2012), p 35; General Dental Council Report 2011-2012 and The Solicitors Disciplinary Tribunal Report 2012 -13 available at <http://www.solicitorstribunal.org.uk/about-us/annual-reports/> We have taken these as useful parameters of the level of expenses which might be claimed by members of the Expert Technical Panel; we envisage these expenses covering travel to and from the sessions, accommodation and subsistence costs.

- a. Low estimate - £65
- b. Best estimate - £130
- c. High estimate - £180

As well as the Expert Technical Panel, we also propose that the Secretary of State should be required to consult on the content of any standards they consider putting in place. This would be a general consultation requirement. We do not propose to specify how this should be carried out, but it would only be a requirement once, when the first standards are made.

Consultation is a frequent occurrence within the Department for Transport, and we are aware that officials are used to dealing with very large consultations of up to 50,000 responses. Thus we do not envisage the proposed consultation adding any increased cost, as it would simply be absorbed into the general operation of the department. Policy in other government departments, for example the Department of Work and Pensions, is not to cost consultations, as the primary expense is staff time, and this is simply a question of reallocation and absorbing costs.⁵⁴ Consultation should be carried out in line with the Cabinet Office guidelines on consultation, which emphasise the importance of proportionality and cost-effectiveness.⁵⁵

Total cost: £5,850 [best estimate]

On-going Costs

Taxi and PHV trade/ local authorities/ central Government

6. Inclusion of previously unlicensed vehicles and services

i. Non-motorised vehicles

The only vehicles and services which could be exposed for the first time to licensing requirements are non-motorised vehicles such as horse drawn carriages (which in some areas already do hold licences) and pedicabs. It is not possible to say with any certainty whether or not the Secretary of State would choose to impose licensing requirements on these services and vehicles. Regarding pedicabs, the change would most likely only affect London. This is because under the current law, pedicabs can be licensed as hackney carriages in England and Wales but not in London. As for the rest of England and Wales, pedicabs are de facto banned in many areas because they cannot satisfy licensing conditions.

Transport for London would gain the new power to ban the provision of taxis pedicabs services. Such a ban would be expected to result in a number of benefits as set out below, although it would obviously affect the pedicabs trade (both employers and employees, who are mainly students working on a part-time basis) which would lose their source of earning.

ii. Limousines

Our recommendations would bring all limousines, regardless of their passenger carrying capacity, within the scope of private hire licensing. Under the current regime they fall between two categories – PHVs and public service vehicles – with the result that some fall through the gap. Those with public service licences are subject to less onerous conditions, particularly in relation to the driver of the vehicle

a. Driver requirements

Currently, the driver of a public service vehicle must hold a Certificate of Professional Competence. This requires them to have undergone four separate tests. A driver certificate of professional competence costs £250 to £284, depending on whether the test is taken during the week or at the weekend. Although the cost of a private hire driver's licence can be as high as £300, there is significant variation both in price and duration of licence. The average across all licensing areas is £94, representing a significant saving in comparison to a Certificate of Professional Competence. Under our reformed regulatory framework private hire licences would be subject to a standard fee and duration, removing this variation.

⁵⁴ *Hansard* (HC), 31 May 2011, vol 526 col 440

⁵⁵ Cabinet Office, *Consultation Principles* (2012). See <https://www.gov.uk/government/publications/consultation-principles-guidance> (last visited 24 July 2013).

Clearer law and improved enforcement should mean that providers who are currently unlicensed will have to go through the licensing procedure; we would not count this as a cost as these providers are currently flouting the law.

b. Vehicles

Under both PHV and public service categories vehicles undergo safety and suitability checks. A key difference is that the vehicle itself does not require a licence. Rather responsibility for the vehicle lies with the licensed operator, regardless of whether or not they actually own the vehicle. Liability for the vehicle shifts between the two regimes. Under our recommendations the Secretary of State would have the power to set standards explicitly for limousines and novelty vehicles, taking into account their unique nature. Overall, we do not envisage an increased burden on vehicles.

A clear additional cost here will be the vehicle licence. We see this as being the licence fee only, as the maintenance and testing required is unlikely to differ significantly. The average cost of a PHV licence fee across England and Wales is £202.

c. Operators

It will be possible for the Secretary of State to craft the requirements for private hire operators, or private hire operators wishing to operate limousines, to demonstrate that they are suitable persons to hold a licence. PSV operator licensing is currently burdensome, with the applicant required to show good reputation, financial standing and professional competence. We would not expect the requirements placed on operators (or dispatchers, as they would be known under the reformed framework) to be any more onerous than those in place for public service operators.

It is difficult to estimate what, if any, increased costs this will incur. Currently, a public service vehicle operator licence costs £206, regardless of how many vehicles that centre operates. In many areas, the cost of a private hire operator licence varies according to how many vehicles the applicant intends to operate. Thus it is not possible to give an average. As noted above, we propose that private hire licensing fees should be standardised across England and Wales, although our recommendations would not prevent variation of fees according to vehicle numbers. Thus limousine operators with a large number of vehicles could face higher fees. However, anecdotal evidence suggests that limousine and novelty vehicle operators tend to have a small number of vehicles.

7. Training of licensees

We have proposed a requirement that all taxi and private hire drivers undergo training on disability awareness. We would not expect the appropriate training course to be stipulated in regulations; rather, this would be a matter for local authorities to decide, subject to any requirements set down by the Secretary of State. Currently a range of courses are available at varying costs. We envisage that the introduction of a national training requirement could lead to greater competition within the provision of these qualifications

Anticipated training costs apply to incumbents and also future industry entrants and is assumed to be one of the two most relevant qualifications - Driving Standards Agency test, generally paid for by the licensee, and the government subsidised Edexcel Level 2 introduction. See table 8 below

Table 8: Training of licensees: Transitional and on-going costs

	Low estimate	Best estimate	High estimate
A. Cost of training per licensee	£20	£25	£30
B. No. of licensees	162,500	175,000	200,000
C. Transitional cost (A x B)	£3,250,000	£4,375,000	£6,000,000
D Number of licensees	12,000	12,000	12,000
E. On-going cost (A x D)	£240,000	£300,000	£360,000

Assumptions:

1. Current industry employment is estimated to be around 250,000⁵⁶. A range of values for the number of incumbents requiring training is as follows:

65 percent of drivers have no formal qualifications – low estimate

70 percent of drivers have no formal qualifications – best estimate

80 percent of drivers have no formal qualifications – high estimate

2. The current pool of licensed taxi and private hire drivers is approximately 300,000. We apply projected employment growth of 4.0%⁵⁷ per annum to derive an annual increase of 12,000 drivers.

3. The cost of training is limited to disability awareness and estimated at £20, but represents a very small sample size. We have included £25 and £30 as the best and high estimates respectively.

Transitional cost: £4,375,000 [best estimate]; **On-going cost:** £300,000 [best estimate]

NPV over 10 years: £2.49 mn [best estimate]

8. New transparency requirements for operators and pre-booked taxis

The new duty for operators - and taxi drivers in the event that the booking does not involve any operator - to provide a price or estimate up front on request in respect of journeys carried out by PHVs and pre-booked taxis operating outside their licensing area, and to keep uniform records, generate some additional costs as they impose new obligations. It should be noted that the duty to provide a price or estimate on request already exists in London, where the majority of PHVs and taxis operate, and that record-keeping requirements already apply to private hire operators. Thus the only extensions would relate to the provision of price information outside England and Wales, and record-keeping in relation to pre-booked taxi journeys which take place outside the licensing area of the vehicle and driver. In the latter case, the impact is likely to be small as those taking bookings for taxi journeys are likely to already hold private hire operator licences and have in place systems for record-keeping. Indeed, it can be presumed that many will already keep such records due to the ease of a uniform approach.

⁵⁶ Industry evidence suggests this to be a reasonable estimate of those actively engaged.

⁵⁷ There was an estimated 18 percent growth in the number of taxi/phv drivers over the 2005-2011 period.

9. Accreditation and training of licensing officers in relation to their new enforcement powers (power to stop and impound)

We propose strengthening the powers of the licensing officers, including by granting them a new power to stop vehicles, to direct vehicles to move on and to impound them. However, it should be for each local authority to decide whether it wants to train and accredit licensing officers to be able to stop vehicles, depending on the levels of licence contraventions and their resources. Further, we believe that much of the cost associated with training to assist licensing officers in working within our proposed framework would be covered by existing training budgets.

10. Communication between licensing authorities

We note that our proposed reforms would not require the implementation of a data or information sharing system. Rather they would rely on existing, and more informal, means of communication. We are aware that the creation of a new system would have significant consequences both financially and in terms of interoperability. However, the magnitude of this cost is unknown.

11. Public interest test

We recommend the introduction of a more transparent public interest test, to be satisfied prior to the imposition or retention of quantity restrictions, and when appointing ranks. The test includes a series of factors to be taken into account and procedural requirements such as a public consultation and a compulsory review every three years, would be likely to translate into costs. These costs would most likely be borne for the taxi industry as surveys would generally be paid for by the trade (as is currently the case with unmet demand surveys for quantity restrictions). However, the factors to be taken into account in the new test as well as the frequency at which it is undertaken correlate with DfT best practice, so that the increase is likely to be modest. Currently unmet demand surveys cost between £15,000 to £40,000. See table 9 below.

Table 9: Cost of triennial public interest test

	Low estimate	Best estimate	High estimate
A. Cost of current unmet demand survey	£15,000	£27,500	£40,000
B. Number of authorities with quantity restrictions.	84	88	92
C. Number of tests required over 10 years	3	3	3
D. Number of tests currently taken over 10 years.	1	1	1
E. Total cost [A x B x (C – D)]	£2,508,000	£4,840,000	£7,392,000

Assumptions:

1. Survey cost comparable with existing unmet demand of £15,000 to £40,000 with £27,500, the mid-point representing the best estimate.
2. There are approximately 88 areas with some form of quantity restriction. Variation in numbers is assumed of +/- 5 over the 10 year period to give low and high estimates. All will require three tests over

the 10 years.

3. Currently each area undertakes at least one survey during a 10 year period.

Total Annual cost = £484,000 (4,840,000/10) [best estimate]

NPV over 10 years, i.e. £484,00 per year = £4.03 mn

12. Appointment of ranks

Under the reformed law, licensing authorities would be under a duty to consider whether new ranks should be appointed, or current ones moved or removed ,at least every three years; this would be combined with a duty to consult on the appointment, removal or variation of ranks.

Table 10 below provides a summary of the monetised costs of this option.

Table 10: Summary of monetised costs

	Low estimate	Best estimate	High estimate
<i>Transitional Costs</i>			
Training (License Officers)	£ 18,780	£ 43,820	£ 75,120
Sticker display	£ 23,100	£ 46,200	£ 115,500
Expert panel expenses	£ 1,950	£ 5,850	£ 10,800
Training (Licensees)	£3,250,000	£4,375,000	£6,000,000
Total Transitional	£3,293,830	£4,470,870	£ 6,201,420
<i>On-going</i>			
Training (Licensees)	£240,000	£300,000	£ 360,000
Public Interest Test	£250,800	£484,000	£ 739,200
Total On-going (Years 1 – 10)	£490,800	£784,400	£1,099,200

Benefits

On-going benefits

Taxi trade

1. Reduced regulatory burden

Many of our recommendations are aimed at reducing the regulatory burden on businesses and other organisations. This is of, for example, the clarification of the position on cross-border hiring, the removal of “triple licensing” requirements for private hire services, and allowing sub-contracting across regional borders. Another significant improvement will be the ability of licensed private hire operators to use vehicles with a passenger carrying capacity greater than eight, as long as these vehicles and their licences are deemed suitable by the private hire framework.⁵⁸

The proposed reforms will have the effect of reducing the requirement to hold more than one operator license, and will both allow and encourage business expansion. Existing private hire operators will benefit from greater clarity and stability as to the requirements expected of vehicles and drivers, which would not be subject to geographical variations as they currently are. Furthermore, by redefining an operator to include only dispatch functions, our proposed changes give far greater clarity to intermediaries such as smartphone apps and aggregator websites, who would not require a licence.

⁵⁸ Although the driver of such a vehicle would also have to hold a Certificate of Professional Competence, opting in to this system would be a matter of choice and thus the driver would be in a position to judge whether it made business sense to do so. Furthermore, although European requirements do apply to operators of vehicles of this size, we propose that new legislation be drafted in such a way that private hire operators fall within a permitted derogation from these requirements, again ensuring reduced burdens.

Furthermore, removal of many grey areas which exist around licensing requirements would significantly decrease burdens which are, sometimes unintentionally, placed on many small businesses and voluntary organisations. Although clarification of which services would require licenses would be a matter for the Secretary of State, we believe that those providing services such as childminding and driver guides should not require licences. The same applies to volunteer drivers, as their services are not provided in the course of business.

We estimate that reducing the burden of licensing and the related encouragement towards business development would lead to savings amounting to the equivalent of 0.25% – 1% of the annual industry turnover per year. Following the receipt of consultation responses we retain the range of £4.57 billion to £5.95 billion for annual industry turnover, with a best estimate of £5.31 billion, as there was the marked absence of an alternative position.

Table 11: Annual savings through reduced regulatory burden as a percentage of industry revenue.

	Low estimate	Best estimate	High estimate
A. Estimated industry revenue	£4.57 billion	£5.31 billion	£5.95 billion
B. Percentage of industry turnover saved	0.25	0.5	1.0
C. Total savings (A x B)	£11.43 mn	£26.55 mn	£59.50 mn

Total Annual savings = £26.55 million [best estimate]

NPV over 10 years = £220.81 mn

2. Removal of barriers to entry

Although quantity restrictions could be imposed by licensing authorities under the proposed reformed law, trading in licence plates would be prohibited in future quantity restricted areas. The effect of the plate premiums is to prevent many would-be entrants to the trade from being able to obtain their own licence. Such a change will thus make the entry to the trade financially easier. It is also likely to bring more transparency to the way the market operates, as we heard that non-economic (and potentially discriminatory) factors, such as family connections or religious or ethnic considerations might be associated with the sales patterns.

In addition, a new public interest test will ensure that in the quantity restricted areas the number of taxis is in line with the demand, so that prospective entrants will be given further chance to access the market.

3. Reduction in number of taxi driver assaults

It is important to recognise that drivers too are at risk. In the past 20 years, 63 taxi or private hire drivers have been murdered. Whilst this figure does not distinguish between those who were killed whilst working and those whose deaths were not linked to the trade, it is nevertheless frightening.

Drivers are frequently victims of assaults and robberies. Our recommendations would allow for driver safety measures and training that would better equip drivers to deal with challenging

environments and avoid conflict to be provided for by regulation. Based on 63 deaths over twenty years we assume that 50 percent are taxi related, ie. 32 deaths over 20 years and we make the further assumption that a low estimate would be 1 death a year, best estimate 2 deaths a year and 3 deaths is the high estimate. See table 12 below.

Table 12: Annual savings through reduced assaults on taxi drivers

	Low estimate	Best estimate	High estimate
A. Total taxi related deaths over 20 years	32	32	32
B. Annual number of deaths prevented	1	2	3
C. Cost avoidance (physical and emotional)(£1,883,715 ⁵⁹ x B)	£1,883,715	£3,767,430	£5,651,145

Total annual savings = £3,767,430 [best estimate]

NPV over 10 years = £31.33 mn

Taxi users/ members of public

4. Improved safety standards

Safety is a key justification for the licensing system as a whole yet there are no national minimum standards in respect of issues such as driver and vehicle safety standards. Disability groups have highlighted significant problems in ensuring accessibility and the safety of disabled passengers. Disability groups have told us that most disabled persons have to travel without proper restraints on a daily basis. This is not only unsafe, but uncomfortable and at times undignified. These problems do not only affect wheelchair users: deaf passengers may have difficulty communicating with the driver where the vehicle is fitted with a partition, and blind passengers have concerns about being unable to read taximeters

Furthermore, standardised vehicle safety requirements and a standard frequency of checks should give rise to a general improvement in consistent safety standards.

Currently, a hire vehicle which operates illegally (for example, a PHV which plies for hire) risks invalidating its insurance. The far clearer definition of plying for hire we propose, along with greater clarity on which operations and services require licenses, could significantly reduce the incidence of passengers travelling in effectively uninsured vehicles. In these instances their only means of recourse is to the Motor Insurers Bureau, whose compensation is subject to limits.

⁵⁹

Home Office, *Revisions made to the multipliers and unit costs of crime used in the Integrated Offender Management Value for Money Toolkit*, at <https://www.gov.uk/government/publications/unit-costs-of-crime-and-multipliers-revised>

Minimum national standards ensure the reputation of the taxi and private hire trades as all providing to at least a common standard. This ensures increased user confidence and provides the basis for increased user demand. The average value for the prevention of road casualty in the case of taxi and PHV occupants has been estimated at £39,449, in 2011 prices.⁶⁰ This means that if one accident was avoided (a conservative estimate), there would be an annual saving of about £40,930 in 2013/14 price, two accidents = £81,860 [best estimate] and three accidents avoided per year would be £122,780 [high estimate].

Annual savings = £81,860 [best estimate]

NPV over 10 years = £680,797

5. Reduced number of taxi user assaults

Improved safety features aim to reduce the potential for offences against passengers. Our recommendations should have the result of reducing the number of unlicensed vehicles and drivers, as well as the number of touts. Better enforcement will act as a deterrent, encouraging providers to work within the regulated sector, and will allow greater targeting of rogue traders. Removing confusion around which vehicles should be licensed will also ensure more vehicles which ought to be licensed will be, for example limousines.

Although the move to allow enhanced CRB checks will have gone a significant way towards improving passenger safety, we believe that our recommendations will continue this trend. This is particularly the case in relation to our recommendations on touting, an offence which is associated with sexual offences. We propose tougher sentences and a power to impound the vehicle of someone suspected of touting, two strong new deterrents. Offences against passengers (by both licensed and unlicensed drivers) most commonly include sexual offences, assault and theft. Taking sexual offences as an example, the estimated total cost of £38,359 [in 2011 prices] provides a measure of the economy-wide benefit of preventing sexual crimes. If 111 cases have been reported in London alone, which accounts for about 30 percent of all taxi services, nation-wide the figure must be closer to 400 reported cases.

6 Improved social inclusion

The new public interest test and procedural safeguards to be set up in quantity restricted areas will ensure that the number of taxi licences corresponds with the level of demand and secure a better general consumer representation. This is likely to lead to a relaxation on the number of taxi licences issued in quantity restricted areas, which in turn will improve access to people on low income – however the extent to which the benefit extends to those with particular needs, for example with limited mobility, depends on the type of increased supply that becomes available.

If, for example, zoned licensing were to be introduced, wheelchair accessible vehicles and vehicles restricted to working in particular areas would be made increasingly available. Furthermore, the opening up of the private hire market (stemming from the removal of restrictions such as the triple licensing requirement and the prohibition on cross-border sub-contracting) could encourage providers to diversify and expand. Placing the private hire industry on a national footing could promote access to people in more remote areas, as the most practicable way to meet their requirements may be through sub-contracting or using a driver and vehicle licensed in another area.

7. Leisure use of licensed vehicles

Currently, only in London can a licensed vehicle be driven privately by someone who does not hold a taxi or private hire driver licence. This means that a household which includes a taxi or private hire driver will often be required to have a second vehicle, even if the use of the main vehicle as a taxi or PHV is only

⁶⁰ WebTag Unit 3.4.1. The Accidents sub objective, Department for Transport

part-time. Permitting licensed vehicles to be used privately by unlicensed drivers, subject to a rebuttable presumption that it is being used to carry out the regulated activity, will save many households from the cost of a second car. It will also encourage individuals to enter the taxi or private hire trade who may have been put off due to this additional cost. Given that the burden falls most heavily on those who wish only to work part-time, this change may have the additional benefit of promoting part-time working, which tends to respond to those points at which there is greatest demand for vehicles, thus rendering the operation of the market more efficient.

Court system

8. Improved understanding/certainty of licensing requirements

Our proposed scheme, which would limit the discretion of local authorities in standard setting, would bring greater clarity, consistency and foreseeability in standard-setting. The courts would no longer see the systematic challenging of licensing decisions, conditions and policies by individuals, as many of the standards would be set at a national level and subject only to judicial review. We also suggest that disappointed applicants or licence holders should be able to request that the local authority reconsider its decision, which could reduce the number of issues which end up in court. The creation of fixed penalty notices for a number of minor offences would also reduce the number of cases reaching court.

A clearer, modernised regulatory regime could lead to a significantly reduced number of cases going through the court system. This is particularly true for PHVs, as local authorities would be restricted to applying standards set at a national level, and would not be able to add further requirements. Although licensing authorities would have the power to place additional conditions on taxis and their drivers, these would be more limited. In general, decision-making would be more consistent and give rise to fewer challenges. This would bring significant savings for the courts, licensing authorities and individual applicants.

Licensing authorities

9. Reduced enforcement costs

Liberalising the private hire industry would reduce the number of enforceable activities, and remove the myth of PHVs “illegally” working across regional borders. A simpler, more coherent and modern legislative framework would make the role of the enforcement officer more straightforward. It could potentially be less resource intensive with the projected fall in the number of cases reaching court.

The inclusion of pedicabs in the scope of the regulated activity would also have the potential to generate significant savings through reduced enforcement costs, as underlined above, especially regarding London which does not currently have the power to ban pedicabs.

Table 15: Savings from a regulated pedicab service

	Low estimate	Best estimate	High estimate
A. TfL enforcement cost Per annum	£16,250	£16,250	£16,250
B. Percentage saving from regulation	20%	50%	100%
C. Total savings [AxB]	£3,250	£8,125	£16,250

Assumption

1. Regulatory saving range based solely on London – high estimate signals a ban – 100% avoidance of enforcement costs, best estimate – middle ground 50% and low estimate- less effective regulation 20%.

Total savings: £8,125 per annum [best estimate]

NPV over 10 years: £67,572

10. Reduction in demands on licensing officers' time

Clearer legislation which is easier to apply will save a great deal of time. Licensing officers will take decisions within a far more transparent and simple framework, assisted by statutory guidance. Furthermore, our proposed reforms will potentially remove some current licence holders from the obligation to hold a licence. Whilst it is for the Secretary of State to decide what should or should not be included within the scope of licensing, it is our provisional view that services such as childminding and driver guides should not be licensable in this way. Not only will there be a consequent reduction in the number of licensees and applicants, but licensing officers will not be required to spend as much time considering such applications. Our recommendations in relation to limousines and the boundaries between private hire and public service vehicle regulation, as well as in relation to the definition of an operator will have a similar effect.

Our recommendations aim to provide licensing and enforcement officers with a more effective, more suitable and more powerful suite of tools to employ against unlicensed providers, and against license holders in breach of regulations. Further to our reforms, licensing officers will have the ability to take action against vehicles licensed in different licensing areas, however, with the exception of immediate suspensions on the basis of public safety risks, the responsibility for suspending and revoking licences would remain with the “home” licensing authority, which originally issued the licence. We also recommend that the Secretary of State should have the power to set up a scheme to redistribute private hire licence fee revenue to reflect differential enforcement needs among different licensing authorities. Finally, we note that whilst licensing authorities decide how to allocate funds, more efficient working invites financial savings.

Where more effective enforcement allowed licensing officers to spend less time on taxi and private hire work and more time on other aspects of their role, the reduction in expenditure would be passed on to licensees by way of reduced license fees.

Table 16 below summarises the monetised benefits of this option.

Table 16: Summary of monetised benefits

	Low estimate	Best estimate	High estimate
<i>On-going</i>			
Reduced regulatory burden	£11,430,000	£26,550,000	£59,500,000
Reduced driver assaults	£ 1,883,715	£ 3,767,430	£ 5,651,145
Improved safety	£ 40,930	£ 81,860	£ 122,780
Reduced enforcement cost	£ 3,250	£ 8,125	£ 16,250
Total On-going (Years 1 – 10)	£ 13,357,895	£ 30,407,415	£ 65,290,175

RISKS, ASSUMPTIONS AND SENSITIVITIES

Assumptions:

All the assumptions that underpin specific cost/benefit estimates are indicated alongside the relevant discussion. However there are broader assumptions that inform our approach to the impact assessment and these are as follows:

1. Latent demand responds to improved provision in taxi services and this facilitates the further increase in taxi demand;
2. The groups identified in the consultation paper as potentially excludable from the licensing regimes would all be excluded (eg driver guides, childminders, volunteer drivers);
3. Current arrangements regarding government funding for licensee training remain in place.

Risks:

1. The Secretary of State may choose to exclude fewer groups than indicated in assumption 2. This is a low risk.
2. There is a high risk that given the current economic climate funding of licensee training is no longer available – in which case licensee will be required to self-fund.

Sensitivities:

1. All cost/benefit estimates that rely on a range have been indicated throughout the impact assessment.
-

Specific impact tests

An impact assessment must consider the specific impacts of a policy option upon various groups within society. These specific tests are carried out below and refer to the implementation of Option 1.

Competition

According to Office of Fair Trading guidance, the competition assessment must consider whether in any affected market, the recommendation would directly or indirectly limit the number or range of suppliers, limit the ability of suppliers to compete, or reduce suppliers' incentives to compete vigorously.

Having regard to these tests, we do not believe our recommendations will have any significant negative impact on competition. On the contrary, competition is likely to be improved by several proposed changes such as an improved fight against unlicensed vehicles; narrower definition of operators of PHVs; prohibition for local authorities to place additional, unnecessary and arbitrary conditions on private hire licences and an easier method of challenging local taxi conditions; removal of restrictions on cross-border hiring and triple licensing; new possibility of subcontracting private hire work; more transparent public interest test; new legally prescribed record-keeping and information obligations on licensed operators in respect of any taxis they dispatch as part of their fleet.

Small firms

As noted above, in both the private hire and taxi markets, the vast majority of drivers are self-employed, and most own their own vehicle. There is the commensurate risk associated with a more competitive environment that as competition is improved some private hire service providers will receive fewer passengers and that economies of scale will favour the larger concerns. As for their customers, we believe they will benefit from the reformed law in many regards: through improved safety standards and the removal of administrative requirements hindering the provision of PHVs – in respect, for example, of cross-border services or sub-contracting. They would also benefit from better information on fares and would be able to compare available services of different companies, since private hire services and pre-booked taxis would have to comply with new up-front price obligations. Further, the new prohibition on

the trading of licence plates may have a beneficial impact on the level of fares as currently premium values are partly paid for by customers through increased fares. Moreover, the greater variety in the provision of services would be beneficial for customers. In particular, alternative vehicles like motorbikes and pedicabs could be more effectively allowed to provide services, for example where the journey involves a single passenger and this would allow for a more effective service. Customers would also be provided with more information on how to make a complaint. Regarding more specifically disabled passengers would also take advantage of the new compulsory recognised disability awareness training.

Environmental impact and wider environmental issues

We recognise that encouraging a greater number of vehicles to take to the road, and perhaps to travel more widely, could have a negative impact on the environment. However, taxis and PHVs account for a very small proportion of UK licensed vehicles. Of the 28.6 million cars registered in the UK in September 2011⁶¹, only 233,100 of these were licensed taxis and PHVs⁶². As a proportion of the total number of licensed vehicles, taxis and PHVs account for less than 1.0 percent. With such a low percentage taxi services cannot be said in themselves to be significant contributors to environmental harm. It may even be argued that taxi services provide a means of reducing carbon emissions. The extent to which this holds true depends on the status of taxis in public transportation.⁶³ The past ten years or so has seen the small but consistent growth in the number of licensed taxi and PHVs. See table 15 below.

Table 15: Number of licensed taxis and PHVs as a proportion of all cars licensed in the UK for selected years

Year	Number of taxis ('000) (A)	Number of PHVs ('000) (B)	Total number of licensed cars ('000) (C)	(A + B)/C (percentage)
12/1999	61.3	N/A	23,974.9	N/A
12/2005	68.0	124.5	25,781.9	0.75
12/2007	73.6	133.0	27,028.1	0.76
12/2009	75.9	150.8	28,160.7	0.81
09/2011	78.0*	155.1*	28,608.1	0.81

* for year ending March 2011

Source: Department for Transport biennial survey of taxis – various reports;

Vehicle Licensing Statistics (<http://www.dft.gov.uk/statistics/series/vehicle-licensing/>);

⁶¹ See *Vehicle Licensing Statistics Q3 2011*, at <http://www.dft.gov.uk/statistics/releases/vehicle-licensing-statistics-q3-2011>.

⁶² See latest taxi survey at <http://assets.dft.gov.uk/statistics/releases/taxi-private-hire-vehicle-statistics-2011/taxi-2011.pdf>

⁶³ J. Hawthorne and Merz Sinclair Knight, Encouraging the shift from private to public transport – are taxis part of the solution or part of the problem? 2009, Association for European Transport Conference,

A number of proposed measures will have the potential to make a positive environmental impact. Although the licensing authority is already under a duty to meet environmental targets to decrease harmful emissions,⁶⁴ the proposed reform would potentially allow for improvements in this area as the Secretary of State would be able to set and thereby reinforce environmental standards in setting (minimum) taxi and (maximum) private hire standards. Currently, all standard-setting, including on protection of the environment, takes place at a local level, which potentially means 336 different sets of standards across England and Wales. In the reformed system, the setting of core standards at a national level would ensure that emissions are duly taken into account in all licensing areas.

Moreover, under the reformed regime, alternative vehicles like motorbikes and pedicabs could be more effectively allowed to provide services, for example where the journey involves a single passenger. This would allow for a more effective service and greater consumer benefit, as well as positive environmental impact.

Further, licensing authorities will have to take into account environmental considerations in setting quantity restrictions in their area, besides customer waiting times; provision for disabled passengers; and sustainability of the industry.

Finally, the amended regulation will be capable of adaptation to new vehicle technology, which is of particular relevance given the types of innovation which may come about as a result of environmental concerns.

Health and well-being

This impact assessment has been undertaken using the screening questions identified in the Department for Health document "Health impact assessment of government policy".

Will the recommendation have a direct impact on health, mental health and wellbeing?

Our recommendations will improve mobility for disabled and elderly people, as well as promoting social inclusion, independence and participation. We propose driver training which would specifically cover working with disabled people and persons with reduced mobility. Many disabled passengers complain of a significant degree of danger, discomfort and loss of dignity when travelling by taxi or PHV. Our recommendations on driver training would increase awareness of how disabled passengers prefer to travel, the proper restraint of wheelchairs and how to use specialist equipment.

Standardised conditions of licence for private hire drivers would lead to a consistent approach to medical requirements across England and Wales. These standards would be based on consultation not only with the industry but also with relevant specialists, ensuring an appropriate and proportionate response was taken to medical conditions, and potentially allowing a greater number of people with health problems to undertake this kind of work.

Will the policy have an impact on social, economic and environmental living conditions that would indirectly affect health?

We do not foresee any such impact.

Will the recommendation affect an individual's ability to improve their own health and wellbeing?

Our recommendations will allow people, in particular disabled and elderly passengers, to travel more freely. This could allow them to improve their own health and wellbeing, for example by allowing them to shop in a wider range of locations or to access previously unreachable services.

Will there be any change in demand for or access to health and social care services?

The opening-up of the private hire market will promote greater access to health and social care services. There will be no direct change in demand for these services.

⁶⁴

See the Environment Act 1995, s 82 and Local Air Quality Management (LAQM) .

Will the recommendation have an impact on global health?

No.

Human rights

The human rights dimension of our recommendations is most apparent in relation to three elements of our policies:

- creation of the evidential presumption that persons inviting or accepting bookings are operators, and that the driver of a licensed vehicle is undertaking the regulated activity. Article 6(2) of the European Convention on Human Rights and Fundamental Freedoms (ECHR) requires that anyone charged with a criminal offence shall be presumed innocent until proven guilty. However, the courts have held that this requirement does not prohibit all reverse burdens of proof.
- establishment of national standards on the appropriate approach to criminal records in taxi and private hire licensing disclosure of drivers' criminal records. This issue engages article 8 ECHR.⁶⁵ National standards on the appropriate approach to criminal records in taxi and private hire licensing would assist with compliance with the complex and changing law in this area.
- The new impounding scheme that applies in respect vehicles used in connection with touting. The issue engages Article 1 Protocol 1 of the ECHR. We have provided for an appeals structure to recover the vehicle based upon the existing scheme used in relation to the immobilisation of public service vehicles used without licences. The measures we propose are therefore proportionate.

Rural proofing

By emphasising and increasing the cross-border nature of private hire work, stakeholders have informed us that we are likely to increase the number of vehicles flooding city centres. We accept that this may be the case, and that at particular times outlying areas may suffer from a lack of available vehicles.

However, we believe that there will be no negative impact on rural areas. First, it is well recognised that the market functions well in the private hire industry. This would suggest that, where drivers and operators know that work is available in an outlying area, they will work there rather than attempt to get work in an already busy, potentially saturated, city centre. Secondly, we propose allowing licensing authorities to put in place licensing zones. Provision in rural areas could be encouraged through the use of cheaper licensing fees in areas which were susceptible to a lack of supply. Furthermore, our recommendations permitting private hire operators to both use vehicles and drivers licensed in different areas, and sub-contract work to operators in other areas, will allow for the provision of a more flexible service which will improve provision in rural areas.

Sustainable development

We do not foresee any implications for sustainable development.

Statutory equalities

We do not think our recommendations will have any adverse equality impact on any social group as defined by their race, religion or belief, sexual orientation, gender, age, or disability.

Please see attached equalities impact assessment.

Justice system

The impact on the justice system would be twofold. On the one hand, we envisage far fewer appeals against licensing decisions (decisions to grant, refuse, suspend or revoke a licence). The regulatory framework will be far clearer as to what can and cannot be licensed, and what does and does not require a licence. Fewer licences will result in fewer appeals, as will licensing decisions being taken within a far

⁶⁵ The current approach to revealing old and/or minor convictions, cautions or other information has recently been exposed to a successful challenge in the Court of Appeal on the grounds of Article 8R: *(T) v Chief Constable of Greater Manchester Police and others (Liberty and another intervening)* [2013] 1 Cr App R 27. The case is currently on appeal to the Supreme Court.

clearer and simpler legal framework. Minimum safety conditions will be set by the Secretary of State following detailed consultation. Furthermore, licensing authorities will no longer be able to impose additional licensing conditions on PHVs.

On the other hand, we envisage our reforms leading to more and better enforcement. Licensing officers will spend less time tackling complex, outdated legislation, and thus could potentially have more time to spend carrying out enforcement tasks. At the same time, we propose improving the powers of licensing officers. The combination of these two changes could be that more criminal cases will go to the magistrates' court. However, we recommend fixed penalty notices where appropriate for particular offences, which would reduce any additional burden.

There is the further aspect of assaults and homicides committed against drivers and assault, theft and sexual offences committed against taxi users which also impacts on resource usage of the criminal justice system. The cost to the system from assaults and sexual offence crimes is £172,230 and £3,940 (in 2011 prices) respectively. Police activity accounted for about 10 percent of the amount in the case of homicides and prison service accounts for about 80 percent. The proportionate cost of these two aspects in the case of sexual offences was 50 percent and 20 percent respectively. To the extent that the proposed policy is effectively implemented direct savings to the criminal justice system can be claimed.