



Department for Transport

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From the Secretary of State
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Dear Elly,

Thank you for your letter of 6 October 2025 about the taxi and private hire vehicle (PHV) trade in London.

I am aware of concerns regarding the changing landscape of the taxi and PHV market, the impact of new means of engaging services on traditional business models, and the increasing number of PHVs licensed in London. The Government supports choice for consumers and wants to see both taxis and PHVs prosper.

PHV cap

Taxis play an important role in meeting London's transport needs, and we want them to continue to do so. They offer a premium service to passengers including guarantees on accessibility of vehicles and the confidence provided by drivers who have the Knowledge. PHVs provide a different range of services, which passengers also value.

There are no current plans to amend primary legislation to enable licensing authorities to cap the number of PHV licences they issue, and any change would need to be considered in the context of out-of-area working. The PHV trade is more diverse than the taxi trade and a blanket cap may not reflect the different services that companies with that licensing regime serve. For example, a cap could mean that a home to school transport or executive hire provider was unable to license a much-needed vehicle because the total number of PHVs had reached the level of demand estimated to be needed by their licensing authority. There are a limited number of licencing authorities in England which use their powers to limit taxi numbers. Officials have advised that the difficulty in accurately estimating demand is a key reason for this. As of 1 April 2024, only 29% of licensing authorities have any form of restriction in place.

Additionally, a cap on PHV numbers may not result in the intended outcome. A PHV cap for an area may not reduce those operating in the busiest parts of a licensing authority area but instead reduce the supply in quieter areas as the trade seek to maximise their earnings. Passengers in more rural areas, may be left with less choice, longer wait times and higher fares; particularly those with mobility issues that use these services more than those without. My biggest concern is that this may lead to passengers using unlicensed, unvetted and uninsured drivers and vehicles.

Finally, any power to limit the number of PHVs an authority licenses would be ineffective without a means to prevent PHVs licensed elsewhere carrying passengers in that authority's area.

Out-of-area working

I would like to assure you and the Transport Committee that the Government recognises and understands the concerns around out-of-area working. Following the publication of Baroness Casey's audit of group-based child sexual exploitation and abuse on 16 June, my department has committed to legislate to address the important issues raised in the report, tackling the inconsistent standards of taxi and PHV driver licensing. We will work as quickly as possible to consider all options – including out-of-area working, national standards and enforcement – seeking the best overall outcomes for passenger safety.

Data sharing requirements

As part of reforming the regulation of the taxi and PHV sector we will consider the merits of requiring the sharing of taxi and PHV journey information to assist in transport planning. Any such requirement would have to be proportionate, reflecting the wide variation in the size of PHV operators licensed in London and elsewhere.

Financial support

The Plug-in Taxi Grant (PiTG) has provided vital support to the development of the zero-emission capable (ZEC) taxi market, supporting over 10,000 vehicles onto our roads – around 9,000 of which are in London. Extending the PiTG at a reduced rate balances support for the ZEC taxi market and UK automotive industry. It also provides value for money for the taxpayer. The grant will close at the end of the financial year or when budgets have been exhausted, whichever comes first.

The VAT treatment of purchases of wheelchair accessible vehicles is a matter for His Majesty's Treasury. The Government is committed to ensuring support is there for the most vulnerable people in our society. Certain products

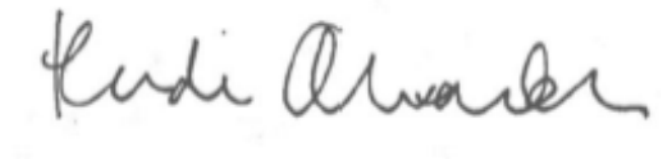
designed solely for use by a disabled person can qualify for a zero rate of VAT.

VAT is a broad-based tax on consumption, and the 20 per cent standard rate applies to most goods and services. VAT is the UK's third largest tax, forecast to raise £180.4 billion in 2024/25. Exceptions to the standard rate have always been limited and balanced against affordability considerations.

Another key consideration when assessing a new VAT relief is whether the cost saving is likely to be passed on to consumers, in this case the taxi and PHV trade, in the form of lower prices. Evidence suggests that businesses only partially pass on any savings from lower VAT rates and so in some cases, reliefs do not represent good value for money.

I hope this is helpful in setting out the action my department is taking to improve the regulation of the taxi and PHV sector in England.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'Heidi Alexander', is centered on the page. The signature is fluid and cursive.

Rt Hon Heidi Alexander MP

SECRETARY OF STATE FOR TRANSPORT