

## UNMET DEMAND SURVEY 2017

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### Executive Summary

Milton Keynes Council ("The Council") limits the number of Hackney Carriage Vehicle ("HCV") licences it will issue to 138. Government guidance is that the Council should not have a HCV limit, but, if it does, it should satisfy itself that there is no unmet demand for HCVs every 3 years. The latest Unmet Demand Survey ("the Survey") was carried out in the autumn of 2017 and attached as an **Annex** to this report.

The Regulatory Committee ("the Committee") is required to determine on behalf of the Council if a limit on HCV numbers should remain, and if so, based on the new survey results, set that limit at 137 vehicles.

### 1. Recommendation

- 1.1 That the limit on the number of Hackney Carriage Vehicle Licences that the Council will grant be removed.

### 2. Issues

- 2.2.1 The Council can impose a limit on the number of HCVs it will issue if, and only if, it "is satisfied that there is no significant demand for the services of HCVs within Milton Keynes which is unmet."<sup>1</sup>
- 2.1 The Council resolved to restrict the number of HCVs in December 2013<sup>2</sup>. A limit was set at 138 vehicles based on a survey carried out in 2014. The Council currently licences more than this number (currently 206) as HCVs numbered 209 at the time the limit was imposed. In order to reduce HCVs to the set limit would require the Council to refuse to renew approx. 70 licences.<sup>3</sup>
- 2.2 The latest Survey has been calculated differently and concludes that the number of HCVs currently licensed is sufficient to meet demand until 2030. The surveyor has provided a like for like comparison with the 2014 result which indicates that the appropriate number of HCVs needed to meet demand at the present time is 137. Demand has therefore decreased by 1 vehicle between 2014 and 2017.

<sup>1</sup> Section 16 of the Transport Act 1985 which amended the Town Police Clauses Act 1847

<sup>2</sup> This followed a deputation from the Milton Keynes Hackney Carriage Association.

<sup>3</sup> Reducing numbers would require some extreme choices. The Trade has not been able to propose any fair measure.

## 2.3 Background Information

- (a) The Council limited the number of HCVs for many years until de-limiting in 2002. Subsequently the number of HCVs increased. A survey undertaken in October 2011<sup>4</sup> identified:
  - (i) That in the 9 years following de-limitation HCVs increased by 178%.
  - (ii) Between 2007 – 2011 HCV numbers increased by 12% each year.
  - (iii) There were 202 licensed HCVs in 2011.
  - (iv) The number of private hire vehicles (“PHVs”) in 2011 was 672.
- (b) Since the limit was imposed in 2013 HCV numbers have not decreased although the Survey has concluded that demand has.
- (c) The limit was imposed by the Council at the request of the Hackney Carriage Association and the trade were asked to take measures to comply with the limit set. No measure was put forward and despite the limit imposed the Hackney trade has operated with a surplus of approx. 70 vehicles for the last 4 years.

## 2.4 Relationship of the Limit with Private Hire Trends

- (a) In 2015, a year after the limit was re-imposed, there were over 800 PHVs licensed by the Council. As a result of Deregulation Act 2015 there has been a significant increase in PHVs in Milton Keynes, albeit that the Council now only licences 648 vehicles.<sup>5</sup>
- (b) The majority share of the “hire vehicle” market in Milton Keynes is fulfilled by PHVs and the Survey records that most of this market “is serviced by private hire vehicles registered in other licensing authorities”. The survey indicates that at various points of the day 45-64% of the vehicles operating in Milton Keynes are licensed by other authorities. It is estimated that the number of PHVs working in Milton Keynes is approx. 1000 vehicles (this is an increase of around 50% of PHV’s since the limit was imposed)<sup>6</sup>.

## 2.5 “Blagging”

- (a) The HCV trade has complained for a number of years that a factor reducing their workload is the number of PHVs illegally carrying out “public hire work” (i.e. picking up customers who have not booked through an operator otherwise known as “blagging”).

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<sup>4</sup> Unmet Demand Survey Milton Keynes Council, December 2011 by CTS, this is the most contemporaneous record of the effect of the 2202 limit being removed.

<sup>5</sup> Aylesbury Vale licence approx. 1200 PHV’s and many of these (at least 50%) work in MK.

<sup>6</sup> DFT statistics indicate that nationally (outside of London) PHV numbers increased by 14.1% in 2015-17.

- (b) The Council carries out regular enforcement operations to combat “blagging” and prosecutes all offences. Officers requested that the Survey make an independent assessment of this and the Survey indicates that “blagging” is not as common as perceived by the trade<sup>7</sup>. Of the 84 private hire journey’s observed only 2 appeared to be unlawful and 1 questionable.

## 2.6 Cost of Hire Vehicles

The Council regulates HCV fares in the interest of public protection<sup>8</sup> and has not increased the tariff for many years. Milton Keynes HCV are good value compared with other regions but, due to the competitive PHV market in the area, Operators have set low fares making HCVs appear expensive in comparison<sup>9</sup>.

## 2.7 Transport Mobility and Transport Trends

- (a) Milton Keynes will not cope with the continuing increase in personal car use and the demands placed on the current grid roads. The layout of Milton Keynes makes public transport connections expensive or logistically difficult.
- (b) The Council is updating its local transport plan (which will become its Mobility Strategy) outlining the city’s ambition to have a fully integrated multi-modal transport system comprising all types of transport.<sup>10</sup> The Council wishes to be at the forefront of transport evolution to enable the City to continue to grow.
- (c) Transport services believes that to achieve its aims there needs to be a change in the way “hire vehicles” operate and for service providers to supply single, shared and even multi-vehicle journeys (platoons) between transit hubs and door to door. For this to develop there needs to be free competition within the current HCV and PHV market to draw in more providers and competition to drive service delivery in favour of the traveller rather than the service provider.
- (d) 45% of the public surveyed never use a HCV or PHV and of those that do, 80% pre-book. Based on these figures, HCVs are serving approximately just over 10% of people who want a hire vehicle.
- (e) Transport habits are changing naturally across the world as booking vehicles using smart phone Apps whilst sitting on a train, walking through a shopping centre or waiting at home is now more convenient than rank based hire. Traditional “public hire” is becoming obsolete.

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<sup>7</sup> The offences do however occur as the Council’s prosecution’s evidence.

<sup>8</sup> This is due to the tradition that the HCV at the head of the rank or is the only vehicle available would have a monopoly to overcharge customers.

<sup>9</sup> The Council cannot regulate Private Hire Fares.

<sup>10</sup> Transport Policy Officers have stated that this is to include “a rapid mass transit network supplemented by a variety of smaller demand responsive and autonomous vehicles that will provide transport door to door and door to transit hubs allowing residents and visitors to move freely across short and long distances seamlessly between changes in modes of transport.”

## 2.8 Demand for Hire Vehicles

The Survey only considers demand for HCVs in a public hire capacity from a rank which is a relatively small and diminishing market. If the distinction between public and private hire is ignored, it is arguable that the number of Milton Keynes licensed vehicles is not sufficient to meet demand. 45%-64% of PHVs operating in Milton Keynes are licensed by another authority, evidencing a significant demand for “hire vehicles” in Milton Keynes catered for by PHVs.

## 2.9 The Potential Effect if the Limit is Removed

- (a) Existing ranks are unlikely to cope with a large increase in HCVs and Milton Keynes does not lend itself to traditional street hires. The grant of a HCV licence does not guarantee a rank space will be available and the Council has no obligation to provide ranks. However, if congestion was an issue it is possible to counter this by implementing a permit system at ranks. Consideration could be given to allocating the most popular permits to legacy vehicles first, i.e. newly licensed HCVs would not automatically be entitled to a permit at the CMK train station but could go on a waiting list until one was available.
- (b) Historical evidence nationally suggests that the removal of a limit reduces the number of PHVs. This may result in hackney carriage drivers choosing to work on existing private hire circuits or creating their own private contract work. This could reduce the number of “out of town” PHVs in Milton Keynes. This is recorded by the Law Commission’s report on Taxi Licensing in 2014<sup>11</sup>. The Commission recorded that when de-limitation occurs, overall total fleet sizes do not increase because “many of the new taxi plates are taken up by existing PHV licence holders”. The Commission gives the example of Cardiff where PHV numbers dropped from 999 to 783 – in total the Cardiff fleet size increased only by 5 vehicles, yet there was a 50 increase in HCVs. In Bristol HCVs increased by 150% but the total fleet only by 4%. Cambridge and Sheffield are also quoted as reflecting similar patterns.

## 2.10 Economic Effect on Drivers

- (a) The Council does not employ drivers, but simply regulates those who choose to carry out that licensable activity. Licences are not granted with any guarantee of work or earnings. Officers are aware that some HCV drivers with contract work earn £5k a month.<sup>12</sup> Earning potential relies on the business acumen and determination etc. of the driver. Those who rely solely on work coming to them via a rank may earn less if HCV numbers increase. An increase in numbers would potentially lower the fees paid by individual members of the trade to the Council.
- (b) It is clear that there is “hire work” available, albeit of a private hire nature. 93% of the trade pick up from ranks and there are approximately 6 hires a day. 50% of the trade stated that they

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<sup>11</sup> This is the most recent and comprehensive review of the Taxi trade nationally.

<sup>12</sup> Before tax and expenses etc.

undertook private hire work<sup>13</sup>. Whether the limit is or is not retained it is clear that use of private hire work is necessary.

- (c) HCV numbers have not reduced despite the apparent surplus of vehicles and decreasing demand. This may be because drivers work a second job, take private hire work, want to work part time, hope that work will increase or because they believe that they can sell their “plate”.
- (d) Where limits are imposed on HCVs, demand from people wanting to enter the trade generates a value to the licence (plate) held. The Council cannot prevent licences being transferred privately between two individuals and whether it is done for significant sums. It is a common occurrence nationally where limits are in place and quotes of £10K to £20K are often mentioned for someone to enter the trade.

#### 2.11 Council Strategies, Plans and Policies and Government Guidance

- (a) The Council Plan for 2016-2020 wants to create “A City of Opportunity” – the limit may conflict with this as the retention of the limit prevents someone from the opportunity to work as a HCV driver. The Council’s Core Strategy, incorporating the Long Term Economic Vision, aims to create a diverse economy and appropriate transport infrastructure for growth - a limit on HCVs may restrict this.
- (b) The Department for Transport<sup>14</sup> guidance recommends that Council’s to not impose limits on the number of HCVs it will licence.

#### 2.12 Public Safety

The purpose of the regulatory regime is to protect members of the public and the Committee should ensure that they are satisfied that their decision does not impact on public safety. Officer advice is that neither a decision to retain or remove the limit will have a public safety impact.

#### 2.13 Conclusions and Options

The Survey has concluded that there is no significant unmet demand for more HCV licences and that the appropriate number of HCV’s needed is 137. The Committee can be satisfied that the statutory test is met and may resolve to retain a limit and set that limit at 137 vehicles.

#### 2.14 Regardless of the Survey results the Committee has the power to remove the limit. This is the recommended option for the following reasons:

- (a) It is compatible with Government guidance and the Council’s strategies policies and plans.

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<sup>13</sup> Page 25 of the survey

<sup>14</sup> Last revised in 2010.

- (b) There is no safety or consumer benefit to the public deriving from a limit.
  - (c) Hire work is available in Milton Keynes albeit not “public hire” work.
  - (d) 50% of the trade already carry out Private hire work.
  - (e) Other drivers should be given the fair opportunity to enter the market.
  - (f) The maintenance of the limit encourages the hackney trade to remain reliant on public hire work from ranks to their detriment as this work is reducing.
- 2.15 If a limit is to be retained the Committee must consider if Officers should be directed to consider relevant action to reduce the number of HCVs licensed. Numbers have not reduced to the limit level in the last 3 years and the trade has not been able to provide a solution. If a limit is considered necessary to only meet demand for public hire and that is solely the role that the trade and the Council want HCVs to play in our transport infrastructure, then steps should be taken to ensure the limits complied with. Any measures taken by the Council to reduce numbers would be unpopular and remove someone’s investment and potential livelihood.
- 2.16 The options which could be considered are simply ones that have the effect of making it too costly or difficult for a licence to be renewed or to use some form of random or first come first served basis. The options would need further research but would be along the following lines:
- (a) The imposition of more stringent Policy requirements (i.e. maximum age limit of 6 years for purpose built HCVs and 4 years for a saloon HCV or require all vehicles to be Electric or carbon friendly by 2020).
  - (b) Amend the Council Policy to require all saloon HCVs to be replaced by a purpose built, WAV, Electric or carbon friendly HCV by 2020.
  - (c) Issue 137 licences on a first come first served basis from a given date.
  - (d) Randomly select 137 licence holders by lottery
- 2.17 All of these options have an element of unfairness and may prove to not be workable. However, the Survey and the limit imposed is based on public demand and if a limit on HCVs is considered necessary to ensure that HCVs only meet that public demand and we do not consider private hire work to be relevant, then it seems sensible that steps are taken to comply with the limit.
- 2.18 Alternatively, if the Committee is concerned that the removal of a limit could result in an undesirable increase in HCVs it could instruct officers to consider and amend the Council Policy to impose requirements that would slow the growth of new entrants to the market. The likely option would be to impose a requirement that new HCVs must be purpose built electric HCV. Consideration would need to be given as to the legacy entitlement of existing HCV owners.
- 2.19 The cost of a purpose built electric HCV costs approximately £60K and such an option may simply create a financial barrier to entering the trade rather than a legal one. Due to this, officers would expect increases in fleet size to be minimal. This would not result in any reduction in out of town PHVs or encourage the trade to consider different methods of working. Those wishing to enter the trade would also likely seek to purchase an existing

licensed HCV as anything less than £60K would present a cheaper option to enter the trade. The end result is likely to be that such a measure solidifies the current 206 HCVs continuing as they are.

### 3. Options

3.1 The Regulatory Committee may resolve to:

- (a) Remove the limit on the number of Hackney Carriage Vehicle Licences that the Council will grant (Recommended Option).
- (b) Remove the limit on the number of Hackney Carriage Vehicle Licences that the Council will grant but delay the imposition of this until a revised Policy has been approved taking steps to slow the increase of Hackney vehicles by considering steps such as those outlined in para 2.42 of this report (i.e. age limits or as making all new vehicles Electric)..
- (c) Retain the limit on the number of Hackney Carriage Vehicles licences that will be granted by Milton Keynes Council and set that limit at 137 vehicles and instruct Officers to prepare a report outlining the steps that the Council will take to bring vehicles down to the 137 vehicle limit.

### 4. Implications

4.1 Policy

The decision to limit Hackney Carriages is outside of the Taxi Policy. A decision to retain a limit may conflict with the Council Plan, its Core strategy and is against Government Guidance.

4.2 Resource and Risk

N	Capital	N	Revenue	N	Accommodation
N	IT	N	Medium Term Plan	N	Asset Management

4.3 Carbon and Energy Management

None

4.4 Legal

The decision to have a limit under Section 16 of the Transport Act 1985 is a Council function and has been correctly delegated to the Regulatory Committee.

4.5 Other Implications

N	Equalities/Diversity	N	Sustainability	N	Human Rights
N	E-Government	N	Stakeholders	N	Crime and Disorder

Background Papers:

Taxi Licensing Policy

Unmet Demand Survey 2011

Unmet Demand Survey 2014

Unmet Demand Survey 2017

Council Plan 2016-2020

Council Core Strategy