



Public Agenda Item: **Yes**

Title: **Results of Unmet Demand Study of Taxis in Torbay 2011**

Wards Affected: **All**

To: **Licensing Committee** On: **17 November 2011**

Key Decision: **Yes**

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

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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 every three years.
- 1.2 Members are asked to consider the recommendations within the recommendations contained with the consultants report in respect of quantity control and to make a decision whether or not to deregulate the current quantitative (numerical) limit on Hackney Carriages in Torbay.

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 summer only licences.

3. **Key points and reasons for recommendations**

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

- 3.2 In the June 2004 Department for Transport 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 three yearly review of its Policy, with published conclusions and a justification of the Policy in the five-yearly Local Transport Plan process. To meet this requirement a further study was carried out in 2007 and once again 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 Halcrow to undertake the third of these Unmet Demand Studies in 2011. Their study included 259 hours of rank observations, 953 on street interviews, discussions with user groups and stakeholders and a questionnaire sent to all Hackney Carriage and Private Hire drivers and vehicle licence holders.
- 3.4 The consultants report (Appendices 1-4) makes a number of recommendations, but in relation to unmet demand, the overall conclusion in section12, is as follows:

“The 2011 study has identified that there is NO evidence of significant unmet demand for hackney carriages in Torbay.”

For more detailed information on this proposal please refer to the Supporting Information.

**Frances Hughes
Executive Head Community Safety**

Supporting information to Report

A1. Introduction and history

A1.1 In June 2004 the Department for Transport wrote to all Local Authorities who had a quantitative limit on the number of Hackney Carriage taxi licences it issued to require them to review their restriction and publish an outcome by 31st March 2005. Torbay has a current limit of 162 Hackney Carriage licences (plus 7 summer licences) and at that time was one of only 72 local authorities with similar restrictions.

A1.2 The Department for Transport makes 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 Sub-Committee on the 10th March 2005 and 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 Department of Transport at that time, as was required.

A1.4 This response to the Department for Transport in 2005 was a one-off requirement. However, where a Council continues with its Quantity Control Policy there is an additional requirement for a three yearly review of its Policy, 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 Department for Transport (DfT) re-issued Best Practice Guidance for Taxi and Private Hire licensing. The Guidance restates 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 to undertake the third Unmet Demand Study. Their study included 259 hours of rank observations, 953 on street interviews, discussions with user groups and stakeholders and a questionnaire sent to all Hackney Carriage and Private Hire drivers and vehicle licence holders.

A1.7 Their overall conclusion in section 12, is as follows:

“The 2011 study has identified that there is NO evidence of significant unmet demand for hackney carriages in Torbay.”

(See Appendix 1)

A1.8 Section 4 of the report provides a definition of significant unmet demand derived from experience of over 100 unmet demand studies since 1987. This 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 (SUD) has two components:

- Patent demand – that which is directly observable; and
- Suppressed demand – that which is released by additional supply.

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 (Index of Significant Unmet Demand).

A1.9 Section 5.1 of the report highlights the results of the rank observation survey. The rank observation programme covered a period of 259 hours during May 2011. Some 12,527 passengers and 9,526 cab departures were recorded. The predominant market state is one of equilibrium, see section 5.2. Excess supply (queues of cabs) was experienced during 26% of the hours observed while excess demand (queues of passengers) was experienced 5% of the hours observed. Conditions are favourable to customers at all times of day with the most favourable time being the weekday periods.

A1.10 On average passengers wait 0.16 minutes for a cab. The longest passenger delay was observed at Torwood Street, where passengers waited on average 6.52 minutes, see section 5.3. The rank observation data can be used to provide a simple assessment of the likelihood of passengers encountering delay at ranks. In 2011 the proportion likely to experience more than a minute of delay is 1.42%, showing little incidences of passenger delay.

A1.11 The data provided in the report can be summarised using Halcrow’s ISUD factor described in Section 4. The cut off level for a significant unmet demand is 80. It is clear that Torbay is well below this cut off point as the ISUD is 0, indicating that there is NO significant unmet demand. This conclusion covers both patent and latent/suppressed demand.

A1.12 The Licensing Committee are recommended, therefore to retain the numerical limit of 162 annual and 7 summer licences.

A1.13 In section 6.2 the ‘on street surveys’ identified that 66.4% of respondents did know the difference between a Hackney Carriage and a Private Hire Vehicle. This is following work undertaken by Torbay Council. This is an increase of 23.4% from the previous survey in 2007.

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, with seven summer only licences. Based on the results of this study we would expect the Authority to have a very good chance of successfully defending this overall limit, should there be a challenge.

The removal of the numerical limit or agreeing to increase the numerical limit is counter to the findings of the report and could result in a significant legal challenge as well as a poorer service overall. This would also cause very significant work which will have considerable cost implications.

There is also likely to be significant publicity issues on the changing of the numerical limit, as has been seen with a neighbouring Authorities de-regulating.

A3. Options

A3.1 There are two other options:

- (i) issue additional Hackney Carriage licences (either full time or summer only) to increase the total number above the existing 162 full time and 7 summer licences.; or
- (ii) remove the numerical limit and allow free entry to the market.

A4. Summary of resource implications

A4.1 There are no significant resource implications for the approval of the recommendation, as all the licences are already issued. However any change in the numerical limit, would result in very significant resources being required to administer the new licence allocation, which would include a potential tender process should the number of licences made available only increase incrementally.

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

A5.1 There are no equalities or crime and disorder issues, however an increase in the numerical number of hackney carriages may result in the poorer maintenance of vehicles which would have environmental sustainability implications.

A6. Consultation and Customer Focus

A6.1 There has been consultation with users, stakeholders and operators of taxi's as well as a sample of 953 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 if the recommendation is supported.

Appendices

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| Appendix 1 | Hackney Carriage Unmet Demand Study Final Report – September 2011 |
| Appendix 2 | Hackney Carriage Unmet Demand Study Final Report – Appendix 1 |
| Appendix 3 | Hackney Carriage Unmet Demand Study Final Report – Appendix 2 |
| Appendix 4 | Hackney Carriage Unmet Demand Study Final Report – Appendix 3 |

Documents available in members' rooms

None

Background Papers:

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

None