

Impact of regulation on taxi markets – case study analysis

Annexe D

November 2003

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CONTENTS

1	Introduction	1
2	Method – case study analysis	3
3	Results of local authority panel	6
4	Results of after studies	18
5	Conclusions	28
<i>Appendices</i>		
	Appendix A	31
	Appendix B	39

1 INTRODUCTION

Background

- 1.1 Halcrow has been commissioned by the Office of Fair Trading to undertake a review of the taxi market to determine if the consumer benefits from current regulation, with particular regard to the influence of quantity control.
- 1.2 Regulation in markets is often necessary to protect consumers and/or the public at large from the effects of market failure. Market failure is a technical concept in economics that refers to distortions in the market outcome created when the mechanisms that usually lead to market clearance at market equilibrium are ineffective. Markets will clear first by price, and if price is fixed, by quantity, and if both price and quantity are fixed, by quality. If all three are fixed, as in many taxi markets, the market has been largely superseded by regulation. This places a large burden on the regulator.
- 1.3 Where there is clear market failure the case for regulation is stronger, the problem arises when regulation is applied not because the market outcome is economically inefficient but because it fails to meet political objectives. There are two aspects to this problem:
- the politically motivated solution may skew resource allocation and/or create unforeseen negative consequences, and
 - regulation requires legislation and there is significant inertia in the system. This means that at any one point in time there will be legislation on the books that belongs to a different political era. This is particularly the case in the taxi market with regulations passed in the mid 19th century and mid 1970s still dominating operations today.

Aims of the study

- 1.4 The aims of the Case Study Analysis are to seek to identify evidence that restriction of entry control produces tangible benefits, and to set these alongside any identifiable costs.
- 1.5 The Case Study Analysis is designed to answer the following key questions:

- is there any evidence that consumers benefit from the restriction of entry control to the taxi market?
- If yes, what is the extent of this benefit?
- Is there any evidence of costs associated with restriction of entry control to the taxi market?
- If yes, what are these costs and to what extent can they be measured and set alongside the benefits?

Structure of the report

1.6 The Case Study Analysis has been conducted in two distinct stages and these are reviewed in the following sections of the report. Chapter 2 sets out the methods used in the study, Chapter 3 presents the results of the panel of local authorities and Chapter 4 presents the results of the after studies in Sheffield and Cambridge. Chapter 5 will draw the conclusions of the two studies together.

2 METHOD – CASE STUDY ANALYSIS

Introduction

2.1 This section sets out the methods used to address the four questions identified in the previous section. A two pronged approach was used entailing:

- the establishment of a panel of local authorities including derestricted, re-restricted and restricted markets, and
- detailed (before and after) analysis of two authorities that have undergone quantity derestriction.

Establishment of a representative panel of authorities

2.2 In order to consult with licensing officers, a broadly representative panel of licensing authorities was established. The following classifications were considered useful in the selection of authorities used:

- those that have derestricted and remained so,
- those that have derestricted and subsequently reverted to restriction, and
- those that have remained restricted.

2.3 Table 2.1 lists the authorities used in the panel.

TABLE 2.1: LOCAL AUTHORITY PANEL REPRESENTATION

Derestricted	Derestricted then Re-restricted	Restricted
Falkirk	Liverpool Sunderland	
Cambridge	Leicester	Leeds
Sheffield	Bristol	Brighton
Worcester	South Ribble*	Bedford
Newport		

*Recently re-restricted but currently has numbers in excess of its limit of 86

2.4 The structure of the information sought is attached as Appendix A but is summarised below:

- circumstances at the time of derestriction,
- expectation of derestriction,
- extent to which these were met,
- impact of derestriction on the structure and operation of the taxi and private hire trades,
- evidence on price and condition changes,
- evidence on rank provision,
- impact on complaints,
- circumstances leading to re-restriction, and
- impact of re-restriction on the above.

Detailed case studies

- 2.5 To assess whether the service to the consumer has deteriorated since derestriction two 'after' studies have been conducted in Sheffield and Cambridge¹. Both authorities derestricted over two years ago and provide a good basis for identifying benefits/disbenefits to consumers from moving to a free entry policy. In both these locations, Halcrow has access to demand and performance data from the period leading up to derestriction.
- 2.6 To quantify this change, rank observations and consumer research have been conducted. Rank observations have identified the level of demand and passenger delay in each city. Consumer research has also been conducted in both cities in an attempt to identify any measurable changes in consumer satisfaction resulting from the change in entry policy.

¹ From the Office of Fair Trading's standpoint, if there is no evidence of a worse service to the consumer resulting from derestriction then it can be concluded that the restrictive policy had provided no benefit.

3 RESULTS OF LOCAL AUTHORITY PANEL

Introduction

3.1 This section provides commentary on the results of the discussions with licensing officers and is split into five distinct sections:

- pressures leading up to derestriction
- expectations of derestriction
- effects of derestriction
- benefits of restriction, and
- costs of restriction.

Local authority panel

3.2 As detailed in the previous section a panel was chosen to represent derestricted, restricted and re-restricted authorities. Table 3.1 summarises the characteristics of each authority.

DERESTRICTED AUTHORITIES

3.3 Cambridge was very tightly restricted for many years and exhibited a high resale value on licence plates. This was estimated to be £15,000 prior to derestriction though this had been reported to be as high as £30,000 in some years. Following a series of unmet demand studies, in the year 2000 the authority removed its numerical limit on hackney carriage vehicle licences. The earlier unmet demand studies had found no evidence of significant unmet demand but the most recent two had both suggested more licences were required. The boundaries of the authority are closely drawn around the urban area of Cambridge.

3.4 Sheffield derestricted in 2000 following an unmet demand survey. The unmet demand study showed that there was no significant unmet demand. The hackney trade challenged the decision to derestrict citing the evidence from the study and the matter was the subject of Judicial Review. This found in the authority's favour. The main taxi trade is

centred on the night time leisure industry. Prior to derestriction the licence value was estimated at £8,000.

- 3.5 Worcester is a historic city that reviewed its free entry policy recently and determined to remain derestricted. The district is very compact and the trade rely on the night time leisure industry for most of its work. Vehicle numbers have increased from 45 in 1994 when the limit on the number of hackney carriage licences was removed. All new vehicle licences issued since 1994 have been wheelchair accessible, with approximately 57 vehicles in the fleet now of this type. As a result of having a mixed fleet the Council allows passengers to choose the type of vehicle they require when using a rank (rather than having to take the first in line). This has been known to cause altercations amongst drivers, particularly at night.
- 3.6 Newport is an authority with a long history of derestriction. There is an urban concentration of taxis with some demand for rural work. Hackneys tend to dominate the city centre.
- 3.7 Falkirk is a mainly urban area with a small rural hinterland and a number of small suburban towns. The authority derestricted in 1993 and as a result the number of hackneys increased dramatically.

RE-RESTRICTED AUTHORITIES

- 3.8 Liverpool is an authority that underwent derestriction of the market in the 1970s and due to a dramatic increase in the number of hackneys subsequently re-restricted in 1994. Liverpool has the largest fleet of hackneys outside of London.
- 3.9 Leicester City Council adopted a free entry policy with regard to hackneys shortly after the 1985 Transport Act came into force. The number of hackneys increased but not as quickly as expected, due to the introduction of a stricter vehicle quality policy. However, an unmet demand study provided evidence of excess supply and as a result the Council re adopted a policy of restriction.
- 3.10 Bristol is a highly urban authority dominated by city trade. The market was regulated up until 1997 and then de-regulated until December 2002. In 2002 the authority decided to set a limit on the number of hackney

licences issued. The limit has not yet become effective and licence numbers have increased at a faster rate than the historical trend from 591 to 718. The authority is currently subject to an appeal from a company that supplies a brand of wheelchair accessible vehicle. The company missed the deadline for applications and has subsequently appealed for 32 licences. The hearing has been adjourned until early September 2003.

- 3.11 South Ribble is a semi rural authority with a large fleet of hackneys. The majority of work is contract and Manchester airport runs. The authority derestricted in 1998 following an unmet demand survey. In 2001 the Council decided to issue a limit on the number of hackneys at 86. Currently the authority licences 192 hackney carriages.

RESTRICTED AUTHORITIES

- 3.12 Sunderland is a restricted authority that operates a zoned system for hackney carriages. Sunderland is split into two zones and through regular unmet demand studies has adopted a policy of controlled expansion of the hackney carriage market. The number of hackney carriages and private hire vehicles stands at 303 and 500 respectively. The authority limits the number of hackney carriages to 308 but there is little demand for the remaining five licences as they are for the rural zone. Over the last 10 years the number of private hire vehicles has decreased by around 25.
- 3.13 Leeds City Council has controlled entry to the market since before the Transport Act of 1985 was enacted, but over recent years the number of licences has been increased by 40 per year. Leeds City Council currently licences in excess of 3,000 private hire cars and as Table 3.1 illustrates has a high population per hackney figure. The topography of the Leeds district is a little unusual with a major regional capital at its centre and a significant semi-rural hinterland, including several substantial settlements some 10 or 15 miles from Leeds City Centre. This provides a partial explanation for the large private hire fleet which was found in a recent study to conduct the majority of its trade away from Leeds City Centre.

3.14 Brighton & Hove is a restricted authority that regularly undertakes unmet demand studies. The number of hackney licences has increased steadily.

3.15 Bedford has restricted entry to the hackney market but has regularly increased the number of licences available following regular unmet demand studies. Like Leeds the authority licences a large number of private hire cars and maintains a much higher population per hackney figure. The main demand is centred in the city centre.

TABLE 3.1: PANEL CHARACTERISTICS

	Cambridge	Sheffield	South Ribble*
Status	Derestricted	Derestricted	
No of hackneys	215	457	192
No of hire cars	276	909	59
Main generators of taxi demand	University, rail & bus station	Railway station/ Bars& Clubs	Contracts
% of wheelchair accessible hackneys	5	100	16
% of wheelchair accessible hire cars	0	<1	38
Population per hackney	506	1,123	541
Population per private hire car	394	565	1,760
Cost of a 2 mile journey (Source: Private Hire & Taxi Monthly May 2003)	£4.00	£4.30	£3.90

*Recently re-restricted but currently has an excess of its limit of 86

TABLE 3.1: CONTINUED

	Worcester	Newport	Falkirk
Status	Derestricted	Derestricted	Derestricted
No of hackneys	161	192	500
No of hire cars	63	245	35
Main generators of taxi demand	Clubs & Bars	Clubs & Bars	Falkirk town centre
% of wheelchair accessible hackneys	75	n/a	3
% of wheelchair accessible hire cars	11	6	0
Population per hackney	580	714	290
Population per private hire car	1,482	559	1,148
Cost of a 2 mile journey (Source: Private Hire & Taxi Monthly May 2003)	£3.75	£3.50	£3.60
	Liverpool	Leicester	Bristol
Status	Re -restricted	Re-restricted	Re-restricted
No of hackneys	1417	318	615
No of hire cars	900	750	670
Main generators of taxi demand	City Centre/ Football stadia	Railway station	Clubs & Bars/Rail & Bus stations
% of wheelchair accessible hackneys	100	100	58
% of wheelchair accessible hire cars	0	n/a	n/a
Population per hackney	310	880	619
Population per private hire car	488	373	568
Cost of a 2 mile journey (Source: Private Hire & Taxi Monthly May 2003)	£4.10	£3.90	£4.40

TABLE 3.1: CONTINUED

	Sunderland	Leeds	Brighton	Bedford
Status	Restricted	Restricted	Restricted	Restricted
No of hackneys	303	402	459	53
No of hire cars	500	3000	397	430
Main generators of taxi demand	Rail station/ Football stadium	Clubs & Bars	Seafront tourism/ Railway station	City Centre
% of wheelchair accessible hackneys	44	34	60	n/a
% of wheelchair accessible hire cars	< 1	3	1	n/a
Population per hackney	927	1,780	540	2,791
Population per private hire car	562	238	624	344
Cost of a 2 mile journey (Source: Private Hire & Taxi Monthly May 2003)	£3.40	£4.20	£5.00	£4.30

*Recently re-restricted but currently has an excess of its limit of 86

Pressures leading up to derestriction

3.16 All of the English derestricted authorities decided to derestrict as a result of unmet demand studies. In addition Worcester wanted to remove the constant need to undertake unmet demand studies.² They perceived that this was a large cost to the local authority.

3.17 In Falkirk the pressure to derestrict came from drivers. Drivers were generally unhappy and felt that owners were being particularly restrictive.

² In the majority of local authorities the cost of unmet demand studies is added to the hackney licence fees though in some, Worcester included, it is borne by the local taxpayer.

The trade alleged that vehicle licences were falling in to the hands of one or two people within the motor trade who were then renting the plates out at excessive cost. It was also alleged that a condition of obtaining these licences was that a vehicle was purchased from the said motor dealer who provided the licence. It was also perceived that the trade were not serving the public well.

- 3.18 In Bristol the pressure to derestrict was as a result of legal advice stating that the waiting list was discriminatory on the basis of race and gender. In the re-restricted authorities of Leicester and Liverpool pressure was from the trade to rerestrict. In Liverpool the pressure to re-restrict came from all agencies due to the rapid expansion of hackneys and resultant congestion.

Expectations of derestriction

- 3.19 Officers in derestricted authorities expected market equilibrium to be achieved as a result of derestriction. The trade however expected to lose business and experience increased competition. One authority expected the number of hackney applications to rise very quickly. It was also felt that the number of hire cars would fall dramatically.
- 3.20 The authorities that were derestricted initially expected derestriction to increase the number of wheelchair accessible hackneys and alleviate any problems with late night crowds of people. However in Liverpool the expectation was that derestriction would open up the market and allow people to access hackney plates.
- 3.21 The restricted authorities expected derestriction to result in a large influx of hackneys causing rank overcrowding.

Effects of derestriction

- 3.22 It is clear from the interviews with Licensing Officers that derestriction has had a range of different effects for officers, the public and the trade.
- 3.23 In the derestricted authorities of Sheffield, Newport, Worcester and Cambridge the actual experience of derestriction was positive. Market forces were considered to be working with the number of hackneys increasing steadily in line with demand. In most cases there was an initial

surge in licence applications but this became steady over a period of time. In Sheffield prior to derestriction the council licensed 300 hackney carriages, this has increased to a present figure of 457. In Cambridge prior to derestriction the council licensed 147 hackney carriages, this has risen to a present level of 215. Prior to derestriction in Worcester the council licensed 45 hackneys, following the removal of the limit the authority currently licences 161. In Newport the authority has always been derestricted and the numbers of hackneys has remained relatively stable at 200.

- 3.24 In Sheffield the number of private hire cars decreased by more than hackneys increased following derestriction. In Cambridge the number of private hire cars decreased. In Worcester the number remained stable.
- 3.25 In Liverpool however, derestriction increased the number of hackneys dramatically which led to major congestion across the city. Prior to derestriction the council licensed approximately 300 hackneys. This increased to 1,417 following derestriction.
- 3.26 In Bristol derestriction and the subsequent increase in hackneys cleared the problems of overcrowding outside bars and clubs at closing time in the short term. However with the rapid and large scale proliferation of clubs and bars there was still a problem of crowds of people congregating in the centre when venues closed. In Bristol the effect of derestriction was to stimulate members of the private hire trade to switch to hackneys. At the time of derestriction there were 275 hackneys and 950 private hire, by June 2002 there were 591 hackneys and 678 private hire, a 116 per cent increase in hackneys but only a four per cent increase in the combined fleet.
- 3.27 In South Ribble the number of hackneys increased and the number of private hire cars decreased as private hire drivers obtained hackney licences.
- 3.28 With derestriction most authorities have responded that there has been fewer complaints about the availability of vehicles. In Liverpool the increase in hackneys resulted in almost no passenger delay.
- 3.29 None of the officers questioned stated that fares had increased as a result of derestriction.

- 3.30 Not all authorities were entirely positive about the effects of derestriction. In the re-restricted authorities of Leicester, Liverpool and South Ribble, derestriction created issues around the quality of vehicles. The licensing officers made reference to the number of poor quality vehicles that came into the market. In Leicester the view was that if there were too many vehicles the trade would not look after them as well. A similar situation occurred in South Ribble where derestriction created an influx of poor quality vehicles. In Liverpool the officer hoped that reintroducing a limit would increase vehicle quality. When Leicester and South Ribble re-restricted they introduced a six monthly police check to ensure vehicle quality however this could have been introduced prior to the reintroduction of the limit.
- 3.31 A similar situation occurred in Falkirk. Following derestriction in 1993 the majority of private hire drivers obtained hackney licences and as a result there was a rapid increase in the number of hackneys. As a result vehicle standards fell. In 1995 the authority introduced more stringent vehicle standards and adopted a policy of testing every six months.
- 3.32 In South Ribble market forces did not operate as expected with large companies becoming car hire firms, hiring vehicles out to taxi drivers by the week. A similar situation happened in Liverpool where owners financed individuals to obtain hackney licences and then used this to increase their fleets and share of the market.
- 3.33 However, a number of authorities increased the quality of their fleets through derestriction. Cambridge gained a better fleet of vehicles as prior to derestriction the authority revised its vehicle age policy. In addition the number of wheelchair accessible vehicles increased resulting in a much higher fleet quality. This was also the case with the authorities that had a more stringent age and accessibility policy. It should be noted that a number of authorities accompanied the change in entry control with changes in quality control.
- 3.34 In Leeds the officer expected that a policy of derestriction would increase the need to monitor vehicle quality.

- 3.35 Worcester made the point that derestriction reduced costs for the council as they did not have to undertake unmet demand studies every three years.
- 3.36 None of the derestricted authorities had any evidence of increased direct costs. It was generally accepted that since derestriction there was a greater need for more ranks but due to city centre land constraints these had not been provided.
- 3.37 In all derestricted authorities the licence had no value since deregulation. In the restricted and re-restricted authorities there was a licence premium, which indicates that earnings from plying for hire are higher than they would be if a free entry policy were introduced. The licence premium is explored more fully in an accompanying report.
- 3.38 In Bristol derestriction is not said to have incurred any real costs in terms of increasing the number of ranks. Derestriction led to an increase in complaints from the public about overcharging. This was accompanied with an increase in complaints from the trade about the extent of competition and the resulting decrease in income. This factor was identified as the motivating factor for overcharging. This however has not been reported in other authorities.

Pressures to re-restrict

- 3.39 As discussed in the previous section, derestriction did not result in entirely positive experiences for a number of authorities, from an officers' perspective.
- 3.40 In South Ribble the authority commissioned an unmet demand survey because of the problems associated with the over supply of hackneys in the authority. The authority received complaints from the trade and the public about the level of hackneys and congestion that they caused. The unmet demand study reported that there was no significant unmet demand and as a result the authority re introduced the limit. In Liverpool the rapid increase in hackneys led to overcrowding at ranks. This continued as there was no space available to allocate to new ranks. The result of this congestion was overwhelming pressure to re-restrict from all agencies. Liverpool currently restricts the number of hackney licences at 1,417.

3.41 Leicester and Bristol re-restricted as a result of constant pressure and complaints from the trade. The trade's view was that derestriction did not allow them to make an acceptable living. In Bristol, re-restriction has resulted in greater officer costs due to all the administration involved with re-establishing a limit and resulting litigation.

Do consumers benefit from entry control?

3.42 Discussions with licensing officers have provided little evidence of any direct benefit to the consumer as a result of entry control. Licensing officers in authorities that have re-restricted believe that this change in policy has allowed for improvements in vehicle standards due to officers having more time to police the trade.

Is there any evidence of costs associated with entry control?

3.43 Discussions with licensing officers have provided some evidence of costs to the consumer as a result of entry control. These include:

- lack of vehicle choice, especially for disabled customers,
- passenger delay especially at peak times,
- cost of unmet demand studies (though in many cases this is added to the licence fee), and
- lack of competition.

3.44 The tangible result of restricted competition is the resale value on licence plates. This ranges from as little as £250 in South Ribble to as much as £30,000 in Brighton, Sunderland, Bedford and Liverpool. Halcrow has identified empirical evidence that this resale value can be directly linked to measures of consumer detriment.³

³ Valuation of Hackney Carriage Licence Premises July 2003. OFT.

Conclusions

3.45 The conclusions to be drawn from this discussion with licensing officers are:

- derestriction in the nine authorities studied led to an overall increase in hackney vehicle numbers
- derestriction puts pressure on vehicle quality and requires tight conditions and enforcement of the conditions
- derestriction increases the demand for rank space which is seldom forthcoming, and
- derestriction reduces direct costs associated with unmet demand surveys and litigation. Although there have been instances of recourse to Judicial Review by hackney trade members seeking to prevent derestriction, none of the actions have been successful.

4 RESULTS OF AFTER STUDIES

Introduction

- 4.1 The primary objective of this part of the study was to seek hard evidence of consumer benefit arising from derestriction.
- 4.2 'After' studies were conducted in Sheffield and Cambridge to assess the evidence of improvement in service provided. Both authorities derestricted more than two years ago following unmet demand studies carried out by Halcrow.
- 4.3 Halcrow conducted an unmet demand study for Sheffield City Council in May 1998. At the time the local authority limited the number of hackney carriage licences to 300. Halcrow concluded that there was no significant unmet demand. Following the study Sheffield City Council removed the limit.
- 4.4 Halcrow conducted an unmet demand study for Cambridge City Council in March 2000. The study concluded that there was a significant unmet demand and that 14 licences were required. This was in addition to 22 licences issued in response to a Halcrow study conducted in 1998. At the time of the 2000 study the local authority limited the number of hackney carriage licences to 147. Following the study Cambridge City Council removed the limit.

Methodology

- 4.5 Two data collection exercises were undertaken:
- rank observation surveys, and
 - public attitude surveys.
- 4.6 These survey results have been compared with those conducted just before derestriction.

Rank observation survey

4.7 Rank observation surveys were conducted to identify the level of demand and passenger delay in order to compare against previous studies. The programme covered a period of 172 hours in Cambridge (156 hours in 1999) and 156 hours in Sheffield (304 hours in 1998).

4.8 The rank observations in Cambridge were carried out during the period Tuesday 1st April 2003 to Saturday 23rd May 2003. In Sheffield the rank observations were carried out during the period Saturday 5th April 2003 to Tuesday 10th June 2003.

THE BALANCE OF SUPPLY AND DEMAND

4.9 The first indicator of the performance of the hackney trade can be gauged from a general assessment of market conditions. This is assessed in terms of three broad areas: excess demand, equilibrium and excess supply.

4.10 The results of the analysis are presented in Table 4.1 and Table 4.2 below where comparisons are made with previous studies.

TABLE 4.1: THE BALANCE OF SUPPLY AND DEMAND IN THE SHEFFIELD RANK BASED HACKNEY CARRIAGE MARKET (PERCENTAGES – ROWS SUM TO 100, 1998 RESULTS IN BRACKETS)

Period		Excess Demand	Equilibrium	Excess Supply
Weekday	Day	9 (0)	49 (67)	43 (33)
	Night	27 (10)	45 (46)	27 (44)
Weekend	Day	23 (9)	23 (43)	53 (48)
	Night	42 (26)	27 (53)	31 (21)
Sunday	Day	5 (31)	10 (31)	10 (38)
All 2003		27	37	36
All 1998		15	48	37

Note: Passenger queue > 3 = excess demand, cab queue > 3 = excess supply

4.11 Since the last study in 1998, periods where excess supply is observed have increased in weekday day and weekend day and night periods. Excess demand has increased in all periods except Sunday daytime. It is not clear why this is the case as supply has increased and demand is

stable (see below). The results from the rank observations may lead us to believe that these extra hackneys are not filtering through to the ranks and that they have adopted a policy of seeking alternative means of earning revenue.

4.12 Two possible reasons why cabs are not filtering through to the ranks are as follows. First the main ranks are difficult to access due to capacity constraints and ongoing building work in the city centre leading hackneys to adopt a policy of cruising, and second more users are 'flagging' hackneys that are returning from earlier journeys. Evidence of this is reported below. This method is also cheaper for the user as they are usually walking in the direction of their destination.

TABLE 4.2: THE BALANCE OF SUPPLY AND DEMAND IN THE CAMBRIDGE RANK BASED HACKNEY CARRIAGE MARKET (PERCENTAGES – ROWS SUM TO 100, 1999 RESULTS IN BRACKETS)

Period		Excess Demand	Equilibrium	Excess Supply
Weekday	Day	8 (29)	48 (47)	44 (24)
	Night	38 (39)	60 (56)	3 (6)
Weekend	Day	28 (57)	28 (39)	44 (4)
	Night	20 (62)	73 (35)	6 (3)
Sunday	Day	15 (63)	15 (31)	69 (6)
All 2003		22	53	26
All 1999		45	43	12

4.13 Following derestriction in Cambridge in 2000, periods of excess demand have reduced from 45 per cent to 22 per cent. Excess supply is now observed in 26 per cent of all hours representing a doubling since 1999 (12 per cent). Weekday daytime excess demand has fallen from 29 per cent to 8 per cent, which coincides with the significant increase in excess supply observed in the same period from 24 per cent in 1999 to 44 per cent in 2003.

4.14 The 1999 results indicate that passengers travelling during the weekday daytime were experiencing a large degree of queuing at ranks, which is the first indication of the presence of significant unmet demand in the hackney carriage market. However, the 2003 results indicate that

conditions have improved for customers during the crucial weekday daytime period but remain less favourable during weekday night-times.

AVERAGE DELAYS AND TOTAL DEMAND

4.15 The following estimates of average delays and throughput, shown in Table 4.3 and Table 4.4, were produced for each of the main ranks in the licensing district and the district as a whole for both Sheffield and Cambridge.

TABLE 4.3: SHEFFIELD AVERAGE DELAYS AND TOTAL WEEKLY DEMAND (DELAYS IN MINUTES)

Rank	Passenger Departures	Cab Departures	Average Passenger Delay	Average Cab Delay
Midland Station	7,409 (8,000)	4,515 (5,700)	0.60 (0.29)	18.03 (15.63)
Fitzalan Square	2,649 (3,300)	1,767 (1,900)	0.26 (2.94)	10.23 (15.48)
Barkers Pool	5,209 (3,500)	2,877 (2,300)	0.92 (1.33)	10.26 (11.20)
Arundel Gate	307 (200)	128 (100)	1.52 (0.49)	0.94 (4.41)
Bank Street*	272	240	1.57	0.00
Charter Square	939 (500)	384 (900)	4.53 (10.47)	0.35 (0.00)
Charter Row	1,115 (200)	491 (100)	5.53 (0.00)	0.00 (0.00)
Eyre Street (Berlins)	435 (500)	189 (300)	5.82 (8.10)	0.07 (0.00)
Ecceshall Road	1,368 (1,500)	488 (600)	0.09 (1.62)	4.62 (2.12)
Ecceshall Road*	425	180	2.91	1.88
Meadowhall	518 (1,600)	315 (900)	0.49 (0.04)	39.82 (20.95)
Pond Street (Bus Station)	343 (300)	326 (200)	1.23 (1.10)	6.72 (12.07)
Pond Street (Nelson Mandela)*	160	67	1.78	0.60
Boston Street (Bed Nightclub)*	101	43	0.00	0.00
Total 2003 (1998)	21,250 (19,600)	12,010 (13,000)	1.23 (1.47)	12.21 (12.87)

NB – 1998 figures in brackets, * 2003 Observations only

- 4.16 The trade is somewhat concentrated at the railway station rank accounting for 35 per cent of total hiring's. The three most dominant ranks together account for 72 per cent of passenger departures compared to 75 per cent in 1998. Passenger delay has decreased over the three year period by 16 per cent, which has coincided with an increase in hackneys by 52 per cent. Cab delay has remained roughly the same over the three years since derestriction.
- 4.17 Although the number of passenger departures has increased slightly since derestriction the number of cab departures has decreased slightly suggesting that the overall market has remained roughly constant.
- 4.18 Since derestriction passenger delay has decreased slightly. In 2003 average passenger delay was 1.23 minutes for a hackney, as opposed to 1.47 minutes in the 1998 study. The proportion of people waiting over five minutes for a hackney has decreased as well since derestriction. In 1998 26.7 per cent of people waited in excess of five minutes compared to 8.8 per cent in 2003. Whereas more people are waiting than before derestriction, the length of these delays is lower.

TABLE 4.4 CAMBRIDGE AVERAGE DELAYS AND TOTAL WEEKLY DEMAND (DELAYS IN MINUTES)

Rank	Passenger Departures	Cab Departures	Average Passenger Delay	Average Cab Delay
Station Road	3,468 (7,350)	2,704 (5,350)	0.84 (1.30)	16.71 (8.93)
St. Andrews Street	3,575 (8,650)	2,556 (5,150)	2.75 (3.07)	9.39 (3.97)
Drummer Street	2,568 (4,850)	2,257 (2,900)	0.89 (2.44)	10.41 (5.85)
Sydney Street (2003 Only)	2,064	1,353	2.27	23.24
Market Hill (2003 Only)	119	65	0.00	18.97
Bridge Street (1999 Only)	125	100	0.00	0.00
Total 2003 (1999)	11,794 (20,975)	8,935 (13,500)	1.67 (2.29)	14.03 (6.31)

NB – 1999 figures in brackets

- 4.19 Table 4.4 suggests a substantial fall in demand since derestriction, reversing a trend of growth in this market over the ten years leading up to derestriction. This finding is counter intuitive and may have been influenced by seasonal effects since the previous study was conducted in October/November/December during school and university terms. The present study was conducted in April/May, during school term time but outside university term time. This effect was not anticipated. Examination of the survey data has not suggested that sampling bias has had a significant effect on the results either.
- 4.20 Notwithstanding the apparent fall in activity, passenger delay appears to have decreased. In 2003 average passenger delay was 1.67 minutes compared to 2.29 minutes in 1999. The proportion of people waiting over five minutes for a hackney appears to have decreased as well since derestriction. In 1999 20 per cent of people waited in excess of five minutes compared to 6.4 per cent in 2003. These results are broadly consistent with the Sheffield after study but the trend is likely to have been over –stated due to seasonal effects.

Public attitude survey

- 4.21 Some 500 interviews were carried out in each of Cambridge and Sheffield during May 2003. A similar survey was carried out in both locations prior to derestriction, which has enabled comparisons to be made.
- 4.22 The questionnaire is detailed in Appendix B and the results are summarised below.
- 4.23 When asked how they had obtained their taxi the number of people citing ‘flag down’ had increased in both Sheffield and Cambridge since derestriction as Table 4.5 illustrates. This is supported by equivalent data in Bristol where flagdowns were reported to account for a similar proportion of last trips to the 2003 surveys in Sheffield and Cambridge.

TABLE 4.5: METHOD OF TAXI HIRE FOR LAST TRIP

	Sheffield				Cambridge			
	1998		2003		1999		2003	
	Freq	%	Freq	%	Freq	%	Freq	%
Rank	54	34	67	20	45	27	80	37
Flag Down	11	7	149	44	16	9	63	30
Telephone	93	59	122	36	108	64	70	33
Total	158	100	338	100	169	100	213	100

4.24 Respondents were asked if they were satisfied with the delay encountered when obtaining a vehicle on their last trip. The responses are in Table 4.6 below.

TABLE 4.6: SATISFACTION WITH DELAY ON LAST TRIP

	Sheffield				Cambridge			
	1998		2003		1999		2003	
	Freq	%	Freq	%	Freq	%	Freq	%
Rank	42	77.8	57	85.1	45	64.4	76	90.0
Flag down	4	50.0	116	77.9	16	62.5	47	74.6
Telephone	86	92.4	93	76.2	108	76.9	57	81.4

4.25 The results show satisfaction has increased in both locations for rank and flagdown trips but for telephone hirings the results are mixed.

4.26 Having established the level of satisfaction with the delay in obtaining a vehicle, respondents were asked to identify the principal factor that limits their use of hackney carriages. Table 4.7 summarises these main 'demand suppressors'.

TABLE 4.7: MAIN DETERRENENTS TO HACKNEY CARRIAGE USE

	Sheffield				Cambridge			
	1998		2003		1999		2003	
	Freq	%	Freq	%	Freq	%	Freq	%
Too expensive	62	15.2	146	28.9	82	17.3	88	17.3
Car available	101	24.8	77	15.2	87	18.4	95	18.7
Bus available	47	11.5	63	12.5	59	12.4	63	12.4
Walk/Cycle	63	15.5	61	12.1	109	23.0	74	14.5
No need	78	19.2	60	11.9	80	16.9	58	11.4
Waiting	20	4.9	41	8.1	22	4.6	51	10.0
Prefer/Use PHV	28	6.9	33	6.5	21	4.4	21	4.1
Other	7	1.7	0	0.0	0	0.0	0	0.0
Distance to	1	0.2	13	2.6	7	1.5	38	7.5
No response	0	0.0	12	2.4	7	1.5	21	4.1
Total	407	100.0	506	100	474	100.	509	100
						0		

4.27 Prior to derestriction in Sheffield the availability of a private car was the main deterrent to using hackney carriages more often. Since derestriction the majority of people cite the reason that hackney carriages are too expensive. In Sheffield the number of people stating cost as a main deterrent to using hackney carriages has almost doubled since derestriction. This may be due to Sheffield increasing fares by 26 per cent over the three year period (around 17 per cent in real terms).

4.28 In Cambridge prior to derestriction the main deterrent to using hackneys more was also the availability of a private car. However, the figures before and after derestriction have remained fairly constant despite fares increasing by 19 per cent (around 10 per cent in real terms).

4.29 These apparently high fare increases may be partly explained by changes in operating costs over the period. Fuel prices over this period have been very volatile and insurance premiums have been increasing relentlessly.⁴

⁴ For example analysis conducted by Halcrow on behalf of Manchester City Council found that annual operating costs combined for TX2 type vehicles had increased by 9 per cent between June 2000 and May 2002. Fare levels and fare increases 1999-2002

The fares increases in Sheffield and Cambridge are in line with general levels of fares inflation in the UK⁵.

4.30 We then asked respondents whether hackney carriage services could be improved. Prior to derestriction in Sheffield 38.4 per cent of respondents believed that hackney carriage services could be improved. This increased to 69.8 per cent following derestriction. In Cambridge prior to derestriction 57 per cent of respondents stated that the service could be improved but this only increased slightly after derestriction.

4.31 Respondents to the two surveys were also asked to suggest how hackney services could be improved.

TABLE 4.8: SUGGESTED IMPROVEMENTS TO HACKNEY SERVICES (MULTIPLE RESPONSES ALLOWED)

	Sheffield				Cambridge			
	1998		2003		1999		2003	
	Freq	%	Freq	%	Freq	%	Freq	%
Lower fares	113	27.2	196	38.7	186	22.4	143	28.1
More hackneys	31	7.4	86	17.0	79	16.7	102	20.0
More ranks	2	0.5	59	11.7	32	6.8	101	19.8
Shared taxis	0	0.0	37	7.3	50	10.5	51	10.0
Better drivers	27	6.5	49	9.7	18	3.8	36	7.1
Better vehicles	14	3.4	37	7.3	7	1.5	31	6.1
Better customer care	0	0.0	0	0.0	0	0.0	21	4.1
Other	2	0.5	65	12.8	25	5.3	0	0.0
Sample Size	416		529		397		485	

⁵ A sample of 30 restricted and 30 derestricted authorities has been studied using the December 2000 edition of Private Hire and Taxi Monthly. The results are in the table below and show that prices have been increasing at a slightly higher rate in derestricted authorities than in restricted authorities.

	1999	2002	% increase
Restricted	£3.12	£3.80	21.8
Derestricted	£3.17	£3.94	24.3

4.32 Respondents were asked if they thought the availability of hackney carriages had improved over the last three years. The majority of people thought that availability had remained the same or improved in both Sheffield and Cambridge.

Summary

4.33 The results from the 'after studies' suggest the following conclusions:

- the number of people 'flagging' a hackney in the street has increased since derestriction. This has increased by 37 per cent in Sheffield and 21 per cent in Cambridge
- use of ranks by the hackney fleet has not increased in line with vehicle numbers. This is due to capacity constraints which encourage drivers to seek alternative ways to obtain fares
- satisfaction with delay has increased especially for vehicles obtained from a rank or hailing in the street
- derestriction does not appear to stimulate demand for rank based hirings
- derestriction does improve passenger waiting time, but only by marginal amounts, and
- there is no evidence of direct detriment to consumers from derestriction. Fares have increased at a greater rate than the RPI but there is no evidence to suggest that derestriction, per se, is the cause.

5 CONCLUSIONS

- 5.1 The results documented in the previous chapters provide some evidence to show that consumers have benefited since derestriction.

Benefits to the consumer

- 5.2 The main benefit that can be derived from the rank observations is that since derestriction passenger delay has improved, albeit by a small amount, in both Sheffield and Cambridge.
- 5.3 There is evidence to show that passenger satisfaction with delay has increased since derestriction. This is evident in relation to rank and flag down hirings. In addition to this satisfaction in both study areas a culture of cruising for trade has been adopted by the drivers. This may be explained through anecdotal evidence obtained from licensing officers relating to overcrowding of ranks and evidence that rank provision has not kept pace with supply of vehicles.
- 5.4 Vehicle quality has increased as a result of derestriction but only when coupled with tight conditions on the age of vehicles. It can be said that derestriction puts pressure on vehicle quality and encourages tighter enforcement of the conditions.
- 5.5 Evidence from licensing officers has led us to believe that derestriction has increased the supply of hackneys available in all authorities studied and as a result the number of complaints about vehicle availability has decreased.

Dis-benefits to the consumer

- 5.6 There is evidence to show that real fares have increased since derestriction. This has occurred in both Cambridge and Sheffield. However, there is only limited evidence that directly relates this to a change in entry policy. This general finding is supported by discussions with licensing officers who state that fares did not increase as a direct result of derestriction to compensate the hackney trade in some way for the increase in competition. These apparently high fare increases may be partly explained by changes in operating costs over the period. Fuel

prices over this period have been very volatile and insurance premiums have been increasing relentlessly. The fares increases in Sheffield and Cambridge are also in line with general levels of fares inflation in the UK.

Concluding remarks

- 5.7 There is clear evidence to show that derestriction reduces passenger delay, increases supply of vehicles to the ranks and increases consumer satisfaction. In the two authorities studied closely, the inability of each to increase rank space in conjunction with increasing hackney vehicle numbers has encouraged vehicles to seek other ways of operating. There is evidence that flagdowns have increased in both cities suggesting an increase in cruising by hackneys, which could be associated with increased vehicle kilometres in city centres. The cost of this needs to be traded off against the cost of providing more rank space.

APPENDICES

A IMPACT OF REGULATION ON TAXI MARKETS – PANEL SURVEY

Information required

It would not be the intention to duplicate information already held as a result of the recent OFT survey. Some information would be gained via follow up contact with other department as necessary.

SUMMARY TABLE: INTERVIEW CONTENT BY AUTHORITY TYPE

De -restricted	Re - restricted	Restricted
Current characteristics of the market (size, topography, generators, fleet mix, composition, operations, contract work, special circumstances, fares setting procedures, liaison with trade/existence of trade orgs)	Ditto	Ditto
History of Market (length of tenure of officer, extent of records, trends in vehicles/driver numbers, litigation, surveys, changes to competing modes e.g. LRT, fares	Ditto	Ditto
Pressures leading up to de - restriction	Ditto	N/A
Expectations of de -restriction (trade, members, officers, interest groups)	Ditto	Ditto

Actual experience of de - restriction (vehicles, hack/phv split, ranks, enforcement issues, price)	Ditto	N/A
Perceived costs of de -restriction	Ditto	Ditto
Evidence of actual cost (rank/roadspace/nuisance)	Ditto	Ditto
Officer/trade/members' preferences re policy	Ditto	Ditto
Ditto	Estimate of licence value	Ditto
Ditto	History of licence value	Ditto
Ditto	Evidence of licence value	Ditto
Ditto	Factors influencing licence values	Ditto

Case study Structured Interview

1. Current characteristics of the market

i) Market size

How many hackneys?

How many hire cars?

ii) Topography

Describe layout of authority, main settlements, extent of satellite/rural catchments, spread of both trades around authority.

iii) Demand Generators

What are the main generators of taxi demand? (Airport, station, clubs, exhibition halls etc)

iv) Fleet composition

Saloon car/wc accessible mix in both trades. Policy on wc vehicles in each trade. % hackneys on radios, extent of mixed fleet running, structure of the trade. Composition of waiting list, information on ownership

v) Extent of contract work

Estimate of number of hackneys engaged in contracts with local authority social/education services depts.

vi) Fares setting procedures

Timing and level of last fares increase. Procedures followed when determining fares levels. Regularity of fares increases. PHV fares

vii) Liaison with trade/existence of trade orgs. Identity of trade organisations. Effectiveness of these organisations (take up and influence on authority)

2. History of Market

i) How long has officer been in post? _____

ii) What is known about historic trends in number of hackney and private hire vehicles?

Are there any significant trends/changes in fares (e.g. increase in differential for night work)?

iii) Date of any unmet demand surveys (if not done by Halcrow). Number and timing of licence issuances (if restricted). (How much do these surveys cost?)

iv) Have there been any major changes to competing modes e.g. LRT

v) Pressures leading up to de -restriction (if appropriate)

- vi) Expectations of de -restriction (trade, members, officers, interest groups). Include all authorities here.

- vii) Actual experience of de -restriction (vehicles, hack/phv split, ranks, enforcement issues, price)

3. The effects of De -restriction

Perceived Costs and Benefits of De -restriction (If restricted ask in context of anticipated costs but ask officer for reasons to back expectations up)

- i) Is there any evidence of actual cost? E.g. new ranks – how much did they cost? (officer time direct expenditure. Officer may not know so try to get contact in highways dept with phone number).

- ii) Is there any evidence of impact on congestion, efficiency of bus priority measures (as appropriate)? Are these things monitored and if so by whom?

- iii) Is there any evidence that fares have increased as a result of de -restriction?

- iv) Has there been an effect on passenger complaints? Is there any data on this (before and after)?

v) What has been the effect on passenger delay? Discuss by time of day and week and location.

vi) Is there any evidence of innovation since de -restriction? (new despatch systems for hackneys, taxi buses/shared taxi schemes.

vi) Has the supply of vehicles for contract work increased?

viii) Has the authority received any positive feedback from individuals and/or organisations following de -restriction?

4. Officer/Trade/Members' Preferences re Entry Control Policy

i) Seek officer's opinion and justification for this.

5. Basis for Estimates of the Licence Value.

i) Obtain estimate of licence value – differentiate between saloons and wc vehicles if appropriate. (Restricted authorities only). **Value of the licence only** without the cost of the cab etc

ii) How has the licence value changed over time?

iii) How did they form their estimate of the licence value? (word of mouth, witnessed transactions, rumour, licences advertised other. Do they have any evidence of this i.e. receipts, classified ads)

iv) How much confidence does the officer have in the estimate? (H,M,L)

v) Are there any factors at work that means the licence value has deviated from its trend? E.G. effect of OFT study, council considering change of policy, S16 study coming up/ just happened

vi) What is the main determinant of the licence value?

Existence of the limit on licences

Goodwill

Fares levels

Vehicle policy

Lack of alternative employment

Effect on licence value of ongoing LA of ongoing LA or Social

Services contract

Other – please identify and record

B SHEFFIELD TAXI STUDY 2003 INTERVIEW FORM

INITIALS _____

DATE _____

LOCATION _____

1. Have you made a trip by taxi in the Sheffield area in the last month?

Yes 1 No 2

IF "NO" GO TO QUESTION 4

2. On your last trip how did you obtain your taxi?

At a Rank 1

Waved Down in the Street 2

By Telephone 3

3. **ASK TO ALL TRIPMAKERS** However you obtained your taxi were you satisfied with the time taken and the promptness of its arrival?

Yes 1 No 2

EXPLAIN TO ALL RESPONDENTS THAT THE FOLLOWING QUESTIONS REFER TO HACKNEY CARRIAGES. IF RESPONDENT DOESN'T KNOW PLEASE EXPLAIN THAT HACKNEY CARRIAGES ARE THE TYPE THAT CAN PICK UP IN THE STREET AND AT RANKS AND THAT PRIVATE HIRE CARS CAN ONLY BE PRE-BOOKED.

4. What is the main reason you do not use HACKNEY CARRIAGES in Sheffield more often (or at all)? **(Circle one response only)**

Too expensive 1

Waiting Time/Availability 2

Distance to Ranks 3

Car Available 4

Bus Available 5

Walk/Cycle 6

No Need 7

Prefer/use Private Hire 8

Other (Please Specify) _____ 9

5. Could hackney carriage services in the Sheffield area be improved? Yes
1 No 2

If yes, how could they be improved? (*Circle as many as apply*)

More of them 1

More Ranks 2

Shared Taxis 3

Better vehicles 4

Better Drivers 5

Cheaper 6

Other (please specify) _____ 7

6. Over the last 3 years would you say the availability of Sheffield hackney carriages has:

Improved 1

Remained The Same 2

Got Worse 3

7. Over the last 3 years would you say that the general level of service from Sheffield hackney carriages (vehicle quality, availability, accessibility, driver standard, security) has:

Improved 1 Remained The Same 2 Got Worse 3

FINALLY, PLEASE ASK RESPONDENT'S:

8. **Age** 16-34 1 35-64 2 65+ 3

9. **Sex** Male 1 Female 2

10. Economic Status

Full-Time Employed 1

Part-Time Employed 2

Unemployed 3

Student/Pupil 4

Retired 5

Housewife/Husband	6
Other	7

11. Residency

Permanent Resident	1
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IF RESIDENT PLEASE GIVE FIRST HALF OF POSTCODE _____

Visitor	2
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Tourist