

TRANSPORT FOR LONDON

BOARD

SUBJECT: MID-YEAR TAXI INSPECTIONS

DATE: 5 NOVEMBER 2008

1 PURPOSE AND DECISION REQUIRED

1.1 The purpose of this paper is to report back on the outcome of the public consultation on taxi licensing mid-year inspections and seek approval for changes to the taxi licensing mid-year inspection regime.

2 BACKGROUND

2.1 TfL is one of the largest taxi licensing authorities in the world with:

- 25,000 licensed taxi drivers
- 22,000 licensed taxis

In addition, TfL issues the following number of licences in respect of private hire vehicles (PHVs):-

- 2,400 licensed private hire operators
- 52,000 licensed private hire drivers
- 48,000 licensed PHVs

2.2 The overriding purpose of vehicle licensing is to ensure that London's taxis and PHVs are safe for the travelling public. Scheduled vehicle inspections supplemented by ad hoc on-street vehicle inspections by the Public Carriage Office (PCO) should provide reassurance to the public and encourage high standards of safety.

2.3 Taxis have been required for many years to undergo an annual licensing examination that includes a full mechanical inspection. This inspection is in lieu of an MoT test and takes approximately 30 minutes.

2.4 At its meeting on 7 February 2007, the TfL Board agreed proposals to amend the London Cab Order 1934 to introduce an additional mid-year safety inspection as a prescribed condition of licensing effective from April 2007, with the first inspections being undertaken in October 2007. Mid-year inspections focus on safety related elements and last for approximately 20 minutes. The taxi licence fee was increased by £36 from £142 to £178 to cover the cost of the mid-year inspection (compared to the maximum current cost of £54 for an MoT test).

2.5 TfL's contractor, SGS United Kingdom Limited (SGS), has been performing annual taxi licensing inspections since April 2007 and the mid-year inspections

since October 2007. Taxi owners must present their vehicle at any one of the three SGS test centres in London.

- 2.6 There are approximately 48,000 licensed PHVs in London. They are subject to the following licensing requirements:
- (i) any vehicle older than 12 months at the date of the annual vehicle licensing inspection must have an MoT test certificate issued not more than 14 days prior to the date of the licensing inspection; and
 - (ii) during the currency of the vehicle licence, the vehicle owner must obtain a further MoT test certificate before a period of 6 months has elapsed from the date the vehicle licence was issued.
- 2.7 PHV owners may attend any MoT testing centre of their choice.

PCO Compliance team

- 2.8 The PCO operates a mobile team of eight compliance officers and two managers. Their job is to undertake the following ad hoc inspections:-
- (i) on-street taxi and PHV inspections. These are mainly visual checks to ensure that vehicles are fit for public use and comply with licensing requirements. Approximately 15,000 taxi and 10,000 PHV inspections are undertaken annually;
 - (ii) occasional pre-arranged visits to taxi rental companies to inspect taxi fleets based on information received; and
 - (iii) on-street checks of taxi drivers and PHV drivers to ensure that they are licensed and carrying with them their licences and correct identification. These are carried out whenever a vehicle check is undertaken unless the vehicle is unoccupied.

3 REASONS FOR CHANGE

- 3.1 Mid-year inspections were initially introduced with the following aims:
- (i) improving first time pass rates for annual inspections;
 - (ii) raising standards by introducing a consistent approach to safety inspections;
 - (iii) reducing pollution by improving the overall mechanical condition of the taxi fleet; and
 - (iv) minimising reliance on both planned and ad hoc on-street inspections and pre-planned regular fleet inspections of taxis.
- 3.2 In the year that mid-year inspections have been undertaken, these goals have not been achieved. First time pass rates for annual inspections have not improved despite the mid-year inspection, with the rate remaining at or below

50%. The overall mechanical condition of the taxi fleet has therefore not improved.

3.3 There has also been no improvement in the on-street vehicle inspection pass rate. These have typically remained at about 90%.

3.4 On 15 May 2008, the Mayor announced his intention to undertake a public consultation on the possible abolition of mid-year taxi inspections in line with his election manifesto commitment.

4 OUTCOME OF THE MID-YEAR INSPECTION CONSULTATION

4.1 The public consultation was held between 1 August and 24 October 2008. The consultation document set out the following options:

Option 1:

Abolish the mid-year inspection for taxis and the mid-year MoT test for PHVs and increase on-street compliance checks.

This option could involve extending ad hoc inspections to include targeted inspections of vehicles taking account of the following criteria (and any further criteria that may be suggested as a result of this consultation):

- a. age of vehicle;
- b. time since annual inspection;
- c. time to expiry of licence;
- d. how many times the vehicle had been 'stopped' for a non-scheduled inspection in the past two years or so; and
- e. performance record of rental/hire companies.

Consideration would also be given to introducing different types of inspection using more or less electronic testing equipment depending on the type of inspection being undertaken. These inspections could range from the present routine visual inspection lasting between 5 and 10 minutes to a longer inspection if there were grounds for concern.

Option 2:

In combination with Option 1, reduce the cost of annual licensing if a vehicle passes the annual inspection first time by introducing charges for re-tests when a vehicle fails any type of licensing inspection, including on-street inspections.

Option 3:

This option related the inspection regime to the age of vehicles:

- a. abolish the requirement for taxis less than 12 months old to undergo the safety check and the mechanical inspection as part of the first licensing inspection;
- b. abolish the mid-year inspection for taxis and the mid-year MoTs for PHVs for vehicles aged under 10 years old; and
- c. retain the requirement for the mid-year inspection for taxis more than 10 years old. Similarly, retain the requirement for a mid-year MoT for PHVs more than 10 years old.

4.2 Consultees were also invited to come up with other options.

4.3 The outcome of the consultation is set out in Annex A. Responses from the taxi trade strongly support the abolition of mid-year inspections. Responses from the private hire trade are more mixed.

4.4 Amongst the taxi trade, 88% of responses support the abolition of the mid-year inspection. In particular, a combined response from the four large trade associations asks for its abolition and a return to the previous arrangements with no additional measures. Against this, 10% of responses ask for the mid-year inspection to be retained (2% expressed no view).

4.5 There is a more varied response from the private hire trade, although the major trade association Licensed Private Hire Car Association (LPHCA) prefers 'not to significantly alter the existing arrangements but to fine tune what we already have'. A further 11% take the LPHCA view and prefer to keep the existing arrangements. 35% support option 2, while 26% support each of options 1 and 2.

5 OPTIONS

5.1 **Do nothing:** retain mid-year inspections.

This option is not recommended as mid-year inspections are not achieving the objectives for which they were introduced (refer to section 3 above) and they have not simplified arrangements and or improved the mechanical conditions of the taxis. Only 10% of respondents to the consultation proposed retaining mid-year inspections.

5.2 **Remove taxi mid-year inspections:** remove mid-year inspections for taxis and increase on street compliance checks but retain mid-year MoT tests for PHVs.

This is the recommended option (detailed further in section 6 below) and was the most favoured option during the consultation.

5.3 **Introduce charges for re-tests:** reduce the cost of annual licensing if a vehicle passes the annual inspection first time by introducing charges for re-tests when a vehicle fails any type of licensing inspection, including on-street inspections.

Disadvantages of this option include:

- (i) vehicle owners could view the requirement to pay a re-test fee as unfair and an extra burden when a vehicle narrowly fails an inspection; and
- (ii) there could be potential for increased conflict between SGS inspection staff and vehicle owners.

This option found little favour with those who responded to the consultation, especially in the taxi trade.

5.4 Introduce age-related measures: introduce measures relating the inspection regime to the age of vehicles (as set out above in section 4).

This option was not favoured by the taxi trade but received some support from the private hire trade. The main disadvantages with this option are:

- (i) there could be a perception that safety standards for newer vehicles might have been lowered; and
- (ii) vehicle age is not necessarily an indicator of the standard of maintenance or state of repair. As a result, older vehicles that have always been maintained to very high standards or have done relatively low mileage may be disadvantaged

5.5 Both options set out in paragraphs 5.3 and 5.4 have some merit and therefore they may be revisited again in any future policy reviews.

6 RECOMMENDED OPTION

Taxis – remove mid-year inspections and increase on street compliance inspections

6.1 It is proposed to replace the mid-year inspection by doubling the average number of annual on-street taxi compliance inspections from 15,000 to 30,000.

6.2 Removing mid-year inspections and increasing the number of on-street inspections will reduce the burden on the trade whilst ensuring vehicle standards are maintained with a proportionate strengthening of the licensing inspection regime for taxis. This option would see twice as many on-street compliance checks as there were prior to the introduction of mid-year inspections. The fact that the annual inspection pass rate has not improved nor has the on-street inspection pass rate reinforces this requirement.

Private hire – no change

6.3 The current proposal for PHVs is to retain the present arrangements for them to undergo a mid-year MoT test. PHVs are not as easy to identify as taxis, and because they do not congregate at ranks or in the numbers associated with taxis, it is more difficult to undertake on-street compliance checks. There was no strong desire from the PHV trade to scrap MoT tests altogether, with the majority of PHV trade representatives favouring retaining them for vehicles that were at least three years old. Therefore on balance, it is considered appropriate to retain the

current inspection requirements for PHVs at present. It should be noted that these arrangements are common elsewhere in the UK.

7 IMPACT ON THE TAXI AND PHV TRADES

- 7.1 There is no impact on the private hire trade by retaining the present arrangements.
- 7.2 There are benefits to the taxi trade by removing the requirement for a mid-year inspection and replacing it with an increase in on-street inspections. The benefits include:
- (i) vehicle owners will only have one scheduled inspection a year instead of two;
 - (ii) potential to achieve the aim of maintaining high safety standards while reducing the burden of scheduled inspections for the trade;
 - (iii) incentive on taxi owners and operators to ensure proper maintenance throughout the year; and
 - (iv) the level of compliance activity will ensure that there will be no increase in current licence fees as a result of adopting this option.
- 7.3 In July 2007, the taxi licence fee was increased by £36 (from £142 to £178) to cover the cost of the mid-year inspection. If mid-year inspections are removed and replaced with additional on-street inspections, then it is expected that the taxi licence fee will be reduced. The exact amount of the reduction is currently subject to negotiation with SGS. A verbal update will be provided to the Board at its meeting.
- 7.4 Taxi owners have a choice of three SGS inspection centres in London at which to present their vehicles for inspection. This incurs down time and also fuel costs driving to and from the centre of their choice and undergoing what amounts to a 20 minute mid-year inspection. Ad hoc on-street inspections will therefore be potentially more convenient for drivers and less expensive for owners.
- 7.5 Refunds will be organised for owners who have paid the full licence fee of £178 but who will not be requiring a mid-year inspection because it would have fallen after the abolition date. The amount of refund will depend on how much the licence fee is to be reduced by, as mentioned above in paragraph 7.3.

8 IMPACT ON CRIME & DISORDER

There is no impact on crime and disorder associated with these recommended changes to taxi and private hire licensing inspection arrangements.

9 IMPACT ON EQUALITIES

There are no equalities issues associated with these recommended changes.

10 IMPACT ON FUNDING

- 10.1 As noted above, SGS currently undertakes mid-year inspections on behalf of TfL. The contract between TfL and SGS (the SGS Contract) runs until early 2011 (or 2013 if extended) and will need to be varied if the requirement to undertake mid-year inspections is removed. TfL does not have the unilateral right to vary the SGS Contract so any variation to the services provided by SGS (and the service charge payable by TfL to SGS) will need to be agreed between the parties.
- 10.2 It is expected that SGS will seek to recover its losses arising from such changes to the SGS Contract. The extent of SGS's losses (which they are obliged to mitigate), and the amount of compensation that may be payable by TfL to SGS for such losses, will be the subject of negotiation between the parties. TfL will explore ways to reduce the amount of compensation payable to SGS (including, for example, by exploring the possibility of engaging SGS to undertake additional on-street inspections) and it is hoped, given the good contractual and working relationship between the parties to date, that a negotiated settlement will be able to be reached quickly and amicably.
- 10.3 TfL recovers the costs of licensing through licence fees. As noted above, taxi licence fees were increased in July 2007 by £36 to cover the cost of introducing mid-year inspections. It is anticipated that removing mid-year inspections and replacing them with additional on-street inspections will result in cost savings which will be passed on to the taxi industry through reduced licence fees. The exact amount of the licence fee reduction is not yet known because it is subject to negotiation with SGS. There will be costs associated with undertaking additional on-street inspections and removing mid-year inspections from the SGS Contract which will be recovered through the revised licence fee. A verbal update will be provided to the Board at its meeting.
- 10.4 As noted above, refunds will be organised for owners who have paid the full licence fee of £178 but who will not be requiring a mid-year inspection. The amount of refund and the number of licences affected will depend on how much the licence fee is to be reduced by and the date of introduction.

11 LEGISLATIVE IMPACTS

- 11.1 Taxi licence conditions are set out in paragraph 14 of the London Cab Order 1934 (the Cab Order). Sub-paragraph 14(o) came into force in April 2007 and created the requirement for taxis to undergo an inspection not later than 7 months after the start of the licence period.
- 11.2 If mid-year inspections are abolished, paragraph 14(o) of the Cab Order will need to be revoked. This will be achieved by the making of a new cab order which will state that paragraph 14(o) of the Cab Order is to be omitted. The amendment could come into force from the day on which the new cab order is made.
- 11.3 It is not considered necessary to introduce a new condition of licence which deals with increased ad hoc inspections. It is not currently a condition of licence, instead, section 2 of the London Hackney Carriage Act 1853 allows TfL to inspect taxis "as often as they deem it necessary". Section 2 was amended by the Transport for London Act 2008 to make it clear that TfL may serve a notice on a taxi owner that a taxi is unfit for public use by giving the notice to the driver

of the taxi following an ad hoc inspection. If the taxi is used following service of a notice, TfL may suspend the taxi licence.

11.4 The revised licence fee will be set by TfL and does not need to be prescribed in legislation.

12 RECOMMENDATIONS

12.1 It is recommended that the Board:

- (a) APPROVE the removal of the requirement that taxis undergo a mid-year inspection as a prescribed condition of licence and the making of a London Cab Order, to be signed by the Commissioner for TfL, which will give effect to this change;
- (b) NOTE the intention to increase on-street taxi inspections to ensure that safety standards are maintained;
- (c) NOTE the intention to reduce the cost of taxi licence fees to reflect the change in taxi licensing inspection arrangements; and
- (d) NOTE that it is intended to continue to require private hire vehicles to have a mid-year MoT test as part of the annual licensing inspection arrangements.

13 CONTACT

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Responses to Consultation

1. Responses to the Consultation

The Consultation closed on Friday 24 October. 163 responses were received, 69 from the taxi trade, 83 from the private hire trade, 5 from authorities and 6 from individuals.

2. Taxi trade

Abolish

- 2.1 61 (88 per cent) of the 69 taxi trade respondents favour abolition of the mid-year inspection.
- 2.2 The combined response of the trade associations, the LTDA, LCDC, UNITE and LMCPA, asks for the abolition of the mid-year inspection 'without the imposition of qualifications or preconditions', i.e. a return to the arrangements before the mid-year inspection was introduced. A further 14 responses make a similar request.
- 2.3 34 responses (49 per cent) chose option 1, the basic option which removes the mid-year inspection with an increase in on-street compliance checks.
- 2.4 There is negligible taxi trade support for option 2, whilst 10 (15 per cent) of responses support option 3, which relates inspections to the age of the vehicle.

Retain

- 2.5 7 (10 per cent) responses from the taxi trade, of which 5 are taxi owners or repairers, wish the mid-year inspection to be retained.

3. Private Hire Trade

- 3.1 Responses from the private hire trade are varied. The Licensed Private Hire Car Association (LPHCA) received 98 per cent support from its members 'not to significantly alter the existing arrangements but to fine tune what we already have'. In particular, they wish the mid-year MoT for PHVs to be removed for the first three years of the vehicle's life. By retaining it after three years, drivers and operators would be encouraged to change their vehicles more often.
- 3.2 78 of the 83 private hire responses are from operators, primarily with one or two vehicles. 8 of these prefer the present system or support some retention of mid-year MoT tests, making 9 with the LPHCA (11 per cent).
- 3.3 A total of 73 (87 per cent) private hire responses support the ending of mid-year tests. Of these, 29 (35 per cent of the total) chose option 3, which relates the inspection regime to the age of the vehicle, while 22 (26 per cent) support each of options 1 and 2.

4. Authorities and other responses

- 4.1 Of the other responses received, VOSA (the Vehicle and Operators Services Agency) chose option 2, though with reservations about the numbers of vehicles which are not currently passing the mid-year inspection. Jenny Jones, the GLA Green Party member, asks for the mid-year inspection to be retained quoting the failure rate of 39 per cent as evidence that it is necessary. A similar view is taken by the Campaign for Clean Air. TravelWatch did not respond to the consultation.
- 4.2 There were 6 responses which were anonymous or from individuals. These were evenly split between options 1 and 3.