



Report No: Public Agenda Item: **Yes**

Title: **Results of Unmet Demand Study of Taxis in Torbay 2018**

Wards Affected: **All**

To: **Licensing Committee** On: **1 November 2018**

Key Decision: **Yes**

Change to Budget: **No** Change to Policy Framework: **No**

Contact Officer: **Gary O'Shea**
Telephone: **01803 208025**
E.mail: **Gary.oshea@torbay.gov.uk**

1. What we are trying to achieve

- 1.1 This report details the outcome of an Unmet Demand Study commissioned by Torbay Council in response to the guidance issued by the Department for Transport. This guidance states that a quantity control study of unmet taxi demand should be undertaken approximately every three years.
- 1.2 Members are asked to consider the recommendations contained within the consultants report in respect of quantity control and to make a decision whether the current quantitative (numerical) limit on Hackney Carriages in Torbay as outlined in this report should be retained.

2. Recommendation(s) for decision

- 2.1 That the Licensing Committee agrees that Torbay Council should maintain the current quantitative limit of Hackney Carriage licences at 162 full time licences, with 7 additional summer (seasonal) only licences at this present time.
- 2.2 That the Licensing Committee agrees to a further report being brought to them within 6 to 12 months following full consideration of the impacts of the study relating to future unmet demand and pollutant vehicles, in order to present proposals relating to increasing or deregulating the quantitative limit in the future.
- 2.3 That the current vacant summer licence should remain unallocated pending the outcome of the report as highlighted in paragraph 2.2

3. Key points and reasons for recommendations

- 3.1 In June 2004 the Department for Transport (DfT) wrote to all Local Authorities who had a quantitative limit on the number of Hackney Carriage licences it issued to require them to review this restriction and publish an outcome by 31st March 2005. Torbay Council conducted a thorough review, following which, it retained the numerical limit of 162 Hackney Carriage licences (plus 7 summer licences).
- 3.2 In the June 2004 DfT letter, it required that where a Council continues with its Quantity Control Policy (restricted numbers of Hackney Carriages) there is an additional requirement for a review of its Policy approximately every three years, in order to be satisfied that there is no significant unmet demand for Hackney Carriage services. In order to meet this requirement, further studies were carried out in 2007, 2011 and in 2014. In all cases, Torbay Council agreed to retain the numerical limit.
- 3.3 In order to comply with the three yearly requirement, Torbay Council engaged the services of a company called CTS Traffic and Transportation Services Ltd to undertake a further Unmet Demand Study (the Study). This Study commenced in April of this year and included 300 hours of rank observations, 212 on street interviews, a questionnaire sent to all Hackney Carriage and Private Hire drivers and vehicle licence holders and separate questionnaires sent to local businesses and stakeholders.
- 3.4 The consultant's report which follows the Study, is attached at **Appendix 1** and makes a number of recommendations. In relation to unmet demand, the overall conclusion in section 10 of the Study Report, is as follows:
- “On the basis of the evidence gathered in this Unmet taxi demand study for Torbay Council, our key conclusion is that there is no evidence of any unmet demand for the services of hackney carriages either patent or latent which is significant at this point in time in the Torbay Council licensing area. The committee is therefore able to retain the limit and at its current level (but with the possible removal of the seasonal distinction).*
- However, taking the balance of the evidence, were such a stance to be taken we would recommend an 18-month key rank review to test if unmet demand was heading towards becoming more significant or not.*
- From our experience, the best conclusion from the options available would be to allow any persons wishing to invest in vehicles the Council would like to see more of in the fleet to do so. Given present concerns, nationally and specific to Torbay, this would most likely mean allowing new hackney carriage plates for:*
- *Any electric WAV*
 - *Any fully electric or other low emission style vehicle*
 - *Any hybrid vehicle as long as this was Euro 6 if diesel”*
- 3.5 The report, however, indicates that demand is rising and has been doing so for a number of years. It states that there is a likelihood that the level of demand will become significant at some stage within the next 3 years.

For more detailed information on this proposal please refer to Annex A.

Steve Cox

Environmental Health Manager (Commercial)

Appendix A – Supporting information to Report

A1. Introduction and history

A1.1 In June 2004 the DfT wrote to all Local Authorities who had a quantitative limit on the number of Hackney Carriage licences it issued to require them to review this restriction and publish an outcome by 31st March 2005. Torbay Council conducted a thorough review, following which it retained the numerical limit of 162 Hackney Carriage licences (plus 7 summer licences).

A1.2 The DfT have made clear the Government's position on quantity restrictions:-

"The Action Plan makes clear that the Government believes restrictions should only be retained where there is shown to be a clear benefit for the consumer, and that Council's should publicly justify their reasons for the retention of restrictions and how decisions on numbers have been reached. Thus, the Government considers that, unless a specific case can be made, it is not in the interests of consumers for market entry to be refused to those who meet the application criteria."

"However, the Government also makes clear in the Action Plan that Local Authorities remain best placed to determine local transport needs and to make the decisions about them in the light of local circumstances. So it is not proposing at this time to take away the power to restrict taxi licences from Local Authorities."

A1.3 Essentially this review required Torbay Council to undertake an 'Unmet Demand Study' to assess whether or not its existing restrictions were still appropriate. This Study was undertaken in autumn 2004 and reported to the Licensing Committee on the 10th March 2005 and to Full Council on the 24th March 2005. The report had concluded that there was "no significant unmet demand" and the quantity control was retained. A report was sent to the DfT at that time, as was required.

A1.4 This response to the DfT in 2005 was a one-off requirement. However, where a Council continues with its Quantity Control Policy there is an additional requirement for a review of its Policy approximately every three years, with published conclusions and a justification of the Policy in the five-yearly Local Transport Plan process.

A1.5 In 2008 Torbay Council reported on its second Unmet Demand Study and the outcome was again to retain the numerical limit. In 2010 the DfT re-issued Best Practice Guidance for Taxi and Private Hire licensing. The Guidance re-states the DfT's position regarding quantity restrictions. Essentially, the DfT stated that the assessment of significant unmet demand, as set out in Section 16 of the 1985 Transport Act, is still necessary but not sufficient in itself to justify continued entry control.

A1.6 In order to comply with the three yearly requirement, Torbay Council engaged the services of a company called Halcrow in 2011 and again in 2014 to undertake its Unmet Demand Study. As with previous studies there was no evidence of significant unmet demand, so the numerical limit was retained.

A1.7 In March 2018 the fifth Unmet Demand Study was commissioned, this time with CTS Traffic and Transportation Ltd undertaking the Study. Their study included

300 hours of rank observations, 212 on street interviews, a questionnaire sent to all Hackney Carriage and Private Hire drivers and vehicle licence holders and separate questionnaires sent to local businesses and stakeholders.

A1.8 Section 7 of the report provides a definition of significant unmet demand derived from the industry standard index of the significance of unmet demand (ISUD). ISUD was initiated at the time of the introduction of section 16 of the 1985 Transport Act as a numeric and consistent way of evaluating unmet demand and its significance. This has evolved through various case law over the years and leads to an objective measure of significant unmet demand that allows clear conclusions regarding the presence or absence of this phenomenon to be drawn. Significant Unmet Demand has two components:

- Patent demand – that which is directly observable; and
- Suppressed demand – Where somebody has not waited due to unavailability at time of need

Patent demand is measured using rank observation data. Suppressed (or latent) demand is assessed using data from the rank observations and public attitude interview survey. Both are brought together in a single measure of unmet demand, ISUD.

A1.9 Rank observations were taken across the 10 most used ranks, 8 in Torquay and 1 in each of Paignton and Brixham. The total hours of observations were 300, which comprised of 216 hours in Torquay, 38 at Paignton Station and 46 at Brixham, Bank Lane. Appendices 3 and 4 of the study report provides full assessment and conclusions of the rank observation survey.

A1.10 Section 3 of the Study report highlights the results of the rank observation survey. The rank observation programme covered a period during April 2018. This showed an average weekly passenger demand of 17420 passengers, representing an 18% increase on the 2014 study, which in itself was an 18% increase on the 2011 study.

A1.10 It should be noted that section 7 of the report identifies a significant increase in off peak hours, where there is a delay, this rises from 8 hours in 2014 to 30.59 hours across all ranks currently. Additionally, 5.4% of passengers experience a delay of over a minute (the level where unmet demand may be considered significant), this is fractionally down on the last study (which was 5.7).

A1.11 It should be noted that the surveys in 2018 were undertaken when the seven seasonal plates in addition to the standard 162 hackney carriages plates were operating (although the number of seasonal plates was actually six this year), whereas previous surveys have tended to occur when these were not operating. Had the seasonal plates not been in operation, the delay factor would likely be higher.

A1.12 In the Summary, Synthesis and Study Conclusions at section 9 the Study report states:

“At the present time, there is no evidence that unmet demand for hackney carriages either patent (at ranks) or latent is significant. People needing licensed vehicles in the area, both able-bodied and disabled – get a good service from the

fleet that exists. However, despite many improved elements of the index of significance of unmet demand, there is a trend towards the unmet demand becoming significant which almost certainly needs action before the next survey in three years' time".

A1.13 The Recommendations at section 10 of the Study report state:

"On the basis of the evidence gathered in this Unmet taxi demand study for Torbay Council, our key conclusion is that there is no evidence of any unmet demand for the services of hackney carriages either patent or latent which is significant at this point in time in the Torbay Council licensing area. The committee is therefore able to retain the limit and at its current level (but with the possible removal of the seasonal distinction).

However, taking the balance of the evidence, were such a stance to be taken we would recommend an 18-month key rank review to test if unmet demand was heading towards becoming more significant or not.

From our experience, the best conclusion from the options available would be to allow any persons wishing to invest in vehicles the Council would like to see more of in the fleet to do so. Given present concerns, nationally and specific to Torbay, this would most likely mean allowing new hackney carriage plates for:

- *Any electric WAV*
- *Any fully electric or other low emission style vehicle*
- *Any hybrid vehicle as long as this was Euro 6 if diesel"*

A1.14 In appendix 5 of the Study report, it shows that 78% of those surveyed (167 out of 212) said that if they had the choice of using a more sustainably powered vehicle, they would. Of these 107 favoured fully electric vehicles, with 60 favouring hybrid.

A1.15 As part of the Study, CTS also looked at the impact of vehicle emissions in line with the desire within the current (and proposed) Hackney Carriage and Private Hire Licensing Policy to encourage 'greener' vehicles. The results of this are copied below and indicate the importance of any policy to encourage less polluting vehicles:

Vehicle emission impacts

In terms of air quality impact of the present fleet, 81% of the present fleet uses diesel (73% for the hackney carriage fleet), and 8% hybrid (12% for the hackney carriage fleet). Using the current 'clean vehicle' definition being quoted in most areas moving to have Clean Air zones, 57% of the present hackney carriage and 66% of the present private hire fleet would either need to change or would end up being charged to enter any such zone. This is a clear warning marker, with those areas expecting to apply change by 2020.

A more stark message is that all the current Torbay WAV vehicles, both hackney carriage and private hire, would fall outside the 'clean' definition".

A1.16 The Study report indicates that demand is rising and has been doing so for a number of years. It states that there is a likelihood that the level of demand will become significant at some stage within the next 3 years.

A2. Risk assessment of preferred option

A2.1 Outline of significant key risks

There are no significant risks if the numerical limit of Hackney Carriage licences is maintained at 162 full-time licences and 7 summer only licences. Based on the results of this study, it would be expected that the Authority would have a very good chance of successfully defending this overall limit, should there be a challenge at this current time.

The Study report, having highlighted an expected increase in unmet demand over time, will be less supportive of any successful defence of limit retention at current levels as more time elapses. It is not possible for accuracy as to when, if at all, demand is likely to become significant and as such the recommendation of this report to research potential future options is made in order to obviate any future risk.

The removal of the numerical limit or agreeing to increase the numerical limit is a move that could face challenge by way of Judicial Review, however, with DfT best practice guidance, suggesting this as the preferred stance, any such challenge is unlikely to succeed.

A3. Options

A3.1 The options regarding numerical limits as suggested by the study report are:

- (i) Retain the current limit and policy but instigate an interim peak ranks test no later than 18 months from any such decision
- (ii) Remove the current limit to allow market forces full sway
- (iii) Instigate managed growth, of say five plates per year
- (iv) Introduce managed growth, but of less in the first year but with granting of full-time plates to the seasonal issue
- (v) Remove the limit but in favour of specific vehicle types which the Council wishes to see : this could be electric WAV, generally electric or other low emission vehicles or hybrids (but any diesel hybrid would need to be Euro 6 diesel)

A4. Summary of resource implications

A4.1 There are no significant resource implications for the approval of the recommendation, as the numerically limited licences are already issued.

Any future implications would be highlighted following full assessment of the available options. Albeit, any incremental change in the numerical limit, (options iii and iv above) would likely result in very significant resources being required to administer the new licence allocation, which would include a potential tender and selection process. Whilst delimitation of hackney carriage numbers (effectively options ii and v above) would carry no specific resource implications as new licences would be issued on a cost recovery basis that is covered by the licence application fee.

A5. What impact will there be on equalities, environmental sustainability and crime and disorder?

A5.1 There are no perceived equalities or crime and disorder issues stemming from this report.

Environmental sustainability is more difficult to determine given that the study report indicates a high percentage of pollutant vehicles (paragraph A1.15). This is something that would need to be considered as part of a wider assessment as to any future allocation of Hackney Carriage licences within Torbay and would therefore be assessed as part of the recommendation at paragraph 2.2 of this report.

A6. Consultation and Customer Focus

A6.1 There has been full consultation with users, stakeholders and operators of taxi's as well as a sample of 212 random members of the public.

A7. Are there any implications for other Business Units?

A7.1 There are no significant implications for other business units.

Appendices

Appendix 1 Hackney Carriage Unmet Demand Study Final Report –
January 2018

Documents available in members' rooms

None

Background Papers:

The following documents/files were used to compile this report:

None