

REPORT

To: GENERAL PURPOSES COMMITTEE	Subject: TAXI AND PRIVATE HIRE CAR LICENSING – REPORT FROM THE OFFICE OF FAIR TRADING	
From: DIRECTOR OF ADMINISTRATION		
Date: 19 December 2003	Ref: WBK/KH	

1. PURPOSE OF REPORT

- 1.1. The purpose of this report is to advise the Committee of the publication of an Office of Fair Trading (“OFT”) Report entitled The Regulation of Licensed Taxi and Private Hire Services in the UK.

2. BACKGROUND

- 2.1. The taxi and private hire car markets operate on the basis of a number of complex and inter-related factors. One of the most significant factors that determines the operation of those markets in North Lanarkshire is the Council’s traditional operation of numerical limits on taxi licences. That factor impacts on issues such as the south area waiting list for taxi licences, the transfer of taxi licences, the black market trade in taxi licences and the illegal trade in private hire cars plying for hire.
- 2.2. 45% of local authorities in the UK operate numerical limits on taxi licences. The OFT has examined taxi and private hire car markets (primarily focusing on the issue of numerical limits on taxi licences) and has concluded that the operation of numerical limits is essentially anti-consumer. They argue that a restricted supply of taxis leads to longer waiting times for passengers, reduced choice in terms of mode of transport used and also raises certain consumer safety issues such as taxis being operated by unknown and unregulated persons who have obtained a taxi licence on the black market or private hire cars illegally plying for hire.
- 2.3. The OFT, in a detailed and persuasive report, argues strongly that there are effectively no advantages in operating numerical limits and several disadvantages for the consumer. The OFT essentially submits that consumer demand is best serviced by an open market that is properly regulated in terms of quality by having stringent driver and vehicle assessments.
- 2.4. Most local authorities who operate numerical limits do so simply because they have always done so. The reasons for applying numerical limits in the first place tend to be long forgotten but such limits have produced an equilibrium (which may or may not result in the proper operation of the taxi and private hire car markets) that local authorities who have limits do not generally wish to disturb. If the system seems to largely work, there is little will to suggest fundamental changes such as the abolition of numerical limits. Equally, it is in the interests of existing members of the taxi trade to preserve their monopoly by seeking the retention of numerical limits and keeping them as low as possible. The OFT has now tackled what has effectively been a taboo subject for most local authorities who operate numerical limits on taxi licences.
- 2.5. The Department for Transport is statutorily obliged to respond to the OFT’s Report by March 2004. Taxi licensing is a devolved matter and, although not statutorily obliged to respond, the Scottish Executive intends to do so. The Scottish Executive, by letter dated 11 November 2003, sought comments from licensing authorities by

31 December 2003 to assist in its response to the OFT. Unfortunately, that timetable did not allow for the response to be tabled before the Committee prior to despatch, however the response is at Appendix 1 and was prepared in consultation with the Convenor of the Committee.

3. ISSUES FOR CONSIDERATION

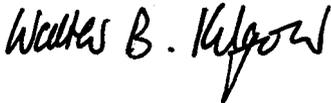
- 3.1. The Committee should bear in mind the terms of the OFT Report as detailed herein, as the report may well ultimately have a substantial impact on taxi and private hire car licensing in North Lanarkshire. The full report is available within the Department of Administration or it may be viewed on the OFT's website at <http://www.of.gov.uk/market+studies/studies/taxis.htm>.

4. CORPORATE CONSIDERATIONS

- 4.1. The issues contained in this report have the potential to substantially impact on licensing and transportation policies in North Lanarkshire.

5. RECOMMENDATION

- 5.1. The Committee is asked to homologate the response to the Scottish Executive consultation on the OFT Report on the regulation of licensed taxi and private hire services in the UK.
- 5.2. The Committee is asked to otherwise note the terms of this report.



 Director of Administration

Members seeking further information on the contents of this report may contact Kenny Hannaway, Senior Solicitor (Licensing) on extension 2214.

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The Office of Fair Trading's Report on the Taxi and Private Hire Car Market

Thank you for your letter of 11 November 2003.

So far as North Lanarkshire Council is concerned, the terms of the OFT Report have been given careful consideration. This Council is aware of no basis on which to seriously challenge any of the OFT's recommendations or the substantive arguments on which they are based.

I should also state that North Lanarkshire Council is supportive of measures designed to improve quality of service to the travelling public.

As against that, I do consider that it is important to state that North Lanarkshire Council has traditionally operated numerical limits on taxi licences in its area, as did its predecessor authorities prior to local government reorganisation. There is clearly a delicate equilibrium between the taxi and private hire car markets and I feel bound to point to the fact that numerical limits in the North Lanarkshire area have been well settled for many years. The OFT correctly recognises that disturbing that equilibrium would impact on the taxi and private hire car markets in a number of ways although asserts that serious difficulties are not to be anticipated. It is of course very difficult to assess the likely impact of the abolition of numerical limits in any given area.

I trust this is of some assistance in the Scottish Executive's preparation of a response to the OFT Report.

Yours faithfully

Head of Legal Services