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OFFICE OF FAIR TRADING REPORT: THE REGULATION OF LICENSED TAXI AND PHV SERVICES IN THE UK

As you are aware the Scottish Executive is not bound to respond to this OFT Report but, as previously indicated, we are happy to do so and within the timeline set for Department for Transport.

As part of our consideration and evaluation of the Report we invited comments from stakeholders, including representatives of the taxi and private hire car trades, the Scottish Consumer Council, local authorities, the Association of Chief Police Officers in Scotland, the Federation of Small Businesses and the Scottish Traffic Commissioner. We also arranged various stakeholder meetings and of course participated in the OFT stakeholder round table meeting in Edinburgh on 11 December 2003.

I can now tell you that we concur with the Report's recommendation that central government should promote and disseminate best practice in applying quality and safety regulations to assist licensing authorities in their role of regulating taxis and private hire cars. We also agree that there is scope for the Scottish Executive to liaise with the Department for Transport on this and indeed that process has already been started.

We also support the Report's recommendation that licensing authorities should set maximum fare tariffs to ensure that potentially vulnerable consumers are protected from exploitation. This is already provided for in the Civic Government (Scotland) Act 1982, which provides the legislative framework for the licensing of taxi and private hire car services in Scotland. Additionally, we support the supplementary recommendation that efforts should be made to ensure that consumers are aware that the fare tariffs set by local authorities are the maxima and do not represent a standard or

OFT Response Letter

minimum rate. The process by which this is achieved needs to be considered on a more lengthy timescale but we will provide for this in the Guidance we plan to issue to local authorities covering a range of issues arising from the OFT Report. We are not convinced by the suggestion that local authorities, where possible, actively facilitate more price competition in the market, particularly in the rank and hail sectors of the market. It is important that any measures intended to increase competition between taxis on price do not have an adverse impact on public order or create enforcement difficulties. For this reason, we do not consider it appropriate to encourage competition on price at taxi ranks.

With regard to the report's recommendation on quantity controls, we do not consider that the Report presents a sufficiently robust case to justify the removal of local authorities' powers to impose quantity controls on taxis.

Our conclusions are based on a number of facts. In support of the recommendation, we noted that it was OFT's view that the removal of quantity controls reduces waiting times for consumers and improves public safety by reducing the demand for illegal, unlicensed taxis. We do not concur with this view. These findings appear to be based largely on case studies in two particular cities, Sheffield and Cambridge, before and after the removal of quantity controls. The number of taxis operating in these particular cities before quantity controls were removed appears to have been unusually low, and we therefore do not consider that the results can necessarily be generalised to other local authority areas across the UK. The average improvement in waiting times, as detailed in the Report, was relatively small, at around 30 seconds per journey, and not sufficient in itself to justify removing local authorities' discretion in this matter. Additionally, it emerged from the OFT Stakeholder Round Table Meeting on 11 December, and from some of the responses we received on our own consultation process that there is a particular problem in some, predominantly urban areas of Scotland with insufficient taxis being available to meet demand late at night, especially on Friday and Saturday nights after 11 pm. There appear to be a number of reasons for this. Other public transport, such as buses and trains, do not often run late at night, increasing the demand for taxis. Many taxi drivers are disinclined to work the late-night shifts because of the anti-social hours involved. The increased likelihood of anti-social behaviour or non-payment from passengers at this time of night also affects the extent to which taxi drivers are willing to work at these times. We do not consider that removing quantity controls on taxis would necessarily improve this situation and we are aware of anecdotal evidence that a shortage of taxis late at night is a particular problem in London, where there are no quantity controls on taxis. We consider that a more holistic approach, looking at increasing the availability public transport alternatives such as buses and trains at these times, as well as differential fare structures for night time taxi journeys would be a more effective way of tackling the problem.

We also note the Report's conclusion that quantity controls on licensed taxis increases demand for illegal, unlicensed taxis, thereby putting public safety at risk. However, a detailed examination of Annex K of the Report shows that the area which is most affected by this problem is London, where there are no quantity controls in place. In our view, the most effective way to deal with illegal, unlicensed taxis is rigorous enforcement by the police and local authorities.

Another aspect of our consideration was that there is a greater dependency on taxis in Scotland than in England and Wales. In the more rural parts of Scotland there is a higher level of dependency on taxis due to the relative inaccessibility of public transport. Consequently, the potential negative effects that changes in the removal of quantity controls would have, either in the short or long term, would likely harm the ability of the local rural population to access amenities and facilities.

In light of the forgoing, and the robust case for the retention of the status quo presented by the majority of the respondents to our consultation process we remain of the view that, as a general

principle, local authorities should retain the discretion to determine the licensing arrangements which are appropriate for their own area, taking into account local circumstances which they, rather than central government, are best placed to judge. You will wish to note, that local authorities in Scotland produce Local Transport Strategies. The Scottish Executive has issued guidance which covers the vital role that taxis and private hire cars have in the public transport chain and in particular stressed that local authorities should ensure that the licensing system in place for such vehicles is appropriate to the local needs and demands, including those from people with disabilities. Any review of that guidance will, by definition, extend to the section governing taxis and private hire cars. However, as a result of our evaluation of the OFT Report, we have identified that there is a need to review the frequency and component parts of the surveys used by local authorities to assess unmet demand. We plan to set up a Focus Group to consider the process for this and the other actions arising out of our consideration of the OFT Report.

I hope this fully explains our position.

Finally, I would like to take this opportunity to thank you for the assistance we have received from officials at OFT and in particular for agreeing to our request for the OFT round table discussion to take place in December 2003 to co-incide with our own consultation process. This proved beneficial in that it provided our stakeholders with the opportunity to discuss the findings direct with OFT officials and so assisted them in submitting their comments to my Department.

Yours
Andy

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