

Head of Licensing

From: John Kirkpatrick
Senior Director, Advocacy

19 June 2017

Dear Head of Licensing,

Guidance on the impact of taxi and private hire licensing on competition and consumer welfare

The Competition and Markets Authority (CMA) is the UK's primary competition and consumer authority, and has a statutory duty to promote competition for the benefit of consumers. The Enterprise Act 2002 gives the CMA the function of making proposals or giving information or advice to any public authority on matters relating to any of its functions. HM Treasury has asked the CMA to consider how local authorities "can support competition and challenge them when they do not"¹.

Hackney carriage (taxi) and private hire licensing conditions play a crucial role in ensuring that passengers are treated fairly, and that passengers and other road users are safe. However, the CMA's experience of competition in markets and how it can enhance consumer welfare shows that some licensing conditions may restrict or distort competition, potentially resulting in passengers paying higher fares or receiving a lower quality of service. Conditions most likely to reduce passenger welfare are ones which forbid aspects of service that passengers value, which specify to a high degree the nature of the service to be provided, which limit the number of providers in a market, or which restrict the ability of drivers to work for more than one operator. As licensing authorities seek to strike the right balance between safety and consumer welfare, they might like to consider whether the objectives behind such conditions might be achieved in ways that are less likely to reduce the welfare of passengers.

The CMA has produced [guidance for all licensing authorities in England and Wales](#) to assist them in understanding the effect that various licensing conditions can have on competition and passenger welfare.

¹ HM Treasury's November 2015 [competition plan: A Better Deal](#)

The CMA's understanding of the taxi and private hire trades is informed by the OFT's 2003 Market Study of the regulation of taxi and private hire services, the OFT's 2007 evaluation of the 2003 market study, and the findings of the CMA's examination of a merger between private hire operators in Sheffield². The CMA has also undertaken a review of proposed and existing conditions imposed by licensing authorities on the taxi and private hire trades. As part of this review, the CMA has been in touch with licensing authorities where it considers that licensing conditions may undermine competition and the interests of passengers³. Following this review, we have produced a short report which is available on request.

The CMA has also produced [general guidance](#) on carrying out a competition impact assessment, which you may find useful when updating or reviewing taxi and private hire licensing conditions.

I or one of my team would be very happy to discuss any of these issues further, if helpful.

Yours faithfully,

John Kirkpatrick
Senior Director, Advocacy

² Sheffield taxis [merger inquiry](#)

³ In December 2015, the CMA [responded](#) to a TfL consultation, and in September 2016 the CMA [wrote](#) to Sheffield City Council about proposed licensing conditions.