

Date: 15 September 2017

Item: Taxi and Private Hire Licence Fees

This paper will be considered in public

1 Summary

- 1.1 At its meeting on 19 July 2017, the Board delegated authority to the Finance Committee to approve proposals to make, amend or revoke the fees for taxi drivers and taxis, and for private hire operators, drivers and vehicles. Subject to that approval, the Board authorised the Commissioner to make the necessary changes to the Private Hire Regulations to implement any changes in fees.
- 1.2 This paper sets out proposed changes to the licence fees for Private Hire Vehicle (PHV) operators, drivers and vehicles; and to the licence fees for taxi drivers and taxis.
- 1.3 Licence fees cover the costs of the licensing administration process and compliance and enforcement activities associated with regulation of the licensed taxi and private hire trades. This includes the cost of compliance and enforcement activity necessary to meet commitments made in the Mayor's Taxi and Private Hire Action Plan published last year, where these costs can be legitimately recovered through licence fees.
- 1.4 Effective regulation of the Taxi and PHV trades ensures, in the overriding public interest, that standards remain high and the public are protected. Ensuring that a licensing scheme is subject to an effective enforcement regime is essential to maintain the integrity of the licensing scheme and to achieve the public policy objectives of it. TfL as regulator and those regulated – the Taxi and PHV trades - have a mutual interest in ensuring that standards remain high and that effective enforcement work should be undertaken. The costs of doing so – provided they are proportionate to the activities in respect of which they are charged – can be recovered through licence fees.
- 1.5 At present these costs are not being met in full from licence fees. This is not a sustainable position as it means that funding is required from other TfL budgets to maintain essential licensing activities which are in the interests of public safety.
- 1.6 We are proposing to make adjustments to the fees for private hire drivers and vehicles, and for taxi drivers and licensed taxis, in line with our annual process of reviewing licence fees.
- 1.7 For private hire operators, we are proposing a new licence fee structure that covers the costs to TfL of regulatory, licensing and enforcement activities associated with PHV operators. The proposals cover the costs associated with the regulation of operators, including pre and post licensing costs and take into

account changes in the sector including those resulting from the development of new technology.

- 1.8 The proposals represent a substantial change to the current fee structure for operators and it is accepted that the size of the proposed increase in fees will have a significant adverse impact on some operators.
- 1.9 We undertook a public consultation to seek views on our proposals. The consultation took place from 20 April to 16 June 2017.
- 1.10 We received 1,442 responses to the online consultation, and an additional 15 written representations from the main private hire operators and other stakeholders.
- 1.11 The majority of those who responded to the online consultation opposed the proposal to change the structure of operator licensing fees – although some made alternative suggestions for how the discrepancy between the current licence fee and actual regulatory costs associated with small and large operators could be addressed. Similarly, a majority did not support the proposed tiers of charges for operators, nor the ability for larger operators to pay by instalments.
- 1.12 Written responses from stakeholders, mostly private hire operators, showed that, while there was general support for the principle of changing the current fee structure, there were concerns about the impact on small and medium sized operators. Many from small/medium sized operators said that the fees as proposed were not affordable and/or would make their business unviable and others highlighted impact on drivers and on customers if fees were passed on. The largest operators have also opposed the proposals in particular in relation to the scale of increased fees.
- 1.13 We have taken careful account of the potential adverse impacts identified. The changes are proposed in order to recover the proportionate costs of regulating the taxi and private hire trade and for that reason are considered justified.
- 1.14 Taking into account these concerns we have modified the proposed fee structure. Two proposed new tiers have been added to mitigate the financial impact on, and better reflect the size of, operators.
- 1.15 In the consultation, we proposed a ‘per-vehicle’ charge for operators with more than 1,000 vehicles. This has been removed following responses to the consultation.

2 Recommendation

In accordance with the authority delegated by the Board, the Committee is asked to note the paper and agree that:

- (a) the fees for taxi drivers and taxis, and for private hire drivers and vehicles, be amended as set out in Appendix 2; and**
- (b) the structure and level of private hire operator fees be amended as set out in Appendix 2.**

3 Background

- 3.1 The Metropolitan Public Carriage Act 1869, as amended by the Greater London Authority Act 1999, enables the licensing authority (TfL) to charge licence fees. This includes fees associated with taxi driver and vehicle applications, licensing application tests and re-tests and licence grant fees for taxi drivers and vehicles. Private hire legislation allows TfL to charge licence application and grant fees for private hire drivers, vehicles and operators, and to provide for fees to be payable by instalments in prescribed cases.
- 3.2 Licence fees are reviewed every year to reflect the costs of licensing and regulating the taxi and private hire trades.
- 3.3 The Mayor's Taxi and Private Hire Action Plan, published in September 2016, set out a number of measures to improve safety and standards in the taxi and private hire industry and also committed to a review of operator licence fees so that fees charged are more closely aligned with the costs of regulating operators.
- 3.4 TfL can only use licence fee revenue to meet the costs of licensing, compliance and enforcement activity and not for other purposes. However the current fee structure for operators does not recover these costs in full. Currently an operator with 15-20 vehicles pays the same licence fee as operators with hundreds of vehicles and we consider that the fees scheme should more accurately reflect their size.
- 3.5 Enforcement and compliance activities benefit all licensees, as it includes action to deter and detect unlicensed vehicles, drivers and operators and other illegal activity and it is important that TfL is able to recover the full costs of these activities. For this reason, we also propose changes to fees for private hire drivers and vehicles, and for taxi drivers and vehicles to reflect the cost associated with regulating vehicles and drivers. All these fees were frozen for the financial year 2016/17 and the fees for private hire operators, drivers and vehicles have not increased since April 2013.
- 3.6 We will, separately, continue to take forward measures that raise standards in the private hire industry, for example the enhanced topographical assessment for PHV driver licence applicants, and introducing assessments for private hire driver licence applicants of their knowledge on regulatory and safety issues.

Structure of the Private Hire market

- 3.7 The nature of private hire operations in London has changed substantially since regulation of these services was introduced in 2001. The growth in new technologies and means of accepting and discharging bookings, for example via smartphone apps, has supported a large increase in the number of private hire drivers and vehicles licensed.
- 3.8 There are now around 117,000 licensed private hire drivers and 87,000 licensed private hire vehicles in London. A consequence of this unprecedented rise is increasing licensing administration costs as well as the increased cost of increased enforcement and compliance activity.

- 3.9 Operator licence fees cover the licensing administration, compliance and enforcement activity associated with a five year operator licence. The cost of processing a licence application and the regulatory costs associated with an individual operator differs in relation to fleet size, and gets proportionally larger as the size of the fleet increases. However, licence grant fees are currently the same for all sized operators (£2,826 for a five year licence), except for “small” operators - those with up to two vehicles - who pay £1,488 for a five year licence. The application fees are currently the same for all operators.
- 3.10 Many small operators are one-person (often chauffeur) businesses in which the same person is licensed as an operator, driver and vehicle owner. Approximately 42 per cent of all operators have less than ten vehicles in their fleet. About 20 per cent have between 11 and 20 vehicles. About 26 per cent have between 21 and 50 vehicles, and seven per cent have between 51 and 100 vehicles. Only a small proportion, about five per cent, have fleets of over 100 vehicles.

4 Operator fees consultation

- 4.1 In spring 2015 we began an extensive consultation process on the Regulations applicable to the private hire industry in London. The second stage of this consultation proposed a review of the current operator licence fee structure. This was supported by 57 per cent of respondents and was agreed by the Board, along with a package of other measures, in March 2016.
- 4.2 The consultation on operator licence fees ran from 20 April to 16 June 2017. It proposed a change to the fee structure whereby the existing categories of “small” and “standard” operator for licence grant fees would be replaced by a new five-tier structure for both application and licence grant fees. This was designed to reflect the actual cost of licensing and compliance activities that we are able to recover.
- 4.3 The proposed new structure is set out at Appendix 2 along with a breakdown of operator cost forecasts and allocation across tiers. The forecasted gross expenditure to be recovered between financial years 2017/18 and 2021/22 is £209m, which includes deficits brought forward from previous financial years. The calculation is based on anticipated demand for resources to undertake the required regulatory activities over the next five years.
- 4.4 16 per cent of the £209m will be recovered from fees received from the taxi trade and the remainder from fees received from the private hire trade. This split has been calculated following a detailed review of regulatory activity and the costs being apportioned to the different license activities. The methodology is set out in Appendix 2.
- 4.5 Private hire operator licensing administration costs are approximately £8m and operator enforcement costs are approximately £30m, over a five year period. The resulting net private hire operator expenditure relating to the licence period of £38m was allocated to ‘Tiers’ based on assumptions around staff time and other associated costs required for each tier.
- 4.6 All forecasts have been based on the assumptions included in the 2016 Business Plan and not a more up to date figure. This enabled TfL to establish a firm

baseline upon which to generate proposals, put together consultation documents, hold a consultation exercise, consider responses to the consultation and make recommendations. Using the forecast included in the 2016 Business Plan ensures that the financials and volumes used remained consistent throughout the process. These figures are set out in Appendix 2.

- 4.7 If the proposed 2017/18 fees remain fixed for the next five years, the projected income would be £177m. This is £32m short of recovering the £209m projected costs. Any changes that are made will be kept under review to ensure we achieve full costs recovery going forward.
- 4.8 To mitigate the impact of the proposed increases in the size of fees that larger operators will need to pay in future and to not unduly create a barrier to operators seeking to scale up their businesses over a five year period, we proposed in the consultation that operators in the largest three categories should be able to pay their fees in annual instalments.
- 4.9 We also proposed in the consultation that an element of the fee would comprise a flat per-vehicle fee for those with fleets over 1,000 vehicles.
- 4.10 Consultees were invited to complete a questionnaire, respond by email or write in directly.

Questionnaire

- 4.11 A total of 1,442 responses were received to the online questionnaire along with an additional fifteen where the answers were provided by email. The questions asked, and the responses received, were as follows:

	Yes	Partially	No	Not sure	No opinion /no answer
Do you agree with our proposal to change the existing structure to reflect the size of private hire operators?	276	117	1,019	11	27
Do you agree with the proposed tiers to be used to allocate fees?	209	96	1,092	24	29
Do you agree that operators in the three largest tiers should be able to pay the grant of licence fees in annual instalments?	281	60	985	40	84

- 4.12 In addition to these questions, respondents were invited to add any further comments. Of the 1,442 online responses received, 1,065 provided additional comments. The main relevant comments made were:

- (a) many from small/medium sized operators saying that the fees as proposed were not affordable and/or would make their business unviable. Others highlighted the impact on drivers and on customers if fees were passed on. The Committee are invited to carefully consider the financial impacts set out in Appendix 3;
- (b) many broadly supported the principle but objected to the tiers and/or the charging structure – some offered alternatives. Of most concern was the increase at 21 vehicles and at 101 vehicles. In particular, some consultees felt that a 101 – 1,000 vehicle tier was too large and that additional tiers of 101-500 and 501-1000 would be appropriate. The most popular alternative was to increase the number of tiers to graduate the increase. Some wanted specific exemptions (e.g. those with social care contracts); and
- (c) suggestions that there should be a cap on PHV numbers, and a number of other suggestions that are out of the scope of this consultation.

Written responses

- 4.13 A total of 15 representations by email/letter were received. Whilst these stakeholders generally supported the principle of changing the fee structure, they had concerns about the proposed level of fees, and of the proposed bandings. Responses from United Private Hire Drivers and GMB professional drivers branch - both representing private hire drivers – raised concerns that the additional fees are likely to be passed on to drivers in the form of higher commissions etc. Responses from the two main private hire trade bodies – the Licensed Private Hire Car Association and the Private Hire Board, strongly opposed both the consultation process and the proposals in their current form.
- 4.14 A summary of consultation responses is at Appendix 1.

Discussion

- 4.15 It is clear from the consultation responses that a significant number of private hire operators are opposed to the proposal, although there is general support for changing the current arrangements.
- 4.16 A number of alternative suggestions were made to the proposals, principally from private hire operators. These are summarised below, along with our response:

(a) Maintain a standard application fee but introduce a per vehicle fee for all operators

- 4.17 A universal per vehicle charge was suggested by a number of respondents as an equitable way of ensuring that no operator would face a jump in licence fee when reaching a certain number of vehicles.
- 4.18 A per vehicle charge would require significant resource to undertake an annual audit of exact driver numbers for over 2,400 operators. The cost of this additional resource would also need to be passed on to operators through the licence fee. This level of audit would not be needed for the proposed tiered approach, as we have a broad understanding of the size of each operator through compliance inspections and information uploaded to our systems by operators – further audit

would only be needed where an operator was very close to the threshold of a banding. In addition, charging on a cost per vehicle approach leads to a higher fee than those proposed in the consultation, particularly for medium to large operators.

(b) Introduce a system that includes an element that reflects the enforcement performance of the operator – more compliant operators pay less than those with poor compliance ratings

- 4.19 A significant percentage of costs generated by operators relates to activities that are universal to all rather than specific to operators with poorer compliance statistics. This includes application costs, annual inspections, and collection/monitoring of operator's driver and vehicle records. It also includes enforcement around the detection of illegal and unlicensed activity. Having a system that depends on the degree of compliance would be very difficult to administer in practice and could lead to inconsistency in approach if judgments need to be taken about the level of compliance in similar cases.

(c) Add additional tiers to remove "hikes" between each band (suggestions included: bandings between 21 and 100; banding between 101 and 1,000; higher bandings for e.g. 10,000 vehicles)

- 4.20 The current two tier banding is clearly not fit for purpose. However any new structure has to strike a balance between a system with sufficient bandings to allow fees to be graduated according to size, but with not so many bandings to make it over complicated to monitor and as to require invoicing of operators of many different sizes.
- 4.21 We do however recognise concerns raised in the consultation by a number of operators that the rise in fee between some tiers was too steep and the gap between each tier too large. For that reason we propose two additional tiers as set out in Appendix 2.

(d) Increase fees for private hire drivers and vehicles instead of for operators

- 4.22 Our proposals already include an increase in licence fees for private hire drivers and vehicles to reflect the associated regulatory costs. If taken forward, these fees will still represent around two thirds of total licence fee income.
- 4.23 However, there are licensing and regulatory activities which are necessary for an operator but which are not in the case of drivers or vehicles. For example, an inspection of the proposed operating premises is required even before a licence is granted to ensure the operator and premises are suitable. This includes assessment of the booking system or platform to make sure it is compliant with private hire legislation. Further work to assess the proposed operating model may often be needed.
- 4.24 Once a licence is granted there are a range of activities necessary to ensure the operator remains compliant. These activities include regular compliance visits; inspection of booking records; inspection of driver and vehicle records and ensuring appropriate insurance is in place; contacting operators through on-street

checks; handling of complaints regarding the operator or a driver or vehicle undertaking a booking for that operator.

(e) There should be a cap on PHV driver numbers instead to minimise level of enforcement activity.

- 4.25 We do not have the statutory power to do this and it would be unlawful to try and achieve it through the licence fee regime.

Conclusion

- 4.26 It is clear the current system is not fit for purpose – there is a significant mismatch between the fees charged to operators and the licensing, regulatory, and compliance and enforcements costs associated with the regulation of operators. It is also unfair that larger operators are effectively subsidised by other licence holders in terms of the costs of licensing and regulating their activities. Enforcement and compliance supports all licence holders and should be funded in full by licensees.
- 4.27 After considering the consultation responses, and having carefully considered the potential impacts on those affected, we propose to proceed with a new licence fee structure with two additional bandings to reduce the level of the rise in fees between bands. We are also proposing not to proceed with the per vehicle charge for operators with 1,001 or more vehicles.

5 Implementation of the Proposals

- 5.1 The current arrangements for PHV licence fees are set out in the Private Hire Vehicles Regulations Any changes to fees would require an amendment to these Regulations. Pursuant to the delegation from the Board, the Commissioner will be invited to make any changes to the Regulations to implement the Committee's decision.
- 5.2 As with all other taxi and private hire licence fees, operator fees will be reviewed annually and adjustments made to ensure we are recovering our regulatory and licensing costs. Any changes to fees are subject to approval by the Board.

6 Impact Assessments

- 6.1 Impact Assessments considering the economic and equalities impacts have been prepared to accompany these proposals and are attached at Appendices 3 and 4. The Committee is invited to give these careful consideration.
- 6.2 In summary, the assessment of financial impacts shows that the proposals could have a significant negative impact on some small to medium sized businesses providing private hire services, including those providing specialist services.
- 6.3 The equalities impact assessment shows that increased compliance and enforcement activity will have a positive impact on those groups where use of private hire services is more prevalent – such as young people and disabled passengers, and those groups who may have greater safety concerns when

using private hire services, in particular wheelchair users and black, Asian and minority ethnic groups.

- 6.4 However, the proposals could mean a number of small or medium sized specialist operators leaving the market or being deterred from joining the market which would reduce choice and could increase fares for consumers. This could have an adverse impact on individuals in protected groups who use PHV services to a greater extent than the rest of the general population. The changes may also result in a restricted range of work opportunities for private hire drivers, a large proportion of whom are within protected groups, including part time workers.

7 Financial Implications

- 7.1 The implementation of these proposals will have a financial impact on private hire services, in particular operators. However, it is appropriate and justified that operators, drivers and vehicle licensees pay appropriately for the proportionate costs of the licensing regime associated with them.
- 7.2 The proposed fees will not fully recover the licensing, compliance and enforcement costs incurred by TfL. This effectively means that other funding streams are subsidising the regulation of the licensed trades. For this financial year we are proposing structural changes to ensure that operator fees are related to the size of their business. We will proceed with any further proposals in future financial years to ensure full cost recovery across all licensees.

List of appendices to this report

Appendix 1: Summary of consultation responses

Appendix 2: Proposed fees

Appendix 3: Economic and business impacts

Appendix 4: Equalities impacts

List of background papers

Mayor's Taxi and Private Hire Action Plan, September 2016

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APPENDIX 1: SUMMARY OF CONSULTATION RESPONSES

Operator fees consultation: stakeholder responses

The consultation ran from 20 April to 16 June 2017. Consultees were invited to complete an online questionnaire, or to write or email the consultation team.

1,457 responses were received, as follows:

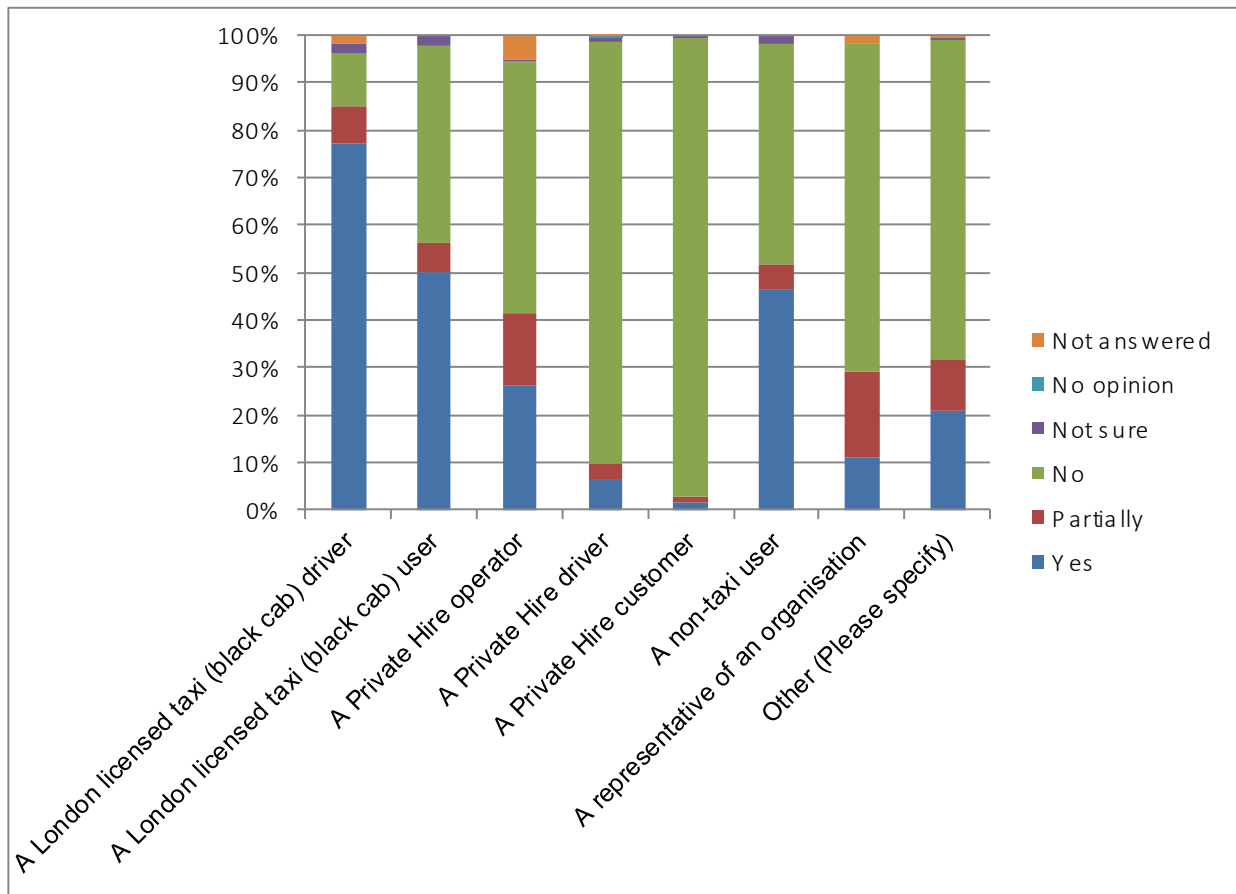
Methods of responding	Total
Website	1,442
E mail/Letter	15

Respondent type	Total	%
A London licensed taxi (black cab) driver	53	3.6
A London licensed taxi (black cab) user	48	3.3
A Private Hire operator	345	23.7
A Private Hire driver	330	22.7
A Private Hire customer	258	17.7
A non-taxi user	54	3.7
A representative of an organisation	62	4.2
Other	249	17.1
Not Answered	51	3.5

Responses to online questionnaire:

Question 1: Do you agree with our proposal to change the existing structure to reflect the size of private hire operators?

Respondents	Yes	Partially	No	Not sure	No opinion	Not answered
A London licensed taxi (black cab) driver	41	4	6	1	0	1
A London licensed taxi (black cab) user	24	3	20	1	0	0
A Private Hire operator	91	52	183	2	0	17
A Private Hire driver	21	11	293	3	1	1
A Private Hire customer	4	3	250	1	0	0
A non-taxi user	25	3	25	1	0	0
A representative of an organisation	7	11	43	0	0	1
Other (Please specify)	52	27	168	1	0	1
Total	276	117	1019	11	1	26

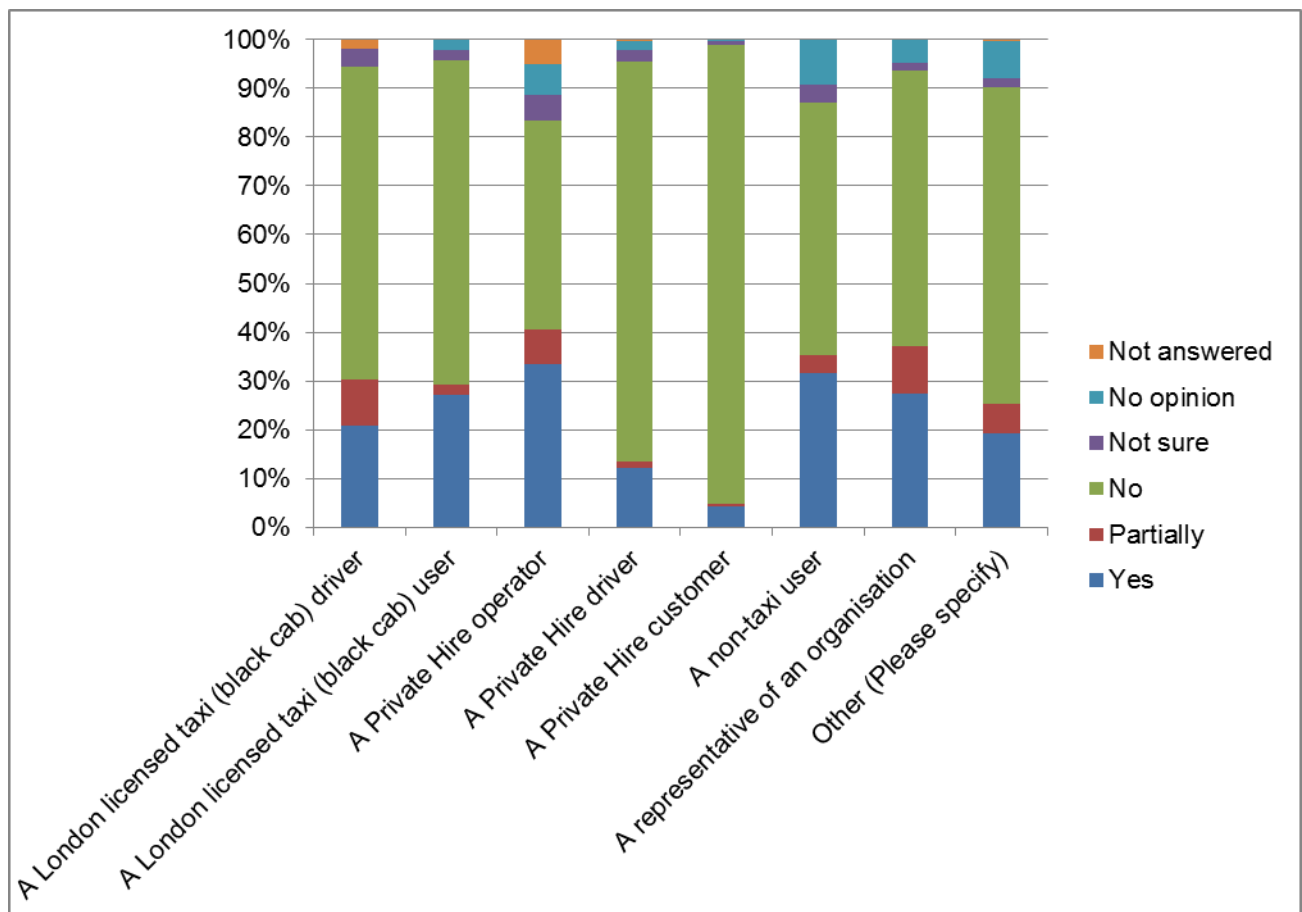


Question 2 Do you agree with the proposed tiers to be used to allocate fees?

Respondents	Yes	Partially	No	Not sure	No opinion	Not answered
A London licensed taxi (black cab) driver	36	6	7	3	0	1
A London licensed taxi (black cab) user	22	3	21	1	0	1
A Private Hire operator	62	39	217	9	1	17
A Private Hire driver	13	13	299	2	2	1
A Private Hire customer	6	1	251	0	0	0
A non-taxi user	22	2	27	3	0	0
A representative of an organisation	2	5	53	2	0	0
Other (Please specify)	39	25	181	4	0	0
Total	209	96	1092	24	4	25

Question 3: Do you agree that operators in the three largest tiers should be able to pay the grant of licence fee in annual instalments?

Respondents	Yes	Partially	No	Not sure	No opinion	Not answered
A London licensed taxi (black cab) driver	11	5	34	2	0	1
A London licensed taxi (black cab) user	13	1	32	1	1	0
A Private Hire operator	115	25	148	18	22	17
A Private Hire driver	40	4	271	8	6	1
A Private Hire customer	11	1	243	2	1	0
A non-taxi user	17	2	28	2	5	0
A representative of an organisation	17	6	35	1	3	0
Other (Please specify)	48	15	162	4	19	1
Total	281	60	985	40	59	25



Additional comments

Of the 1,457 total responses, 1,065 provided additional comments on Question 4, which was an open text box for respondents to provide further comment. A majority of comments were provided by those that disagreed, or only partly agreed, with the proposal.

The main themes of those comments that were relevant covered the following:

- Many from small/medium sized operators saying that the fees as proposed were not affordable and/or would make their business unviable. Others highlighted impact on drivers and on customers if fees were passed on.
- Many broadly supported the principle but had issues with the tiers and/or the charging structure – some offered different alternatives. Most concern was with the jump at 21 vehicles and at 101 vehicles. Most popular alternative was an increase in the number of bands to graduate the increase.
- Some wanted specific exemptions (e.g. those with social care contracts).

Other significant comments made included:

- The fees should be higher
- Fees for drivers and the taxi trade should be raised instead
- Shorter licence periods (eg - one or two years, not five)
- Questions about implementation eg - how size of operator is established/monitored; status of existing licence holders
- More information on what compliance activity is needed, and why
- Comments related to wider Taxi and Private Hire issues (operator tax arrangements; drivers claiming benefits; emissions; congestion; enforcement in other parts of UK; use of bus lanes)

Comments by respondent type

The most common comments made by each respondent type were:

- **Private Hire operators** - proposed fees are too high and generally negative comments about the proposals, including the consultation process. Several operators suggested the new fees could put some small and medium sized operators out of business.
- **Private Hire drivers** - proposed fees were too high for smaller operators - they felt the proposals were generally unfair and that the higher fees were likely to be passed on the drivers and/or passengers.
- **Private Hire customers** - felt the fees were too high and that the proposals were generally unfair towards the smaller operators.
- **London licensed taxi (black cab) drivers** – support higher fees but question whether the largest operator should be licensed at all. Also suggest a cap on number of PH drivers.
- **London licensed taxi (black cab) user** - against app companies and also sceptical about TfL reasoning behind the consultation.

Written responses from stakeholders/trade

Responses were received from the following key stakeholders:

Uber – support the principle of changing the fee structure but questioned both the rationale behind the increase in compliance activity and the scale of charges proposed. They also suggested that fees could be related to the compliance history of each operator and point out the practical difficulties of implementing the proposals.

GETT – support the proposal but suggest changes to the bandings.

Licensed Private Hire Car Association – oppose the proposals and were critical of the consultation process.

Private Hire Board – they opposed the proposals and were critical of the consultation process. They suggest that the proposal would put a number of small and medium sized operators out of business.

Addison Lee - broadly support principle but want a “per vehicle” charge to apply to all sizes of operator instead of suggested bandings. They also want enforcement costs to be aligned to activities and to take account of an operator’s compliance ratings.

United Private Hire Drivers – contend the burden of fees overall is too high for drivers and the additional fees are likely to be passed on to them in form of higher commissions etc. They call for a “per vehicle” charge and also suggest that there should be charges for taxi apps (we do not have legal power to do this).

Driver Guides Association – argue the impact is disproportionate on smaller businesses, particularly those in niche markets with few vehicles. They argue that these small businesses are unconnected with the wider mass market and therefore should not be expected to make such large contributions to those enforcements costs.

GMB professional drivers branch – accept larger operators should pay higher fees than smaller ones but do not agree the current bandings are fair. They offer an alternative banding system. They are also concerned at the level of fees overall, and that ultimately the fees will be passed on to drivers as operators would not be able to afford them

Licensed Taxi Drivers Association – fully support the proposals. They also make comments about private hire insurance, and the growth of private hire vehicles and drivers in London.

APPENDIX 2: PROPOSED FEES

Driver and Vehicle Proposed Fees

Fee Type		Current Fee (£)	Proposed fee (£)
Taxi vehicle	Application Fee	65	66
	Licence Fee	33	44
	Total	98	110
	Digital Taxi Top Application Fee	133	No change
	Digital Taxi Top Licence Fee	33	No change
	Total	166	No change
Taxi Driver	Application Fee	80	120
	Licence Fee	192	180
	Total	272	£300
Knowledge of London	Appearance Fee	400	No change
	Written Test Fee	200	No change
	Total	£600	No change
Private Hire Drivers	Application Fee	150	124
	Licence Fee	100	186
	Total	250	310
Private Hire Vehicles	Application Fee	65	84
	Licence Fee	35	56
	Total	100	140
Private Hire Operators	Application Fee	838	See below
	Licence Fee (small)	650	See below
	Licence Fee (standard)	1,988	See below
	Variation Fee (add operating centre)	300	No change
	Variation Fee (remove operating centre)	50	No change

Operator Proposed Fees

Original Consultation Proposals

The following operator fees were consulted on:

Number of vehicles	Current Fee (£) (Total)	Proposed 5 year fee			Proposed Fee as an annual cost (£)
		Application (£)	Grant of licence (£)	Total	
0-2	1,488	783	1,205	1,988	N/A
3-10	2,826	783	1,205	1,988	N/A
11-20	2,826	2,042	3,148	5,190	N/A
21-100	2,826	8,794	13,220	22,014	4,403
101-1,000	2,826	66,425	100,093	166,518	33,304
1,001+ Allocated per vehicle	2,826	66,425 (+34 per vehicle registered)	100,093 (+34 per vehicle registered)	166,518 + 68 per vehicle registered	33,304 + 14 per vehicle registered

Revised Operator Fee Proposals

After further consideration, and taking into account the consultation responses, we propose to amend these fees to the following:

Number of vehicles	Current Fee (£) (Total)	Proposed 5 year fee (£)			Proposed Fee as an average annual cost (£)
		Application	Grant of licence	Total	
0-10	1,488	400	1,600	2,000	N/A
11-20	2,826	1,200	4,800	6,000	N/A
21-50	2,826	3,800	15,200	19,000	3,040
51-100	2,826	6,000	24,000	30,000	4,800
101-500	2,826	32,000	128,000	160,000	25,600

Number of vehicles	Current Fee (£) (Total)	Proposed 5 year fee (£)			Proposed Fee as an average annual cost (£)
		Application	Grant of licence	Total	
501-1,000	2,826	70,000	280,000	350,000	56,000
1,001-10,000	2,826	140,000	560,000	700,000	112,000
10,001+	2,826	580,000	2,320,000	2,900,000	464,000

The fees for a private hire operator licence comprise:

Licence application fee

This is a non-refundable amount payable by all applicants on submission of an application. It relates to the activities necessary to process an application, including fixed costs related to IT costs, staff payroll, service provider costs, building costs and document handling. The costs at pre-licensing stage include: administration costs of processing documents; costs of pre-licensing inspection including time spent and number of compliance officers engaged (and any follow up visits); costs in assessing an application is compliant with regulations; costs dealing with licensing objections; and costs of stakeholder engagement e.g. police and local authorities.

Moving to a fleet-based fee structure will require auditing of operator-held vehicle records.

Grant of licence fee

This is paid on issue of a licence. It relates to the compliance work (such as inspection of premises, records etc.) and enforcement work (such as proactive initiatives e.g. ongoing operation Neon, policing, investigations, prosecutions and on-street activity) necessary to support the licensed trades.

Only the licence application fee must be paid at the application stage: the grant of licence fee only becomes payable if the application is successful. Although these fees are separate, the option will remain for operators to pay both fees at the same time, but on the basis that the grant of licence fee is refundable if the application is unsuccessful. For short-term licences, the grant of licence fee is calculated on a pro-rata basis.

Methodology for forecasting and apportioning

The forecasted gross expenditure to be recovered between financial years 2017/18 and 2021/22 is £209m. This includes £204m expenditure forecasted to be incurred between the above financial years based on the financials included in the 2016 Business Plan and £5m of retained deficits brought forward from 2016/17.

These costs are then apportioned to the licence streams using the following methodologies:

- Directly allocated – specific costs such as vehicle inspections, topographical assessors, Knowledge of London examiners, and directly focused marketing spend etc
- Activity based apportionment – service provider costs, driver medical costs, and document archiving etc. apportioned based on expected volume trends
- Staff time apportionment – non-specific staff time is apportioned by role based on the specific activities carried out. This apportionment is then applied to salaries and on-costs to calculate a weighted average per team and also an overall weighted average.
- Overhead apportionment – based on the appropriate staff time weighted average or activity based apportionment.

For example

Operator costs for the five year licence period consist of the following:

- £28.3m – 30 per cent of compliance and enforcement costs, primarily staff time, have been allocated using staff time apportionment.
- £4.7m - nine per cent of licensing and policy staff costs have been allocated using staff time apportionment. Services included relate to processing licence applications, licensing support, licensing policies and standards, contracts management and business support.
- £1.0m - eight per cent of TfL overheads such as accommodation, legal and HR have been allocated using overhead apportionment (i.e. headcount and staff time weighted average rate)
- £0.7m - 11 per cent of contact centre, complaints and appeals staff costs have been allocated using staff time apportionment.
- £0.3m - one per cent of service provider costs have been allocated using activity based apportionment (i.e. active licences).

Expenditure projections as at September 2016

		Allocation assumption					
Estimated Gross spend	2017/18-2021/22	PH Driver	PH Vehicle	Operator	Taxi Driver	Taxi Vehicle	KOL
Licensing & Policy	£ 109m	£ 57m	£ 22m	£ 7m	£ 9m	£ 9m	£ 5m
Compliance & Enforcement	£ 94m	£ 23m	£ 38m	£ 28m	£ 2m	£ 3m	£ 0m
Total spend (detailed below)	£ 204m	£ 80m	£ 60m	£ 35m	£ 11m	£ 12m	£ 5m
	% of total licensing & policy	52%	20%	6%	8%	9%	5%
	% of total compliance	24%	40%	30%	2%	3%	0%
	% of total spend	39%	30%	17%	5%	6%	3%
2016/17 Deficit/(Surplus) projection	£ 5m	£ 0m	£ (2)m	£ 4m	£ (1)m	£ (1)m	£ 5m
Total gross spend to recover	£ 209m	£ 80m	£ 58m	£ 40m	£ 10m	£ 12m	£ 10m
	% of total spend to recover	38%	28%	19%	5%	6%	5%
Deferred income release	-£ 11m	-£ 3m	-£ 1m	-£ 2m	-£ 2m	£ 0m	
Net recoverable costs	£ 198m	£ 77m	£ 57m	£ 38m	£ 7m	£ 12m	£ 10m
	% of total recoverable	39%	29%	19%	4%	6%	5%

Five year estimated spend 2017/18-2021/22							
	PH Driver	PH vehicle	PH Operator	Taxi Driver	KOL	Taxi Vehicle	Total
Licensing and policy team							
Licensing and policy staff costs	£ 33.7m	£ 3.1m	£ 4.7m	£ 4.5m	£ 4.0m	£ 1.6m	£ 51.6m
Service provider costs	£ 3.7m	£ 18.0m	£ 0.3m	£ 1.2m	£ 0.1m	£ 7.1m	£ 30.4m
Management fee	£ 9.3m	£ 0.6m	£ 1.0m	£ 1.2m	£ 0.9m	£ 0.3m	£ 13.3m
Contact Centre, Appeals and Complaints team costs	£ 4.0m	£ 0.2m	£ 0.7m	£ 1.2m	£ 0.1m	£ 0.1m	£ 6.3m
6th floor 230 Blackfriars rent	£ 4.3m						£ 4.3m
Driver medicals	£ 1.1m			£ 0.5m			£ 1.6m
Other	£ 0.6m	£ 0.4m	£ 0.1m	£ 0.1m	£ 0.2m	£ 0.3m	£ 1.9m
Total licensing and policy	£ 56.9m	£ 22.3m	£ 6.9m	£ 8.8m	£ 5.3m	£ 9.3m	£ 109.4m
Compliance and enforcement team							
Compliance staff costs	£ 20.0m	£ 33.3m	£ 25.7m	£ 1.4m		£ 2.1m	£ 82.4m
Metropolitan Police cab enforcement	£ 1.6m	£ 2.7m	£ 1.1m	£ 0.5m		£ 0.8m	£ 6.8m
Management fee	£ 1.1m	£ 1.8m	£ 1.4m	£ 0.1m		£ 0.1m	£ 4.4m
Other	£ 0.1m	£ 0.2m	£ 0.2m	£ 0.0m		£ 0.0m	£ 0.6m
Total compliance and enforcement	£ 22.8m	£ 38.0m	£ 28.3m	£ 2.0m		£ 3.0m	£ 94.1m
Total estimated spend	£ 79.7m	£ 60.3m	£ 35.2m	£ 10.8m	£ 5.3m	£ 12.4m	£ 203.6m

Five year estimated spend as a percentage of total cost							
	PH Driver	PH vehicle	PH Operator	Taxi Driver	KOL	Taxi Vehicle	Total
Licensing and policy team							
Licensing and policy staff costs	65%	6%	9%	9%	8%	3%	100%
Service provider costs	12%	59%	1%	4%	0%	23%	100%
Management fee	70%	4%	8%	9%	7%	2%	100%
Contact Centre, Appeals and Complaints team costs	64%	4%	12%	19%	1%	1%	100%
6th floor 230 Blackfriars rent	100%						100%
Driver medicals	70%			30%			100%
Other	34%	23%	8%	8%	12%	15%	100%
Total licensing and policy	52%	20%	6%	8%	5%	9%	100%
Compliance and enforcement team							
Compliance staff costs	24%	40%	31%	2%		3%	100%
Metropolitan Police cab enforcement	24%	40%	16%	8%		12%	100%

Management fee	24%	40%	31%	2%		3%	100%
Other	24%	40%	31%	2%		3%	100%
Total compliance and enforcement	24%	40%	30%	2%		3%	100%
Total percentage allocation	39%	30%	17%	5%	3%	6%	100%

APPENDIX 3: Business and economy impacts of final proposals

Operator impacts

Implementation of the fees proposed in this paper would mean additional category/categories to operator licence types to better reflect and recover costs of the licensing, compliance and enforcement functions.

This proposal will affect all operators across the PHV industry in particular those who have significant number of vehicles over 1,000.

Overview of impact per operator size

Operators with 0-10 vehicles

Current licence fees for those with up to 2 vehicles are set at £1,488. This proposal will increase the fee to £2,000, an increase of £512. As at current date there are 704 operators holding a “Small” licence that will be negatively impacted by this change.

For those with 3-10 vehicles, the current fee of £2,826 will be reduced to £2,000, a reduction of £826. We estimate that there are around 400 operators who fall within this category and will therefore be positively impacted from the change in fee.

Operators with 11-20 vehicles

For those with 11-20 vehicles, the current fee of £2,826 will be increased to £6,000, an increase of £3,174. We estimate that there are around 511 operators who fall within this category and will be negatively impacted by this change.

Operators with 21-50 vehicles

For those with 21-50 vehicles, the current fee of £2,826 will be increased to £ 19,000, an increase of £16,174. We estimate that there are around 686 operators who fall within this category and will be negatively impacted by this change. The impact is mitigated by the ability to pay the grant of licence fee in equal annual instalments over the lifetime of the licence – an annual payment of £3,200.

Operators with 51-100 vehicles

For those with 51-100 vehicles, the current fee of £2,826 will be increased to £30,000, an increase of £27,174. We estimate that there are around 190 operators who fall within this category and will be negatively impacted by this change. The impact is mitigated by the ability to pay the fee in equal annual instalments over the lifetime of the licence – an annual payment of £4,800.

Operators with 101-500 vehicles

For those with 101-500 vehicles, the current fee of £2,826 will be increased to £160,000, an increase of £157,174. We estimate that there are around 103 operators who fall within this category and will be negatively impacted by this change. The impact is

mitigated by the ability to pay the fee in equal annual instalments over the lifetime of the licence – an annual payment of £25,600.

Operators with 501 – 1,000

For those with 500 - 1001 vehicles, the current fee of £2,826 will be increased to £350,000, an increase of £347,174. Currently there are 10 operators who fall within this category and will be negatively impacted by this change. The impact is mitigated by the ability to pay the fee in equal annual instalments over the lifetime of the licence – an annual payment of £56,000.

Operators with 1,001 – 10,000 vehicles

For those with 1001- 10,000 vehicles, the current fee of £2,826 will be increased to £700,000, an increase of £697,174. Currently one operator falls within this category and will be negatively impacted by this change. The impact is mitigated by the ability to pay the fee in equal annual instalments over the lifetime of the licence – an annual payment of £112,000.

Operators with 10,001 + vehicles

For those with 10,001 + vehicles, the current fee of £2,826 will be increased to £2,900,000 an increase of £2,897,174. Currently one operator falls within this category and will be negatively impacted by this change. The impact is mitigated by the ability to pay the fee in equal annual instalments over the lifetime of the licence – an annual payment of £594,183.

Sector wide impacts

The nature of private hire operations in London has changed substantially since licensing of these services was introduced in 2000. The growth in new technologies and means of accepting and discharging bookings, e.g. via smartphone apps, has supported a large increase in the number of private hire drivers and vehicles licensed.

There are now around 117,000 licensed private hire drivers and 87,000 licensed private hire vehicles in London. A consequence of this unprecedented rise is increasing pressure on administration costs as well as the cost of increased enforcement and compliance activity.

The proposals will in totality represent approximately £38m, which equates to 20% of total spend to recover during the period 2017/18 – 2021/22. If no changes were made to operator fees we estimate that fee income for this period would be approximately £6m. This means a net increase of £32m in fees from private hire operators over this five year period.

A number of responses from consultees suggest that the increase in fees may make some operators unviable. The impact on drivers, and on choice for consumers, is less clear. The number of licensed private hire operators has seen a decline in the past five year period, falling from 3159 in 2012/13 to 2430 in 2016/17. Despite that, the number of licensed drivers and vehicles has continued to increase.

Effective compliance and enforcement activity has significant benefits to operators. In particular, detecting and deterring unlicensed activities, and illegal actions by licensees (such as touting), reduces the amount of work lost by the legitimate trade to those seeking to break the law.

Impacts identified in the consultation responses

- A number of medium sized businesses suggested that the current proposals could have a significant negative impact, to the point that their (and others) businesses may become unviable.
- A number of single vehicle driver/operators (often driver guides or providing bespoke chauffeur services) believe this would have a significant negative impact on their business
- Some specialist operators (such as those contracted to special educational needs providers), often in the middle bandings, believe this would have a significant negative impact on their business
- Part time drivers may find that it harder to find employment if operators seek to limit their number of drivers and vehicles
- A number of respondents identified the potential for increased costs for passengers if operators increased fares to cover the new fees; or alternatively that the costs will be passed on to drivers in the form of higher commissions/fees
- Operators may circumvent the higher fees by making changes to their business model – e.g. splitting a large operation into two smaller ones to make a net saving

Proposal specific business / economics mitigation measures / opportunities for enhancement

To mitigate the impact of the proposed increases in the size of fees that larger operators will need to pay in future and to not unduly create a barrier to operators seeking to scale up their businesses over a five year period, we propose that operators in all except the two smallest categories should be able to pay their fees in annual instalments, and have introduced two additional tiers.

Impact Assessment: Equality Impact Assessment

Introduction:

The public sector equality duty requires TfL to have regard to the need to eliminate unlawful discrimination, advance equality of opportunity and foster good relations between people who share a protected characteristic*

** Age, people with a disability, gender reassignment, gender, marriage and civil partnership, pregnancy and maternity, race, religion and belief, sexual orientation.*

Section one: Your strategy, project or policy.

Name of strategy, project or policy:

Provide the full name of your strategy, project or policy:

Proposed changes to licence fees for private hire operators.

Person completing assessment: Provide the full name, position and department of the person completing the form.

Helen Chapman and Peter Blake,
General Manager, Taxi and Private Hire

Telephone number:

Provide the telephone number of the person completing the form. (No Mobile or Auto Nos).

(020) 3054 1527

Section two: Assessment of impact(s)

1. What is the main purpose of the strategy, project, or policy? Describe what your strategy, project, or policy aims to achieve (as outlined in the strategy, project, or policy section of the business case)

Policy aims

TfL is proposing a new licence fee structure for private hire operators that reflects the costs to TfL of regulatory, licensing and enforcement activities associated with those operators.

Licence fees cover the costs of the licensing administration process and compliance and enforcement activities associated with regulating the licensed taxi and private hire trades. This includes the cost of compliance and enforcement activity necessary to meet commitments made in the Mayor's Taxi and Private Hire Action Plan, where these costs can be legitimately recovered through licence fees.

At present these costs are not being met in full from licence fees. This is not sustainable as it means funding is required from other TfL budgets to maintain essential licensing activities in the interests of public safety. Given current pressure on budgets across TfL it is important that we redress this imbalance.

Background

The Metropolitan Public Carriage Act 1869, as amended by the Greater London Authority Act 1999, enables the licensing authority (TfL) to charge licence fees. This includes fees associated with taxi driver and vehicle applications, licensing application tests and re-tests and licence grant fees for taxi drivers and vehicles. Private hire legislation allows TfL to charge licence application and grant fees for private hire drivers, vehicles and operators.

Licence fees are reviewed every year to reflect the cost of licensing and regulating the taxi and private hire trades.

The Mayor's Taxi and Private Hire Action Plan, published September 2016, set out a number of measures to improve taxi and private hire safety and standards also committed to a review of operator licence fees so that the fees charged are more closely aligned with the costs of regulating operators.

- 2. List the main activities of the strategy, project, or policy (for strategies list the main policy areas):** Describe the key activities of the strategy, project, or policy. This should not just be a simple list of activities and should align with the business case for the strategy, project, or policy.

A proposed new structure for private hire operator licence fees will be introduced. This will apply to application and grant fees for all new and renewal licences issued from the commencement date (expected to be Autumn 2017 if agreed).

- 3. Have you consulted on this strategy, project, or policy?** Describe who have been consulted both internally and/or externally in regards to the strategy, project, or policy. This should include the feedback from the consultation (where applicable) and the changes made because of this feedback.

Part One (Spring 2015)

The first part of the consultation sought ideas to improve services provided to passengers and ensure a consistent standard of service. After detailed analysis of responses, we set out 25 proposals for changes to private hire regulation. This formed the basis of the second consultation.

Part Two (Autumn 2015) – Proposals

The second part of the PHV regulations review consultation featured 25 proposals and we said we would also be taking forward a number of other measures including a review of

operator licence fees. TfL received nearly 16,000 consultation responses, along with many thousands of campaign, survey and petition responses.

An integrated impact assessment on those proposals was completed, although it was not able to undertake any significant assessment of changes to licence fees as at that stage the proposed new structure and level of fee had not been developed. However, the overall findings of the IIA are relevant to the current proposals for changes to the operators fees. These findings were:

- Some groups sharing a protected characteristic are slightly more likely to use PHVs than other sections of the population (those from BAME backgrounds, young people (16-24), women and disabled people), – for example, 9% of young women aged 19-24 use a PHV at least once a week compared to an average across all ages and genders of 6%

Health and equality benefits are likely where there are improvements to actual or perceived personal safety when using PHVs. Several groups sharing protected characteristics are more susceptible to experiencing personal safety concerns than the general population (notably, BAME, disabled people, LGBT, younger people and women)

- any change to the cost of using PHV services is likely to have a disproportionate impact on individuals who fall within certain protected groups (women, disabled people, BAME Londoners and older people) as they are more likely to experience socio-economic disadvantage or live in low income households and it is recognised that the additional costs to PHV operators inherent in the proposals could be passed on through fares. This is particularly the case for women, disabled people, BAME Londoners and older people who are more likely to live in low income households than other Londoners.

- The Private Hire industry attracts a high percentage of BAME drivers. This means any negative impact of changes to private hire regulation is likely to have a disproportionate impact on that protected group.

Part Three (Spring 2017) – Detailed proposals

The consultation on operator licence fees ran from 20 April to 16 June 2017. It proposed a change to the fee structure whereby the existing categories of “small” and “standard” operator would be replaced by a new five-tier structure. This was designed to reflect the actual cost of licensing and compliance activities that we are able to recover.

A total of 1,442 responses were received to the online questionnaire along with an additional fifteen where the answers were provided by email.

In addition to these questions, respondents were invited to add any further comments. Of the 1,442 online responses received, 1,065 provided additional comments. The main relevant comments made were:

- a) many from small/medium sized operators saying that the fees as proposed were not affordable and/or would make their business unviable. Others highlighted impact on drivers and on customers if fees were passed on

- b) many broadly supported the principle but objected to the use of tiers and/or the charging structure – some offered different alternatives. Most concern was with the increase at 21 vehicles and at 101 vehicles. The most popular alternative was an increase in the number of bands to graduate the increase. Some wanted specific exemptions (e.g. those with social care contracts)
- c) suggestion that there should be a cap on private hire vehicle (PHV) numbers, and a number of other suggestions that are out of the scope of this consultation.

A total of 15 written responses were received. Whilst these stakeholders generally supported the principle of changing the fee structure, they had concerns about the proposed level of fees, and of bandings. Responses from United Private Hire Drivers and GMB professional drivers branch - both representing private hire drivers – raised concerns that the additional fees are likely to be passed on to drivers in the form of higher commissions etc. Responses from the two main private hire trade bodies – the Licensed Private Hire Car Association and the Private Hire Board, strongly opposed both the consultation process and the proposals in their current form.

4. Have you used any research to support your strategy, project, or policy? Describe what research has been used to support the strategy, project, or policy and the effect of this research on the strategy/project/policy.

TfL has not conducted specific research or studies to support the policy, save the consultation exercises described above. Those consultation process, alongside TfL's experience regulating this sector, have led to the following conclusions:

TfL can only use licence fee revenue to meet the costs of licensing, compliance and enforcement activity and not for other purposes. However the current fee structure for operators is not representative of the costs incurred by TfL to conduct this activity and it does not allow us to recover these costs in full. Currently an operator with as few as three vehicles pays the same operator licence fee as an operator that has thousands of vehicles and we consider that the fees scheme should more accurately reflect their size.

Licensing and regulatory activities are necessary for an operator which are not the case for a driver or vehicle. An inspection of the proposed operating premises is required before a licence is granted to ensure the operator and premises are suitable. This includes assessment of the booking system or platform to make sure it is compliant with private hire legislation. Further work to assess the proposed operating model may often be needed.

Once a licence is granted there are a range of activities necessary to ensure the operator remains compliant. These activities include regular compliance visits; inspection of booking records; inspection of driver and vehicle records and ensuring appropriate insurance is in place; contacting operators through on-street checks; handling of complaints regarding the operator or a driver or vehicle undertaking a booking for that operator; and additional ad-hoc activities.

Enforcement and compliance activities benefit all licensees, as it includes action to deter and detect illegal activity by private hire operators, licensed drivers and vehicles as well as unlicensed vehicles, drivers and operators. As part of the process of calculating fees we have ensured that the costs of each licensing, regulatory and compliance activity is properly attributed to the licence type generating that cost.

Ongoing compliance and enforcement work has demonstrated the need for continued and enhanced enforcement of the taxi and private hire trades including private hire operators. In particular, priorities identified are:

- compliance activity to deter unlawful activity and provide visible reassurance to the law abiding licensed trade. This includes a number of new PH operator requirements in addition to regular compliance checks to ensure operator's business models comply with legislation
- TPH journey-related sexual offences – there were 136 reports of journey related sexual offences in 2015, including a number of rape offences
- touting and unlawful plying for hire poses a serious risk to the travelling public – these vehicles are unregulated, uninsured for the purposes of carrying passengers and present an economic threat to the licensed trade by intercepting their customers
- unlicensed drivers/illegal trading and growth in forged licences and insurance documents: fraudulent impersonation of a licensed driver or operator is a serious risk to public safety, takes business away from the licensed, law-abiding trade, and potentially damages the world class reputation of taxis and of PHVs
- road danger reduction – proactive work to contribute to Vision Zero by tackling any risk posed by licensed drivers

5. Have you explained your strategy/project/policy to people who might be affected by it directly or indirectly? Describe how the strategy, project, or policy will be communicated to staff and/or customers who are affected by the strategy, project, or policy.

A review of the operator fee structure was first announced in part two of the consultation process (see 3 above). This was confirmed in a press release in March 2016 setting out TfL's proposals to modernise and enhance London's private hire industry. A further commitment was made in the Mayor's Action Plan for Taxi and Private Hire services in September 2016. A public consultation on the proposals was held between 20 April and 16 June 2017.

TPH consultations are publicised to all licence holders – taxi and PHV – including all private hire drivers and operators. Consultation documents are sent to a number of organisations representing protected groups including Transport for All and Age UK.

We have discussed the proposal at meetings with trade representatives. We already provide the licensed trades with regular updates of compliance and enforcement activity, including a breakdown of the most common breaches and activity at "hotspot" locations. We are seeking

to bring greater transparency to these activities by improving publication of enforcement data as well as improving our communications about major enforcement and compliance activities.

6. Who will be the main beneficiaries of the strategy, project, or policy?

Describe who will significantly benefit from this strategy, project, or policy and explain why this is the case and complete table 1. (Please refer to the guidance notes on page 15 to assist in completing Table 1.)

Licence fees need to be raised to meet the cost of additional enforcement and compliance activity. This has benefits for public safety, consumer protection, and for the licensed trades by detecting and deterring illegal activity by licensed and unlicensed vehicles, drivers and operators.

Some groups of people who share a protected characteristic are more likely to use PHVs than other sections of the population (those from BAME backgrounds, young people (16-24), women and disabled people) and people in these groups will benefit from compliance and enforcement activity funded through these proposals. For example, in the 12 months to 31 October 2016, TfL investigated 19 complaints of PHV's refusing to carry assistance dogs.

Equality benefits are likely where there are improvements to actual or perceived personal safety when using PHVs. Several groups sharing protected characteristics are more susceptible to experiencing personal security concerns than the general population (notably, BAME, disabled, LGBT, younger people and women).

Increased enforcement activity including high visibility enforcement to deter and disrupt illegal activity such as Operation Safer Travel at Night (improving the safety of traveling by taxi or minicab at night) and Operation Neon (high visibility enforcement in the West End on Friday and Saturday nights) and the Safer Travel at Night communications campaign which will further consolidate and improve public safety within the private hire sector.

There are also likely to be reputational benefits for TfL as Private Hire passenger and driver safety is enhanced.

Table 1 – Evidence of impact

Protected Characteristic Age			
Demographics		London profile	TfL's profile
	Under 25	32.1%	2.5%
	Over 65	11.1%	1.2%
Impact rating please tick (✓)		Provide the evidence justifying the impact rating	
Positive Impact		<p>Younger people (25 and under) are more likely to limit their travel due to safety concerns than other age groups and will be positively impacted by increased enforcement and compliance activity, especially campaigns improving safety of traveling by taxi or minicab at night.</p> <p>Similarly, older people are more likely to use PHVs than the rest of the general population and may also benefit from increased compliance and enforcement activity.</p>	
No Impact		<p>The age profile of PHV drivers show that, of the 117,000 licensed drivers, less than 3% (3,188) fall into the 21-25 age bracket and only 1.5% (1,785) fall into the age 66+ age bracket.</p>	
Negative Impact		<p>Whilst it is not possible to quantify the precise impact, a number of small or medium sized operators could leave the market (or be deterred from entering it) as a consequence of the proposals which would reduce choice for consumers. This could have an adverse impact on younger people and older people who are more likely to be users of PHVs than other sectors of the population. Older people are also more likely to live in lower income households and are thus more likely to be impacted by any rise in fares.</p>	
Good Practice			

Please note: London profile percentages are taken from the 2011 Census and TfL's workforce profile is taken from the 2012/13 Annual Workforce Monitoring Report

Protected Characteristic Disabled People		
Demographics	London profile	TfL's profile* number of employees who have declared
	17%	531*
Impact rating please tick(✓)	Provide the evidence justifying the impact rating	
Positive Impact	Effective enforcement of private hire legislation provides protection to the general public ensures the safety of passengers and has a positive impact on those with disabilities. For example, effective enforcement includes action to prevent and deter offences such as refusing to accept passengers accompanied by assistance dogs, or drivers failing to accept (or, if accepted, applying an additional charge to) wheelchair passengers in breach of the Equality Act.	
No Impact		
Negative Impact	<p>The proposals could mean a number of small or medium sized specialist operators leaving the market. Several consultees working on contracts for local authorities said their business may not be viable if the new fees are introduced. The proposals might also deter specialist operators from joining the market, reducing choice for consumers with potentially adverse impacts on this protected group who use PHV services to a greater extent than the rest of the population and often have more limited transport options.</p> <p>The impact could however be mitigated if some operators seek to circumvent the higher fees e.g. by locating outside the London licensing area, or making changes to their business model so as to fall within a smaller licensing tier.</p>	
Good Practice	<p>At present only a very small number of private hire vehicles are wheelchair accessible and we do not have evidence to suggest that the increase in fees will impact on the availability of these vehicles.</p> <p>We will continue to encourage the PHV trade to expand the provision of accessible vehicles. In addition, the Government has said in its draft Accessibility Action Plan, currently subject to public consultation, that it will seek to increase the number of accessible vehicles through appropriate recommendations to licensing authorities in its draft revised best practice guidance.</p> <p>For specialist providers (e.g. where they deal solely or mainly on local authority contracts) we might be able to discuss on a case by case basis</p>	

Please note: London profile percentages are taken from the 2011 Census and TfL's workforce profile is taken from the 2012/13 Annual Workforce Monitoring Report

	what options may be available to them
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Protected Characteristic Gender		
Demographics	London profile	TfL's profile
		51% (Female) 49% (Male)
Impact rating Please tick (✓)	Provide the evidence justifying the impact rating	
Positive Impact	Effective enforcement of private hire legislation provides protection to the public and ensures the safety of passengers. Female passengers are more susceptible to experiencing personal security concerns than the general population and will be positively impacted by more effective compliance and enforcement activity. Data from 2014 showed that 66% of minicab passengers were women.	
No Impact	As at February 2017 2564 licensed PHV drivers were female. This represents around 2% of the total number of licensed drivers. Some operators offer a service whereby women drivers are available for women passengers, but we do not have any evidence from our consultation that these services would be affected by an increase in fees.	
Negative Impact	The proposals could mean a number of small or medium sized operators leaving the market or being deterred from joining the market, thereby reducing consumer choice. This may have adverse impacts on this protected group who use PHV services more often than the rest of the population.	
Good Practice		

Protected Characteristic Marriage and Civil Partnership		
Demographics	London profile	TfL's profile
	Current not available	N/K
Impact rating please tick (✓)	Provide the evidence justifying the impact rating	
Positive Impact		
No Impact	No evidence of an impact on this protected group.	
Negative Impact		

Protected Characteristic Pregnancy and Maternity		
Demographics	London profile	TfL's profile
	Figures not available	N/K
Impact rating please tick (✓)	Provide the evidence justifying the impact rating	
Positive Impact		
No Impact	No evidence of an impact on this protected group	
Negative Impact		

Protected Characteristic Race (Ethnicity)		
Demographics	London's profile	TfL's profile
		40.2% (BAME) 59.8% (White)
Impact rating please tick (✓)	Provide the evidence justifying the impact rating	
Positive Impact	Enforcement of private hire legislation provides protection to the public and ensures safety of passengers. BAME Londoners are less likely to be unworried about using the transport network than white Londoners (70% BAME compared to 80% white) so improvements in safety should have a positive impact on this group.	
No Impact	<p>Whilst the BAME profile is high for PHV drivers (over 75%), it is not clear what the impact might be of any change in the number of licensed private hire operators. The number of licensed private hire operators has seen a decline in the past five year period, falling from 3159 in 2012/13 to 2430 in 2016/17. Despite that, the number of licensed drivers and vehicles has continued to increase. We cannot therefore be certain whether the increase in fees will result in a permanent reduction in the number of PHV drivers in London, although clearly if such a reduction did occur it would be likely to disproportionately affect this protected group.</p> <p>We have limited information on the ethnic profile of PHV operators and the staff that work for them. Many are partnerships and larger businesses so it is difficult to establish a set ethnic profile. TfL's Taxi and Private Hire Licensee Customer Satisfaction Survey 2016/17 showed, from a baseline of 99 surveyed operators, a declared ethnicity of 52% white and 38% BAME. This is broadly in line with the general London profile.</p>	
Negative Impact	The proposals could mean a number of small or medium sized specialist operators leaving the market or being deterred from joining the market. This would reduce the choice for consumers, and have an adverse impact on this protected grouping who use PHV services to a greater extent than the rest of the population. There is potential for operators to pass at least some of the increased fees onto drivers by way of increased commission or rental charges. This might negatively affect this protected group who make up a greater percentage of drivers than other sections of the population. However this risk is countered by increased enforcement to deter and detect illegal activity including unlicensed	

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	<p>vehicles and drivers, or those accepting bookings without using a licensed operator. These activities protect licensees from losing trade to unlicensed operators and drivers and those trying to avoid licensing and regulatory requirements.</p> <p>It is possible that higher fees may impact on the number of part time workers, if operators seek to restrict numbers by not using part time drivers. Given that fees are based on the number of PHVs, not drivers, it could encourage more sharing of PHVs rather than seeing part timers leaving the market. It will also not affect operators in the largest tier as we are no longer setting a per vehicle fee for that tier.</p>
Good Practice	

Protected Characteristic Religion and Belief		
Demographics	London's profile	TfL's profile
		69.8%
Impact rating please tick (✓)	Provide the evidence justifying the impact rating	
Positive Impact		
No Impact		No evidence of an impact on this protected group.
Negative Impact		
Good Practice		

Protected Characteristic Sexual Orientation.		
Demographics	London's profile	TfL's profile
		N/K
Impact rating please tick (✓)	Provide the evidence justifying the impact rating	
Positive Impact	LGBT passengers are more susceptible to experiencing personal security concerns than the general population and will be positively impacted by more effective compliance and enforcement activity.	
No Impact		
Negative Impact		

Protected Characteristic Gender Reassignment		
Demographics	London profile	TfL's profile
		Equality and Human Rights Commission estimate London's population at 1,900 using data supplied by NHS (Nov 2011).
Impact rating please tick (✓)	Provide the evidence justifying the impact rating	
Positive Impact		
No Impact	No evidence of an impact on this protected group.	
Negative Impact		

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<p>Additional consideration of the needs of people who have the potential to be socially excluded, such as:</p> <ul style="list-style-type: none"> a. People on low incomes b. Refugees and asylum seekers c. The homeless d. Job seekers 		
<p>Impact rating please tick (✓)</p>		<p>Provide the evidence justifying the impact rating</p>
<p>Positive Impact</p>		
<p>No Impact</p>		
<p>Negative Impact</p>		<p>If operators pass these fees on to passengers in the form of higher fares, then this protected group might be negatively impacted.</p>
<p>Good Practice</p>		

Section three: Outcome of impact(s)

- 8. What monitoring systems have been set up to carry out regular checks on the effects your strategy, project, or policy has on equality target groups.** Describe the monitoring processes that will be put in place to ensure that the equality effects of the strategy, project, or policy are measured and/or reported.

We will keep licence fees under review to assess whether our regulatory costs are being met in full, and whether the proposed fee structure is having any adverse effect on the availability of services for protected groups. We will do this principally through our annual customer satisfaction surveys for both licensees and passengers, and through monitoring any other feedback or complaints we receive. For specialist providers (e.g. where they deal solely or mainly on local authority contracts) we might be able to discuss on a case by case basis what options may be available to them.

- 9. How will the strategy/project/policy be introduced including any necessary training? Does everyone involved in the strategy, project/policy know and understand what you have done? Are they able to put the strategy/project/policy into practice?** Describe the approach to introduce the strategy/project/policy, and where necessary any training that would be needed for the delivery of the strategy/project/policy.

New licence fee rates (along with any necessary guidance material) will be set out in all pre-licensing documentation and will be available on our website; this is typically sent to an operator several months before their existing licence expires.

- 10. What will be the measures of success of the strategy/project/policy and functions and the key performance indicators?** Describe how you will ensure that your strategy/project/policy has been delivered, and include any evidence that may be available.

The policy will be successful if revenues generated by the new fee structure meet the regulatory costs borne by TfL over a five year period, and that those costs demonstrably provide safety benefits. Compliance and enforcement activity is routinely reported to the trades, setting out the main activities, trends and types of offences being detected (including prosecutions).