

Title: Taxi and Private Hire Licensing – Statutory Guidance IA No: DfT00399 RPC Reference No: N/A Lead department or agency: Department for Transport Other departments or agencies:	Impact Assessment (IA)			
	Date: 04/02/2019			
	Stage: Consultation			
	Source of intervention: Domestic			
	Type of measure: Other			
Contact for enquiries: Paul Elliott				
Summary: Intervention and Options				RPC Opinion: RPC Opinion Status

Cost of Preferred (or more likely) Option

Total Net Present Value	Business Net Present Value	Net cost to business per year (EANDCB in 2014 prices)	One-In, Three-Out	Business Impact Target Status
£194.71m	£194.71m	£22.62m	Not in scope	Qualifying provision

What is the problem under consideration? Why is government intervention necessary?

After the failings highlighted in the Jay and Casey Reports into the sexual exploitation of children in Rotherham, and similar failings elsewhere in which taxi and private hire vehicle (PHV) drivers played a prominent role, legislation was brought forward via the Policing and Crime Act (PCA) 2017 to enable the issuing of statutory guidance to licensing authorities (LAs) to mitigate the risk of further abuse. Any taxi or PHV may carry a child or vulnerable person in their vehicle at some time, so it is not possible to restrict the application of the guidance to any sub-set of drivers or the sector; the costs/benefits of the proposed intervention therefore apply to the full breadth of authorities' taxi and PHV licensing activity.

What are the policy objectives and the intended effects?

The policy objective is to mitigate as far as practicable the risk to children and vulnerable adults when using taxis and PHVs. The method to achieve this is through inducing consistently high licensing requirements and high standards of rigor in the 'fit and proper' driver assessment among taxi and PHV LAs, in respect of passenger safeguarding. The adoption of the robust requirements, administration and enforcement of taxi and PHV licensing proposed in the draft statutory guidance will mitigate the risk to passengers when using taxi and PHVs and, in the case of in-vehicle CCTV, also mitigate the risk to the drivers of these vehicles from crime.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

The following options have been considered:

1. Do nothing - continued reliance on LAs to address deficiencies in standards or processes.
2. Continue to issue best practice guidance only - considered less likely to produce consistency than issuing statutory guidance
3. Issue statutory guidance (Preferred Option) - places a higher degree of compulsion on LAs to meaningfully consider the recommendations, and is already permitted in legislation PCA 2017
4. Mandate minimum standards through primary legislation - ultimately a stronger solution, but would delay increased consistency in standards (and resulting benefits) as new legislation would need to be drafted, then considered by Parliament.

Will the policy be reviewed? It will be reviewed. **If applicable, set review date:** 11//2019

Does implementation go beyond minimum EU requirements?	N/A			
Are any of these organisations in scope?	Micro Yes	Small Yes	Medium Yes	Large Yes
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)	Traded: N/A		Non-traded: N/A	

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister: _____

Date: _____

Summary: Analysis & Evidence

Policy Option 2

Description: This would include the measures outlined in the draft statutory guidance within the updated draft best practice guidance. The Department could engage with the 293 licensing authorities in England to encourage high adoption rates of the recommendations to increase consistency in standards.

FULL ECONOMIC ASSESSMENT

Price Base Year 2014	PV Base Year 2017	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: NQ	High: NQ	Best NQ Estimate: £194.71m

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	NQ	NQ	NQ
High	NQ	NQ	NQ
Best Estimate	NQ	NQ	NQ

Description and scale of key monetised costs by 'main affected groups'

CCTV Installation costs are estimated at £608 per vehicle.
Familiarisation costs would also apply as drivers would need to become familiar with the guidance and comply with it. These costs would ultimately depend on the how many licensing authorities would decide to comply with the guidance.

Other key non-monetised costs by 'main affected groups'

Costs of DBS checks on Operator staff.
Costs to licensing authorities who choose to comply will have costs associated with setting the scheme, rolling out the scheme and maintaining it.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	NQ	NQ	NQ
High	NQ	NQ	NQ
Best Estimate	NQ	NQ	NQ

Description and scale of key monetised benefits by 'main affected groups'

Other key non-monetised benefits by 'main affected groups'

Improved passenger safety due deterrence of crime cause by CCTV.
Enhanced user confidence due to higher safety.
Increased passenger demand due to higher user confidence.

Key assumptions/sensitivities/risks

Discount rate 3.5%

We have not analysed this option as licensing authorities are not obliged to pay regard to best practice guidance, and the Department does not consider this option an adequate response to the policy need. It is likely that the variation of standards across authorities would mean adoption would be slow and the risk to passengers would remain.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			Score for Business Impact Target (qualifying provisions only) £m:
Costs: NQ	Benefits: NQ	Net: NQ	

Summary: Analysis & Evidence

Policy Option 4

Description: This option would introduce legislation to enable the setting of national standards (either absolute or minimum). It would mean all taxi and PHV vehicles would be subject to mandatory CCTV installation and all operators would be mandated to carry DBS checks on operator staff.

FULL ECONOMIC ASSESSMENT

Price Base Year 2014	PV Base Year 2017	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: NQ	High: NQ	Best: -£311.54m

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	NQ	NQ	NQ
High	NQ	NQ	NQ
Best Estimate	£177.75m	£13.38m	£311.54m

Description and scale of key monetised costs by 'main affected groups'

CCTV Installation costs are estimated at £608 per vehicle. The total discounted cost of installing CCTV is £305.85m
 Familiarisation costs: £5.70m

Other key non-monetised costs by 'main affected groups'

Costs of DBS checks on Operator staff.
 Costs to licensing authorities who choose to comply will have costs associated with setting the scheme, rolling out the scheme and maintaining it.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	NQ	NQ	NQ
High	NQ	NQ	NQ
Best Estimate	NQ	NQ	NQ

Description and scale of key monetised benefits by 'main affected groups'

Other key non-monetised benefits by 'main affected groups'

Improved passenger safety due deterrence of crime cause by CCTV.
 Enhanced user confidence due to higher safety.
 Increased Passenger demand due to higher user confidence.

Key assumptions/sensitivities/risks

Due to limited data availability and likely underreporting, the exact rates of crime are unknown. We have however used evidence from individual FOI's and case studies in certain areas as a proxy for likely crime rates nationally. We have assumed that the number of vehicles in the implementation year is at the steady state so the number of vehicles in the implementation year is the same as the number in the final year. We think that overall, this is proportionate.

Discount rate 3.5%

BUSINESS ASSESSMENT (Option 2)

Direct impact on business (Equivalent Annual) £m:	Score for Business Impact Target (qualifying provisions only) £m:
Costs: £305.19m Benefits: NQ Net: -£36.19m	

Summary: Analysis & Evidence

Policy Option 3

Description: This makes use of the powers enabled under the PCA 2017 to issue statutory guidance to which licensing authorities must have regard. It is expected that this will achieve the objective of raising standards and improving the rigour of licensing assessments. This could be achieved in a shorter timescale than introducing primary legislation, and so mitigates the risk of ongoing and potential safeguarding failures.

FULL ECONOMIC ASSESSMENT

Price Base Year 2014	PV Base Year 2017	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: -£155.77m	High: -£233.66m	Best -£194.71m

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant)	Total Cost (Present Value)
Low	£88.87m	£8.59m	£155.77m
High	£133.31m	£12.89m	£233.66m
Best Estimate	£111.09m	£10.74m	£194.71m

Description and scale of key monetised costs by 'main affected groups'

The most significant potential cost as a result recommendation in the draft statutory guidance would be the purchase and installation of CCTV in vehicles; these would fall on the owners of taxis and PHVs, in most instances the drivers, and is estimated to cost around £608 per vehicle. Familiarisation costs would also apply to all drivers and operators as they would need to understand new licensing requirements and the steps to compliance. Familiarisation costs would be expected to be between £2.85m to £4.27m and would occur in the implementation year only.

Other key non-monetised costs by 'main affected groups'

Increased costs of conducting DBS checks on PHV operator staff and the installing of CCTV system would likely be, at least in part, passed on to the users of these services through marginally higher fares. There would be an initial cost of setting up such a scheme and costs associated with implementing and maintaining the scheme. These costs would initially fall on licensing authorities which may be passed on to drivers through higher licensing costs.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant)	Total Benefit (Present Value)
Low	NQ	NQ	NQ
High	NQ	NQ	NQ
Best Estimate	NQ	NQ	NQ

Description and scale of key monetised benefits by 'main affected groups'

We have not been able to monetise the key benefits associated with this policy due to the nature of the benefits and due to the lack of robust data. We have, however, provided case studies on the cost of crime as well as some illustrative examples of the effect of CCTV on crime prevention as a means of highlighting the magnitude of impacts that could be expected from such a policy.

Other key non-monetised benefits by 'main affected groups'

Installing CCTV in vehicles has the potential to deter crime and significantly improve passenger safety. This crime prevention and improvement in passenger safety would likely lead to enhanced user confidence which may facilitate higher passenger demand. Passengers might benefit from lower fares if crime reduction was significant enough to reduce insurance premiums for drivers but this is difficult to quantify.

Key assumptions/sensitivities/risks

We have made an assumption on the likely take up rates of CCTV. Due to the high level of uncertainty surrounding this figure we believe presenting two rates is the most prudent approach, a low scenario of 50 per cent and a high scenario of 75 per cent. Due to limited data availability and likely underreporting of crime the exact rates of crime are unknown. We have however used evidence from individual FOI's and case studies in certain areas as a proxy for likely crime rates nationally.

Discount

3.5%

BUSINESS ASSESSMENT (Option 3)

Direct impact on business (Equivalent Annual) £m:			Score for Business Impact Target (qualifying provisions only) £m:
Costs: -£22.62m	Benefits: NQ	Net: -£22.62m	

Evidence Base (for summary sheets)

Background

In both the taxi and PHV markets, the vast majority of drivers are self-employed, and most lease or own their own vehicle. In the pre-booked market, there is a diverse range of market providers, from national operators such as Uber, big regional operators like Addison Lee or Delta to small local operators and independent driver/operators.

The Government is responsible for setting the regulatory structure within which licensing authorities in England license taxi and PHV drivers. Taxi and private hire licensing in Scotland, Northern Ireland and Wales is devolved. There are 293 licensing authorities in England, each able to set their own standards, including in respect of safety. Legislation however permits pre-booked journeys to be undertaken outside the area in which the driver, vehicle and operator are licensed. While this freedom can provide significant benefits to the public through increased competition and availability, concerns are frequently expressed that passengers are not adequately protected due to different standards among licensing authorities and the inability of licensing officers to take action against drivers licensed by other authorities. It should however be noted that frequently the differing standards do not relate to safety.

Several independent reports into child sexual abuse/exploitation have identified the significant role that those working within the taxi and PHV industry have played; this includes perpetrating offences (in vehicles and elsewhere) and the trafficking of victims. There is a recognition among licensing authorities that failings in the licensing of taxi and PHV services in some areas has significantly contributed to the abuse of children and vulnerable adults. For context, it is widely accepted that over 1,400 children were victims of abuse because of safeguarding failings in Rotherham. In response, section 177 of the Government's Policing and Crime Act 2017 enabled the Secretary of State for Transport to issue statutory guidance in relation to measures that will protect children and vulnerable adults from harm while using taxis and PHVs.

It should be noted that as policing and criminal justice is not a devolved matter, the statutory guidance issued under the Policing and Crime Act 2017 will continue to have effect in Wales despite devolution of responsibility for taxis and PHVs to the Welsh Assembly in April 2018. The statutory guidance would however cease to apply should the Welsh Assembly bring forward its own taxi and PHV legislation. In advance of devolution the Welsh Government consulted on reforming regulation of the sector.

Licensing authorities in England are, with the exception of Transport for London (TfL) in Greater London, local authorities. As well as a requirement to consider the recommendations contained in the statutory guidance local authorities and the Greater London Assembly authorities have a wider duty under section 17 of the Crime and Disorder Act 1998; this places a direct responsibility on these authorities to prevent crime and disorder in their area. Authorities therefore must regard the likely effect of the licensing function and need to do all that it reasonably can to prevent crime and disorder in its area (including anti-social and other behaviour adversely affecting the local environment). This is a particular concern for taxi and PHV drivers; the nature of their work makes them a particularly vulnerable group.

The Department believes public safety benefits will accrue from the introduction of the recommendations made in the draft statutory guidance; adoption levels and crime figures will be used to assess if those proposed in the final statutory guidance have been effective in its policy objectives of mitigating the risk of harm to taxi and PHV passengers. Given the importance of this issue, an early review is deemed necessary.

Rationale for intervention

While the Government acknowledges the efforts of some licensing authorities, operators and drivers to address public safety risks, the Government consider it necessary to act to ensure consistently high standards throughout the sector by setting out its opinion on what should be considered as part of suitable 'fit and proper' assessments and other safeguarding measures. This will introduce a set of minimum standards that the Government considers appropriate to protect passengers; passengers will be assured that any driver will have been considered in similar way against a common standards regardless of the licensing authority. This will also level the 'playing field' and enable fairer competition

among drivers and operators by restricting the opportunity to seek out a competitive advantage through reduced costs resulting from unacceptably low standards.

There is evidence to support the view that taxis and PHVs are a high-risk environment. In terms of risks to passengers, this can be seen in the number of sexual crimes reported which involve taxi and PHV drivers. A 2014 Freedom of Information (Fol) request made to Greater Manchester Police¹ found there was 37 sexual offences which were “taxi related and/or the victim/offender relationship was that of passenger/driver or driver/passenger” in the previous calendar year. In March 2013 11,977 licensed vehicles or approximately 5.41% of the fleet in England were licensed by a Greater Manchester authority. A Fol request made to Merseyside Police indicated 22 assaults in 2011², at this time Merseyside accounted for 4.00% of licensed vehicles. In Kent 6 sexual offences were reported where the suspect was reported to be an on duty taxi or PHV driver, at this time 1.02% of England’s taxi and PHV were licensed there³. If similar offences patterns are applied across England it would suggest over 623 sexual assaults per year, with a total cost of £25.6million (2014 prices) based on the average cost of £41,142 (2014 £)⁴ per offence⁵. These figures do not account for the under reporting of crime which is estimated to be as high as 83% in the Crime Survey for England and Wales⁶. This evidence shows that the true costs of sexual offences could be substantially higher than reported crime figures suggest. In addition, the survey also highlights that 28% of victims report not being believed as the primary reason for not reporting the crime. This is of particular relevance to the recommendations on CCTV in vehicles.

Problem under consideration

Differing standards in licensing requirements and the rigour with which ‘fit and proper’ assessments are made have contributed to failings in the protection of passengers using taxis and PHVs. Engagement with MPs, licensing authorities and other stakeholders has identified a need and desire to harmonise the assessment regime in response to past failings. This will also mitigate the safety concerns that result from drivers licensed by authorities with lower safety standards operating in areas other than that in which they are licensed.

Some licensing authorities have cited a concern, both to the Department and during the 2012-2014 Law Commission review⁷, that their ability to raise standards is hindered as operators and drivers may “migrate” to authorities that have lower standards. Strong recommendations from the Department are needed to galvanise a proactive review of safety concerns and potential measures to mitigate the risk posed to passengers of taxis and PHVs in all licensing authority areas.

In England and Wales, about 53% of taxi and PHV drivers are non-white⁸, a much higher than average percentage of the workforce. A report in 2008 commissioned by the Department revealed that drivers of taxis and PHVs consistently experience verbal abuse from passengers, often racially motivated⁹. This ranges from casual or dismissive rudeness to severe abuse that can be threatening and includes racist abuse for drivers from Asian and other minority ethnic communities. Almost all the drivers interviewed for that study experienced verbal abuse at least once a week and, for a significant minority, it was a much more frequent occurrence. Almost none of these incidents will be reported to the police unless they escalate into a violent incident where assistance from the police or other emergency services is sought. Such behaviour is unacceptable and licensing authorities should consider their duties under the Crime and Disorder Act 1998 to quantify and tackle this issue in their area.

Policy objective

¹ https://www.whatdotheyknow.com/request/sex_attacks_2

² https://www.whatdotheyknow.com/request/taxi_private_hire_related_rapes#incoming-286178

³ <https://www.whatdotheyknow.com/request/415791/response/1022748/attach/html/4/17%2007%20693%20Appendix.pdf.html>

⁴ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/191498/Green_Book_supplementary_guidance_economic_social_costs_crime_individuals_households.pdf

⁵ <http://webarchive.nationalarchives.gov.uk/20110218140137/http://rds.homeoffice.gov.uk/rds/pdfs/hors217.pdf>

⁶ The CSEW provides reliable estimates of the prevalence of sexual assaults using a consistent methodology that is not affected by changes in recording practices and police activity or by changes in the propensity of victims to report to the police.

⁷ “Taxi and Private Hire Services”, The Law Commission (LAW COM No 347), May 2014

[\[http://www.lawcom.gov.uk/app/uploads/2015/03/lc347_taxi-and-private-hire-services.pdf\]](http://www.lawcom.gov.uk/app/uploads/2015/03/lc347_taxi-and-private-hire-services.pdf)

⁸ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/642759/taxi-private-hire-vehicles-2017.pdf

⁹ <http://www.national-taxi-association.co.uk/wp-content/uploads/2011/01/Research-on-the-personal-security-issues-for-taxi-and-PHV-drivers-DFT.pdf>

The policy objective is to increase the consistency of licensing requirements set by taxi and PHV licensing authorities in England and the quality of decisions they make in respect of passenger safeguarding (and by doing so, protect children and vulnerable adults from harm).

The taxi and PHV licensing legislation is enabling by nature and so licensing requirements cannot be imposed by Government. However, the adoption by licensing authorities of the recommendations contained in the final statutory guidance would provide a set of core common standards relating to passenger safety.

The draft statutory guidance focusses on ways licensing authorities can ensure that decisions are based on the most complete information available, whether this is 'soft intelligence' held internally or from other public protection bodies, better use of the Disclosure and Barring Service (DBS) or the use of in-vehicle CCTV footage. Adoption of these recommendations by all licensing authorities would significantly mitigate risk to passengers, irrespective of which authority issued the licenses.

Description of options considered

1. **Do nothing** – This would potentially leave the children and vulnerable adults that section 177 of the PCA 2017 seeks to protect at continued risk of sexual abuse and exploitation. We would continue to rely upon individual licensing authorities to identify, and more importantly address, deficiencies in their licensing policy or administration.
2. **Continue to issue only best practice guidance** – This would include the measures outlined in the draft statutory guidance within updated best practice guidance. The Department could engage with the 293 licensing authorities in England to encourage high adoption rates of the recommendations to increase consistency in standards. The Department has issued best practice guidance for more than 10 years, which has achieved a degree of consistency on some issues, but this safety critical issue requires more compelling action. Data from the Department's survey of taxi and PHV licensing authorities evidences that not all are making the best use of their powers, for example, not all undertake an enhanced and barred lists check via the Disclosure and Barring Service. Given the high number of licensing authorities and the current variance in standards, and more so the rigor of 'fit and proper' assessments, achieving a high adoption level of strengthened safety recommendations is likely to be a lengthy process. During this time the current level of risk would remain. Licensing authorities are not obliged to pay regard to best practice guidance, and the Department does not consider this option an adequate response to the policy need.
3. **Statutory guidance (preferred option)** – This makes use of the powers enabled under the PCA 2017 to issue statutory guidance to which licensing authorities must have regard. It is expected that this will achieve the objective of raising standards and improving the rigour of licensing assessments where either of these is deficient in a shorter timescale than introducing primary legislation, and so mitigates the risk of ongoing and potential safeguarding failures.

While statutory guidance may not achieve complete adoption of all of the recommendations, it is the Department's view that evidence resulting from thorough local assessment of the potential benefits will achieve a very high adoption rate. This is in the context of the duty of local authorities (which usually act as licensing authorities) have under section 17 of the Crime and Disorder Act 1998 to:

...exercise its various functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent,

- (a) crime and disorder in its area (including anti-social and other behaviour adversely affecting the local environment); and*
- (b) the misuse of drugs, alcohol and other substances in its area; and*
- (c) re-offending in its area.*

4. **Primary Legislation** – this option would introduce legislation to enable the setting of national standards (either absolute or minimum). Although Government support this objective until the parliamentary process to enable national standards is complete, the current risk to children and vulnerable adults (and by extension all passengers) when using taxis and PHVs will persist.

Recommendation - Statutory guidance as the preferred option based on the ability to bring about greater passenger safety through increased consistency in the regulation of the taxi and PHV sector in the shortest possible time and in advance of legislation to enable national minimum standards. The recommendations in the final statutory guidance will be the starting point when considering measures for inclusion in national minimum standards.

Key recommendations in the draft Statutory Guidance

Enhanced Disclosure and Barring Service and barred list checks for drivers

The Department's Taxi and Private Hire Vehicles Statistics published in September 2018¹⁰ shows that as of 31 March 2018, all licensing authorities have a policy that an enhanced DBS check must be undertaken as part of the assessment as to whether a taxi or PHV driver licence should be issued. There are however 45 authorities (15%) that did not require the enhanced DBS with barred lists check as recommended in the draft statutory guidance. Since the cost of 'enhanced' and 'enhanced with barred lists' check are the same, it is expected that there are no additional costs of the proposal as part of a driver licence application or renewal assessment. An enhanced check with barred lists shows the same information as an enhanced check plus whether the applicant is on the list of people barred from working with children and/or vulnerable adults.

In addition, the draft guidance also recommends that licensing authorities mandate that licence applicants and holders subscribe to the DBS update service, and that the authority conducts biannual checks. As of March 2018 83% of licensing authorities reported that a routine review of the DBS record was only undertake every three years for taxi and PHV drivers. The Department believes a biannual check is a proportionate measure; a licensed vehicle is subject to a condition check at least once a year and it is reasonable that drivers are subject to more frequent checks than most are currently.

The cost of a biannual DBS check via the update is £13 against £88 for the paper version (£44 per check). To avoid unnecessary administrative burden for the licensing authority and expense for the licence holder, the Department recommends that licensing authorities should require licence holders to subscribe to the DBS update service. The update service enables licensing authorities to request updated information electronically from DBS rather than requesting a new paper certificate be issued. Further action on the part of the licensing authority would only be required if new information was provided via the update, which the licensing authority would need to consider against its licensing policy. Subscription to the DBS update service will also provide benefits to the trade through greater continuity of licensing, removing the risk of void periods caused by delays in obtaining a new DBS paper certificate.

In-vehicle CCTV

Government has recognised that taxis and PHVs present a high risk environment to passengers and drivers - this is due to the characteristics of the trade i.e. both passengers and drivers may be alone and potentially vulnerable. In the case of risk to passengers this was reflected in the decision in 2012 to enable licensing authorities to request enhanced DBS and barred list checks for all drivers, a check usually reserved for those undertaking a 'regulated activity'. This risk was further recognised by Government and Parliament in passing the legislation enabling the issuing of the Statutory Guidance to protect children and vulnerable adults from harm when using taxi and PHV services.

The high risk of antisocial behaviour and violence posed to drivers should also be considered as part of this impact assessment. As part of the Law Commission's 2014 review of taxi and PHV regulation, passenger and driver safety was considered. The Law Commission consultation also found that *"Stakeholders agreed that driver safety was a major concern, and it was widely regarded as not appropriately addressed or given adequate consideration under the current regulatory framework. Many stakeholders told us of harassment, robberies and assaults. Serious attacks are often reported in the press, and the murders of taxi and private hire drivers in disputes stemming from their work are, sadly, not rare."* The Commission engaged extensively and found that *"A number of stakeholders, particularly within the taxi trade, were strongly in favour of a mandatory CCTV requirement."* The report went on to

¹⁰<https://www.gov.uk/government/statistics/taxi-and-private-hire-vehicle-statistics-england-2018>

conclude that “*The evidence we collected during consultation suggests that safety concerns for drivers are best dealt with by requiring safety equipment in vehicles, such as CCTV and vehicle partitions. Furthermore, purpose-built vehicles with in-built safety features are more common in the taxi industry, and regulation should be capable of taking account of this.*”

In the Law Commission’s Impact Assessment¹¹ an assumption was made that 50% of the 63 taxi or PHV drivers murdered over a 20 year period were related to their occupation and that the best estimate (based on preventing 2 deaths per year) would provide annual savings of £3.7million (2014 prices).

Due to the differing ways in which crime is recorded by different police forces and the under-reporting of crime, the actual level of offences committed by and against drivers is not known. A report for the Department in 2008 indicated the scale of the problem, which was also identified in the Law Commission’s 2014 report.

The true potential benefits of CCTV in terms of crime reduction are difficult to quantify given the underreporting of crime and limited data available on the effectiveness of CCTV in this situation. However, there have been a number of research papers attempting to quantify the impact of CCTV as a crime preventative measure. For example, a report for the Swedish National Council for Crime Prevention¹² assessed the effectiveness of CCTV as a means of deterring crime for a number of studies. The results were generally mixed, finding both significant effects in areas such as car parks to non-significant effects in other settings. Overall, the effectiveness depended on factors such as coverage but overall the results suggest that CCTV reduces crime to some degree. This effect may be amplified when applied to a small setting such as a vehicle where coverage and chances of detection are significantly higher. An additional piece of research from the Campbell Collaboration found that “CCTV has a moderate but significantly desirable effect on crime”.¹³

As a result of limited data availability we have made a number of assumption and where possible have highlighted the cost and number of crimes using freedom of information requests and Home Office research to provide indicative examples of the magnitude of benefits of crime prevention.

A 2002 NACRO report¹⁴ into the effectiveness of CCTV as a crime prevention measure considered the way in which it may prevent crime in this context:

1. **Deterrence** – The potential offender becomes aware of the presence of CCTV, assesses the risks of offending in this location to outweigh the benefits and chooses either not to offend or to offend elsewhere.
2. **Self-discipline by potential offenders** – The threat of potential acts to produce a self-discipline in which individuals police their own behaviour.
3. **Presence of a capable guardian** – The ‘Routine Activity Theory’ suggests that for a crime to be committed there must be a motivated offender, a suitable target and the absence of a capable guardian. Any act that prevents the convergence of these elements will reduce the likelihood of a crime taking place. CCTV, as a capable guardian, may help to reduce crime.
4. **Detection** - CCTV cameras capture images of offences taking place. In some cases this may lead to punishment and the removal of the offenders’ ability to offend (either due to incarceration, or increased monitoring and supervision).

Although there is limited evidence of the impact of CCTV in reducing taxi and PHV crime. There have been a number of trials suggesting the effects could significantly reduce crime. A trial in Sheffield in 2006/7 (the Sheffield Taxi Camera Safety Project¹⁵) indicated a reduction in the proportion of journeys where there was an incident (ranging from fare disputes to assaults) from 15% to 1%. Another trial was undertaken in Dunfermline¹⁶, looking at the impact of fitting CCTV into 30 vehicles over a period of 10

¹¹ https://s3-eu-west-2.amazonaws.com/lawcom-prod-storage-11jsxou24uy7q/uploads/2015/03/lc347_taxi-and-private-hire-services_impact-assessment.pdf

¹² Brandon C. Welsh David P. Farrington, Closed-Circuit Television Surveillance and Crime Prevention A Systematic Review, Report prepared for The Swedish National Council for Crime Prevention, 2007

¹³ Effects of Closed Circuit Television Surveillance on Crime , Welsh, Farrington (2008)
https://www.campbellcollaboration.org/images/meeting/1048_R.pdf

¹⁴ <https://epic.org/privacy/surveillance/spotlight/0505/nacro02.pdf>

¹⁵ https://www.calderdale.gov.uk/nweb/COUNCIL_minutues_pkg.view_doc?p_Type=AR&p_ID=3412

¹⁶ <https://www.cabdirect.com/taxi-cctv-lowers-crime-rate-in-dunfermline/>

months (May 2014 – February 2015). The results suggest that there was a significant reduction in taxi related crime compared to the previous year where no CCTV was installed.¹⁷

It is the Department's view that CCTV in taxis and PHVs can play a significant role in the reduction of crime within and related to trade. This includes offences perpetrated by drivers against passengers and vice-versa, as set out in the 'problem under consideration' section above. The inclusion of the recommendation in the draft statutory guidance to undertake a thorough review of the benefits of mandating CCTV in taxis and PHV is, as is the purpose of the Act under which it is enabled, however focussed on improving passenger safety,.

However, for the purposes of this assessment the wider benefits have been considered. As previously stated, section 17 of the Crime and Disorder Act 1998 places a direct responsibility on licensing authorities to prevent crime and disorder in their area. CCTV can play a role in preventing crime, detecting and evidencing this where it persists. The draft statutory guidance therefore recommends that licensing authorities should conduct a comprehensive review of the benefits to passengers and drivers of CCTV in vehicles.

The high level of self-employment in the sector means that for this recommendation to be effective, this requirement would need to be applied to all licences vehicles and not just those in large fleets as the majority of journeys are undertaken in owner-driven vehicles.

DBS checks for some PHV operator staff

The measures proposed in the statutory draft guidance seek to provide consistently high standards in taxi and PHV licensing throughout England. The Department has also looked at measures to prevent the circumventing of these robust measures.

Drivers are the primary contact-point for passengers using taxis and PHVs, and as such are in a position of trust. However, members of staff working for a PHV operator who are responsible for receiving bookings and dispatching vehicles also have a role which offers opportunity to someone seeking to abuse that position. For example, such a person would potentially have the opportunity to send an unlicensed driver and vehicle, particularly if the motive is to facilitate a crime against a child or vulnerable adult. In essence a similar level of trust is placed in the PHV operator and it's dispatching staff as in the driver. For this reason it is the Department's view that there should be an appropriate level of criminal record check carried out for such staff.

PHV operators are also provided with information that could enable other crime. For example, PHVs are frequently used to take passengers to an airport and provide return flight details to facilitate the return journey. This means that PHV staff are aware of periods where family members are home alone or the home unoccupied. Requiring background checks on those individuals subject to sensitive information may assist licensing authorities in meeting their responsibilities under section 17 of the Crime and Disorder Act 1998 to prevent crime in their area.

Licensing authorities are not able to vet PHV staff other than drivers and the operator licence holder. However, as part of a 'fit and proper' test for an operator's licence a licensing authority is able to consider the measures that it may take to ensure the suitability of staff involved with the taking of bookings, dispatch of vehicles and/or have access to such information as detailed above. While it is the responsibility of PHV operators to make decisions on the suitability of staff they employ, the ability of 'back office' staff to circumvent safeguarding measures or facilitate other crime should be considered by a 'fit and proper' operator. Accordingly, the draft statutory guidance recommends that operators should be required to request basic DBS checks for relevant staff, and either produce a convictions policy or adopt one which the licensing authority applies to the licensing of operators for staff in roles which involve the taking of bookings, dispatch of vehicles.

The Department has sought information on the number of staff that might fall within this category but, due to the fragmented nature of licensing, differing business models and the increased use of

¹⁷ The trial reports lowering taxi related incidents from 41 in the previous year down to 2 during the period when CCTV was installed.

technology to undertake booking and dispatch functions, it has not been possible to obtain sufficient data.

Complaints against driver and operators

Licensing authorities should produce guidance for passengers on making complaints directly to the licensing authority. This is likely to result in additional work for the licensing authority but has the advantage of ensuring consistency in the handling of complaints. Currently, it is more likely that a complaint against a taxi driver would be made directly to the licensing authority whereas a complaint against a PHV driver is more likely to be made to the operator. A systematic recording of complaints will provide a further source of information to consider when renewing a licence for a driver or operator or identify problems during the period of the licence.

The Local Government Association recommends that all councils should have a robust system for recording complaints, including analysing trends across the whole system as well as complaints against individual drivers. Drivers with a high number of complaints made against them should be contacted by the licensing authority and concerns raised with the driver and operator (if appropriate).

Model convictions policy

The Department has not previously published a guide criminal convictions policy, leaving this to licensing authorities that are accountable to their communities. The increase in demand for private hire services and the use of technology in recent years has resulted in more cross-border operation of taxis and (particularly) PHVs; the adoption by all licensing authorities of the statutory guidance's recommendations on a convictions policy will mitigate personal safety risks, perceived or actual, that may exist as a result of cross-border hiring. The Department has therefore adopted in the draft statutory guidance key elements of the guidance published by the Institute of Licensing (IoL) on determining the suitability in taxi and PHV licensing¹⁸ to increase consistency in decision making.

All licensing authorities should review their convictions policies once the final statutory guidance has been issued, and undertake a review of all licences held against their new policies as matter of urgency. The continued licensing of drivers or operators that do not meet their new policy should be considered. Such licence holders should be judged on their own merits, licensing authorities considering afresh if, on the balance of probabilities, that person remains 'fit and proper'. This is a one-off administrative review, it is not possible to estimate a cost as the number of drivers or operators convicted of an offence cover in the final conviction policy is not known. However, given the nature of these offences (driving, violence, indecency and dishonesty) the Department considers that that the proportion of drivers and operators currently licensed with a relevant conviction would be extremely small.

Summary

Parliament has enabled the issuing of statutory guidance to mitigate the risk to children and vulnerable adults from harm when using taxis and PHVs. The set of measures proposed in the draft statutory guidance are considered by the Department of Transport to be reasonable, practicable and necessary to achieve common core standards that protect this group when using these services. This will have the additional benefit of increasing the safety of all passengers and drivers.

Although the draft statutory guidance is focussed on the protection of passengers, drivers of taxis and PHVs are a particularly vulnerable group and would receive considerable (perhaps greater) increased protection from crime.

The draft statutory guidance will be subject of a public consultation giving regulators, the trade and the public the opportunity to consider the arguments presented and shape the final document. Although the Department is keen to see all the recommendations accepted by all licensing authorities, the taxi and PHV licensing legislation is enabling by nature and so ultimately it would be for each of the 293 licensing authorities in England to decide whether and how to implement and enforce these.

¹⁸ [https://www.instituteoflicensing.org/documents/Guidance_on_Suitability_Web_Version_\(16_May_2018\).pdf](https://www.instituteoflicensing.org/documents/Guidance_on_Suitability_Web_Version_(16_May_2018).pdf)

Analysis

This analysis looks at the effect of several key recommendations contained in the draft statutory guidance, the preferred policy option. Specifically it considers the effects of in-vehicle CCTV and DBS checks for PHV operator staff that take bookings or dispatch vehicles. Where possible we have consulted industry and licensing authorities to inform our view of the likely costs of certain aspects of the policy. Where it has not been possible to get solid evidence on specific benefits we have had to make assumptions which we believe to be prudent.

We have only analysed certain aspects of our preferred policy, issuing statutory guidance. The other components of the draft statutory guidance such as enhanced DBS and barred list checks, complaints against drivers and operators and model convictions policy have not been analysed because they would create minimal additional impact on the trade and customers or reliable data to monetise costs and benefits was not obtainable.

In addition to this, the benefits of our preferred option have not been monetised for two reasons, the first being the relative dearth of data on CCTV crime prevention. The second reason is that crime tends to be underreported and so any data we do have is likely unreliable. We have, however, provided some case studies where both the impact of CCTV on crime has been measured¹⁹ and the benefits of crime prevention have been monetised to illustrate the potential gains that may be expected following the introduction of the final statutory guidance.

As standard in impact assessments we have assumed a time period of 10 years for the analysis. We have used the GDP deflator to convert nominal values into real values and used a discount rate of 3.5 per cent as per HM Treasury guidance. All monetary values are quoted in 2014 prices unless otherwise stated. The following analysis relates to option 3, implementing statutory guidance.

Plans for Consultation

There are some aspects of the analysis that were not possible to monetise due to lack of available data. In particular, we were not able to monetise the DBS costs and fees but we plan on gathering evidence during consultation that may allow us present quantified costs for this aspect of the policy. We will also use the consultation to try and obtain more evidence on crime and also the efficacy of CCTV on crime prevention which may help us monetise some of the benefits outlined in the analysis. It is our view that our main assumption on take-up rates is inherently uncertain and it is unlikely that we will be able to reduce this uncertainty during the consultation process.

Cost Assumptions

Analysis of the size of impacts

The lack of available data and empirical evidence on take-up rates has prompted us to provide a low and a high estimate of the potential take up of CCTV in vehicles as a result of the policy. A conservative scenario of 50% (Low) and a more optimistic scenario of 75% (High). For the Low scenario we assume that there be approximately 141,000 vehicles in the scope of the policy. Under the high scenario this number will be closer 211,000²⁰. These scenarios reflect the large heterogeneity in vehicle numbers across licensing authorities as well as uncertainty in the exact take-up rates following implementation of the Statutory Guidance. For example, Transport for London licensed nearly 109,000 vehicles in 2018 whereas Staffordshire Moorlands licenced 53 vehicles. For this reason we consider it more cautious to focus the analysis on the number of vehicles rather than the number of licensing authorities who decide to implement the policy.

We believe that these low and high scenarios reflect a prudent assumption on the likely range of take-up rates with the outcome most likely falling somewhere in between. Ultimately, we think that the overall

¹⁹ There is however, some evidence from a trial study in Sheffield which found a significant impact on crime prevention of CCTV.

²⁰ We have calculated this by taking away the number of Taxi and PHV licenses in areas already mandating CCTV. Data from Department for Transport taxi and PHV statistics was used.

rate will depend on local circumstances. In particular, we expect areas that have higher crime rates as being more likely to adopt the policy. Table 1 below shows the number of vehicles expected to take up the policy based on our high and low scenario assumptions.

Table 1: Up Take rates

CCTV Uptake	Low (50%)	High (75%)
Taxis	37,169	55,753
PHVs	104,051	156,076
Total Vehicles	141,220	211,830

Source: Department for Transport Taxi and PHV statistics and authors assumptions

There are two main monetised costs that we expect from the policy and they are the cost of installing the CCTV into vehicles and the cost to the operators and drivers of becoming familiar and ensuring they comply with the various aspects of the policy (familiarisation costs), explored below. We also have several costs that we were not able to monetise due to lack of available data. These include the costs of designing and planning an approach to comply with the draft statutory guidance, costs associated with rolling-out the policy and on-going costs of complying with the policy. We expect that these non-monetised costs will fall primarily on licensing authorities and we have included descriptions and examples of the costs after consulting with licensing authorities who have implemented similar policies in the past.

Monetised-Costs

Costs to business

Familiarisation costs

Taxi drivers and PHV operators and drivers will face costs of familiarising themselves with the new licensing requirements introduced by licensing authorities, and understanding the steps they will need to take to comply. Based on conversations with industry we have assumed that, for each PHV operator, PHV driver and taxi driver, one employee will need to spend approximately 1.5 hours to familiarise themselves with the final statutory guidance. These costs will be a one-off in the first year of the scheme only, and will apply to all drivers and PHV operators. We have separated the analysis into a low and high scenario to reflect the uncertain number of vehicles mandated to install CCTV. Overall familiarisation costs are expected to be around £2.85m in the low scenario, £4.27m in the high scenario and £5.70 of familiarisation costs apply to all vehicles. The exact inputs used in the calculation are listed in table 2 below and costs are calculated by multiplying together the number of operators, the operator familiarisation time and the mean wage of a manager in the transport sector. We do the same calculation for drivers of taxis and PHVs using the average drivers wage and add them together to get the total. We obtained data on average wages from the Annual Survey of Hours and Earnings²¹ (ASHE). To maintain consistency with the wider analysis we have assumed that our Low and High scenario also applies to the number of operators. So for example, in the low scenario, we expect that around 50 per cent of operators will have to familiarise themselves with the guidance. In reality since there is large heterogeneity in vehicle numbers between operators meaning this may be unlikely assumption. The costs overall associated with this component are quite low however, and we think the assumption is proportionate overall.

Table 2: Familiarisation Costs

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<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/annualsurveyofhoursandearnings/2016provisionalresults#earnings-by-occupation>

Variables	Low (50%)	High (75%)	100%
Operator Numbers	7,875	11,812	15,749
PHV Numbers	104,051	156,076	208,102
Operator Familiarisation Time	1.5	1.5	1.5
Manager Wage	£19.56	£19.56	£19.56
Taxi Numbers	37169	55,753	74,
Mean Driver Wage	£12.86	£12.86	£12.86
Total Cost	£2.85m	£4.27m	£5.70m

Source: Department for Transport Bus and Taxi statistics, ASHE, consultation with licensing authorities
Notes: Totals have been discounted using Green Book discount factor

CCTV installation costs

Based on industry evidence, the cost of the camera and its installation is assumed to be between £438 and £779 with an average of £608 and is expected to be the largest cost in the analysis. We have thus carried out the impact assessment using the average of the two scenarios. Based on consulting with industry we estimate that cameras must be replaced every five years.

Taking the average cost of installing CCTV and the indicative take up rates and the need to replace the equipment once over the life of the analysis, the range of discounted costs from installing CCTV is expected to be between £152.92m and £229.38m as shown in Table 3. This averages to £15.29m and £22.94m per year over 10 years. After consulting with licensing authorities we obtained information from Gravesham Borough Council who implemented an incentive scheme to aid drivers in purchasing CCTV systems. In particular, the grant lowered the cost from £720 to £97. If a similar grant was adopted in areas choosing to implement the policy then this would significantly reduce the cost to business of the measure proposed in the draft statutory guidance. We have also received some evidence on leasing CCTV equipment rather than an outright purchase. This would substantially reduce the upfront cost for drivers and allow them to smooth the costs of equipment over a number of years. We have not monetised this at present as it is uncertain how widespread these types of arrangements will be. We will however, review this post consultation and look to monetise this if more information becomes available.

Table 3: Costs of Installing CCTV

CCTV Installation Costs	Low (50%)	High (75%)
Average Cost	£608	£608
Number of Vehicles	141,220	211,830
Replacement Rate	every 5 years	every 5 years
Total cost over 10 years	£152.92m	£229.38m
Average Cost per year	£15.29m	£22.94m

Notes: Costs are rounded.

Non-monetised costs

Costs to Business

Higher licencing costs

The results of increasing costs on licensing authorities may well be passed on to the taxi and PHV trade in the form of higher licensing fees. This cost would likely be staggered over a period of time and be

quite small however. It is also an indirect and not a direct cost to business so falls outside the scope of the EANDCB.

DBS compliance costs and fees

This draft statutory guidance would require that for each PHV operator staff member who has a role in taking bookings and dispatching vehicles, the operator must pay a £25 fee to obtain a DBS check, as well as the £13 annual update fee. Although we have evidence on the number of PHV operators, we hold no data on numbers of such staff and therefore have not monetised this cost. We do plan on gathering more information during the consultation phase which may give us a better idea on this value. Table 4 provides an estimate of the total costs over 10 years. If we assume that each operator has 2 members of staff that takes bookings and dispatches vehicles and assume a growth rate of 4.8 per cent based on past average growth in licensed vehicles per year, we get the total costs below in table 4.

Table 4 DBS total discounted costs Example

DBS compliance Costs	Costs (2014 £)
Number of Operators	15,749
Number of Staff	2
DBS check cost	£25
Annual update fee	£13
Total Cost	£1,941,810

Costs to Consumers

Increasing Fares

The largest cost associated with this policy are the installation costs of CCTV. Because these potential cost would fall in most commonly on drivers of taxis and PHV's directly, it is highly likely that to offset some of the burden of this they would seek to increase fares that consumers will need to pay.

Costs to Government

Under current tax law, a business may claim back on their capital assets. Under these laws businesses may claim capital allowances of plant and machinery. As CCTV is included in this there would be a reduction in income/corporation tax which represents a loss to the exchequer.

Costs to Licensing Authorities

The measures proposed in the draft statutory guidance are also expected to result in several types of costs to licensing authorities and we have defined these too; broadly fall under the following headings:

1. Planning and Feasibility
2. Technical Requirements
3. Roll-out.

We have not monetised these costs as we would have to make a number of assumptions that we believe are unlikely to hold in reality. In particular we would have to assume that costs are the same for all licensing authorities which would most likely not be the case. As well as this we would have to make an assumption on the number of licensing authorities that would decide to take adopt the measures in the draft statutory guidance. Making an assumption based on this would be inconsistent with our main assumption on licensing take up rates. For these reasons we have decided not to monetise these

particular costs. We have, however, outlined the costs expected from such a policy based on information gathered from a licensing authority who have implemented a similar policy in the past. The costs we were originally quoted are based on the time required for a policy including CCTV as well as other measures. We were advised that the CCTV component accounted for approximately 50 per cent of the total costs and this has been applied to the final cost quoted below.

Planning and Feasibility

There would be a cost to licensing authorities in assessing the rationale for implementing CCTV and, if applicable, designing the new scheme. In particular, licensing authorities may have to update their licensing policy to reflect the new guidance. There would be costs associated with consultation and engagement with key stakeholders which would need to be carried out in order to shape the policy and address any issues that are present. These stakeholders may include taxi/PHV trade bodies, operators and drivers, residents and local police force. Costs associated with getting agreement/approval for the plan from a committee are also expected to apply.

Technical Requirements

In implementing the proposed CCTV guidance, licensing authorities would also have to define and develop a clear policy relating to what the CCTV can be used for and when it must be used. This would require background research and involve consultations in order to form a coherent policy. Our information from licensing authorities indicates that this would be a relatively large undertaking and require approximately 3 months of work. In addition to this initial undertaking, authorities would also need to develop a download policy which complies with data protection and privacy laws. This process was suggested to take around 3 weeks.

Roll-Out

Licensing authorities that elect to mandate CCTV following the assessment process would need to develop a detailed policy on the use of CCTV, they would then need to roll-out the policy. This would involve creating a roll-out schedule, disseminating information relating the policy by way of informing the public and drivers and also training for enforcement officers and the cost of ongoing enforcement activity. We expect that the main cost associated with this will be the salary of the officer required to undertake these activities.

The majority of the costs of this particular aspect of the policy consists of the licensing officer's time. Based on the information we received under the above headings, the cost was approximately £18000.

On-Going Costs

There will also be some on-going costs that would fall on licensing authorities as a result of the measures proposed in the draft statutory guidance that we have not been able to monetise due to lack of evidence. For example, there will need to be a certain level of back office administration costs relating to the processing and handling of the camera footage which needs to be obtained when required from the system fitted in the vehicles. This could take the form of an authorised staff/ data controller who is responsible for processing the data and complying with all the relevant protection legislation. Alternatively, the licensing authority could hire a third party to process and manage the data which will also have an associated cost.

Administrative cost of complying with judicial requests for CCTV will also apply. After consulting with Southampton licensing authority we have found evidence that from a fleet of 900 vehicles there were some 239 download requests. As all of these costs fall on licensing authorities they are not a direct cost to business and are therefore not included in the EANDCB. They may, however, be passed on to business through higher licensing fees.

Benefits Assumptions

Table 5: Value of Crimes 2014 £

Crime	Cost of crime
Homicide	£1,909,943
Sexual offences	£41,142
Theft - not vehicle	£829
Robbery	£9,516
Theft from vehicle	£1,121
Criminal damage	£1,132
Common assault	£1,882
Fare dodging	£13

Source: Home Office²²

Although we have not been able to monetise the benefits in this analysis, we have highlighted the values of certain crimes to give a sense of the monetary benefits associated with crime prevention. Table 5 contains the monetary values of crimes according to the Home Office which takes into account a variety of factors such as physical and emotional damage and the value of lost productivity. If we take the evidence of crime mentioned before in Rotherham (1400 cases of abuse) we can use the value of a sexual offence in Table 5 to estimate the total costs to the economy from these crimes is approximately £55.59m. Although likely not a representative sample of the UK as a whole, this example highlights the potential cost savings from preventing such crimes.

Benefits

The main benefit of having CCTV installed in taxis and PHVs as well as having enhanced DBS and barred lists checks is that crime is likely to be prevented. This result is expected for a number of reasons mentioned above including, deterrence, self-discipline by potential offenders, presence of a capable guardian and detection. The presence of CCTV acts as a disincentive to potential criminals as it increases the likelihood that they will be caught. In addition to this, the enhanced DBS and barred lists checks can prevent any would be criminals from entering into the market in the first place.

There are a number of factors which make monetising the benefits of crime prevention very difficult and are as follows:

- Inconsistent recording of crimes committed associated with taxis or PHVs, and their drivers.
- Any data collected on crimes associated with taxis and PHVs will almost certainly be underreported.
- There is no robust, reliable evidence as to size of crime reduction in response to CCTV installation or DBS checks. Without this, it is difficult to estimate the Do Something cost of crime associated with taxis and PHVS.

There is, however, some evidence for success in the use of CCTV in licensed vehicles. A report from a Sheffield Taxi Camera Safety Project showed a dramatic fall in crimes after CCTV was installed in a sample group of vehicles (from 15% to 1% of all fares monitored). Although the study suffers from methodological limitations²³ the results indicate that there is scope for a significant reduction in the rate of crime following the introduction of CCTV requirements.

For crimes committed by drivers, the efficacy of the CCTV recommendation will depend on the level of take-up by licensing authorities across the country. If uptake is not high, there will be an incentive for drivers with ill intentions to seek to obtain licenses in authorities which do not mandate CCTV. This

²² The economic and social costs of crime against individuals and households 2003/2004

²³ The study's results are limited by the lack of a control group to measure the impacts of CCTV on crime prevention.

should not however alter the effectiveness of the recommendation in reducing crimes committed against drivers.

Northumbria Case Study

As mentioned previously, we have not been able to monetise benefits because of a lack of data on rate of deterrence of crime, and no data on actual crimes. Table 6 and Figure 1 shows a small case study on the number and the value of crimes in Northumbria.

Using the data below obtained from Northumbria Police and taking the taxi and PHV statistics²⁴ from the Department we carry out an impact assessment only focusing on Northumbria. We also carry out a breakeven analysis to highlight the amount of crimes that would need to be avoided in order for the policy to break even. We believe this is a useful exercise and can be indicative of the size of the impacts that could be expected as a result of this policy.

Table 6 Northumbria Cost of Crime (2014 £)

Type of crime	Number of crimes	Costs of crime
Sexual offences	33	£1,357,700
Thefts	218	£180,600
Robbery	12	£114,200
Theft from motor vehicle	93	£104,300
Damage (motor vehicle)	140	£158,400
Assaults	301	£566,400
Make off w/o payment	1183	£15,500
Total Cost of Crime	1980	£2,497,100

Source: FOI Northumbria Police and Home Office

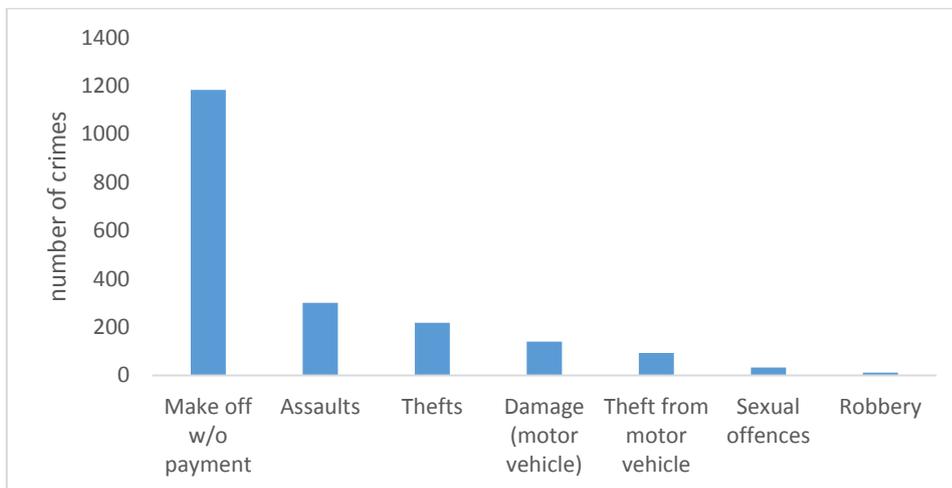


Figure 1: Number and Type of Crimes in Northumbria

Source: Northumbria Police FOI

Using the values in table 6 above we calculate that the total cost of relevant crime in Northumbria in 2014 was £2.49m. From our impact assessment focusing on Northumbria we find that our best estimate of the Net Present Value as a result of the policy is -£7.82m. Over the 10 years of the policy this

²⁴ The number of taxis and PHVs in 2018

translates to an average of -£0.877m per year. This implies that in order for the CCTV policy to break even approximately 35 per cent of crimes would need to be avoided every year for the costs of this policy to be offset by the benefits of crime prevention. Although the literature suggests the benefits of crime prevention due to CCTV is mixed, there is evidence to suggest that at least some of this crime is likely to be prevented after the installation of CCTV. If we couple this with the numerous wider benefits such as enhanced passenger safety and enhanced user confidence that such a policy creates it is likely that the benefits will outweigh the costs of the policy.

Indirect Benefits

Lower Insurance Costs

Although very difficult to ascertain, one of the benefits which may accrue to drivers from reduced crime would be lower insurance costs for drivers. As the rate of crime falls, insurance claims may also be likely to fall and therefore insurance premiums would fall. Depending on the pass through effect of lower operating costs to drivers this may also feed through to lower fares for passengers.

Enhanced User Confidence

An increase in CCTV leading to a reduction in crime could lead to enhanced user confidence and passenger safety which may facilitate higher passenger demand. A survey by Southampton City Council found that CCTV makes the public feel safer and of the 538 respondents, 96% supported the mandating of CCTV. This increase in patronage will lead to higher profits for drivers. If some of these passengers may not have travelled before than this may have a positive impact on the economy in terms of productivity. This benefit may be particularly effective at increasing passenger demand in more vulnerable groups such as the elderly or the disabled.

Risks and assumptions

Risks

Due to the prevalence of underreporting of crimes this analysis may actually underestimate the benefits that could accrue if the measures proposed in the draft statutory guidance were mandated. This presents a source of upside risk in this impact assessment.

In order to carry out the analysis it was necessary to provide an assumption on the take-up rates of the policy. Due to the inherent uncertainty on the exact percentage of vehicles mandated to undertake the recommendations in the draft statutory guidance we felt it prudent to present two scenarios which we think reflects feasible ranges of up-take. The risk is that there is universal take up and this analysis therefore underestimates the costs as a result of the policy. Of course, if there is universal take-up there will also be an increase in the benefits that will be generated in the form of crime prevention and enhanced user confidence.

Another risk associated with this policy is that those licensing authorities who decide not to implement the measures proposed in the draft statutory guidance may attract drivers who are more likely to commit crimes will migrate to another authority, for example where CCTV is not mandatory. We do think that a majority of the fleet will be subject to the full range of recommendations in the draft statutory guidance and believe that this would still provide significant benefits to make the policy value for money. An increased evidence base of the efficacy of CCTV in reducing crime in licensed vehicles may influence the decision of the authorities that do not initially adopt this option.

We have also made an assumption that the average cost of installing CCTV's for the purpose of the analysis is £608, giving the varying costs we received from industry. There is the risk that a CCTV standard is introduced implying all LA's implementing the policy will have to use the same type of equipment. If the equipment costs more than our estimate here this would increase the overall costs of the policy. We have however highlighted that drivers will be able to claim tax relief on the equipment which may ease the overall burden on them.

Assumptions

One of the major sources of uncertainty in this impact assessment is the take up rates of CCTV installation. As this is so uncertain we have decided to use two different take up rates. On the one hand, we could have a situation where there is a significant uptake in licensing authorities that have a comparatively lower fleet of cars resulting in a relatively low take up rate overall. On the other hand if licensing authorities with a relatively high proportion of the total fleet decide to take up the guidance we could have a much higher rate. We therefore present two take up rates a conservative 50% (low) take up rate and a more optimistic 75% (high) take up rate.

In order to not over complicate the analysis, we have made an assumption that the number of vehicles that need to replace their CCTV cameras after five years is the same as in the implementation year. In other words we have assumed that we are at the steady state number of vehicles and operators. This implies that no additional vehicles would need to install CCTV after the first year. In reality we might expect the level of vehicles to increase over time and be subject to CCTV but we think overall this is proportionate.

In the interest of reducing the complexity of the analysis we have assumed that all PHV and taxi licence holders are sole traders. This treats them each as a business and in effect is a more cautious assumption. This assumption also allows us to calculate the direct costs to business that we expect from the policy in the form of the EANDCB.

We have also made an assumption that the proportion of operators who familiarisation costs will apply to is the same as the assumption on the number of vehicles in our low and high scenarios. In other words, in our low scenario, approximately 50 per cent of operators will need to familiarise themselves with all the measures proposed in the draft guidance. These costs, however are comparatively small and therefore have minimal impact on the total costs.

Social impacts

Equalities Impact

The Department has undertaken an equality screening assessment. These recommendations, if adopted as proposed, will place a burden on local licensing authorities, drivers and/or owners of taxis and PHVs and PHV operators regardless of any protected characteristics these individuals might have. While we anticipate that there will be variations in the people affected by these recommendations this is a function of the nature of those within the taxi and PHV sector (drivers, vehicles owners, PHV operators and their staff) there is no evidence to suggest that it will affect any one equality group within this population disproportionately at a national.

It is expected that the recommendations, if adopted by local licensing authorities, would be applied equitably but this is the responsibility of local authorities and could be subject to challenge. We expect that both drivers and passengers will benefit from a safer environment in which to travel. We also expect that the policy will increase user confidence and may facilitate higher passenger demand from more vulnerable groups such as the elderly or those with disabilities.

Direct Costs and Benefits to Business

For the analysis we have assumed that all PHV and taxi license holders are self-employed and are therefore treated as a business. This means that taxi and PHV drivers will likely bear the full direct cost of installing CCTV. From consultations with industry we have calculated an average cost of £608 to install the CCTV equipment. We have also estimated that the average life of a camera is 5 years and therefore needs to be replaced once over the time period of our analysis. Familiarisation costs will also apply to all PHV and taxi drivers and operators as they will need to learn how to comply with the final statutory guidance and how best to use the equipment. These costs will only apply in the year of implementation and will range from £2.85m to £4.27m. In total we have estimated that the equivalent

annual net direct cost to business (EANDCB) is -£18.10m in the low scenario, -£27.15m in the high scenario with a central estimate of -£22.62m.

Small and Micro Business Assessment (SaMBA)

Due to the nature of the data, it has not been possible to obtain information on the relative size of PHV operators in terms of the number of employees. Although there are likely a significant number of PHV operators who are small or micro in size, it is impossible to predict which operators would be required to implement the policies proposed and we have therefore been unable to carry out the SaMBA assessment. If we assume that all taxi and PHV drivers are sole traders and therefore are counted as businesses, then the costs of purchasing and installing the equipment will fall on them as well as the familiarisation costs. The costs overall from installing the CCTV and replacing it comes out to around £1200 over the 10 years for each driver. The advantage that drivers will have is that the CCTV costs will be tax deductible. In addition to this, drivers may decide to offset some of these costs by increasing fares. We have also received some evidence of leasing options available in some areas allowing drivers to lease the CCTV equipment rather than purchase it outright. If widely available this option would substantially reduce the upfront costs to drivers and smooth this cost over a number of years.

Ultimately however, the total impact on business will depend on the take up rate of the final statutory guidance. It is important to note that under some circumstances it may be prudent to provide an exemption to small and micro business due to the disproportionate cost impact that such policies may have. In this case, however, if these businesses were exempt then the policy would fail to meet its objective.

Summary and Preferred Option

This impact assessment proposes to implement statutory guidance in the taxi and PHV markets. In particular, the draft statutory guidance recommends installing CCTV in all taxis and PHVs in order to protect children and vulnerable adults from harm. This recommendation would not only protect passengers from harm but it would also protect drivers from potentially violent passengers as CCTV is believed to be a major deterrent of crime.

The most significant cost associated with the draft statutory guidance is the cost of installing and maintaining the CCTV. Our best estimate suggests that this cost would fall between £152.92m and £229.38m across our two scenarios. We also expect that there will be some familiarisation costs associated with learning and complying with the particulars of the policy. Our estimates for this range between £2.85m and £4.27m and would apply only in the implementation year of the policy.

There would also be costs that fall on licensing authorities and these mainly relate to assessing the rationale for the policy and, if applicable, developing detailed download and privacy policies that comply with wider regulation. There would also be some costs associated with the roll-out of the policy involving the wider dissemination of information to the public and drivers. We have not been able to accurately monetise this cost due to the heterogeneity across licensing authorities. We have, however, received and estimate of the costs from a licensing authority who implemented a similar policy which suggests that the cost would be somewhere in the region of £18000.

Some of the expected benefits as a result of installing CCTV include crime prevention, increased passenger safety and enhanced public confidence. Although we have not been able to monetise the benefits of the draft statutory guidance, we do believe that the policies will be effective and that the benefits would exceed the costs. In particular, we highlight a case study in Northumbria whereby the policies only needs to generate a 35 per cent reduction in crime for it to breakeven. We believe given the significant under reporting of crime, this is a very achievable result.