

SAVING  
AN ICON

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RESCUING  
LONDON'S  
BLACK CABS  
FROM  
EXTINCTION



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GREATER LONDON AUTHORITY

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# INTRODUCTION

London's world-renowned taxi industry has endured for almost four centuries. The Capital's iconic 'black cab' pre-dates both the French and American revolutions, and is older even than Britain's modern democracy. Regulation of the industry was first undertaken in 1637 by King Charles 1 who, in response to over-congested roads and calls for the banning of coaches for hire from London's watermen, proclaimed that there should be a "small competent number" of coaches permitted for the gentry as London's cabs were considered the "very requisite for our Nobility".

The taxi industry was first recognised as a protected industry in legislation in 1654 during the time of Cromwell's ill-fated English Republic. The Ordinance for the Regulation of Hackney-Coachmen was passed by Parliament to standardise the taxi industry and reduce congestion on the roads by limiting the numbers of Hackney Coaches. By 1662 a full licensing system was in place, which incidentally is the same taxi licensing system that exists in London today – further highlighting the historical pedigree of the Capital's black cabs.

The whole basis for the establishment of a new, regulated industry was to ensure quality of service for consumers and to protect customers from exploitative pricing behaviours. Prior to the passing of legislation, coaches for hire came in many different guises – in various states of repair – and prices fluctuated wildly, to the obvious detriment of customers.

A consistent fare structure was installed and the quality of coachmen was ensured by the introduction of the Knowledge of London, the exceptionally rigorous geographical exam all taxi drivers must pass to be licensed. These restrictions were specifically introduced to protect established coachmen against upstarts and new rivals, and ensure the quality of the service provided to consumers.

It is clear that the history of the taxi industry in London is a long one. The key question occupying those concerned with the future of the industry is should licensing decisions made before the English Civil War determine the state of regulation of the Capital's taxi trade in the 21<sup>st</sup> century? In the age of the internet, with greater levels of connectivity and increasingly consumer-centric services, does the 'cabbie' still have a place on London's roads?

This debate has persisted for at least a decade, but the rise of app-based services such as Uber or Lyft have cast into doubt the need for regulated taxi industries across the globe; and London is no different in this regard. The taxi industry had previously adapted to the introduction of the telephone and rise of local minicab firms, but app-based firms have introduced a level of competition hitherto before unseen.

New competitors can spell the end of a regulated industry unless that industry is, itself, allowed to compete on a level playing field. There are several substantial obstructions that prevent taxi drivers from doing this in relation to their app-provided minicab counterparts. The cost of licensing is more expensive, the examinations imposed (the Knowledge) is overly comprehensive in a time of GPS navigation, and the costs of purchasing the designated Hackney Carriage is a barrier to entry in an industry which is also rapidly ageing.

If London's four-century old taxi industry is to survive for a considerable time yet, it must

adapt to the changing needs of consumers and modern technologies. As the industry itself must adapt, so must the regulator and the regulation respond to these very same demands, lest the industry die a death and a proud London institution be lost to history.

## THE PLIGHT OF THE TAXI TRADE

The future holds many threats for regulated taxi industries across the globe, and London, with its innovative and large economy, presents particularly sizeable problems for drivers of its iconic black cabs. It is a well-publicised fact that those in the taxi industry are concerned about the future, as the London Assembly's *Future Proof* report clearly highlighted.<sup>1</sup> An assessment of the current state of the taxi industry in the Capital highlights that there are three main areas of concern for those in the taxi industry and those interested with its survival.

Firstly, changing passenger demands, coupled with the rise of technology, are undermining the traditional divide between taxi and pre-booked hire services. App-based firms like Uber have made the headlines across the globe by doing just this. Secondly, in London, the topographical test for admission to the taxi trade (the Knowledge) is the most difficult and arduous in the world. Where once this was a matter of pride, in a world of GPS navigation and well-versed travellers, the Knowledge could now be acting as a barrier to entry for those looking to enter the industry. Finally, Transport for London (TfL), which is the regulator for both taxi and Private Hire Vehicle (PHV) trades in the Capital, has come under scrutiny. A more proactive approach to taxi regulation may be required in future.

Answers to these pernicious problems are urgently needed from regulators and the industry if the traditional black cab isn't to find its quietus.

## THE RISE OF TECHNOLOGY

Those who attack Uber, Lyft and similar apps for bringing innovation to taxi services fail to see what the initial driver for these services is. The unavoidable fact is that, in the information age, passengers demand a digital, streamless service from their taxi providers. The taxi industry itself has apps that it uses, including Hailo and Gett, and TfL has developed apps such as Cabwise, which link passengers with licensed cab companies. New digital tools are something consumers clearly demand.

In one survey, 69 per cent said that they would like to be able to hail a cab in the future using an app.<sup>2</sup> App-based taxi and PHV services simply cater to consumer demand. As such, they are very unlikely to go away anytime soon. The response to these apps from regulators and those in traditional industries should not be to directly oppose their operation created as they were by the demand of consumers but to adapt to their emergence.

The primary means by which the existing taxi industry can do this is to embrace more technology itself. In the same survey, 77 per cent of passengers told us they wanted to be able to pay with credit or debit card, and 70 per cent would like to be able to use an Oyster

1. <https://www.london.gov.uk/sites/default/files/Future%20Proof%20-%20Taxi%20%26%20PH%20Report.pdf> p.9

2. <https://www.london.gov.uk/sites/default/files/Future%20Proof%20-%20Taxi%20%26%20PH%20Report.pdf> p.15

card to pay for their journey.<sup>3</sup>

Existing technologies have also started to blur the link between ply-for-hire taxi services and pre-booked minicabs. The ‘golden standard’ that separated cabbies from standard PHV drivers was the Knowledge. The latter was created as those drivers who are available for immediate hire require, or so the theory goes, much more extensive knowledge of London’s streets.

The private hire trade acknowledges this.<sup>4</sup> But there is a debate as to whether GPS and other modern satellite technologies render such knowledge obsolete. Whatever the conclusion, GPS navigation tools have undermined the exclusivity of the Knowledge and meant that drivers can have decent topographical awareness without the lengthy training that the Knowledge requires. Such a state of affairs ultimately makes the taxi trade uncompetitive.

## AN ABSENTEE REGULATOR

As was detailed above, licensing was first introduced in London several centuries ago. The basis of the current regulatory regime was enacted via the London Hackney Carriage Acts of 1831, 1843, 1850 and 1853; and the TfL Act 2008.<sup>5</sup> The current regulator is Transport for London (TfL), who took responsibility for regulation from the Metropolitan Police upon its creation in 2000.

As the industry regulator, TfL’s role is to protect the consumer; determine the provision of taxi and private hire services; appoint taxi ranks across London; and set the fares for the taxi industry. TfL also has a role as the licensing authority. It sets the fees for licensing, the terms of licensing and is responsible for the enforcement of licensing. London’s taxi drivers cater for around 70 million passenger journeys every year.<sup>6</sup>

Regulating the industry is not an easy job. However, TfL has consistently been charged with being an absentee regulator. The transport body receives approximately £20m per annum in licensing fees. Given that the taxi trade is comprised of self-financing self-traders that receive no subsidy, it is vital that the taxi trade feels well-catered for. Drivers are, however, unconvinced that TfL is spending ‘their’ money effectively.<sup>7</sup>

App-based taxi services have blurred the line between the two sides of the vehicle hire industry in London, and the dramatic rise in Private Hire Vehicle (PHVs) driven by the emergence of these apps has brought its own congestion problems. TfL has been slow to react and adapt to this changing regulatory environment.

## HIGH BARRIERS TO ENTRY

There has never been a greater demand for taxis; a surging population makes this inevitable. A survey conducted by the London Assembly found that a third of passengers use taxis more than they did a year ago, and for those aged between 25 and 34 that figures

3. <https://www.london.gov.uk/sites/default/files/Future%20Proof%20-%20Taxi%20%26%20PH%20Report.pdf> p.15

4. <https://www.london.gov.uk/sites/default/files/Future%20Proof%20-%20Taxi%20%26%20PH%20Report.pdf> p.34

5. <http://content.tfl.gov.uk/taxi-and-private-hire-strategy2.pdf> p.3

6. <http://content.tfl.gov.uk/taxi-and-private-hire-strategy2.pdf> p.8

7. <https://www.london.gov.uk/sites/default/files/Future%20Proof%20-%20Taxi%20%26%20PH%20Report.pdf> p.53

rises to over half.<sup>8</sup> Obviously, a rise in taxi demand requires there to be a corresponding rise in taxis on the road. However, over the last decade, taxi numbers have stayed remarkably stable at 22,000, which is in contrast to the stark rise in PHVs. The latter have surged in numbers from 32,000 PHVs on the road in 2005, to over 60,000 today – they have almost doubled.<sup>9</sup>

Perhaps the biggest barriers to expansion of the taxi industry are the costs associated with entry into the trade. It costs over £1,000 to become certified as a taxi driver, three times what it does as a PHV driver.<sup>10</sup> This cost includes application fees, examination fees, fees for DBS checks, yearly vehicle licencing costs and test charges for the Driving Standards Agency.

On top of these financial burdens, all taxi drivers are required to pass the Knowledge of London before they can take to the road. This is the most demanding driver test in the world. First introduced in 1865, it requires applicants to memorise 25,000 streets and 100,000 points within a six mile radius of Charing Cross station. It requires years of study and dedication and is integral to why the London taxi trade is widely viewed as the best in the world.<sup>11</sup>

This rigour comes with a price though. While it takes 12 weeks to pass the topographical test for PHV drivers, it can take up to three years for a Green Badge holder (an all-London license, as opposed to the purely suburban Yellow Badge), which is equivalent to an undergraduate degree.<sup>12</sup> On average, 2,600 take the test every year and only 690 pass – a 27% pass rate,<sup>13</sup> which is roughly equivalent to the pass rate for entry into the Metropolitan Police.<sup>14</sup>

It is these tough barriers to entry that deter many from entering the trade. It is also why there are three times as many taxi drivers that are over 70 years of age as there are those under 30 years old – and the average age of a cabbie is 52.<sup>15</sup> If the trade is to survive in the long-run, it must become more attractive to young drivers looking to enter the trade. Critical to this is lowering the barriers to entry that currently exist.

## AN EIGHT-POINT PLAN TO SAVE OUR BLACK CABS

The three scourges of the taxi industry – the rise of technology, an absentee regulator and the high barriers to entry – will have to be adequately countered if the trade is to survive. For the next Mayor of London, there are eight steps he or she could take to do just this.

8. <https://www.london.gov.uk/sites/default/files/Future%20Proof%20-%20Taxi%20%26%20PH%20Report.pdf> p.25

9. [https://www.london.gov.uk/sites/default/files/TfL%20response%20to%20Future%20Proof\\_FINAL\\_Appendix%20A.pdf](https://www.london.gov.uk/sites/default/files/TfL%20response%20to%20Future%20Proof_FINAL_Appendix%20A.pdf)

10. <https://tfl.gov.uk/info-for/taxis-and-private-hire/licensing/apply-for-a-taxi-vehicle-licence#on-this-page-3>

11. <http://content.tfl.gov.uk/taxi-and-private-hire-strategy2.pdf> p.8

12. <http://www.taxitradepromotions.co.uk/which-taxi-licence.html>

13. From an FOI request. <https://cloud.highcharts.com/charts/akuqok>.

14. [http://www.met.police.uk/foi/pdfs/disclosure\\_2013/june\\_2013/2013060000909.pdf](http://www.met.police.uk/foi/pdfs/disclosure_2013/june_2013/2013060000909.pdf)

15. <http://metro.co.uk/2013/07/03/how-can-londons-cabbies-survive-from-the-threat-of-private-hire-firms-3864896/>.

## 1. THE MAYOR SHOULD CONDUCT A REVIEW OF COMPETITION IN THE TAXI INDUSTRY

Over the next 20 years, London's population is set to increase by almost one million people, with employment expected to rise by more than 600,000 jobs.<sup>16</sup> This surge in population will undoubtedly result in a rise in demand for taxis. Over the last decade, Private Hire Vehicles have witnessed an increase in numbers, but the number of taxis on the road has remained pretty much constant over that time. Because of the structure of the market, taxis are simply not able to match the growth in numbers of their competitors. Given this, the next Mayor should, as a priority, conduct a competition review of the taxi industry.

As part of this, the Mayor should assess the taxi fares regime. The fares for taxi drivers are set by TfL through yearly taxi fare reviews, which determine the fare tariffs and the tariff times. These tariffs are the maximums that can be applied at a certain time. There is, alongside these maximums, a minimum of £2.40 per journey,<sup>17</sup> which is a very low minimum. The pricing structures of taxi fare tariffs are such that insurgent PHV companies, like those promoted by apps like Uber, are able to substantially undercut taxi drivers on price and attract more customers as a result.

What is often ignored is that, between the very low minimum and the statutory maximum, there exists a sizeable middle ground in which taxi drivers are legally permitted to vary their fares significantly. Reducing fares to make them more competitive, while it will result in lower revenues per journey, would incentivise more customers to use black cabs and, therefore, increase total fare revenues for cabbies.

The Mayor and TfL not only have a role in setting minimum and maximum fares, but also in indicating to taxi drivers how, when and where they might vary their fares to improve their competitiveness. In order to do this, the incoming Mayor should highlight in the suggested review how taxi drivers could develop new fare regimes to better compete with disruptive, digital technologies.

## 2. TFL MUST BECOME A MORE ACTIVE AND PRO-ACTIVE REGULATOR

*"I would strongly oppose any move away from the current well established system in London of taxis and private hire vehicles being classed as different services, with only licensed London taxis being allowed to ply for hire."*

Boris Johnson, Mayor of London, 23 May 2012<sup>18</sup>

A regulated taxi and PHV industry in London is here to stay. There is little appetite for drastic change away from the current dual system of taxis/PHVs. Emerging technologies do, however, present difficulties to regulators looking to maintain this divide. It has been previously suggested that the primary role of TfL as regulator is to protect the interests of

16. [https://www.london.gov.uk/sites/default/files/1502223\\_Suburban%20Action%20Plan%20FINAL.PDF](https://www.london.gov.uk/sites/default/files/1502223_Suburban%20Action%20Plan%20FINAL.PDF) p.1

17. [https://consultations.tfl.gov.uk/tph/taxi-fare-and-tariff-review-2016/supporting\\_documents/Allinone%20document.pdf](https://consultations.tfl.gov.uk/tph/taxi-fare-and-tariff-review-2016/supporting_documents/Allinone%20document.pdf) p.6

18. <https://www.london.gov.uk/sites/default/files/Future%20Proof%20-%20Taxi%20%26%20PH%20Report.pdf> p.11

the customer.<sup>19</sup> While this cannot be doubted, the regulatory role of TfL needs to evolve to a more pro-active role if it is to tackle the problems presented by the rise of digital technologies.

Within TfL, the regulation of the industry is undertaken by the Taxi and Private Hire Directorate. As both sides of the industry are regulated within the same body, it has been argued that the current structure lays itself open to accusations of an inherent conflict of interests.<sup>20</sup> It could, indeed, be contested that the current regulatory framework sets the interests of the two trades in opposition to each other: benefiting taxi drivers impedes drivers of PHVs (likewise the reverse).

However, there is little evidence of such behaviour occurring. For decades now both trades have been regulated conjointly and most of the problems facing the taxi industry have emerged during the last decade. The issue isn't within the internal structure of the Directorate, but with the overall focus of the regulator. TfL's key priorities are managing transport networks and setting the fares for these networks. In the larger picture, the regulation of the taxi industry is insignificant in comparison.

Taking into consideration the wider role of TfL, there may well be advantages to taking the regulation of the taxi industry out of the TfL structure altogether. Prior to TfL subsuming the responsibilities of taxi regulation, the Public Carriage Office (PCO) used to regulate the trade. Given the need for a more pro-active regulator, re-establishing the PCO and freeing taxi regulation from the straightjacket of an uninterested TfL, could ensure taxi drivers receive a less absent regulator. The reputation of TfL as a regulator amongst taxi drivers is at a particular nadir, reviving the PCO could also be a step towards repairing these relations. The new body would be a subsidiary body of TfL, yet independent as an arms-length body.

### 3. THE ENTRY REQUIREMENTS FOR THE KNOWLEDGE SHOULD BE REDUCED

The Knowledge of London examination process is extremely rigorous, requiring licensed taxi drivers to memorise tens of thousands of points of interest, landmarks and routes across the city. That it is a barrier to entry in the trade can be demonstrated by the age profile of cabbies. TfL's last study of taxi driver working profiles found that 40 per cent of drivers were aged 55 or over, and only 5 per cent were under the age of 35.<sup>21</sup> This illustrates that too few are entering the taxi trade, and with London's population booming the taxi industry will clearly fail to satisfy customer demand in the near future.

The pass requirements for the Knowledge are strong to say the least. In order to be qualified as a licensed taxi driver, students must be able to memorise the start and finish of 320 routes (or 'runs') in a 6-mile radius emanating from Charing Cross.<sup>22</sup> Not only this, prospective taxi drivers must also know a 1/4-mile radius surrounding the start and finish points of these runs. Within this area, students must know all the streets; housing estates; parks and open spaces; government offices and departments; financial and commercial centres; diplomatic premises; town halls; registry offices; hospitals; places of worship;

19. <https://www.london.gov.uk/sites/default/files/Future%20Proof%20-%20Taxi%20%26%20PH%20Report.pdf> p.14

20. <https://www.london.gov.uk/sites/default/files/Future%20Proof%20-%20Taxi%20%26%20PH%20Report.pdf> p.40

21. <https://www.london.gov.uk/sites/default/files/Future%20Proof%20-%20Taxi%20%26%20PH%20Report.pdf> p.33

22. <http://cdn.londonreconnections.com/2013/BlueBookAllLondon.pdf> p.6

sports stadiums and leisure centres; airline offices; stations; hotels; clubs; theatres; cinemas; museums; art galleries; schools; colleges and universities; police stations and headquarters buildings; civil, criminal and coroner's courts; prisons; and places of interest to tourists.<sup>23</sup>

Requiring such a degree of topographical aptitude is remarkable. No other city on earth requires that their licensed taxi drivers pass a topographical exam as tough as this. In New York, for instance, the examination process last 80 hours, which can be completed in two weeks by astute students.<sup>24</sup> In the Information Age, with pervasive use of GPS navigation technologies, this pass mark seems unnecessarily robust. If the incoming Mayor wants to make it easier to enter the taxi trade, increase taxi driver numbers and cut the average age of London cabbies, then reducing the scope of the Knowledge seems like a good place to start.

If the Knowledge can take up to three years to pass, the same as an undergraduate degree, surely there is an argument for reducing the pass requirements of the exam. The Mayor and incoming Mayor should review the degree of difficulty of this topographical test. If this review were to reason that a year is a good length for this exam, as would seem more reasonable, then the Knowledge should be reduced from 320 to approximately 100 runs.

Gone also should be the specific and extensive knowledge of the business, cultural and retail locations within Central London. The Knowledge should be primarily focused on the navigation of London's roads; cabbies should not be required to need to know how to improve a visitor's shopping experience. Consumers are savvy enough and have access to enough information to make the requirement of such extensive awareness of the area surrounding Central London redundant.

In the age of GPS navigation, such an understanding of Central London would be of particular benefit to Londoners and would bestow on cabbies a degree of understanding that their PHV counterparts did not possess. But it would also ease the pass requirements for the Knowledge and significantly reduce this almost insurmountable barrier to entry.

#### 4. THE TAXI LICENSE FEE MUST BE BETTER ALIGNED WITH PHV LICENSING LEVELS

It is common practice for the administration and authorisation of licensing schemes to come with fees attached. It is completely reasonable to charge fees to help cover the costs of the processes involved, but these fees must be proportionate. The cost a taxi driver license is £1,022,<sup>25</sup> whereas the cost of administering a license to PHV drivers is £306,<sup>26</sup> less than one third the cost. Taxi licensing fees are not only expensive, but uncompetitive.

Given that PHV numbers are surging and taxi numbers are flatlining, action is clearly needed to make taxi drivers more competitive *vis-a-vis* their PHV counterparts. Both types of drivers must pay the same fees for criminal records (DBS) checks and medical examinations, but the large cost differences arise from the fees associated with the delivery the Knowledge exams. In order to take the Knowledge, cabbies must pay £600

23. <http://cdn.londonreconnections.com/2013/BlueBookAllLondon.pdf> p.5

24. <http://www.teamtaxi.com/hacklicense>

25. <https://tfl.gov.uk/info-for/taxis-and-private-hire/become-a-taxi-licensee/apply-for-a-taxi-driver-licence>

26. <https://tfl.gov.uk/info-for/taxis-and-private-hire/become-a-private-hire-licensee/private-hire-driver-licence#on-this-page-1>

for the pleasure.

It stands to reason that, if the Knowledge were to be reduced to a third, the licence fee associated with the exam should be reduced commensurately. Reducing the Knowledge to £200 would bring the over costs of taxi licensing down to £622, which is then only double the cost of a PHV license, rather than three times the cost.

As part of the mayoral competitive review recommended above, the Mayor should assess the current licensing regime for taxi drivers to determine whether the fees associated with accreditation are disproportionate in relation to the fee charged to their PHV counterparts. Included in this should be the option to raise the PHV license costs, to bring them into line with taxi licence fees even further following the tougher licensing conditions detailed in the recent PHV consultation.<sup>27</sup> The latter should raise the costs of administering PHV licences, any such rise in costs should be met by a proportionate rise in license fees.

## 5. TFL SHOULD OFFER LOANS FOR THE PURCHASE OF NEW HACKNEY CARRIAGES

Along with London's red buses, the Capital's black cabs are one of the most easily recognised transport icons in the world. TfL conducted a poll on London's transport icons in which more than 10,000 Londoners participated. In the poll, a shortlist of 100 transport designs were shown to participants. It was determined that the Capital's black cab is the most iconic piece of transport design, beating the red bus and Harry Beck's tube map.

The black cab is a massive cultural icon for Londoners, yet the cost of purchase of this public good is not met by the public, but by cabbies in a private fashion as self-traders. It is perhaps unfair to have the cost of purchasing London's most popular transport icon put solely on the shoulders of taxi drivers. The black cab greatly adds to the cultural fabric of the city, yet Transport for London contributes nothing towards the purchase of the vehicle. This seems particularly burdensome when you consider that a modern Hackney Carriage costs almost exactly twice as much as a Toyota Prius, a popular car for PHV drivers.<sup>28</sup>

In an attempt to remedy this situation, it had been reported that, for the new ULEZ-compliant eco-taxi now available, TfL may bulk-buy these vehicles in order to lease them to taxi drivers. While this is a welcome first step, it is perhaps not the most desirable option. Under a lease scheme, taxi drivers will never have full ownership of their vehicles and the scheme, if it is to be effective, would require a significant upfront capital expenditure. If the whole fleet was to be replaced by these new vehicles, it would cost £1.1bn at the recommended retail price.<sup>29</sup> TfL, as a bulk purchaser, would receive these vehicles at less than this, but the capital costs would still be substantial.

A better solution would be to offer interest free loans to taxi drivers as they replace their older vehicles with newer versions. This would ensure taxi drivers retain full ownership of their vehicles (important for drivers sponsorship opportunities) and the revenue costs of this scheme would be phased in over a period of a few years leading up to the introduction of the ULEZ in 2020. The next Mayor should consider implementing such a scheme as a first priority.

27. <https://consultations.tfl.gov.uk/tph/private-hire-regulations-review>

28. According to the London Taxi Company website, the new TX4 Euro 6 costs £42,795 OTR, whereas a new Toyota Prius costs £21,995 OTR.

29. There are 25,362 black cabs on the road and a new cab costs £42,795 OTR.

## 6. THE INTRODUCTION OF THE ULEZ FOR NEW TAXIS SHOULD BE DELAYED TO 2020

The Ultra Low Emission Zone (ULEZ) will be a zone in Central London within which all vehicles will need to meet exhaust emission standards or pay a daily charge to travel through the zone.<sup>30</sup> The ULEZ zone, which will operate within the same area as the Congestion Charge zone, will operate 24 hours a day, 7 days a week. The charge will be in addition to the Congestion Charge and comes into force in 2020

It has been announced that that all taxis licensed for the first time from January 2018 will need to be zero emission capable.<sup>31</sup> Taxi drivers are being singled-out for special treatment under ULEZ, despite the fact they represent a small number of vehicles on the road. This is not to say that the ULEZ is not needed to improve air quality in the Capital, but there is little justification for bringing forward the introduction date for new taxis by a mere two years.

To ease the financial burdens on taxi drivers, who already have to pay a license fee, DBS checks, examination costs and for expensive Hackney Carriages, the next Mayor should consider pushing back the ULEZ introduction date for new taxis back to 2020, when all other cars will be subject to it.

## 7. NEW TAXI RANKS SHOULD COME AS STANDARDS FOR LARGE DEVELOPMENTS

Many visitors to London are greeted with a taxi rank when they arrive at main termini and they provide a ready supply of taxis to many Londoners. However, 68 per cent of passengers feel that there are not enough taxi ranks, particularly in Outer London.<sup>32</sup>

This is supported by the fact TfL currently has 77 open rank location requests.<sup>33</sup> Even though there are approximately 500 taxi ranks across the city,<sup>34</sup> most of these are situated in Inner London. This is particularly problematic for Outer London, where the vast majority of taxi journeys tend to originate from ranks rather than from street hails.<sup>35</sup> For customers in Outer London, it is essential that taxi ranks are suitable prioritised and funded.

However, even though TfL does provide funding for rank provision through its LIP (Local Improvement Plan) funding, this is simply insufficient to match rank demand.<sup>36</sup> Instead of simply injecting more taxpayers' money, the Mayor should look to make new taxi ranks a standard requirement for very large developments, such as those at Nine Elms and Old Oak, which will require additional transport infrastructure. A similar requirement could be placed on those stations that will be open 24 hours per day under the plans for a Night Tube, taxi ranks would be particularly welcome in this locations in and around Outer London stations. At the earliest opportunity, the Mayor (or the incoming Mayor) should

30. <https://tfl.gov.uk/modes/driving/ultra-low-emission-zone>

31. <https://www.london.gov.uk/sites/default/files/Future%20Proof%20-%20Taxi%20%26%20PH%20Report.pdf>

32. <https://www.london.gov.uk/sites/default/files/Future%20Proof%20-%20Taxi%20%26%20PH%20Report.pdf> p.27

33. <https://www.london.gov.uk/sites/default/files/Future%20Proof%20-%20Taxi%20%26%20PH%20Report.pdf> p.29

34. [https://www.london.gov.uk/sites/default/files/150223\\_Ranks%20Action%20Plan\\_FINAL.PDF](https://www.london.gov.uk/sites/default/files/150223_Ranks%20Action%20Plan_FINAL.PDF) p.2

35. [https://www.london.gov.uk/sites/default/files/1502223\\_Suburban%20Action%20Plan%20FINAL.PDF](https://www.london.gov.uk/sites/default/files/1502223_Suburban%20Action%20Plan%20FINAL.PDF) p.1

36. <https://www.london.gov.uk/sites/default/files/Future%20Proof%20-%20Taxi%20%26%20PH%20Report.pdf> p.30

include such a planning requirement in the London Plan to ensure large developments factor in taxi ranks into their designs.

On top of a shortage in supply, taxi ranks also suffer from a lack of visibility and connectivity. When polled, only a third of passengers said that they knew the location of their nearest taxi rank.<sup>37</sup> TfL should, therefore, incorporate into its standard Tube and rail map a symbol that represents a station with a taxi rank nearby. This would indicate to commuters, especially during severe delays, that there is a taxi alternative for their journey.

## 8. SPONSORSHIP SHOULD FUND THE INTRODUCTION OF CASHLESS TECHNOLOGY IN TAXIS

Britain is fast becoming a cashless society. Consumers now expect to be able to pay by credit or debit card for their purchases, be that online or on the high street. Yet London's taxis fall behind in supplying their customers with card-payment services. Only just over half of taxis currently take card payments;<sup>38</sup> this is simply not good enough. TfL should, as the regulator, make a card payment option for journeys mandatory for all regulated taxis in London.

A survey of passengers highlighted that 40 per cent would use taxi services more regularly if they could pay by card and 85 per cent said that they would prefer to pay by card.<sup>39 40</sup> In a highly competitive market, having card payment machines in all taxis could significantly benefit taxi drivers. Mandatory acceptance of credit cards is not outlandish. This rule has been introduced in many major cities and New York, which introduced it a decade ago, said that 70 per cent of all transactions are now made using cards.<sup>41</sup>

TfL have indicated a shift towards the position. In a response to a consultation on card payments in taxis, the regulator said that it would make card payments mandatory, but would raise the minimum fare by 20p to £2.40.<sup>42</sup> Firstly, this is only designed to cover the surcharge associated with each transaction (which currently has a maximum of £1 or 10%<sup>43</sup>), not the rental costs of the payment machine. Secondly, surcharging is to be abolished by the EU in 2017 anyway,<sup>44</sup> so this is not much of a concession. In two years' time the fares will have to rise again to cover the rental costs if TfL don't want cabbies to take on the cost. Given TfL should be making taxi fares more competitive, it is not in the interests of the taxi trade to increase minimum fares any further.

The rental for card machines should instead be met by TfL on behalf of the consumer, just as they do for ticket machines in tube stations. TfL should finance its own costs through sponsorship schemes attached to the card payment hardware and software.<sup>45</sup> New York and

37. <https://www.london.gov.uk/sites/default/files/Future%20Proof%20-%20Taxi%20%26%20PH%20Report.pdf> p.31

38. <https://www.london.gov.uk/sites/default/files/Future%20Proof%20-%20Taxi%20%26%20PH%20Report.pdf> p.23

39. <https://www.london.gov.uk/sites/default/files/Future%20Proof%20-%20Taxi%20%26%20PH%20Report.pdf> p.22

40. [https://consultations.tfl.gov.uk/taxis/card-payment/supporting\\_documents/Credit%20and%20Debit%20card%20payments%20Additional%20Information.pdf](https://consultations.tfl.gov.uk/taxis/card-payment/supporting_documents/Credit%20and%20Debit%20card%20payments%20Additional%20Information.pdf) p.1

41. <https://www.london.gov.uk/sites/default/files/Future%20Proof%20-%20Taxi%20%26%20PH%20Report.pdf> p.23

42. <http://www.cityam.com/229584/londons-black-taxis-will-accept-credit-or-debit-card-and-contactless-payments-by-october-2016-but-minimum-fares-will-rise-by-20p-to-pay-for-it>

43. [https://consultations.tfl.gov.uk/taxis/card-payment/supporting\\_documents/Credit%20and%20Debit%20card%20payments%20Additional%20Information.pdf](https://consultations.tfl.gov.uk/taxis/card-payment/supporting_documents/Credit%20and%20Debit%20card%20payments%20Additional%20Information.pdf) p.3

44. [http://europa.eu/rapid/press-release\\_MEMO-15-5793\\_en.htm?locale=en](http://europa.eu/rapid/press-release_MEMO-15-5793_en.htm?locale=en)

45. See here for further details: <http://glaconservatives.co.uk/wp-content/uploads/2015/05/Free-Ride.pdf>

Las Vegas currently utilise advertising inside their vehicles to pay for cashless technology,<sup>46</sup> TfL could easily emulate this. Given £43.75m was generated through the sponsorship of the bike-hire scheme,<sup>47</sup> sponsorship displayed within taxis, which would be much more visible than that on hired bikes, should be able to generate at least this.

## CONCLUSIONS AND RECOMMENDATIONS

London's taxi industry has a long and distinguished history. It is not only respected by the general public, but the 'black cab' is easily one of the world's most recognisable transport icons in the world. Yet, the question remains as to whether this industry can survive much farther into the 21<sup>st</sup> century.

There are three great problems the taxi industry must overcome if it is to do just this. Firstly, there are the problems that arise from having a demanding and technologically-savvy consumer-base. Secondly, there are the problems that new entrants face when entering the taxi trade. Finally, there is the role of TfL itself, an absentee regulator that needs to actively re-engage with the taxi industry.

In short, London's four-century old taxi industry will need to adapt if it is to survive. In addition, its regulator will need to take a more active role in ensuring the industry's continuation. Below is an eight-point plan that we recommend be implemented at the earliest possible opportunity by TfL and the Mayor:

**RECOMMENDATION #1 - Commission a competition review of the taxi industry:** While London's PHV numbers have doubled over the last decade, taxi numbers have remained stable. Taxis will need to increase in numbers if they are to take some of the demand generated by a surging population. Yet high barriers to entry are preventing the industry from expanding. As such, the Mayor should establish a competition review to determine how to increase the overall competitiveness of the taxi industry. As part of this, the review should assess how taxi drivers could legally vary their fares to make them more competitive.

**RECOMMENDATION #2 - Re-shape TfL as a pro-active taxi and PHV regulator:** TfL has previously been dubbed an absentee regulator. In order to help taxis compete in the new digital age, the regulator will have to take a more active role in the industry. Given that TfL's prime responsibility is the daily management of the public transport network, the regulation of the taxi industry is inconsequential in comparison. As such, the Mayor should remove the regulation of the taxi industry from TfL itself and transfer it to a new Public Carriage Office, an arms-length body that would have a much more focused role as a regulator.

**RECOMMENDATION #3 - Reduce the entry requirements for the London Knowledge:** The topographical examination that London cabbies must pass in order to be licensed as taxi drivers is the toughest such test in the world. In a time of savvy tourists and GPS navigation technology, the Knowledge has become less useful. With an average taxi driver age of 55, regulators must make it easier for prospective drivers to enter

46. [http://cityroom.blogs.nytimes.com/2007/12/14/hey-taxi-do-you-take-credit-cards/?\\_r=0](http://cityroom.blogs.nytimes.com/2007/12/14/hey-taxi-do-you-take-credit-cards/?_r=0); <http://www.sfgate.com/business/article/Taxi-cab-riders-in-S-F-to-get-smart-passenger-2717566.php>

47. <https://tfl.gov.uk/info-for/media/press-releases/2015/february/mayor-announces-santander-as-new-cycle-hire-sponsor>

the industry. To do this, TfL should consider reducing the length of the Knowledge. It currently take 3 years on average to pass this exam, perhaps a one-year process is more reasonable.

**RECOMMENDATION #4 - Better align PHV and taxi driver licence fees:** As it stands, the licence fee for taxis is currently over three times as much as that for PHVs. Such a state of affairs is unfair on cabbies. A large part of these additional costs are down to the Knowledge of London examination. Reducing the latter by two-thirds as suggested above should result in the licence costs associated with the exam being commensurately reduced. TfL should also ensure that, following their current PHV consultation, that PHV licence fees are raised in line with the likely increase in administration costs associated with the forthcoming, tougher PHV licensing regime.

**RECOMMENDATION #5 - Offer loans for the purchase of new Hackney Carriages:** London's black cab is one of the city's most easily recognisable transport icons. Yet the cost of purchasing this public good is not met by the public sector, but by cabbies in a private fashion as self-traders. The black cab greatly adds to the cultural fabric of the city, yet Transport for London contributes nothing towards the purchase of the vehicle. This seems particularly burdensome when you consider that a modern Hackney Carriage costs almost exactly twice as much as a Toyota Prius, a popular car for PHV drivers. To help with the purchase of these expensive vehicles, TfL should offer interest free loans to taxi drivers as they replace their older vehicles with newer versions.

**RECOMMENDATION #6 - Delay the introduction of ULEZ for taxis until 2020:** The Ultra Low Emission Zone (ULEZ) will be a zone in Central London within which all vehicles will need to meet exhaust emission standards or pay a daily charge to travel through the zone. It has been announced that that all taxis licensed for the first time from January 2018 will need to be zero emission capable. Taxi drivers are being singled-out for special treatment under ULEZ, despite the fact they represent a small number of vehicles on the road. To ease the financial burdens on taxi drivers, the next Mayor should consider pushing back the ULEZ introduction date for new taxis back to 2020, when all other cars will be subject to it.

**RECOMMENDATION #7 - Ensure taxi ranks come as standard for all large developments:** Many visitors to London are greeted with a taxi rank when they arrive at main termini and they provide a ready supply of taxis to many Londoners. However, many feel that there are not enough taxi ranks, particularly in Outer London. The Mayor should look to make new taxi ranks a standard requirement for very large developments, such as those at Nine Elms and Old Oak. TfL should also incorporate into its standard Tube and rail map a symbol that represents a station with a taxi rank nearby.

**RECOMMENDATION #8 - Sponsorship should fund the rollout of cashless technologies in black cabs:** Consumers now expect to be able to pay by credit or debit card for their purchases. Yet barely half of taxis currently take card payments. To ensure their uptake, the rental for card machines should be met by TfL on behalf of the consumer, just as they do for ticket machines in tube stations. TfL's own costs should be met through incomes derived from sponsorship schemes attached to the card payment

hardware and software. New York and Las Vegas currently utilise advertising inside their vehicles to pay for cashless technology, TfL could easily emulate this.

The taxi industry is of great use to both Londoners and international visitors. But with the rise of new technologies and challengers to the black cab's dominance, reform of the taxi trade will be required if this industry is to continue to provide such a service. The above eight points indicate the steps the Mayor and incoming mayor could take to save this threatened industry from extinction. It is recommended that they be implemented as soon as possible.



## FEEDBACK

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