

ANNEX II

Forecast of changes in the taxi parc

As said in the report the forecast taxi parc at 2012 is based on a combination of the expected increase in numbers of taxis that would arise mainly as a consequence of future changes in personal mobility and the loss of taxis to the private hire sector as a result of the increased costs of running a hackney.

For the reasons given in Section 5.3.1, the forecast increase in numbers of taxis is at a lower level than that which has applied historically. Taxi use does appear to shadow changes in national economic performance quite closely, partly because some taxi use is discretionary, partly because in large urban areas a significant amount of use is for business purposes and therefore reflects economic activity.

In London and, for the shorter period over which data are available in Scotland as well, the rate of change year on year has been fairly consistent. London had two periods in which the number of taxis fell slightly; 1978-80 and 1992-93 but has otherwise shown a fairly steady rate of rise. The changes in Scotland have been proportionately close to those in London.

Although the increases in England and Wales excluding London are rather greater during the late 1980s the rate has diminished during the 1990s, with an increase of 14.5 per cent over the six years 1991 to 1997; the same as that in London over this period and virtually the same as in Scotland (14 per cent from 1990 to 1997). These data are shown in Figure 1.

Taxi fares in comparison with bus fares have become relatively cheaper over the last 15 years (see Figure 2) but this relative difference has now evened out with both London taxi fares and those elsewhere in England and Wales actually rising very slightly in relation to bus fares 1996-97. Given that the taxi industry is faced with quite substantial levels of expenditure in the future it does not seem likely that this differential will grow any further, indeed it may reduce.

Finally, although taxi (including private hire/minicabs) use has grown substantially, NTS data suggests that this too is levelling off (see Figure 3). Both the number of journeys and the distances travelled have reduced slightly from 1989/91 to 1994/96.

With due regard to all of these figures it seems unlikely that taxi use in the future will match the rates of increase that have occurred in the past. For this reason a more modest rate of growth in the taxi parc has been used of 1.5 per cent per annum over the period to full compliance (1.1.2012), equivalent to a total increase of just over 20 per cent from the taxi fleet at 31.12.97.

The other aspect of change in the future is the possible movement out of the hackney trade, either completely or into private hire. Interviews with taxi drivers suggests that there will be some movement out of the trade altogether, mainly among older drivers, but the principal change is likely to be into the private hire sector.

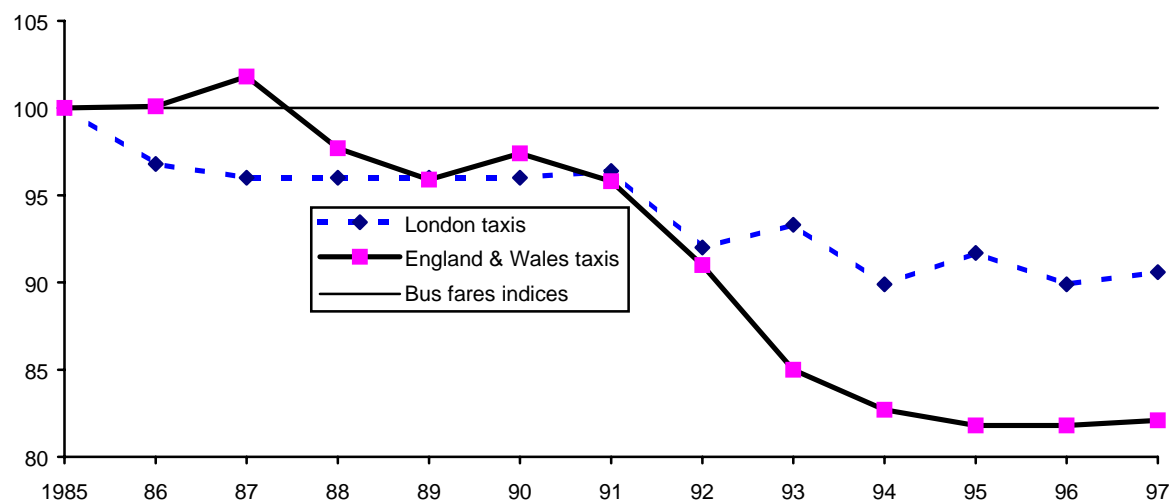
The proportion that will make this change will be different one area from another but, from the point of view of this study, some more simple assumptions have to be made. They are set out in the following paragraphs.

Figure 1 Changes in numbers of licensed taxis in Great Britain



Source : Public Carriage Office, and Taxi Licensing Authorities

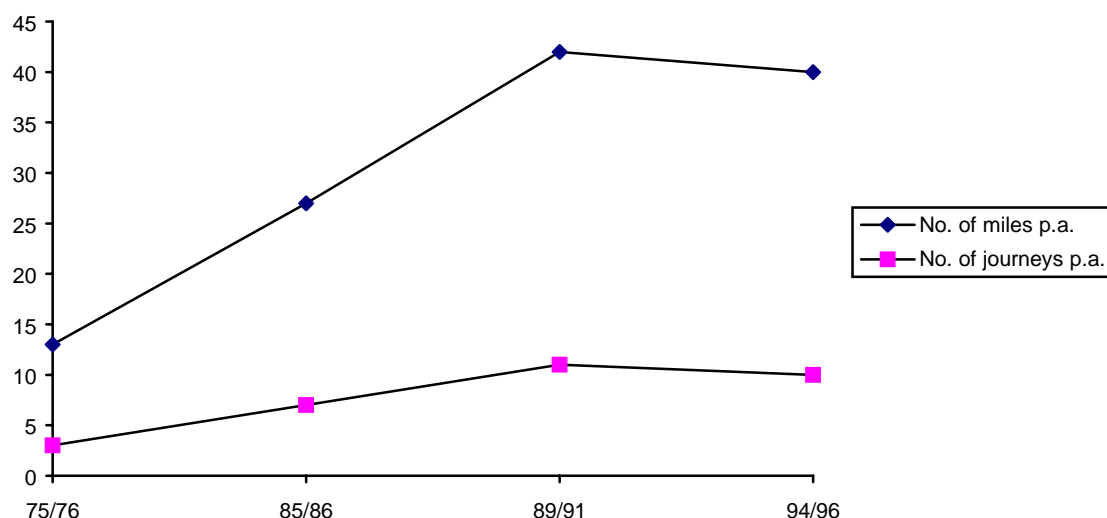
Figure 2 Ratio of taxi fares to local bus fares : taxi fare indices as percentage of bus fare indices (1985 = 100)



Source : Busdata - 1998 Edition

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Figure 3 **Number of taxi/private hire journeys per person per annum and number of miles travelled**



Source : National Travel Surveys

(i) Areas with mandatory orders

Mandatory orders do not always apply to the whole fleet within a licensing area though the majority do. Although London does not have a mandatory order in quite the same way as other areas because the legislative basis for its licensing is different, the result is the same. Again, although most mandatory orders require the use of a “London” cab, some do not but may specify wheelchair accessible cabs including MPVs. Finally the orders have different time spans, with some requiring compliance by dates as much as ten years or more in the future.

Where there is both a mandatory order and a limit on numbers (including an effective quality limit as in London) it is unlikely that there will be any movement of any consequence out of the taxi (hackney) market.

These areas, which together account for some 30,000 taxis or 45 per cent of the total parc, are therefore assumed to continue with the modest rate of growth referred above and no net loss to the private hire sector.

Within the group of licensing authorities that have mandatory orders there is a minority with a total fleet of about 5,000 taxis that does not have a limit on the number of taxis. The majority of the taxis in these areas are purpose-built - the estimate is of around 65 per cent - but these areas may lose a small proportion to the private hire sector from those drivers and proprietors still running saloon cars. This has been estimated at ten per cent.

(ii) Areas with no mandatory orders

Areas in this category which have a limit on numbers account for just over 15,000 vehicles. Those authorities that fall into this category in England and Wales at present only have about 11 to 12 per cent of the fleet as purpose built with a further three per cent MPVs. It could be argued that because of the high proportion of saloon cars used in these areas, there would be

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a move to private hire. Equally it could be argued that the limit on numbers and therefore the value of the plate would ensure that the fleet size remains. In practice areas with a relatively low plate value might see some move to the private hire sector but it is difficult to believe that those with higher values, sometimes running into some tens of thousands of pounds, would see any change in this direction.

With the caveat that there might be limited movement out in areas with very low plate values, this sector is taken as one which will not change significantly as a result of the regulations.

The other type of area in this general group is one with no limit on numbers. These areas account for just over 16,000 taxis, of which no more than two or three per cent are purpose built, with about five per cent MPVs. It is these areas, many of which are rural, where there is likely to be a substantial movement from hackney to private hire. The extent of that movement cannot be accurately forecast and will vary from one area to another, but based on discussions with drivers and responses to the NATPHLEO survey it is estimated that these areas could lose 70 per cent of their taxi fleets.

Given these assumptions, it is worth noting that the effects on the various regions of the country will be different. Proportionately the greatest effect is likely to be in Northern Ireland which apart from Belfast has no mandatory orders and no quantity limits. There, the effects of the regulations with due allowance for the continuing modest growth in taxi use seem likely to reduce the Northern Ireland taxi fleet from 2,200 (including Belfast) down to a little below 1,000.

In Scotland as a whole, the 2012 fleet is forecast to be about 500 more than in 1997, but this increase is disproportionately affected by Edinburgh and Glasgow which at present account for 30 per cent of the total fleet. The effects on the more rural areas will be similar in scale to those that apply in Northern Ireland outside Belfast. In England and Wales, the areas which have no mandatory orders and no quantity limits are forecast to drop from 12,750 taxis at present to around 4,600 by 2012.

The composition of the 2012 taxi parc will obviously change substantially as saloon cars disappear from the fleets. In estimating the future parc, it has been assumed that the areas with mandatory orders will continue to use mainly purpose built cabs, that areas with a limit on quantity but no mandatory orders will also have a majority of purposes built cabs, though not to the same extent as in those places with an order, and other areas (no quantity limits - no orders) will have a majority of MPV-based taxis. The current and predicted compositions of the taxi vehicle parc are shown in Table 1.

In estimating the future composition of compliant taxis, the production capacities of the vehicle builders and conversion specialists have been taken into account as well as the present composition of the parc. The forecast split of 83:17 purpose built to MPV vehicles implies a substantial increase in vehicle production from both sectors. Towards the end of the period before 2012 these figures imply annual production levels of approximately 5,500-6,000 for purpose built taxis and 1,600-1,700 for MPVs. Current levels of production for purpose-built taxis are just below 4,000 per annum, so the predicted change implies an increase of 40 to 50 per cent in production over the next 12-13 years. However, the average life of a purpose built taxi is greater than the period between new build and full compliance (ten years) which would mean that on the basis of a 12 year life there would be between 7,500 and 8,000 purpose built non-compliant cabs in 2012 which would still have some useful life. If these were to be taken off the road from 1.1.2012 there would be a loss of capital and an increased production requirement during the last year or so of the period before 2012.

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The present production of MPV-based taxis cannot be determined with real accuracy, but is estimated to be around 350-400 per annum. Thus the predicted increase in production would be approximately four times the present level, based on an assumed average eight year life.

Table 1 Present and future taxi parc composition

	Present composition (per cent)			Future composition 2012 (per cent)	
Area	Purpose built %	MPV %	Saloon car %	Purpose built %	MPV %
London	100			100	
Rest of England & Wales : mandated	65	4	31	90	10
: no mandate, limit on numbers	11	3	86	70	30
: no mandate, no limit on numbers	2	6	92	35	65
Subtotal : England & Wales	52	3	45	85	15
Glasgow & Edinburgh	100			100	
Rest of Scotland : limited numbers	8	na	92	65	35
: no limits	na	na	na	35	65
Subtotal : Scotland	35+	na	65-	76	24
Belfast	100			100	
Rest of Northern Ireland	na	na	<100	35	65
Subtotal : Northern Ireland	10+	na	90-	53	47
Total UK	48+	2+	50-	83	17

Sensitivity Analysis

The figures discussed earlier in this Annex represent no more than a best estimate of what the taxi parc will look like in 2012. Both the total numbers in the parc and the split between purpose-built and MPV vehicles within that parc may be different.

So far as the total parc is concerned, alternative hypotheses on future size might be, at one extreme, little or no movement out of taxi work into private hire; at the other extreme a substantial move to private hire in those areas where there is a limit on numbers but no mandatory order.

The former assumption, based on an annual average growth rate of 1.5 per cent per annum, would produce a parc of approximately 80,000 taxis by 2012. At the other extreme, if 70 per cent of taxis in non-mandated, limited quantity areas changed to private hire the result would be a 2012 fleet of around 53,000; about the level that applied in 1989/90 and some 20 per cent below present levels. These forecasts provide a range in additional capital costs from £115 million to £173 million.

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As the additional capital costs of purpose-built and MPV taxis are not very different, changes to the forecast vehicle mix do not have such a significant effect. For example if the mix were to be only 60 per cent purpose-built and 40 per cent MPV in the forecast fleet of 65,900 vehicles this would produce a total capital costs of £149 million, only four per cent about the figure based on an 83:17 split.

The other aspect of capital cost is the extra cost incurred by saloon taxi operators having to change to compliant purpose-built or MPV vehicles.

There are two parts to this. First there are those existing saloon taxi operators who will continue to work and who will change their vehicles and, second, there are those who will come into the trade in areas where there is no mandate and who would, were there no regulations, have bought saloon cars for taxi work. The balance between these two elements is a matter for debate but in terms of the additional capital costs incurred makes little difference to the total sum.

The basics for assessing this element of the costs of compliance is that a total of just under 25,000 taxi operators will either replace their existing saloons with compliant vehicles or will enter the trade and have to buy compliant vehicles rather than saloon cars. The detailed calculations suggest that of 32,600 existing operators of saloon cars just over 18,000 will continue in the taxi business, changing to compliant vehicles in the ratio of 7:3 purpose built : MPVs, and that approximately 6,600 new entrants to the trade (1998-2012) will buy 50:50 purpose built : MPVs. These ratios give total purchase figures of 16,000 purpose built taxis and 8,900 MPV-based taxis.