

John Mulcahy
Head of Elections, Licensing and Registration
c/o Alison Calvert
Leeds City Council
Taxi and Private Hire licensing
225 York Road
Leeds
LS9 7RY

From: John Kirkpatrick
Senior Director, Advocacy

Direct line: 020 3738 6256

14 December 2016

Dear Mr Mulcahy

Changes to Taxi and Private Hire Conditions effective from 1st January 2016

The Competition and Markets Authority (CMA) is an independent non-ministerial government department. The CMA has a statutory duty to seek to promote competition for the benefit of consumers.

As part of its work, the CMA recommends ways in which government can promote competition. The *Enterprise Act 2002* gives the CMA the power to make proposals or give advice to any public authority. In its 2015 policy document on how competition can benefit firms and families¹, HM Treasury has asked the CMA to consider how local authorities “can support competition and challenge them when they do not”.

Taxi and PHV markets

The CMA’s understanding of taxi and PHV markets is informed in part by the findings of our examination of a merger between operators in Sheffield² and in part by our analysis of licensing conditions imposed by licensing authorities. You may like to consider our response³ to Transport for London for more detail on our approach.

Passengers benefit from innovation and effective competition among taxis and PHV operators on both price and service quality. We acknowledge that passengers need the protection of appropriate regulation. But the general principle that we follow is

¹ Page 9, [A_better_deal_for_families_and_firms](#)

² See: <https://www.gov.uk/cma-cases/sheffield-city-taxis-mercury-taxis-sheffield-merger-inquiry>

³ [CMA_Response_to_TfL](#)

that, in the interest of consumers, competition should only be restricted by regulation to the extent that doing so is absolutely necessary for achieving the aims of that regulation. Regulation should not favour certain groups over others and measures that restrict the choices available to passengers should be minimised. This is the approach that we have taken in our work on taxi and PHV licensing to date.

Review of Local Authority Taxi and PHV licensing conditions

We have recently undertaken a review of licensing conditions in several of the largest licensing authorities in England and Wales. This has resulted in a public letter⁴ to Sheffield City Council on proposed changes to PHV licensing conditions, as well as private communication with other licensing authorities.

As part of this review, we have become aware of the PHV conditions⁵ of Leeds City Council and in particular, the Door Livery policy. The policy states that name of the operator must be attached to PHV doors using a council approved adhesive (i.e. magnetic signs are not allowed). This is likely to mean that in practice drivers are unable to work for more than one operator. Such regulation (sometimes known as mandatory single-homing) can create a strong “network effect”, as drivers are likely to choose the (one) firm with the most customers. This is of particular concern with the development of app-based PHV firms as it becomes impossible for a rival app-based firm to enter the market by getting existing drivers to work for some of their hours with the new firm. In fact, the CMA considered the ability of new operators to employ part-time drivers already working for another operator to be a critical factor in providing sufficient competition to the business being created by the merger in Sheffield. Over time and with increasing passenger usage of app-based providers, the restriction could result in fewer operators or even a single dominant firm. This reduces the potential for competition between firms, and may cause significant harm to passengers in terms of fares or service quality.

The CMA would urge you to consider the effect that this condition may have on the development of the market and hence the interests of passengers. I would be happy to discuss any aspect of this further if that would be helpful.

Yours sincerely,



John Kirkpatrick
Senior Director, CMA Advocacy
John.Kirkpatrick@cma.gsi.gov.uk

⁴ [CMA_letter_to_Sheffield](#)

⁵ <http://www.leeds.gov.uk/docs/Private%20Hire%20Vehicle%20Conditions.pdf>