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**THE RELATIONSHIP BETWEEN
HACKNEY CARRIAGES AND PRIVATE
HIRE CARS IN WEST YORKSHIRE**

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The relationship between hackney carriages and private hire cars in West Yorkshire.

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Abstract.

The 1985 Transport Act substantially altered the legal framework for regulating hackney carriages such that a licensing authority may refuse the grant of a hackney carriage licence for the purpose of limiting the number of hackney carriages if, but only if, it is satisfied that there is no significant demand for the services of hackney carriages which is unmet. By contrast, local councils have never been permitted to impose an artificial limit on the number of private hire cars in this way. The questions of interest are:

- i) For what purposes do people use hackney carriages and private hire cars, and how do these differ?
- ii) Do consumers perceive any difference between hackney carriages and private hire cars, and to what extent are these differences considered important?
- iii) What are the implications of (i) and (ii) for licensing policy?

The answer to these questions is to be found in an analysis of West Yorkshire and Leeds data collected by ITS. We also use some evidence gained during an unmet demand study conducted by ITS for Rochdale Borough Council.

1. Introduction.

This paper on the relationship between hackney carriages and private hire cars is presented as part of a wider project on the planning and regulation of the taxi trade, which is sponsored by the Economic and Social Research Council. The purpose of the wider study is to examine the workings of rank-based taxi markets and to consider the welfare effects of different forms of regulation and organisation. The investigation is complicated by the existence of a relatively unregulated hire car trade which overlaps considerably with the hackney carriage sector and so this paper seeks to shed some light on the actual and perceived differences in the operations of the two trades.

The question of relationship between arises from the regulatory framework outlined in section 2. Although historically there have been significant differences between the taxi and hire car trades, and while there are still some important sectors of the market which are served uniquely by hire cars, in many areas the legal distinction is somewhat artificial as there is a considerable degree of integration apparent between the trades. The extent to which the two trades are serving essentially the same market has important implications for regulatory policy and indeed affects the chances of hackney carriage regulation achieving an optimal solution when there is free entry and price competition in a closely competing sector.

This paper consists of three main sections. The next section deals with the development of the regulatory framework for hackney carriages and private hire cars in order to highlight the key distinctions and looks at the state of the two trades in West Yorkshire. It also provides the necessary background to the subsequent section on the use of hackney carriages and private hire cars. This section examines the overlap between the operations of the taxi and hire car trades from a demand perspective and in particular at the types of journey made by each mode. Following on from this, we examine consumers' perceptions of the differences between hackney carriages and hire cars and assess the extent to which these differences influence mode choice.

2. The legal framework.

2.1 The Origins of Hackney Carriage regulation.

Although regulations governing the activities of taxicabs can be traced back at least as far as 1635, when Charles I ordered that a restriction be placed on the number of vehicles for hire in London on the grounds of congestion and pollution, and not forgetting the London Hackney Carriage Act of 1831 which codified many of the previous regulations and provided the first comprehensive regulation of paratransit services, the birth of modern regulatory practice is generally reckoned to be the Town Police Clauses Act of 1847, under which various permissive powers were granted to local Commissioners.

"The Commissioners may from Time to Time license to ply for hire...such Number of Hackney Carriages...as they think fit."
(10 & 11 Vict. c. 89 s. 37)

As well as this discretion granted to Local Authorities to restrict the number of hackney carriages, the Act established the essentials of the taxi licensing system which still apply, governing issues such as the establishment of taxi ranks, regulating what taxis and drivers should look like (up to a point), the regulation of fares (for time and distance) and their display, and regulating the physical/mechanical characteristics of taxis. In practice, not all licensing authorities had regulations for each aspect of taxi operation, and regulations differed (and differ) considerably from area to area.

2.2 Regulations governing private hire cars.

In Britain, regulators dealt almost exclusively with hackney carriages until 1976. Not until the passage of the Local Government (Miscellaneous Provisions) Act in that year were private hire cars officially recognised as existing. (Prior to that date, a number of Local Authorities had promoted private Acts to permit them to regulate the activities of non-Hackney paratransit vehicles; but there was no general permissive legislation such as the 1847 Act.) The contrast in the modus operandi of vehicles available for hire on the street ("la voiture de place") and those which had to be booked through an office or at the owner's business premises ("la voiture sous remise") was readily made by Napoleon III and his Préfets in mid-nineteenth century Paris. This difference in the method of hiring, now largely neglected by the public due to the advent and application of radio control to both taxis and hire cars, is the key legal distinction between hackney carriages and private hire cars. A useful definition is found in Coe (1986), where it states,

"A taxi (or hackney carriage) is a vehicle with fewer than nine seats which is licensed to 'ply for hire'. Although the term 'ply for hire' is a legal one, it is defined by case law rather than statute. It is generally understood as the right to be available on the street for hire by members of the public. Hire cars (or private hire cars) are also small vehicles that are hired as a whole but, not being licensed as taxis, are unable to ply for hire in the street and must be booked by customers through an office or agency."

Part II of the Local Government (Misc. Prov.) Act clarified, updated and extended the law concerning regulation of vehicles made available for hire to the public. Under its terms, a district council in whose area or part of whose area the 1847 Act was in force, was able to resolve that the Act apply in that area or part of area. Permissive powers to make similar regulations to those in force for hackney carriages were granted, except that a local authority was not permitted to control the fares charged by private hire drivers, nor were they allowed to refuse the grant of a private hire car licence for the purpose of limiting the number of private hire cars.

2.3 The Transport Act, 1985.

The apparent anomaly created by the existence of a relatively unregulated industry where prices and quantities are determined by market forces and the continued tight regulation of the hackney carriage sector will have been one of the driving forces behind the inclusion of clauses concerning taxicabs and private hire cars as an adjunct to the 1985 Transport Act. The clauses dealing with taxis and hire cars fall into two distinct parts, the first dealing with shared taxis and the operation of taxis as PSV's, thus attempting to blur the boundaries between hire vehicles and buses, and the second concerning taxi licensing in general and control of numbers in particular. It is this latter which is of interest here. By removing the previous discretion granted to local authorities to determine the number of hackney carriages, such that an application for a hackney carriage licence may be refused for the purpose of limiting the number of hackney carriages if, but only if, the person authorised to grant licences is satisfied that there is no significant demand for the service of hackney carriages which is unmet, the Transport Act has caused the number of taxis licensed in some areas to increase at a very great rate; in other areas, authorities have maintained previous levels of service. In all areas, however, the situation as regards hire cars is virtually unchanged, and there are still no entry restrictions. It is this change in the legal framework which

has prompted this work and caused some estimation to be made of the overlap between the two trades.

2.4 The taxi and hire car trades in West Yorkshire.

The tables below present the state of the trades in each of the West Yorkshire districts. We present the figures for 1987, 1989 and 1991 so that growth trends can be made clear. Also included is a table which compares supply levels (population per vehicle) for each district compared with the national averages. The data were obtained from the districts.

	BRAD	CALD	KIRK	LEED	WAKE
1987	213	53	176	262	75
1989	213	70	176	262	85
1991	213	76	198	282	85
% change 87-91	0	43.4	12.5	7.6	13.3

	BRAD	CALD	KIRK	LEED	WAKE
1987	868	200	320	1100	215
1989	1131	246	350	1400	230
1991	1383	250	399	1200	230
% change 87-91	59.3	25.0	24.7	9.1	8.6

	BRAD	CALD	KIRK	LEED	WAKE	AVE
Pop/hack	2178	2516	1908	2526	3655	1667
Pop/hire	336	765	947	594	1351	1235
Pop/veh	291	587	633	481	986	709

Although the hackney carriage fleets throughout the county are rather smaller than the national average in terms of population per hackney carriage, the total fleet size is more generous than average in four of the five districts, Wakefield being the exception. Growth since 1987 has been uneven, but Bradford is the only district which has not yet issued extra hackney carriage plates since the Transport Act.

3. The use of hackney carriages and private hire cars.

3.1 Introduction.

This section of the paper focuses on the degree of interdependence of the two trades and examines the extent to which the fortunes of one are bound up with those of the other. From studies ITS has carried out into the sufficiency and adequacy of hackney carriages in a number of licensing districts across the country, we estimate that around 50% of hackney carriage trips are booked by telephone. Thus, the overlap with the hire car sector is quite large. Indeed, in some areas, there are radio circuits which include both hackneys and hire cars and in at least one case, hire cars are metered at the same rate as hackneys to ensure consistency of fares. For this reason, we might expect some degree of consumer ignorance and/or apathy concerning the difference between the two modes. However, it is quite possible that the traditional hackney carriage activity of plying for hire serves an entirely different market to that met by private hire work (whether undertaken by hackney or hire car) and so licensing policy should take account of this differential.

In order to answer further the questions raised about the relationship between hackney carriages and private hire cars, we draw upon data collected during the unmet demand studies conducted in West Yorkshire in 1989. We analysed the data in two ways; firstly, we looked at the hirings made (journey purpose, time of trip) and the nature of the respondent (age, sex, occupation) according to the mode used to obtain a "taxi", ie telephone booking or rank/flagdown. This tells us about the nature of the markets for pure hackney carriage and private hire work. We then split the telephone bookings into those made by hackney carriage and those made by private hire car to see if there were any differences in use of the two modes.

3.2 Journey purpose for rank and telephone trips.

Table 4 below shows the journey purposes of trips made by taxi, broken down according to whether the cab was hired from a rank or by flagdown ("rank trips") or booked by telephone.

	Work	Shopping	Transport	Leisure	Medical	Tot
Phone trips	7.1	11.2	3.9	26.8	4.7	53.6
Rank trips	1.7	9.2	2.6	31.6	1.3	46.4
Total	8.8	20.4	6.5	58.4	6.0	
<i>Sample size = 1173 respondents</i>						

As we can see, leisure is the dominant journey purpose for both phone and rank trips, although it is more dominant in rank trips, where it accounts for almost one third of trips compared with just over one quarter of phone trips. This difference is statistically significant at 1% level. In fact, work and medical trips are statistically more likely to be made by phone and leisure trips more likely to be from a rank. Transport trips are those to or from a transport terminal.

Table 5 shows the direction of trips ie to home, from home or neither. The main direction of travel for all taxi users is to home (over 70%); almost all the trips from home are by telephone rather than rank. Indeed, whereas 58.1% of phone trips are to home, a massive 85.6% of rank trips are to home. This too is statistically significant.

	To home	From home	Neither
Phone trips	30.9	18.7	3.6
Rank trips	40.0	2.6	4.2
Total	70.9	21.3	7.8
<i>Sample size = 1139 respondents</i>			

3.3 Time of trip for rank and telephone trips.

Table 6 shows the time of day at which the different methods of hiring were used.

	Before 8am	8am-6pm	6pm-10pm	After 10pm
Phone trips	5.2	23.2	9.2	15.9
Rank trips	1.5	14.0	3.4	27.6
Total	6.7	37.2	12.6	43.5
<i>Sample size = 1164 respondents</i>				

Clearly, the two modes are used differently at different times of day; up to 10pm, phone trips are much more predominant than rank trips, sometimes by as much as three to one. Late at night, though, there are two rank trips made for every phone trip. Once again, all these findings are statistically significant. The large peak in demand for rank trips late at night (about 60% of all rank trips are made at this time) obviously creates problems for licensing policy, since an authority has an obligation to consider demand as a whole and must consider how much weight to give to the short-lived peak on Friday and Saturday nights.

3.4 Socio-economic factors.

Socio-economic factors explain very little in trying to establish whether a given person is more likely to phone for a taxi or go to a rank. There is no difference according to gender, and the only difference according to occupation was that students were more likely to go to a rank and less likely to phone than the "average" person. Looking at the age of respondents, those aged over 60 were more likely to phone for a cab than go to a rank; but there were so few of these (10% of the sample) that the difference is not significant. In fact, "taxis" are used largely by young people, those under 35 accounting for 65% of trips. The 16-24 age group are more likely to use a rank; this reflects the purpose (leisure) and the time (late) for and at which they use taxis.

3.5 Differences in the use of hackney carriages and private hire cars for telephone booked trips.

We have seen that private hire type hirings are different from traditional hackney carriage rank hirings, but have not yet ascertained whether there is any difference between private hire hirings undertaken by hackney carriages and private hire hirings undertaken by private hire cars. As it turns out, trip purpose, trip direction and time of travel are all distributed

the same for hackneys and private hires, and the age and gender of respondents does not influence the choice of mode. The only statistically significant difference is that professional and managerial people are more likely than average to phone for a hackney carriage (significant at 2%). It should be pointed out that out of 533 telephone booked trips reported, only 47 or 8.8% were calls to a hackney only network, which is a small proportion in relation to the respective sizes of the hackney and hire car fleets. The conclusion is that the phone trade is a single market served by both hackneys and hire cars.

4. Public perceptions of hackney carriages and private hire cars.

4.1 Introduction.

We can think of hackney carriages and private hire cars being potentially: (i) directly interchangeable, where the choice lies between phoning a hackney carriage or private hire car or, in some circumstances, walking to a taxi rank or private hire booking office; (ii) somewhat interchangeable, where the choice is effectively between walking to a taxi rank or phoning for a hire car or (iii) non-substitutable, for instance wedding and funeral cars, luxury limousines. We have seen above that in practice there is no difference between hackneys and hire cars in category (i) in terms of what people actually use. However it may be that the two modes have different attributes which will influence peoples' choices. To that end, we now consider the extent to which the public perceive a difference between hackney carriages and private hire cars, what differences they actually perceive, and how important these differences appear to be.

4.2 Taxis and hire cars in Leeds.

In answering the first point, I draw on the results of a study of the taxi and hire car industries in Leeds in 1987. In this study, 58.2% of participants said that they knew the difference between a taxi and a private hire car. However, only 35% of those saying that they knew the difference were able to identify correctly the key legal distinction, namely the right to ply for hire. Furthermore, the sample was not randomly selected but consisted solely of people who had used some form of hire vehicle in the last year. Thus 20% of a biased sample were aware of the difference between a taxi and a hire car. A further 24% knew that the local authority set fares for hackney carriages but did not do so for private hire cars.

The study also compared the fares charged by and the waiting times for private hire firms. Three of the main hackney-circuits were also contacted; the fare they charged was £1.75,

and all had a cab arrive at the pick-up point within five minutes of the booking being made.

Fare	frequency	Waiting time	frequency
£1.20	2	0 to 5 mins	4
£1.30	4	6 to 10 mins	6
£1.40	1	11 to 15 mins	7
£1.50	6	16 to 20 mins	2
£1.70	6	over 20 mins	0
£1.80	1	Did not arrive	1

This suggests that, on average in Leeds at that time, hackney carriages were a little dearer (cost £1.75 against average for hire cars of £1.50) but much quicker (average wait 2.5 mins against 9.3 mins for those hire cars which turned up). For a small sample of longer distance trips, hire car prices ranged from £5.70 to £6.60, the hackney fare being £8.20.

People were also asked what was the most important factor in determining which company to phone.

Factor	frequency	percent
Ease of booking	63	19.8
Punctuality	45	14.2
Reliability	51	16.0
Price	21	6.6
No factor	126	39.6
Other	12	3.8
Total	318	

Now other research has shown that there is relatively little difference in ease of booking for hackney carriages and private hire cars, and the figures above suggest that relatively few people choose on grounds of price even though hackneys are a little dearer than hire cars. The key differences above appear to be punctuality and reliability. The perceived differences and their influence on choice were investigated in Rochdale, a

district which is similar in many respects to those in West Yorkshire. The results are presented in the next section.

4.3 Perceived attribute differences between hackney carriages and hire cars.

We asked people to compare the merits of travel by taxi and hire car and tell us which they thought was better with regard to particular aspects such as cost and ease of obtaining. The results are presented in table 9.

Attribute	Hackneys better	same	Priv hire better	Average rating
Cost*	23.8	26.5	49.7	-0.44
Cleanliness	53.0	34.8	12.1	0.64
Comfort	43.6	39.2	17.1	0.47
Reliability*	39.2	40.9	19.9	0.33
Ease of obt - town	58.6	28.7	12.7	0.78
Ease of obt - home*	22.0	40.9	37.0	-0.20
Staff Politeness	42.0	44.8	13.3	0.48
Safety*	54.7	39.2	6.1	0.86
Area knowledge*	74.0	16.6	9.4	0.71

The response scale was presented as a five-point scale, with responses "hackneys a lot better", "hackneys a bit better", "same", "hire cars a bit better", "hire cars a lot better". Allocating points 2 through to -2 to each of these, we can derive an average rating. A figure above zero indicates belief that hackney carriages are better, one below zero that hire cars are better. The larger the figure, the more strongly people feel one mode is superior.

Only in two aspects are hire cars regarded as superior to taxis - cost and ease of obtaining one at home. We also asked people to rate the importance of each aspect and, although there was a tendency to rate everything as very important, cleanliness and ease of obtaining in town in particular were rated as less important, along with staff knowledge of the area. We also asked what people did when they phoned for a cab, so that we could see the extent to which the perceived differences in quality influenced choice. The results are in table 10.

Table 10: Choice of mode when phoning for a cab.

Always choose hackney	17.4%
Usually choose hackney	7.1%
<i>Choose either</i>	<i>34.8%</i>
Usually choose hire car	13.9%
Always choose hire car	26.9%

These data were used to calibrate a crude choice model so that the relative importance of the various aspects of quality could be assessed. The model indicates that certain variables are more important than others; cost, reliability, ease of obtaining at home, safety and staff knowledge of the area were significant; the other variables were not.

5. Conclusions and implications for licensing policy.

The clear pattern emerging from this study is that there are essentially two separate markets; not for hackney carriages and private hire cars, but for telephone-booked trips and on-street hirings. The precise legal nature of the vehicle which meets these needs is not an issue for the public.

Restriction of hackney carriage numbers can have little or no influence on the telephone trade. In that section of the market, there are no strong features differentiating hackneys from hire cars. The market is dominated by the very large hire car sector which tends to set somewhat lower fares than the hackney tariff. As long as the hire car sector is not subject to quantity and price control, the telephone trade will be regulated by market forces, and will be influenced little, if at all, by hackney regulation.

In the rank trade, the hackney offers a much more distinctive, differentiated product, and it is here that regulation of entry and fares will affect conditions for the public, since hire cars are at best an imperfect substitute in this market.

We regard the difference in the market by time of day as highly significant. In practice, the overall market breaks down into before 10pm, when there are two phone-booked trips for every rank hiring, and after 10pm when there are two on-street hirings for every phone booking. During the daytime, market forces predominate and the regulator's influence is limited. That influence is felt most strongly at the night time peak, when the rank-based hackney dominates the market. We would therefore place considerable emphasis on the fares and service levels offered late at night as a performance indicator. It is very important that these should not depart too far from market requirements, not least because evidence of significant illegal private hire operation to fill the gap will certainly be taken as *prima facie* evidence of significant unmet demand.