

David Atkinson
Chief Executive
York City Council
The Guildhall
York
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21 FEB 2007

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Reference no. 008/07

Dear Mr Atkinson

NCC campaign to remove quantity restrictions on taxis

I am writing to alert you to a campaign that the National Consumer Council (NCC) is launching on the 23 February for the removal of quantity restrictions on taxis. We consider quantity controls are an unnecessary piece of regulation which disadvantages consumers and unfairly prevents individuals from entering the taxi trade. As a council which continues to have a quantity controls policy, we are contacting you to explain our views and to ask you to lift these restrictions in the interests of your local community.

In 2003, a market study conducted by the Office of Fair Trading (OFT) concluded that quantity restrictions harm competition and should be abolished. Guidance issued by the Department for Transport last year made clear that the Government regarded deregulation of quantity restrictions to be best practice. Further, it suggested that: 'the matter should be approached in terms of the interests of the travelling public'.

The OFT's study produced strong evidence that removing quantity restrictions would put more taxis on the road and reduce passenger waiting times. Licensing authorities without restrictions were found to have 30 per cent more taxis per head of population. Taxi shortages also undermine the efforts of the police and others to promote public safety since they encourage the use of unlicensed taxis and make it more difficult to clear town centres at nights. New research commissioned by NCC suggests that five per cent of adults, or 2.4 million people, have used an unlicensed taxi during the last twelve months. Further, eight per cent of 16-24 year olds say they have done so, with many more having considered it.

Our consumer survey found huge confusion around quantity restrictions. Most people are unaware that quantity controls exist and fewer know whether their council operates these controls. We found very mixed views, admittedly based on instinct rather than knowledge, on whether this kind of policy is fair; 16-24 year olds – some of the most frequent taxi users – are most likely to consider quantity restrictions to be unfair,

suggesting a generational shift in attitudes. As well as affecting younger consumers, however, a shortage of taxis also disadvantages vulnerable consumers, such as older people or those without access to cars, who depend on taxis to get them to doctors' surgeries, shopping centres and other key locations.

Finally, quantity controls restrict opportunities for individuals to work in the taxi trade, so both unfairly excluding new entrants and reducing the likelihood of innovation and improvements in quality of service. The unofficial street premium of licence plates, which can trade for substantial sums, acts as a barrier to entry. This also indicates the level of customer demand that isn't being met by the current amount of taxis on the road, since taxi owners will only buy licenses if they think they will see a return on their investment.

Many licensing authorities in England have lifted quantity restrictions since the OFT's market study. However, a significant minority – 30 per cent – have yet to do so. We fully respect the right of councils to make decisions reflecting local circumstances which they think are in the best interests of their residents, but we have not seen any compelling reasons or evidence that quantity controls benefit local communities in general and the people who use taxis in particular. Rather, they are at best an unnecessary piece of red tape, and at worst inappropriate protection of some of those already employed in the taxi trade.

In its official response to the OFT's market study in 2004, the Government made a commitment to review progress in three years' time and, if there was insufficient change, explore legislative options. With this review now imminent, we urge you to act quickly to lift quantity controls in the interests of your local community.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ed Mayo', enclosed within a large, loopy oval shape.

Ed Mayo
Chief Executive