

Title: Deregulation Bill – Taxi and private hire vehicle measures IA No: DfT00273 Lead department or agency: Department for Transport Other departments or agencies:	Impact Assessment (IA)		
	Date 13/06/2014		
	Stage: Final		
	Source of intervention: Domestic		
	Type of measure: Primary legislation		
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Summary: Intervention and Options	RPC: RPC Opinion Status
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Cost of Preferred (or more likely) Option			
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANCB on 2009 prices)	In scope of One-In, Measure qualifies as Two-Out?
£127.4m	£72.7m	-£6.7m	Yes Out

What is the problem under consideration? Why is government intervention necessary?

The Government has identified three stark flaws in the legislation governing taxis and private hire vehicles (PHVs) which prevent the trade from operating as flexibly as they would like and impose unjustified costs on them: operators can only sub-contract bookings to an operator licensed in the same district; PHVs can only ever be driven by a person who holds a PHV driver licence; and half of all licensing authorities grant taxi and PHV licences for less than the three year maximum set in legislation; the Government regards this as a costly burden.

What are the policy objectives and the intended effects?

The primary objective is to eliminate from the legislation three specific burdens or restrictions in order to reduce costs on taxi and PHV drivers and provide a better climate for the trade to flourish. We are proposing to amend the legislation to allow operators to sub-contract bookings across borders, to allow ordinary drivers to drive licensed PHVs and standardise at three years and five years respectively driver and operator licences. This should yield a direct and substantial cost saving for drivers and operators.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

Do nothing – If the Government decided to do nothing, it would effectively be a decision to do nothing *at the moment*. The Government has made it clear that the Law Commission’s comprehensive review of taxi and PHV legislation will result in reforms of a deregulatory nature, so a decision to pass on the opportunity to make some isolated changes at this stage will mean that the trade will be subject to overly restrictive operating practices and costly licensing policies for a prolonged period until the Government takes forward comprehensive changes to the legislation.

Policy Option 1 – Policy option one is to identify a limited number of desirable changes to the legislation which can be delivered ahead of the comprehensive changes arising from the Law Commission review. This is our preferred policy option. Although this will remove London’s current competitive advantage, the attraction of this option is that it will result in some quite substantial cost savings and open up some real commercial opportunities for the trade; in effect some “quick wins” which could be regarded as a pre-cursor to the more comprehensive reforms which will be taken forward as a result of the Law Commission review.

Will the policy be reviewed? It will be reviewed. **If applicable, set review date:** 10/19

Does implementation go beyond minimum EU requirements?	Yes / No / N/A					
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	Micro Yes	< 20 Yes	Small Yes	Medium Yes	Large Yes	
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)	Traded: N/A			Non-traded: N/A		

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible SELECT SIGNATORY: Baroness Kramer Date: 02/10/2014

Summary: Analysis & Evidence

Policy Option 1

Description: Change legislation to introduce substantial cost savings and commercial opportunities for the Taxi / PHV trade.

FULL ECONOMIC ASSESSMENT

Price Base Year 2013	PV Base Year 2014	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: 58.1	High: 238.9	Best Estimate: 127.4

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	NQ	NQ	NQ
High	NQ	NQ	NQ
Best Estimate	NQ	NQ	NQ

Description and scale of key monetised costs by 'main affected groups'

No costs have been able to be monetised at this stage. It was hoped that during the informal consultation we would receive some relevant information, but the feedback was not sufficient to enable us to monetise the costs.

Other key non-monetised costs by 'main affected groups'

The PHV trade in London may lose a competitive benefit that they currently have (the changes proposed around subcontracting are already in place in London). In some cases, taxi and PHV drivers might have to get a licence for a longer period than they want, for example when they are reaching retirement, or have medical issues. However, local authorities will have the power to grant short term licences in accordance with the circumstances of a particular case. Whilst it is unlikely that many short-term licences will be granted, it is unlikely this will represent a large cost to the industry.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	0	6.8	58.1
High	0	28.0	238.9
Best Estimate	0	14.9	127.4

Description and scale of key monetised benefits by 'main affected groups'

Businesses (operators) will benefit through saving on reduced (operator and driver) licence fees (approx. £7.9m a year). Business PHV users will benefit through spending less time re-booking journeys through operators now being able to sub-contract journeys, leisure users will also benefit. (£5.4m per year: £0.6m for business users; £4.8m for leisure users). Drivers who pay for their own driver licences will also save approx. £1.6m a year.

Other key non-monetised benefits by 'main affected groups'

The benefits outlined in this IA are aimed at reducing unnecessary burdens on taxi and PHV drivers and operators. The changes outlined will bring an even playing field for drivers and operators inside and outside of London. Also, families with PHVs will benefit as non PHV licence holders will be able to drive them when off duty meaning that many existing owners will be able to get rid of the second car that they bought specially because of this rule. However, this is likely to be moderate in terms of scale of expected benefit.

Key assumptions/sensitivities/risks

Discount rate (%)

3.5

Figures have been provided by two prominent trade associations and have been used in the IA. However, given that neither of these bodies is independent a degree of caution is required. To adjust for this, sensitivities have been undertaken around the figures calculated from the statistics supplied by trade associations.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			In scope of OITO?	Measure qualifies as
Costs: 0.0	Benefits: 6.7	Net: 6.7	Yes	OUT

Evidence Base (for summary sheets)

Background - general

Taxis and private hire vehicles (PHVs) are licensed by local authorities (district/borough councils and unitary authorities) in England and Wales; and by Transport for London in London. Note – as discussed below, none of the measures outlined in this Impact Assessment applies to London.

Taxis can ply for hire, that is to say, the driver can accept hirings directly from passengers whilst they are standing at a rank or by being hailed in the street. They can only ply for hire within the area for which they are licensed (ie normally the whole of the district where they are licensed but it could be one or more zones if the area is zoned).

PHVs on the other hand must be hired through a licensed operator (this will normally be over the phone or in person at an operator's office) and the operator will then despatch a driver and vehicle to fulfil the booking. An operator can only use for a booking a vehicle and a driver licensed by the same local authority as granted his operator licence.

The primary legislation governing the licensing of taxis and PHVs and their operational practices is archaic and complex and the Government accepts that it is in need of modernisation and reform.

In the case of taxis, two licences are required:

- A taxi vehicle licence; and
- A taxi driver licence.

The single owner-driver is a common feature of the taxi trade, but equally, there will be cases where a fleet owner has a large number of licensed taxis and rents them out to drivers who only have a taxi driver licence (this is particularly common in those areas where the local authority limits the number of taxi vehicle licences).

In the case of PHVs, three licences are required:

- A PHV operator licence;
- A PHV vehicle licence; and
- A PHV driver licence.

In most cases, the operator will not own any vehicles, rather they will simply have an office-based radio circuit where they accept bookings and have a pool of vehicles and drivers available to them who they can dispatch to fulfil bookings.

PHV operators are licensed to undertake the activity of accepting and arranging bookings. The drivers and the vehicles they use to fulfil the bookings which operators receive must be licensed by the same local authority as granted their operator's licence (known as the "triple licence requirement"). The actual journeys can take place anywhere; they can start in the district and go to a destination outside the district or they can start outside the district and go to a destination within the district or the journeys can be wholly outside the district. But the crucial point is that the "triple-licence requirement" must be in place.

Whilst there will be some PHV fleet owners, the single PHV owner-driver is a common feature of the PHV trade; he will typically pay a monthly sum to join a PHV operator's circuit and be allocated journeys by the operator throughout the day.

The primary legislation governing taxis and PHVs applies in England and Wales, but there is different legislation in London.

The principal legislation which applies is:

- The Town Police Clauses Act 1847 (taxi licensing outside London)
- The Local Government (Miscellaneous Provisions) Act 1976 (PHV licensing outside London; and some supplemental taxi licensing provisions)
- The Metropolitan Public Carriage Act 1869 (taxi licensing in London)
- The Private Hire Vehicles (London) Act 1998 (PHV licensing in London)

An added complexity is that PHVs in Plymouth are licensed under The Plymouth City Council Act 1975 rather than the national legislation (ie. the 1976 Act). The Government is not proposing to make any changes to the 1975 Act. The Government takes the view that if Plymouth City Council want to use the 1976 Act then it is up to them to adopt it at any point.

There is plenty more primary legislation which applies to taxis and PHVs, as well as a multitude of secondary legislation.

The Government considers that the legislation governing taxis and PHVs is in serious need of reform and modernisation. Accordingly, at the Department for Transport's request, the Law Commission embarked on a comprehensive review of the legislation in July 2011. The Government made it clear when asking the Law Commission to undertake a review, that the review should have a deregulatory thrust.

The Law Commission presented Government with a report and a draft Bill on 23 May 2014. The Government has a year to consider the report and recommendations and prepare a response (with an interim response after six months).

The Law Commission's report contained 84 recommendations and was accompanied by a draft Bill. Some of the recommendations are quite far-reaching, for example removing the "triple licence requirement" by allowing PHV operators to use a driver and a vehicle licensed in different districts. They also recommend the setting of national standards by the Secretary of State and establishing a single Act of Parliament to cover the whole of England and Wales (ie doing away with the separate legislation for London). In respect of the three measures which are the subject of this Impact Assessment and which are being taken forward in the Deregulation Bill, the Law Commission has recommended that all of them should form part of a reformed taxi and PHV licensing regime. Indeed, the Law Commission went a step further and recommended that licensed taxis should be capable of being driven by unlicensed drivers whilst off-duty. The Government is adopting a more cautious approach in the Deregulation Bill by restricting this measure to licensed PHVs, but it will allow the Government to take account of experience and feedback before introducing a dedicated Taxi Bill.

The Government is not planning to introduce a comprehensive Taxi Bill in the final session of this Parliament to give effect to the wider reforms proposed by the Law Commission. But Government does see considerable benefit in making some isolated changes which will have a discernable and positive effect on the taxi and PHV trades.

Having listened to the trade and considered the results of our biennial survey of licensing authorities, we concluded that there were three particularly attractive candidates for change which could be taken forward ahead of the dedicated Taxi Bill arising from the Law

Commission's review and which would meet our primary objectives of yielding considerable savings for drivers and operators and releasing the PHV trade from some overly burdensome operational restrictions.

The Department for Transport undertook a ten day informal targeted consultation in January 2014 involving eight principal experts, with the intention of seeking some immediate reaction to the measures, and any evidence which would help us to assess costs and benefits and identify any adverse or unintended consequences.

One key theme which emerged from this exercise was a feeling on the part of stakeholders that it would be preferable to wait for the dedicated Taxi Bill arising from the Law Commission's review of taxi and PHV legislation and that taking forward these measures in isolation would be a mistake. Indeed two organisations felt so strongly about this that they made a deliberate decision not to participate in the exercise. Nonetheless, Government feels that the case for going ahead with isolated measures is a strong one; the measures will produce benefits for the trade and make life more convenient for passengers. The measures do not undermine or negate the Law Commission's review; they are simply the first steps on a longer deregulatory journey.

Feedback about each of the measures is included in the relevant section below.

Measure 1 – Sub-contracting PHV bookings across borders

Problem under consideration;

Case law effectively established the position we have now under the Local Government (Miscellaneous Provisions) Act 1976 which is that if a PHV operator outside London wants to sub-contract a booking, he can only do so if the operator to whom he sub-contracts is licensed by the same local authority as granted his operator's licence. The Government regards this as overly restrictive and therefore problematic.

Rationale for intervention

The law as it stands in relation to PHV sub-contracting outside London is hard to justify, particularly against the background of the newer London legislation (The Private Hire Vehicles (London) Act 1998) which allows London PHV operators to sub-contract bookings to any operator in the country. The Government considers that the existing position hinders operators from acting flexibly (they cannot use the national network of contacts that many have built up), leads to inefficient operational practices (drivers can incur considerable dead mileage by undertaking a remote journey which might have been better fulfilled as a sub-contracted journey) and can frustrate passengers (who are turned away if the initial operator has no vehicles available and must themselves locate and approach an alternative operator).

Policy objective

The policy objective is to allow PHV operators licensed in any district in England and Wales under the 1976 Act to sub-contract bookings to (i) any other PHV operator licensed under the 1976 Act; or (ii) any PHV operator licensed in London; or (iii) an operator based in Scotland. In this way, the initial operator in Area A retains a degree of responsibility for the booking, but the actual journey can be fulfilled by a vehicle and driver licensed in Area B having been despatched by the licensed operator based in Area B to whom the booking was sub-contracted.

This is something that certain elements of the PHV trade have long requested and it would make a real change to the way in which they operate, opening up commercial opportunities for operators and increasing competition in the market. Sub-contracting across borders is already permitted for London operators, so this would create a level playing field for the rest of the country.

The change in law will be beneficial in the following circumstances:

- the initial operator has no vehicles or drivers available at a particularly busy time. So instead of simply rejecting the caller, or telling the caller that they must ring another operator, the operator can accept the booking and then sub-contract it to an operator based in a neighbouring district;
- if a PHV broke down on a long journey; instead of having to wait for a replacement vehicle and driver from the operator's own licensing area, the operator would be able to sub-contract the booking to an operator based close to the breakdown and that operator would be able to despatch a vehicle and a driver from his own circuit to fulfil the booking;
- if an operator takes a call from a passenger who needs a wheelchair accessible vehicle and either there are none on his circuit or the ones he does have are busy, he can sub-contract the booking to another operator who does have wheelchair accessible vehicles available – regardless of which side of the district border the second operator is based.
- an operator based in, say, the Midlands with a regular customer arriving by ferry or aeroplane might find it helpful to be able to take ownership of the booking and sub-contract it to an operator based nearer the port/airport;
- it would also allow larger operators who are based in two (or more) districts to lawfully sub-contract bookings to the more convenient operator for any given booking, meaning more efficient use of vehicles.

The position in London under The Private Hire Vehicles (London) Act 1976 is different. London PHV operators are permitted to sub-contract bookings to any operator in England or Wales (or in Scotland, where legislation is devolved, but nonetheless involves recognition and reciprocity).

So, this change is not needed in London and in fact one benefit of making the change to the legislation outside London is that it will create a more level playing field between London operators and operators in the rest of England and Wales. (Though one cost is that London operators would lose the competitive advantage they currently enjoy as compared to the provincial trade.)

The key benefits of making this change will be to enable operators to better respond to emergency circumstances as well as enabling them to plan and expand their operations in a more flexible way.

Description of options considered (including do nothing);

1. *Do nothing* – the do nothing scenario leaves this measure open for inclusion in any future comprehensive Taxi/PHV Bill. The Law Commission reported on their findings and recommendations for improving taxi and PHV legislation in May 2014. They recommended this change and it is therefore likely that 'do nothing' could well lead to implementation of this measure at a later date. Though, as there are no plans to introduce a dedicated Taxi Bill this side of the general election to implement the measure, there is a great deal of uncertainty as to timescales for delivery under this scenario. Indeed it is not certain that it would be implemented at all. This would result in the restrictions set out above continuing to impact on the PHV trade, reducing flexibility and the ability for operators to grow commercially.
2. *Do something* – Change the legislation allowing PHVs to subcontract bookings across borders.

Monetised and non-monetised costs and benefits of each option (including administrative burden);

Monetised Benefits

There will be benefits to consumers who use PHV services. Through this policy option, customers will be able to phone up a single operator and book a journey through them, rather than potentially having to contact multiple operators as may be the case now. Passengers should benefit from time saved when booking journeys. The best estimate for this time saving has been calculated at £5.4m a year and at £46.1m PV over the 10 year appraisal period.

Business and leisure customers have been treated differently. Business patronage accounts for approximately 3% of all taxi/PHV journeys¹. Business users also have a greater value of time than leisure users. The business calculation was included in the OITO calculation

A summary of the monetised benefits can be found in Table 1.

Table 1: Customer Time savings (In 2013 prices)						
	Total Savings ²		Leisure Savings		Business Savings	
	Annual Equivalent (£m)	NPV (£m)	Annual Equivalent (£m)	NPV (£m)	Annual Equivalent (£m)	NPV (£m)
Low	1.0	8.7	0.9	7.8	0.1	1.0
Best	5.4	46.1	4.8	41.0	0.6	5.1
High	13.8	118.0	12.3	104.9	1.5	13.1

Please see Annex A for detailed information on how the benefits were calculated.

Monetised Costs

No costs have been able to be monetised at this stage. It was hoped that during the informal consultation we would receive some relevant information, but the feedback was not sufficient to enable us to monetise the costs.

Non-monetised Benefits

Operators outside of London will benefit from being able to sub-contract journeys. As a result of this change in regulation, operators will benefit financially because when an operator cannot fulfil a booking, they will be able to sub-contract that booking and receive a fee for the journey that they wouldn't have received previously. Operators may also benefit as their reputation will improve as they will now accept trips that they would otherwise have rejected. Operators outside of London also benefit from this as they will be on a level playing field with London operators. Previously operators outside of London could accept a sub-contracted journey from a London operator but could not sub-contract a journey to an operator beyond their own district. Thus they were at a disadvantage compared to London operators who could sub-contract bookings across borders. Allowing sub-contracting should lead to greater efficiency in the use of the PHV fleet. This should reduce dead mileage which would reduce CO₂ emissions.

Operators within London could also benefit as operators outside of London will now be able to subcontract them the bookings that they previously couldn't do.

Licensing authorities will potentially benefit; we have no evidence about the extent of prosecutions for sub-contracting across borders but licensing authorities could save on court costs that they previously spent prosecuting operators that sub-contracted across borders.

¹ NTS0409

² Total savings equals the sum of leisure and business savings. Figures may not sum due to rounding.

Non-monetised Costs

Operators in London may lose out as they will lose the competitive advantage they currently have over non-London operators. Currently, if a passenger wants a journey inside of London they have to phone up a London operator, now they will be able to book through a local operator and they could sub-contract that journey to the London operator.

Risks and assumptions;

There is a risk that introducing this may cause fares to increase. If a journey is sub-contracted, then the original operator that was contacted will charge commission which may increase prices, at least for sub-contracted journeys.

There is a chance a new type of operator may evolve, with no vehicles or drivers, who just sub-contract to bookings to other operators.

The value of time for leisure travel (WebTAG³), has been taken as a proxy for the value of time when booking a PHV for leisure users. The business value of travel time has been taken as a proxy for the value of time when booking a business PHV journey.

A number of assumptions have gone into calculating the number of journeys that would need rebooking as policy.

- To calculate the total number of PHV journeys per year involved a number of steps. The National Travel Survey (NTS0304) collects information on average number of taxi/PHV journeys per person per year. This figure was multiplied by national population figures (ONS figures) to get total number of taxi/PHV journeys per year. However as measure 1 only affects PHV journeys, to calculate the number of PHV journeys per year, we have assumed that the split between taxi and PHV journeys is proportionate to the split between taxi and PHV drivers⁴. This split has been applied to the total number of journeys to get just PHV journeys.
- It has been assumed that 2% of these PHV journeys are currently rejected and have to be rebooked through another operator. The average time taken to rebook a journey was assumed to be just under 5 minutes for the best estimate.
- Sensitivities have been made around all of these figures. The large range around the present value and annual equivalent figures illustrates the uncertainty surrounding the assumptions made.

To calculate the split between business and general public trips we have used NTS0409⁵ data. This provides information on the trips per person per year by mode and trip purpose. There is information regarding other public transport which includes Taxi & PHV journeys. It is being assumed that the split for both taxis & PHVs is the same as the split for just PHVs. The national transport survey team was able to provide data regarding just the Taxi & PHV journeys excluding other modes of public transport. This adjusted data showed that 2.8% of taxi/PHV journeys are business trips. Therefore for the analysis 2.8% of the trips use the business value of time for Taxi/PHV passengers. The other 97.2% of trips use the leisure value of time.

Sensitivities

The sensitivities used in the monetisation of measure one can be found in table 2.

Sensitivity tests	High	Best	Low
Average time saved in booking a PHV journey (hours)	0.13	0.08	0.04

³ Department for Transport's guidance on transport analysis. Can be found here: <https://www.gov.uk/transport-analysis-guidance-webtag>

⁴ TAXI0103

⁵ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/35612/nts0409.xls Last accessed 16/04/14

Split between Taxi and PHV journeys (PHV%)	0.75	0.66	0.50
Proportion of PHV journeys that are currently rejected	0.03	0.02	0.01

Direct costs and benefits to business calculations (following OITO methodology);

The 2.8% of taxi/PHV trips that are business related have been included as business benefits. A breakdown of the business savings for measure 1 can be found in table 3.

	Annual Equivalent (£m)	NPV (£m)
Low	0.1	1.0
Best	0.6	5.1
High	1.5	13.1

Consultation feedback

Whilst it was generally acknowledged that this measure would open up business opportunities for the PHV trade and help passengers, there were some concerns expressed about it. The concerns mainly related to the potential for altering the existing pattern of business with smaller operators being disadvantaged by larger operators and the evolution of a new type of operator which solely sub-contracted bookings (ie without having their own circuit of vehicles and drivers). There were also fears expressed about operators potentially adopting a policy of sub-contracting bookings to operators in areas with lax standards. And, some concerns about enforcement and potentially adding a new tier of complexity to an already complex legislative framework. On the point about lax standards, the law allows for individual local licensing authorities to set standards for the private hire vehicles, drivers and operators that they license. With some 300 licensing authorities in England and Wales it is inevitable that standards will vary from one area to another, but the key point is that PHV operators will only be allowed to sub-contract to licensed operators who will, in turn only be allowed to use licensed vehicles and drivers. There may well be differences in those standards, but the drivers, vehicles and operators will have been assessed as suitable by their own licensing authority. And on the point about enforcement, Government is not convinced that allowing PHV operators to sub-contract bookings across a border should generate any significant difficulties in this area. Both the initial operator and the operator who accepts a sub-contracted booking must keep records of all their bookings and an enforcement officer will be able to look at the records. Finally, Government does not see this measure as adding complexity to the legislation; it will create opportunities for PHV operators and it can be achieved in isolation from the wider reforms proposed by the Law Commission which will be contained in a dedicated Taxi Bill.

Government is satisfied that adequate safeguards are in place.

Summary and preferred option with description of implementation plan

This measure was tabled as an amendment to the Deregulation Bill which was introduced on 23 January 2014. The Department for Transport undertook an informal targeted consultation with eight expert stakeholders to gauge opinion, acquire evidence and identify any unintended consequences. We also worked with the Law Commission to ensure the analysis they have conducted in this area was taken on board. Their report in May 2014 recommended that this policy should be implemented. Whilst we are confident that the measure will remove burdens from the trade, we consider this process of consultation to be necessary as the measures could encounter a degree of controversy during the passage of the Bill. For example, local authorities might express concern about operational enforcement.

Measure 2 – Eligibility to drive licensed PHVs

Problem under consideration

In 1997, a surprising piece of case law under the 1976 Act established that the only people who can ever drive a licensed PHV were people who held a PHV driver's licence. The Government considers this position problematic because, before the judgment, PHV owners regularly allowed others to drive their vehicle when it was not being used for PHV work.

Rationale for intervention

This judgment, at a stroke, placed a huge burden on the PHV trade outside London. The most stark result was that many families had to acquire a second vehicle to enable, for example, spouses to undertake domestic driving tasks such as bringing children to school or going shopping. It also meant that, strictly speaking, garage mechanics should not drive licensed PHVs whilst servicing them.

The Government considers this to be an unacceptable situation, particularly when considered against the background of the newer legislation in London. Because this judgment was handed down a year before the passage of The Private Hire Vehicles (London) Act 1998, Parliament took the opportunity to ensure that the new legislation did not generate this result. Accordingly the 1998 Act distinguishes between those times when a PHV is "on-duty" and when it is "off-duty". In the former case only licensed PHV drivers can drive it and in the latter case anyone can drive it.

Policy objective

The Government's objective is to establish a position similar to that which exists in London (and which the taxi world thought existed before the case law in 1997) that is to say, that people who do not hold a PHV driver licence should be allowed to drive licensed PHVs when they are not being used for PHV work.

This would effectively allow the PHV to become the "family car" and it would, in many cases, obviate the need for a second car and thereby reduce the burden on families.

The way in which we intend to achieve this objective is to make a distinction between times when a PHV is "on-duty" and "off-duty". When it is "on-duty" it can only be driven by a person who holds a PHV driver's licence and, in keeping with wider PHV law it must be a PHV driver's licence which has been granted by the same licensing authority as granted the PHV licence and the PHV operator licence to the person who arranges the hiring. We would regard "on-duty" as being any times when the vehicle is actually carrying passengers; or has been despatched by the operator to pick up a passenger, or is available to the operator and waiting for the next hiring. When it is "off-duty" the policy is that any person with an ordinary driving licence can drive it, but only for leisure purposes, not for PHV work.

The position on hackney carriages is that they can only ever be driven by a person who holds a hackney carriage driver's licence. The policy is to retain that position on the basis that these vehicles are more akin to public transport and there is a greater expectation that they should be regarded as a dedicated professional vehicle. Because hackney carriages can be hailed directly it is in their nature that they must look as though they are available for immediate hire and the risks associated with unlawful operation are that much greater.

Description of options considered (including do nothing)

Do Nothing – this option would result in the continued unnecessary burden on PHV drivers and their families persisting. The Law Commission's report in May 2014 recommended that such a measure is taken forward in a comprehensive Taxi Bill. However, as the Government is not planning to introduce a dedicated Taxi Bill this side of the general election, there is uncertainty about when, indeed if, this measure would come into force.

Do something – to introduce this measure cuts out bureaucracy and eases the burden on PHV owners and their families.

Monetised and non-monetised costs and benefits of each option (including administrative burden);

Monetised benefits and costs

No costs or benefits have been able to be monetised at this stage. It was hoped that during the informal consultation we would receive some relevant information, but the feedback was not sufficient to enable us to monetise the costs.

Non-monetised benefits

Allowing PHVs to be driven by someone with a standard driving licence when the PHV is off-duty, will benefit families where there is at least one PHV driver. They will benefit as family members of PHV drivers will be able to drive the PHV when it is off-duty. Families will benefit as they will be able to avoid the unnecessary purchase of second vehicles, alternatively families that currently have a second car but won't need it with the introduction of this change will be able to sell it.

As this is already the case in London, removing the unequal approach to off-duty PHV usage nationally will benefit the industry as there will be less complexity in the market. For example some licensing authorities are strict in their enforcement and others are more lax.

Non-monetised costs

There is a chance that this could lead to an increase in illegal use of licensed vehicles. This would result in costs to licensing authorities who would have to be more vigilant about PHV usage and undertake prosecution of illegal PHV usage.

Risks and assumptions

This change might be opposed by licensing authorities who fear the potential for unlawful activity. The Law Commission considered this issue and concluded that there should be a rebuttable presumption that the vehicle is being used for professional purposes – i.e. it is assumed that the vehicle is working but the driver can rebut this presumption by providing evidence that the vehicle was not being hired. Whilst there may be some small risk of the change leading to unlawful activity (e.g. an unlicensed person purporting to be a PHV driver) this risk exists with or without the measure being introduced.

Transport for London have reported that there have been some problems relating to drivers using licensed PHVs and touting then claiming that they are in fact using the vehicle for personal use. There is a risk that may happen outside of London as well.

Direct costs and benefits to business calculations (following OITO methodology);

No direct costs or benefits to businesses has been calculated.

Consultation feedback

This measure was welcomed by several organisations who recognised that having to acquire a second car was burdensome. But much of the welcome was in a qualified way with some reservations being conveyed, mainly about safety and enforcement. The point was made that this would simply create a loophole which would be abused and licensing authorities would struggle to enforce it effectively.

In order to deal with these concerns, the Department for Transport has taken a slightly different approach to this issue than the approach taken in London. Unlike the London provision (which simply takes a PHV out of the legislative arena when it is “off-duty”) this measure will include a presumption that the vehicle is being driven for professional purposes and it will be down to the driver to prove that he or she was driving it for domestic purposes. This alteration from the initial proposition is designed to meet the concerns expressed by regulators about enforcement. It is the approach which the Law Commission initially suggested when they consulted in 2012.

Summary and preferred option with description of implementation plan

The change was tabled as a Government amendment during the passage of the Deregulation Bill which was introduced on 23 January 2014. The Department for Transport undertook an informal targeted consultation with eight expert stakeholders on this proposal in a proportionate manner. We also worked with the Law Commission to ensure the analysis they have conducted in this area was taken on board.

Measure 3 - Duration of licences

Problem under consideration

The legislation which applies outside London (the 1976 Act) allows local authorities to decide for themselves the duration of taxi and PHV driver licences and PHV operator licences. It sets a maximum of three years for driver licences and five years for operator licences.

Many local licensing authorities routinely grant licences for a much shorter period; our most recent survey of licensing authorities showed that just over half of them grant taxi driver licences on an annual basis. The Government regards the routine granting of licences for a much shorter period than the maximum allowed by legislation as problematic.

Rationale for intervention

It seems overly bureaucratic to routinely grant licences for a period that is shorter than the maximum permitted duration. Annual licensing is a greater burden than three yearly/five yearly licensing both in terms of straightforward hassle and costs. The Government considers that intervention is justified in order to save licence holders substantial amounts of money.

Policy objective

Government proposes to change the law so as to set a standard duration of three years for provincial taxi and PHV driver licences and five years for provincial PHV operator licences. (Taxi operators are not subject to licensing.)

Any shorter period would be down to individual circumstances (for example, driver probation).

The London legislation is more explicit about granting three and five year licences and that is the basis upon which drivers and operators are licensed, so we do not propose to extend the legislative change to London.

In the case of driver licences, the legislation allows licensing authorities to set licence fees at a level to cover the cost of issue and administration. So, it is reasonable to assume that the administrative effort involved in issuing a three year driver licence would be much the same as issuing a one year driver licence.

In the case of operator licences, the legislation is not explicit but arguably allows licensing authorities to incorporate a cost for enforcement into the licence fee⁶ (i.e. as well as the cost of administering the grant of the licence). So there would be legitimate grounds for charging more in absolute terms for a five year operator licence than, for example, a two year operator licence, though the annual cost should be lower for a five year licence because of the reduction in the administration element.

⁶ Section 70 1976 Act refers. The Department for Transport's opinion is that licensing authorities are able to incorporate an element for enforcement in operator licence fees, but we recognise that others have a different opinion. Ultimately it is a matter for the courts to interpret s70.

Description of options considered (including do nothing);

Do nothing - This scenario would result in an overly bureaucratic process remaining in place, leading to an unnecessary frequency of licence renewal. However, it is likely that the Government would want to establish a standard licence duration as part of a dedicated Taxi Bill arising from the Law Commission's review. The Law Commission's report of May 2014 recommended this measure.

Do something – introduction of a measure to standardise licence durations for taxis and PHVs will reduce a regulatory burden which currently has a cost impact for small businesses and resource implications for local authorities.

Monetised and non-monetised costs and benefits of each option (including administrative burden);

Monetised benefits

There will be benefits to both drivers and operators who should, on average, pay less for their longer licences than previously. Three year drivers' licences tend to cost less than the price of 3 one year licences⁷, this is presumably due to a reduction in admin costs. Likewise five year operators tend to cost less annually than 1 year ones⁸. The savings from these new licence lengths can be found in the table 4.

	Driver Licences Savings			Operator Licences Savings		
	Average savings per driver per year (£)	Annual Equivalent (£m)	NPV (£m)	Average Savings per operator per year (£)	Annual Equivalent (£m)	NPV (£m)
Low	24.8	5.0	43.1	56.8	0.7	6.3
Best	41.3	8.4	71.9	85.1	1.1	9.4
High	62.0	12.6	107.9	118.2	1.5	13.1

Please see Annex A for detailed information on how the benefits were calculated.

Monetised costs

No costs have been able to be monetised at this stage. It was hoped that during the informal consultation we would receive some relevant information, but the feedback was not sufficient to enable us to monetise the costs.

Non-monetised benefits

There will be less of an administrative burden for local authorities who issue licences to drivers and operators, as they will issue them on a less regular basis. There will also be less of an administrative burden for drivers and operators who no longer need to process applications to renew their licences every year. This administrative burden includes the time spent completing forms and paying for licences as, in general, most drivers and operators will have to register for a new licence less often.

Non-monetised costs

Drivers may not need or want a new three year licence (for example if they are reaching retirement). Although shorter licences will be allowed to be granted, these will be done on a case by case basis and therefore will not be guaranteed to be given out. This could result in drivers either not getting a taxi/PHV licence or paying for a licence that they do not need or use. It is likely that these costs will be low as it

⁷ DfT calculations estimate that a one year licence costs around £131. A three year licence costs around £168, which equates to £56 a year. DfT calculations used PHV Trade association figures gathered during consultation.

⁸ DfT analysis estimates that a one year operator licence costs around £157 a year, whereas a five year licence costs around £355, this equates to approximately £71 a year. DfT calculations used PHV Trade association figures gathered during consultation.

will be those who are reaching retirement or have medical issues who are most likely to want short term licences.

Risks and assumptions

There is a chance that the average three year driver licence and five year operator licence fees would increase when new licensing authorities bring in the new, longer licences that they didn't previously offer. However, for simplicity and because we do not know how much they would increase the fees by, we have assumed that the average driver and operator fee will only increase in line with inflation using the GDP deflator. There is a risk that currently local authorities make a profit from their licensing regime and the introduction of this policy local authorities may increase their licence fees by more than estimated.

Some local authorities are concerned about three years being too long for a driver licence. There is a risk that licensing authorities may not be able to properly monitor and track drivers and operators over the new, extended time period. For example, drivers or operators may leave the trade before their licence expires – in which case they would have a valid licence but may not actually be active.

TAXI0104 data was used to find out the number of taxi/PHV/dual licence holders in England and Wales. Through targeted consultation we received data from PHV trade associations on driver and operator licence fees from local authorities in England and Wales. Although this data showed that varying licence durations are offered by local authorities, in the analysis only 1 year and 3 year licences have been considered.

With regards to operators, most of the operator fees are broken down into the number of cars operators have. To simplify the calculations, the figure for when operators have one car has been used. It is possible that savings may be different, as multiple cars cost less per car to licence, in which case estimated benefits would be overestimated. However, we do not know what the distribution is of the numbers of cars which operators hold. Most licensing authorities currently offer 1 year licences for operators. Of the dataset of 311 local authorities, 283 offered 1 year licences, only 9 offered a 5 year licence. 31 offered 3 year licences. Due to the lack of data on the price of a 5 year licence, the increase from a 1 year licence to a 3 year licence has been taken as proportionate to the increase from a 3 year to a 5 year licence.

As some of the data we have received is from trade associations, there is degree of risk associated with it. Accordingly, sensitivities have been done around this.

A People 1st report states that 81%⁹ of people employed in the taxi and private hire industry are self-employed. We have assumed that this is representative of taxi/PHV drivers and therefore that 81% of taxi/PHV drivers are self-employed.

Sensitivities

Driver licences

Three types of sensitivities have been done around the figures calculated for this policy option. The first sensitivity is around the current split of licences that are currently given out. For drivers, we assume that all licences are either 1 year or 3 year. From data from the PHV trade associations we understand that licences are also granted for 2 year and 18 months, however this is uncommon compared to 1 and 3 year licences. Currently, we assume that half of all driver licences are for 1 year and half are for 3 years¹⁰.

We have used figures from the PHV trade associations to calculate the average 1 year and 3 year driver licence. From this data we have estimated that the average 1 year licence fee is around £131.03. Some of the licence fee information was incomplete (approx. 20%). As a result of this uncertainty we have carried out sensitivity analysis around the average licence fees, giving us high and low estimates. The greatest benefits are yielded when there is a smaller difference between the 1 and 3 year licence

⁹ People 1st. State of the Nation Report 2012 Passenger Transport Last accessed 29/05/14. Table 13 says that 160,200 people in the UK taxi and private hire industry are self-employed out of the total of 197,300 people. This equates to 81%.

¹⁰ DfT survey of licensing authorities 2013

fees, Likewise there are less benefits when there is a large split between 1 and 3 year licence fees. These sensitivities are summarised in table 5.

Sensitivity	High	Best	Low
Current proportion of licences that are for 1 year	60%	50%	40%
1 year licence	Best * 1.25	£131.0	Best * 0.75
3 year licence	Best * 1.25	£168.3	Best * 0.75

Operator licences

We have used figures from the PHV trade associations to calculate the average one year and five year operator licences. From this data we have estimated that the average 1 year licence fee is around £156.70. As we have had to exclude incomplete data this figure could be higher or lower. Therefore sensitivities have been done around the one year fee. Likewise, sensitivities have also been done around the three year licence fee figure. The greatest benefits are yielded when there is a smaller difference between the one and three year licence fees, likewise there are less benefits when there is a large split between one and three year licence fees. These sensitivities are summarised in table 6.

Sensitivity	High	Best	Low
Current proportion of licences that are for 1 year	100%	90%	80%
1 year licence	Best * 1.25	£156.7	Best * 0.75
5 year licence	Best * 1.25	£354.7	Best * 0.75

Summary and preferred option with description of implementation plan

The changes have been included as amendments to the Deregulation Bill which was introduced in January 2014. The Department for Transport has consulted stakeholders on this proposal in a proportionate manner. We are also working with the Law Commission to ensure the analysis they have conducted in this area can be taken on board.

Direct costs and benefits to business calculations (following OITO methodology);

Operators are businesses and therefore the benefits of this measure are included within scope of OITO.

In line with the People 1st Report it has been assumed that 81% of drivers are self-employed and the benefits to them of reduced license fees are included as benefits to business. These benefits are taken from Table 4.

	Annual Equivalent (£m)	NPV (£m)
Low	4.8	41.2
Best	7.9	67.6
High	11.7	100.4

Consultation Feedback

When the DfT carried out its informal consultation, this was the most welcome of the three measures, mainly because the cost savings and reduction in “hassle” were so substantial and so obvious. But the point was made that, especially in the case of drivers, it was important for licensing authorities to be able to monitor licence holders closely and some consultees thought that only through annual licensing could they do this effectively.

¹¹ Table 7 contains the sum of calculations located in table 4. Figures may not sum due to rounding.

Review

The Deregulation Act would be subject to the usual post-legislative scrutiny, estimated to be 2019. But if the Government takes forward a dedicated Taxi Bill before that date, we would expect to undertake some analysis of whether the policy objectives provided for in these measures are ones which we would want to incorporate in the wider legislation.

Wider Impacts

Competition Assessment

The aim of the Impact Assessment is to reduce burdens and regulations on operators and drivers in the taxi and PHV industries. We do not anticipate there to be a significant change in the competitiveness of the taxi/PHV industry.

Small and Micro Business Assessment

Although these introductions will impact on small and micro businesses, they are intended to reduce regulation and will benefit small and micro businesses.

Environmental impacts

Greenhouse gas assessment

These proposals are not intended to have any significant effect on the number of taxi/PHV journeys and therefore we do not anticipate any effect on greenhouse gas emissions.

Wider environmental issues

The sub-contracting measure should have a beneficial effect on the environment as it will reduce dead mileage.

Social impacts

Health and well-being

Having reviewed the screening questions for the Health Impact Assessment we have concluded that there is no need for a full assessment to be carried out.

Human rights

We consider that these proposals are compatible with Convention rights.

Justice system

These proposals do not create any new sanctions; they do, however, amend existing ones (permitted sub-contracting across borders which had been an offence; and allowing people who do not hold a PHV driver's licence to drive licensed PHVs which also had been an offence).

Sustainable development

We do not consider these proposals to impact on sustainable development.

Evidence that justify the level of analysis used in the IA (proportionality approach);

There has been minimal analysis on this IA due to it being a justification IA and its quick turnaround. However the analysis that has been done is based on the data provided by the PHV trade associations. Due to time constraints there has not been a significant amount of analysis as this was a justification IA. Due to a lack of readily available data and evidence there has not been able to be much monetisation and analysis in this IA. It is estimated that there will be a significant benefit to PHV/ taxi drivers and operators due to the reduction in restraints.

Analytical Assurance Statement

The level of assurance underpinning the analysis in the impact assessment is '**low-medium**'; low due to issues around evidence building during consultation and medium due to the significant level of quality assurance undertaken.

The analysis uses evidence from DfT and industry sources and was carried out over a short timescale. Limited data provision from industry has led to certain assumptions being made around the benefit borne by the taxi/PHV industry, which could later be challenged by industry bodies. However, given these are deregulatory measures, the industry is likely to be supportive of the measures. Additionally, a lack of evidence has led to no cost calculations being made. Nevertheless, the recommended policy option is unaffected by the assumptions used and so whilst the magnitude of costs and benefits may vary, it is evident that the policy recommendation would not change and that there are net benefits overall.

Quality assurance has been undertaken to mitigate errors in methodology and analysis.

The magnitude of the benefits of the policy is highly sensitive to the assumptions used, leading to greater uncertainty. As this IA has gone through consultation there is little scope for further analysis and evidence building.

Equivalent Annual Net Cost to Business (EANCB) Calculation

The annual net cost to business calculation has included all the benefits to operators from change in operator licence duration. As the monetised benefits of sub-contracting fall to customers, they have not been included. However, a proportion of taxi/PHV journeys are undertaken by businesses and the time savings from allowing sub-contracting has also been included in the EANCB calculation. Benefits of changes in driver licence duration has been included as, although drivers tend to pay for their own licences, the cost is directly associated with their work and is therefore a business cost.

The EANCB was initially calculated with 2013 price base year and a 2014 present value base year, using the technical annex of BIS' Better Regulation Framework Manual (July 2013) handbook:

$$EANCB = \frac{PVNCB}{a_{t,r}} = \frac{-£72.7m}{8.608} = -£8.5m$$
$$\text{where } a_{t,r} = \frac{1+r}{r} \left[1 - \frac{1}{(1+r)^t} \right] = \frac{1+3.5\%}{3.5\%} \left[1 - \frac{1}{(1+3.5\%)^{10}} \right] = 8.608$$

The EANCB figures on each policy option are given with 2013 as the price base year and 2014 present value base year.

In the summary sheet, the EANCB adjusted to a 2009 price base year and 2010 present value base year as directed in the aforementioned handbook:

$$EANCB_{(2009 \text{ Price}, 2010 \text{ PV})} = \frac{EANCB_{(2013 \text{ Price}, 2014 \text{ PV})}}{(1+3.5\%)^4 \times (1.095)} = \frac{-£8.5m}{1.148 \times 1.095} = -£6.7$$

Summary and preferred option with description of implementation plan.

These measures were tabled as amendments to the Deregulation Bill which was introduced on 23 January 2014. The Department for Transport undertook an informal targeted consultation with eight expert stakeholders to gauge opinion, acquire evidence and identify any unintended consequences. We also worked with the Law Commission to ensure the analysis they have conducted in this area was taken on board. Whilst we are confident that the measure will remove burdens from the trade, we consider this process of consultation to be necessary as the measures could encounter a degree of controversy during the passage of the Bill. For example, local authorities might express concern about operational enforcement.

Annex A

Annex A outlines how the calculations have been made in this IA. This is done by outlining the inputs and calculations that have been used. All monetary calculations have used 2013 prices.

Inputs for all calculations

Table 8 outlines the inputs that were used for the two measures that had monetised impacts.

Table 8: inputs used in all calculations		
Input	Figure	Source
Discount rate	3.5%	HMT Green book
GDP deflator	Varies over time	GDP deflators at market prices, and money GDP

Table 9 outlines how constant prices, annual equivalent, present value, net present value and average savings were calculated.

Table 9: Calculations undertaken	
Calculation Undertaken	How this calculation was undertaken
Constant Prices	The yearly benefits for both monetised measures. How these measures were monetised is outlined below.
Annual Equivalent	Sum of constant prices calculations in each year of appraisal period divided by 10 (number of years in this appraisal).
Present Value (PV)	Constant prices calculation * discount rate ¹²
Net Present Value (NPV)	Sum of PV for all years.
Average savings per driver/operator/customer per year	Annual equivalent divided by number of affected drivers/operators/customers.

Market Prices

All costs and benefits are measured in market prices. TAG Unit A1¹³ contains the process that the Department for Transport uses for converting between factor costs and market prices. In particular paragraph B.1.1 explains this in detail.

Indirect taxation creates two possible units of account for CBA: market prices (gross of indirect tax) and factor costs (net of indirect tax). Businesses and government, which do not pay indirect tax, perceive costs in the factor cost unit of account while consumers perceive market prices. What's important for CBA is not which is used but ensuring all impacts are presented in consistent units. The indirect tax correction factor is the conversion between the two units.

Regarding this impact assessment, consumers, who will save time booking their journey will perceive their value of time in market prices. WebTAG Table A1.3.2 provides Value of time in market prices and this has been used for value of time, so no uplifting within the IA was required. Secondly, operators and drivers who pay licence fees, perceive these in factor costs. In cases such as this, where either the impact is not related to the sale of a product or service or VAT does not apply to the product or service, the factor cost and the market price is equal. Hence, no adjustment for market prices has been made here.

¹² Discounted to 2014 (the base year)

¹³ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/275125/webtag-tag-unit-a1-1-cost-benefit-analysis.pdf Last access 16/04/14

GDP Deflator

TAG Unit A1.1¹⁴ states that in order to get real values costs and benefits should be adjusted for inflation. “For CBA purposes all values should be expressed in real prices to stop the effects of inflation distorting the results.” The Department for Transport uses HMT’s GDP deflator and as such all costs and benefits in this impact assessment have been updated via the GDP deflator so that they are in 2013 prices.

Measure 1 – Sub-contracting PHV bookings across borders

The following table outlines the inputs that were used in calculating the benefits to customers of allowing PHV operators to sub-contract across borders. Table 10 includes the best estimate of these figures and their source.

Table 10: Inputs used to calculate measure 1		
Inputs	Figure (best estimate¹⁵)	Source
Average time saved in booking journeys (hour)	0.08	Assumption
Value of leisure travel time ¹⁶ (VoT_leisure)	Varies over time	WebTAG table A1.3.1
Value of business Taxi/PHV travel time ¹⁷ (VoT_business)	Varies over time	WebTAG table A1.3.1
Proportion of journeys that are currently rejected	0.02	Assumption
Split between Taxi and PHV journeys	0.66	Used taxi/PHV driver and vehicle split as a proxy for journey split. TAXI0103
Average number of taxi/PHV journeys per person per year	12	NTS0304
Population in Scope ¹⁸	48m	Region and Country Profiles - Population and Migration
Split between Business and leisure journeys	0.028	NTS0402_adjusted

Calculation

It has been assumed that there are two types of passengers who use PHVs; business and leisure users. Therefore two types of calculations have had to be done to calculate the benefits of this scheme. The calculations were fundamentally the same, the main difference being the number of passengers and the value of time used.

The value of time taken from webTAG was in market prices so no adjustment has been made. The following calculations were made to calculate the time benefits to customers of operators being able to sub-contract journeys.

Leisure users

Benefits for leisure users = VoT_leisure * average time saved in booking a journey* no. journeys affected * (1- Proportion of business users)

Business users

Benefits for business users = VoT_business * average time saved in booking a journey* no. PHV journeys affected * (Proportion of business users)

¹⁴ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/275125/webtag-tag-unit-a1-1-cost-benefit-analysis.pdf. Last accessed 28/05/14

¹⁵ Sensitivity ranges can be found on p8/9.

¹⁶ Value of leisure travel time used as a proxy for value of leisure time

¹⁷ Value of business travel time for taxi/phv passengers is used as a proxy for their value of work time.

¹⁸ Population of England excluding London and Plymouth

No. PHV journeys affected = total number of taxi & PHV journeys * proportion of PHV journeys * proportion of journeys currently rejected

Total number of taxi & PHV journeys = Average number of taxi and PHV journeys per person per year¹⁹ * population in scope

Measure 3 – Duration of licences

Driver Analysis

The table below outlines the inputs that were used in calculating the benefits to drivers of bringing in these deregulatory measures. The table includes the best estimate of these figures and their source.

Table 11: Inputs used in Driver analysis in measure 3		
Inputs	Figure (best estimate²⁰)	Source
Current split between 1 year and 3 year licences (split = 1 year fee)	0.5	DfT survey of licensing authorities 2013
1 year fee	£131.03	Calculated from PHV trade association figures provided to DfT during consultation
3 year fee	£168.25	Calculated from PHV trade association figures provided to DfT during consultation
Annual average for 3 year fee	£56.08	3 year fee divided by three
Current number of taxi and PHV drivers (No. drivers)	203,081	TAXI0104
Percentage of drivers that are self-employed	81%	People 1 st report.

Calculation

For each year of the 10 year appraisal the following calculations are made. These are the constant price calculation that is made for each year of the appraisal period. The present value calculation multiplies this by the discount rate.

Do minimum²¹ = No. of drivers * [(1-current split between 1 & 3 year licences) * average three year fee + (current split between 1 & 3 year licences * one year fee)]

Do something²² = No. of drivers * average annual 3 year fee

Benefits of this measure = Do minimum – do something

Operator Analysis

The table below outlines the inputs that were used in calculating the benefits to operators in bringing in the deregulatory measures. The table includes the best estimate of these figures and the source of these figures.

Table 12: Inputs used in Operator analysis in measure 3		
Inputs	Figure (best estimate²³)	Source
Current split between 1 year and 5 year licences (split = 1 year fee)	0.9	Extrapolated from PHV trade association figures provided to DfT during consultation
1 year fee	£156.70	Calculated from PHV trade association figures provided to

¹⁹ Average number of taxi/PHV journeys undertaken per person per year according to NTS0304

²⁰ Sensitivity ranges can be found on p14.

²¹ Deregulation measures are not brought in

²² Deregulation measures are brought in

²³ Sensitivity ranges can be found on p14.

		DfT during consultation
5 year fee	£354.67	Calculated from PHV trade association figures provided to DfT during consultation
Annual average for 5 year fee	£70.93	5 year fee divided by five
Current number of operators	12,889	TAXI0104

Calculation

For each year of the 10 year appraisal period the following calculations are made. These are how the constant price calculations are made for each year of the appraisal period.

Do minimum = No. of operators * [(1-current split between 1 & 5 year licences) * average five year fee + (current split between 1 & 5 year licences * one year fee)]

Do something = No. of operators * average annual 5 year fee

Benefits of this measure = Do minimum – do something