A Review of the Method and Structure of Taxicab Regulations in Representative Communities in Florida and Other States

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A Review of the Method and Structure of Taxicab Regulations in Representative Communities in Florida and Other States

Prepared for the Florida Legislature

Prepared by the Center for Urban Transportation Research
College of Engineering
University of South Florida

June 1999
A Review of the Method and Structure of Taxicab Regulations in Representative Communities in Florida and Other States

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Introduction

The Center for Urban Transportation Research at the University of South Florida in Tampa was asked by the Florida Legislature to review the various methods and structures of taxicab regulation in representative communities and to outline the advantages and disadvantages of the different approaches but to make no recommendation as to which approach is best for any particular community. How best to regulate the taxicab industry is an acknowledged difficult problem as evidenced by a cautionary note provided by Charles Mahtesian in *Governing* magazine:

Anyone who thinks the problem is solved doesn't know much about the taxicab business in America. Over the past half-century, cities have experimented with just about every form of taxi oversight, from rigid supervision to virtual laissez-faire. All of the strategies have had one element in common: They haven't worked very well. Hardly any city seems to be able to figure out how to provide its residents with uniformly clean, safe, reliable and courteous cab service.

At the moment, the taxicab industry is going through a period of confusion in cities all over the country. Some, like Seattle, are turning back to regulation after failed experiments at lifting it. Others are deregulating in varying degree, hoping to improve service by breaking up long-standing monopoly power. (Mahtesian, December 1998, pp. 26-27)

This white paper is intended as a resource for Florida policymakers who are faced with issues relating to taxicab regulation. The first section of the report discusses the general approaches to taxicab regulation. The second section presents the basic arguments for and against taxicab regulation. The results of the widespread deregulation experiments that took place in the U.S. during the late 1970s and the early 1980s and the implications for future changes in taxicab regulation are discussed next. That is followed by a description of some of the current attempts to modify regulations and by several current case studies. The report concludes with an outline of the advantages and disadvantages of the different approaches and a brief summary.

Definitions and Scope

The primary areas of taxicab regulation are market entry, fares, safety and insurance, and service practices and quality.

Deregulation of the taxicab industry typically refers to "economic" deregulation. That is, safety and insurance requirements, and service practices and quality, generally are not relaxed when other aspects of the industry are deregulated, although the level of enforcement does vary
significantly among jurisdictions regardless of regulatory approach. Consequently, the areas of regulation that are addressed in this report are entry and fares. Service regulation is addressed to the extent it affects ease of entry.

Entry regulation typically includes a requirement that a new applicant prove that there is a need for the taxicab service that he or she proposes to provide. Some jurisdictions instead place a limit on the total number of taxicab permits issued and revise the total very infrequently. Other jurisdictions tie the number of permits to local population and adjust the number annually. These new permits sometimes are distributed among qualified applicants by lottery. Service regulations that can affect the ease of entry into the industry include such things as fleet size, hours and geographic area of operation, and age of vehicles.

Fare regulation usually means that the regulatory body sets the rates, i.e., the fares are fixed. In a semi-deregulated environment, the regulatory body may set fare maximums and allow the individual operators to charge whatever they wish up to the maximum.

Between the extremes of full regulation (also referred to as restricted entry) and full deregulation (also referred to as open entry) of the taxicab industry there is a continuum of different approaches. A common approach between the extremes is the minimum standards approach. For comparison purposes, this report focuses primarily on three regulatory approaches: full regulation, full deregulation, and minimum standards.

The minimum standards approach, as defined in a North Carolina State University report:

...involves developing, implementing, and enforcing compliance with a set of performance standards for taxicab companies, taxicab drivers, and taxicab vehicles. Industry members are held accountable for meeting well-defined criteria. If a company meets the required criteria, there is no limit on the number of vehicles which can be placed in service. The number of vehicles in service is allowed to fluctuate according to market demand. Those companies which provide superior service will likely increase their fleet to meet increased demand. A company which provides substandard service will likely see reductions in its fleet as customers increasingly use vehicles from companies which provide better service. (Institute for Transportation Research and Education, 1996, p. 16)

The regulatory body typically is either an independent commission, a department of local government, or a department of state government. An independent commission can be limited to taxicab regulation or can regulate other services as well, such as ambulances and wreckers. Regulation by local or state government can be housed within a single department or distributed among departments, such as the police department for safety enforcement and another department for permitting. A related issue is the geographic coverage of the regulatory body, e.g., city versus county versus regional.
Rationale for Regulation and Deregulation

The historic rationale for regulation of the taxicab industry is founded in economic principles regarding public goods and monopolistic market conditions, as in the case of utilities and most transportation companies. Whether or not the taxicab industry meets the criteria that justify regulation is the subject of a long-running debate. However, the issue of interest here is the empirical question of how regulations and regulatory bodies can be modified to optimize the taxicab service received by the public.

The argument for deregulation of transportation industries is well known and is based on the belief that competition will lead to lower fares, improved service, and innovation. These results have been seen in some transportation industries that have been deregulated, but there is concern that the taxicab industry may be sufficiently different that the results will not be the same, as noted in a report by Roger Teal:

The impacts of taxi deregulation are in stark contrast to the largely positive results of deregulation of other American transportation industries. In the other deregulated transportation industries, entry costs were substantial (and in some cases, very high), there was abundant scope for reductions in labor costs and improvements in labor productivity due to high wages and rigid work rules which had developed under regulation, and the market was growing, in some cases rapidly (the one exception was intercity bus service). Thus there was room in the market for new competitors, there were cost-based opportunities for price reductions, and the relatively large capital requirement to enter the industry placed a definite limit on the number of new entrants.

The taxi industry, in contrast, is distinguished by very low entry costs, the virtual absence of opportunities for labor productivity or cost improvements, and a stagnant level of demand. Combine these characteristics with the existence of "guaranteed" markets for an individual taxi operator, notably airports and taxi stands--where the customary first-in, first-out operation essentially guarantees customers providing the operator is willing to endure potentially lengthy waits--and one has a recipe for unsuccessful deregulation.

Low entry costs, an inherent characteristic of a totally deregulated taxi industry, represent the factor which is probably of greatest significance in preventing a more successful outcome to taxi deregulation. Because capital requirements to enter the deregulated industry are minimal, virtually any self-motivated individual can become a taxi operator. Individual operators cannot effectively compete in the telephone order market, however, so they quickly oversubscribe the airport and cabstand markets, causing full-service companies to abandon these markets except for passenger drop-offs. This results in a reduction in economies of scope for the full-service operators. With demand for taxi service stagnant or even declining,
operator productivity inevitably declines with many more operators in the market.

Productivity enhancing innovations—which essentially require grouping more passengers together—are largely infeasible. The market is both too small (and is stagnant as well) and too intermodally competitive with rental cars, subsidized public transit, and the private automobile for such innovations—which reduce level of service, but do not reduce prices dramatically—to succeed. Price reductions therefore become economically infeasible; indeed, the pressure on prices is upwards due to a reduction in economies of scope for full-service operators and the peculiar characteristics of cabstand markets. (Teal, 1993, pp. 136-137)

Thus, the challenge is to identify the most appropriate types and levels of regulation that produce a high quality service that meets local needs in a manner consistent with local conditions and values. The next section discusses somewhat radical approaches that seem not to have worked. That is followed by a section discussing the more moderate or incremental approaches currently being tried in several cities.

**Historical Experience with Deregulation**

In the late 1970s and early 1980s, the taxicab industry was deregulated to varying degrees in a number of U.S. cities. The results of those experiments did not live up to the expectations of the proponents for deregulation. Why they did not is still a matter of debate. Quite possibly the deregulation was too extensive in some cities and poorly designed in others, and the lessons learned might allow for more successful deregulation in the future. However, Roger Teal, the author of comprehensive analysis of those experiments, paints a rather dim picture for future success:

> From the perspective of creating consumer benefits, taxicab deregulation has clearly been a disappointing policy. Taxi rates are generally the same or higher compared to what they would have been with a regulated industry, level of service has improved marginally, if at all (and seems to have declined in certain respects), and innovative services have not been developed. It has been difficult to detect any significant consumer benefits resulting from deregulation. ...

While transportation policy analysts and economists may continue to debate differing interpretations of the results of the deregulation experiences, the political debate about taxicab deregulation appears to be largely over. The two most prominent American cities to deregulate their taxi industries, San Diego and Seattle, have radically altered their initial policies. Both cities have reimposed entry restrictions, and also placed restrictions on the maximum fare rate. The problems caused by the continual turnover of small operators in the deregulated industry was an important reason for these changes.
It bears mentioning that citywide deregulation was abandoned in San Diego and Seattle even though airport authorities in both cities had previously imposed entry and/or fare restriction in the airport taxi market; deregulation was not abandoned in order to eliminate airport taxi problems. Rather, it fell out of political favor because no significant benefits to consumers were apparent...and there were adverse economic impacts on the local taxi industry. ...

Where taxicab deregulation policies have not been radically altered, it is usually because they imposed requirements which served to limit entrance to the industry, and thus the problems caused by substantial and continual small operator turnover did not materialize. (Teal, 1992, pp. 131, 137)

A Price Waterhouse analysis of six cities that deregulated arrived at essentially the same conclusions as far as short-term effects are concerned:

Although the supply of taxi services expanded dramatically, only marginal service improvements were experience by consumers. ...most new service was concentrated at already well-served locations--such as airports and major cabstands.... Response times in the telephone market were similar to pre-deregulation performance. Trip refusals and no-shows, however, increased significantly. ... Prices rose in every instance. ... Service quality declined. (Price Waterhouse, 1993, pp. i-ii)

Price Waterhouse’s conclusion about long-term effects was that there was no effect on fares and that there was not sufficient data to measure any effect on service quality, but that “in retrospect, the effects of taxi deregulation have ranged from benign to adverse, depending on local conditions and markets....” (Price Waterhouse, 1993, p. iii)

Seattle deregulated its taxicab industry in 1979 and, according to the Charles Mahtesian article in Governing magazine:

It worked--in a way. Within a couple of years after deregulation, the number of taxi licenses in Seattle more than doubled, leaping from about 400 to 850. But the service didn’t get better, it got worse. By the early 1990s, it had reached a state of crisis. Passengers were complaining of old, damaged and dirty vehicles. The drivers they encountered were not only rude but in some cases poorly groomed, barely able to speak English and clueless about local landmarks and common destinations.

The streets were full of hacks, but the drivers commonly refused customers for short trips or bypassed them because of the color of their skin. Those who got into a cab could never quite be sure of the fares, since those varied between taxi operators, even for identical destinations.
Fights between drivers—and between drivers and passengers—became so commonplace at one hotel taxi stand that management finally banned cabs from the property altogether. From that point on, guests had to walk away from the hotel and hail a taxi on the street.

By 1995, says city council aide Dan McGrady, the system had broken down so completely that even the taxi companies were asking for reform. "It was a horrific problem," he says. "The hospitality industry was saying the taxi industry stinks and we're losing jobs and visitors."

At that point, Seattle's government had to do something. So in 1997, it went back to strict regulation. (Mahtesian, December 1998, p. 26)

Atlanta is another example of a failed experiment according to Multisystems:

Atlanta [chose] to reimpose regulation of entry control into the taxicab market because the overwhelming local consensus was that deregulation was not working. The immediate problem associated with deregulation was that, although it was introduced in response to a legitimate (civil rights) problem, it served as a legal sanction to creation of an oversupply of taxicabs. The consequences of this oversupply were an unstable business environment for the industry, and poor service quality for the public.

The effect of the oversupply on reducing driver earning potential is likely responsible for the reportedly low quality of drivers, as reflected in typical complaints about problems such as overcharging, discourteous behavior, etc. The severity of the situation which developed in Atlanta is best demonstrated by the energy which the business community ultimately was willing to devote to constructive regulatory reform. (Multisystems, 1982, pp. iii-iv)

According to Paul Demsey, a law professor at the University of Denver who has studied the taxi industry, "Virtually every major city which has tasted economic deregulation of the taxi industry has lived to regret it. It has been a disaster. It is extremely difficult to have anything resembling a normal market in the taxicab business." (Mahtesian, December 1998, p. 28)

The Current Situation

As noted in the introduction, local governments continue to try to find the answer. The latest attempts to improve service by modifying regulations are taking a more incremental approach than seen in the wholesale deregulation of the 1970s and 1980s. The basic approach is to ease entry restrictions while maintaining or even tightening minimum standards for service practices and quality. Typically, with some exceptions, fares continue to be set by the regulatory body or to be subject to maximums. Charles Mahtesian commented on some of these recent efforts:
In Miami-Dade County, frequent complaints about decrepit old taxis and rude drivers persuaded local officials to issue age limits for vehicles and offer 125 [sic] new licenses [over five years], opening the market for taxi medallions for the first time in years. San Francisco, another city desperately seeking improved service, has raised the cap on the city’s fleet by issuing 300 new permits.

Cincinnati, Denver and Portland, Oregon, are also among those to have recently opened entry to their once tightly regulated taxi markets. In Denver, a lawsuit opened the market in 1995 to the city’s first new cab company in nearly 50 years. Cincinnati lifted an unofficial cap on the number of taxi licenses, and, in its most important reform, ended the ability of existing taxi companies to block new entrants. Prior to 1995, existing companies could shut out new competition simply by claiming that new drivers would hurt their business. Portland opened its taxi market by deleting a few words in the city code that for years served as an almost insurmountable barrier to entry. ...

Indianapolis is often cited as one place where an unrestricted taxi market is thriving. When the city deregulated taxi licensing in 1994--for a second time--about three-quarters of the city’s 392 cabs were directly or indirectly controlled by one company. Close to 85 new cab companies have started up since then, many owned by women or minorities. “The two major consequences are that there are more cabs and you are starting to see some significant rate-cutting. So you have better service at lower prices,” says Bill Styring of the Hudson Institute, who chaired the study commission that designed the new system. “There is zero public pressure to undo this.” (Mahtesian, December 1998, pp. 28-29) [Note in the Indianapolis case study in the next section that city staff is somewhat less sanguine about the results.]

The current situation for numerous jurisdictions in Florida and other states is summarized and compared in table 1. As noted elsewhere, the minimum standards referred to in the table are criteria that may form significant barriers to entry, such as minimum fleet size and a requirement that 24-hour service be provided. The number of companies shown in the table includes independent cab operators, each of whom is a one-person business, which is why Columbus, for example, is shown as having 171 taxicab companies. The five-mile fare is based on mileage and does not include waiting time charges, etc. In the cases where deregulation has resulted in different companies charging different fares, the median five-mile fare is shown. For communities where fares are deregulated but subject to maximums, the maximum five-mile fare is shown. Data for the table were obtained from local codes and ordinances and from telephone interviews with local officials.
Table 1. Status of Entry and Fare Regulation in Selected Jurisdictions

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Regulatory Structure</th>
<th>Entry</th>
<th>Fares</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Degree of Regulation</td>
<td>Minimum Fleet Size</td>
</tr>
<tr>
<td>Florida</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Broward Co.</td>
<td>County govt.</td>
<td>Restricted entry</td>
<td>1</td>
</tr>
<tr>
<td>Charlotte Co.</td>
<td>County govt.</td>
<td>Open entry</td>
<td>1</td>
</tr>
<tr>
<td>Clearwater</td>
<td>City govt.</td>
<td>Min. Standards</td>
<td>1</td>
</tr>
<tr>
<td>Daytona Beach</td>
<td>City govt.</td>
<td>Restricted entry</td>
<td>1</td>
</tr>
<tr>
<td>Ft. Myers</td>
<td>City govt.</td>
<td>Open entry</td>
<td>1</td>
</tr>
<tr>
<td>Gainesville</td>
<td>City govt.</td>
<td>Restricted entry</td>
<td>1</td>
</tr>
<tr>
<td>Hillsborough Co.</td>
<td>Independ. co.</td>
<td>Restricted entry</td>
<td>1</td>
</tr>
<tr>
<td>Jacksonville</td>
<td>City govt.</td>
<td>Restricted entry</td>
<td>5</td>
</tr>
<tr>
<td>Key West</td>
<td>City govt.</td>
<td>Restricted entry</td>
<td>1</td>
</tr>
<tr>
<td>Lakeland</td>
<td>City govt.</td>
<td>Restricted entry</td>
<td>1</td>
</tr>
<tr>
<td>Melbourne</td>
<td>City govt.</td>
<td>Restricted entry</td>
<td>1</td>
</tr>
<tr>
<td>Miami-Dade Co.</td>
<td>County govt.</td>
<td>Restricted entry</td>
<td>1</td>
</tr>
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<td>Ocala</td>
<td>City govt.</td>
<td>Open entry</td>
<td>1</td>
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<td>Orlando</td>
<td>City govt.</td>
<td>Restricted entry</td>
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</tr>
<tr>
<td>St. Petersburg</td>
<td>City govt.</td>
<td>Min. standards</td>
<td>3</td>
</tr>
<tr>
<td>Tallahassee</td>
<td>City govt.</td>
<td>Min. standards</td>
<td>5</td>
</tr>
<tr>
<td>Titusville</td>
<td>City govt.</td>
<td>Open Entry</td>
<td>1</td>
</tr>
<tr>
<td>West Palm Bch.</td>
<td>City govt.</td>
<td>Open entry</td>
<td>1</td>
</tr>
<tr>
<td>Other States</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Atlanta, GA</td>
<td>City govt.</td>
<td>Restricted entry</td>
<td>25</td>
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<tr>
<td>Boise, ID</td>
<td>City govt.</td>
<td>Open entry</td>
<td>1</td>
</tr>
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<td>Buffalo, NY</td>
<td>City govt.</td>
<td>Restricted entry</td>
<td>1</td>
</tr>
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<td>Charlotte, NC</td>
<td>City govt.</td>
<td>Restricted entry</td>
<td>1</td>
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<tr>
<td>Cincinnati, OH</td>
<td>City govt.</td>
<td>Restricted entry</td>
<td>1</td>
</tr>
<tr>
<td>Columbus, OH</td>
<td>City govt.</td>
<td>Restricted entry</td>
<td>1</td>
</tr>
<tr>
<td>Dallas, TX</td>
<td>City govt.</td>
<td>Restricted entry</td>
<td>25</td>
</tr>
<tr>
<td>Davidson Co., TN</td>
<td>Independ. co.</td>
<td>Restricted entry</td>
<td>10</td>
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### Table 1. (Continued)

<table>
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<tr>
<th>Jurisdiction</th>
<th>Regulatory Structure</th>
<th>Entry</th>
<th>Degree of Regulation</th>
<th>Minimum Fleet Size</th>
<th>24-Hour Service</th>
<th>Number of Companies</th>
<th>Cabs per 1,000 Population</th>
<th>Degree of Regulation</th>
<th>5-Mile Fare</th>
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<tr>
<td>Denver, CO</td>
<td>Independ. state commission</td>
<td>Open entry</td>
<td>1</td>
<td>No</td>
<td>5</td>
<td>1.71</td>
<td>Deregulated</td>
<td>NA</td>
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<td>City govt.</td>
<td>Restricted entry</td>
<td>3</td>
<td>No</td>
<td>18</td>
<td>0.21</td>
<td>Deregulated</td>
<td>$9.70 (median)</td>
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<td>1</td>
<td>Yes</td>
<td>2</td>
<td>0.50</td>
<td>Dereg. w/max.</td>
<td>$7.50</td>
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<td>94</td>
<td>1.30</td>
<td>Fixed</td>
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<td>Indianapolis, IN</td>
<td>City govt.</td>
<td>Open entry</td>
<td>1</td>
<td>No</td>
<td>150</td>
<td>0.62</td>
<td>Dereg. w/max.</td>
<td>$13.15 (median)</td>
<td></td>
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<td>0.55</td>
<td>Fixed</td>
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<td>3</td>
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<td>Fixed</td>
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<td>No</td>
<td>6</td>
<td>1.37</td>
<td>Deregulated</td>
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<td>Norfolk, VA</td>
<td>City govt.</td>
<td>Restricted entry</td>
<td>1</td>
<td>Yes</td>
<td>8</td>
<td>0.97</td>
<td>Dereg. w/max.</td>
<td>$8.35</td>
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<td>Portland, OR</td>
<td>City govt./ Independ. city commission</td>
<td>Restricted entry</td>
<td>15</td>
<td>Yes</td>
<td>6</td>
<td>0.85</td>
<td>Dereg. w/max.</td>
<td>$9.90</td>
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<td>Yes</td>
<td>2</td>
<td>0.30</td>
<td>Fixed</td>
<td>$9.35</td>
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<td>Restricted entry</td>
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<td>No</td>
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<td>0.40</td>
<td>Fixed</td>
<td>$8.70</td>
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<td>Dereg. w/max.</td>
<td>$9.10</td>
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<td>Dereg. w/max.</td>
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<td>Fixed</td>
<td>$6.80</td>
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<td>No</td>
<td>NA</td>
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<td>Fixed</td>
<td>$9.70</td>
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<td>No</td>
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<td>Fixed</td>
<td>$10.60</td>
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</tr>
<tr>
<td>Shreveport, LA</td>
<td>City govt.</td>
<td>Restricted entry</td>
<td>10</td>
<td>Yes</td>
<td>3</td>
<td>0.23</td>
<td>Fixed</td>
<td>$8.75</td>
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<td>Sioux Falls, SD</td>
<td>City govt.</td>
<td>Open entry</td>
<td>1</td>
<td>No</td>
<td>3</td>
<td>0.36</td>
<td>Fixed</td>
<td>$9.80</td>
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<td>St. Louis, MO</td>
<td>City govt.</td>
<td>Restricted entry</td>
<td>1</td>
<td>No</td>
<td>14</td>
<td>2.08</td>
<td>Deregulated</td>
<td>$7.67 (median)</td>
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<td>St. Paul, MN</td>
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<td>Restricted entry</td>
<td>1</td>
<td>Yes</td>
<td>9</td>
<td>0.47</td>
<td>Fixed</td>
<td>$8.20</td>
<td></td>
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<td>Tulsa, OK</td>
<td>City govt.</td>
<td>Min. standards</td>
<td>10</td>
<td>Yes</td>
<td>6</td>
<td>0.68</td>
<td>Deregulated</td>
<td>$6.65 (median)</td>
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<tr>
<td>Virginia Beach, VA</td>
<td>City govt.</td>
<td>Restricted entry</td>
<td>1</td>
<td>No</td>
<td>3</td>
<td>0.10</td>
<td>Dereg. w/max.</td>
<td>$8.25</td>
<td></td>
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<tr>
<td>Washington, DC</td>
<td>Independ. city commission</td>
<td>Open entry</td>
<td>1</td>
<td>No</td>
<td>88</td>
<td>10.58</td>
<td>Fixed</td>
<td>Zone fares</td>
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*Note: NA indicates not available.*
The case studies presented below provide more detail about how some jurisdictions are addressing the issues.

Case Study 1: Hillsborough County, Fla.

Regulatory Structure. Taxicab service within the county, including the three municipalities, is regulated by the Hillsborough County Public Transportation Commission (PTC). The PTC is composed of seven elected officials appointed to two-year terms by their respective commission or council (three from the Board of County Commissioners, two from the Tampa City Council, and one each from the city councils of Temple Terrace and Plant City). Prior to establishment of the PTC in 1973, taxicab service was regulated by the individual cities within the three municipalities and was unregulated in unincorporated Hillsborough County. The PTC has the power to fix or approve all taxicab rates and to issue certificates of public convenience and necessity. Other responsibilities include establishing rules and regulations regarding safety, equipment, and driver qualifications.

Entry. There are several barriers to entry into the Hillsborough County taxicab market. The primary one is the requirement to prove public convenience and necessity for new permits. Applicants must present their case to a special master appointed by the PTC to investigate and review the application. The special master holds public meetings on the application and follows up with a recommendation to the commission. The commission then can either approve or deny the request. The commission rules require that consideration be given to adequacy of existing service, character of the proposed service, financial status and experience of the applicant, and the opinions of existing certificate holders. Other barriers to entry include a cap on taxicabs set at one per 2,000 population, the requirement to provide 24-hour service, and the requirement that vehicles be less than five years old when placed into service.

Fares. Maximum fares are fixed by the PTC and subject to review and change upon petition by certificate holders or county residents. Current maximum fares are $0.95 for the first 1/5 mile plus $0.30 for each additional 1/5 mile.

Case Study 2: Broward County, Fla.

Regulatory Structure. Broward County regulates on a countywide basis but also allows individual municipalities within the county to regulate separately if they wish, so long as they maintain the minimum requirements established within the county ordinance. Municipalities may adopt stricter regulations if they choose, but they cannot authorize any taxicab to pickup in any other municipality or in the non-incorporated portions of the county. Regulation at the county level is a multi-agency function with a majority of the work performed by the taxicab section of the Consumer Affairs Division. The taxicab section investigates applications for
certificates of public convenience and necessity, issues vehicle permits, registers taxi drivers, proposes new rules and regulations, and is responsible for suspension and revocation of permits. It also is responsible for enforcement of the regulations. The Consumer Affairs Division schedules hearings as necessary and monitors business records. The Consumer Protection Board holds hearings on appeals of denials, suspensions, and revocations. The Broward County Commission controls the rates of all taxicabs operating within the county.

**Entry.** A cap on permits (medallions) set by the Broward County Commission controls the number of taxicabs operating within the county and acts as an entry barrier for new operators. The cap is set at one vehicle medallion per 2,000 population and is reviewed annually. If additional medallions are authorized, they are issued through a lottery. Qualification for the lottery is open so long as the applicant does not have a felony criminal record. Additionally, all companies must obtain a business license to operate a taxicab company no matter how many medallions they own. A proof of public convenience and necessity must be shown for all new licenses. There currently are four taxicab companies in the county, each of which holds or contracts for several certificates (business licenses). Each certificate authorizes taxicab business to be done by an independent contractor who may, in turn, hold many vehicle medallions.

**Fares.** Fares are fixed by the Board of County Commissioners and are reviewed on a bi-annual basis. Factors that are considered are the recommendations of the taxicab section, the consumer price index, and rates charged by surrounding counties, particularly Miami-Dade County. Rates currently are $0.95 for the first 1/7 mile and $0.25 for each additional 1/7 mile.

**Case Study 3: Miami-Dade County, Fla.**

**Regulatory Structure.** Taxicabs in Miami-Dade County are regulated by multiple agencies on a countywide basis. Those involved include the Board of County Commissioners (BOCC), the Miami-Dade Consumer Services Department (CSD) through its Passenger Transportation Regulating Division (PTRD), the county manager, and the clerk of the court. Most of the regulatory responsibility rests with the CSD/PTRD including driver permitting, business licensing, vehicle inspections, rule development, and distribution, transfer, suspension, and revocation of licenses. The BOCC is responsible for holding hearings on proposed new rules and on increases in the maximum allowable rates. The Code Enforcement Section of the clerk of the court’s office is responsible for hearing appeals and provides all hearing officers.

**Entry.** Entry into the Miami-Dade County market is very difficult. Miami-Dade County currently operates on a permitting system, which will be converted under a new ordinance to a medallion system in April 1999. Currently, the number of taxicabs allowed under regulation is 1,854. The new ordinance will allow an increase of 29 taxicabs this year using a lottery system open to currently permitted drivers who meet entry criteria as specified in the new regulations.
Twenty-five additional medallions will be added each year through 2003 using the same lottery system. Beginning in the year 2004, the cap on medallions will be based on a ratio of one medallion per 1,000 population of Miami-Dade County. Under the new rules, medallions become tangible assets and may be gifted to family members or can be sold, transferred, or leased to other taxicab operators. Any new medallion issued after the effective date of the new ordinance will require a payment of $15,000. Another major change in operation is the requirement that vehicles be removed from service when they reach eight years of age (the maximum was 15 years under the old system) and that they be less than five years old when placed in service. This new requirement will be phased in through the year 2000.

**Fares.** Maximum rates under the new ordinance are fixed by the BOCC and are effective throughout the county. However, operators may charge less than the established rates if their proposed rates are approved by the county manager. The county manager also must approve any special rates, such as flat rates from the airport. Current approved rates are $1.50 for the first 1/4 mile and $0.25 for each additional 1/8 mile.

**Case Study 4: St. Petersburg, Fla.**

**Regulatory Structure.** St. Petersburg is relatively unregulated compared to other major cities in Florida. The mayor's office and the St. Petersburg police department exercise regulatory control over the local taxicab industry. The mayor has delegated his authority to the Occupational Licensing Division for direct supervision of the industry. Regulations are specified in a city ordinance and are very general in nature.

**Entry.** Entry barriers are minimal. For instance, in addition to the normal licensing of drivers including background checks, the main restrictions to entry are requirements to maintain at least three taxicab permits, meet vehicle safety standards as set forth in the ordinance, and maintain 24-hour radio dispatch service. The three-permit minimum has been interpreted to include three permits anywhere in Pinellas County with at least one in St Petersburg. Independent operators are generally affiliated with a larger company to meet the radio dispatch requirement or else they hire a dispatch service.

**Fares.** Fares are controlled by market forces and need only to be on file with the mayor’s office. There are no approval agencies for the control of fares; however, the three largest companies generally set the rates in competition with each other and the others fall in line. Currently, all three major companies are charging the same rate, which is $1.50 for the first 1/7 mile and $0.20 for each additional 1/7 mile.

A few years ago, a committee was established in Pinellas County to investigate a countywide system for regulating taxicabs, but, because of the large number of independent municipalities involved, no consensus was reached on countywide regulation, and the idea was dropped.
Case Study 5: Cincinnati, Ohio

**Regulatory Structure.** In 1994, Cincinnati removed its ceiling on the number of taxicabs allowed to operate within the city, while maintaining regulatory oversight of all other aspects of the taxicab industry. Prior to 1994, the number of permits was capped at 350. In 1994, the number of taxicabs increased to 424 and then increased to 574 in 1995. There has been a steady decrease each year since 1995, and the latest count stands at 509. Regulatory control is exercised primarily by the city Department of Safety. The city treasurer and the city solicitor exercise regulatory control over insurance requirements.

**Entry.** Entry is controlled through the requirement for proof of public convenience and necessity, but there are no upper limits on entry as long as this requirement is met along with other requirements such as vehicle age and condition. The main determinant in issuing a license is whether the applicant's "proposal will increase taxicab service in areas of the city where taxicab levels are deemed inadequate." The Department of Safety must give maximum weight to letters of recommendation "from recognized community groups and individual citizens" but must not consider the impact of the applicant's business on that of other established taxicab businesses. Appeals of denials are made to the city solicitor and eventually to the city council.

**Fares.** Operators can charge any rate for service as long as they do not exceed the maximum rates established by the ordinance. During the past ten years, the maximum rates have been raised only one time--in 1995--and have remained constant since. The current maximum rates are $2.00 for the first 1/6 mile and $0.20 for each additional 1/6 mile. Operators also are allowed to charge a minimum of $3.00 per trip as long as a public notice is displayed on the cab.

Case Study 6: Davidson County (Nashville), Tenn.

**Regulatory Structure.** Authority for regulating and administering the laws relating to the taxicab industry in Davidson County rests with the Taxicab and Wrecker Licensing Board. This agency consists of seven public members appointed by the mayor for two-year terms and approved by a majority vote of the Metropolitan Council. The board has the power to hold public hearings and to adopt and enforce rules deemed necessary for licensing and permitting and for the safe and proper operation of taxicab service. The board is advised by the chief of police and the chief traffic engineer when requested.

**Entry.** Operators wishing to enter the market must show proof of public convenience and necessity. All new applicants must operate at least ten taxicabs and must provide 24-hour service. All vehicles must be less than five years old and be equipped with a two-way radio. These requirements act as entry barriers to independent operators and small cab companies.
Fares. The board sets maximum rates, and operators can charge less if they wish. The current rates are $1.50 for the first 1/10 mile plus $0.15 for each additional 1/10 mile.

Case Study 7: Indianapolis, Ind.

Regulatory Structure. In 1994, Indianapolis deregulated taxicab service for the city. As a result, there currently are 150 taxicab companies operating within the city’s jurisdiction ranging from large companies such as Yellow Cab down to single cab independent operators. Regulation is through a single agency, the city controller’s office. The controller is responsible for all aspects of taxicab operations including applications for license, investigation of applicants, examination of applicants, inspection of vehicles, monthly certificates (mainly used for insurance purposes), fare filings, and complaints. The controller exercises his power through a single-person office, which reports directly to him. Taxicabs servicing the airport are separately regulated by that agency. All operators must carry accident and liability insurance. The controller issues monthly certificates as a means to confirm which taxicabs meet this important requirement. When an insurance company notifies the controller that an operator is being dropped, no certificate is issued and the taxicab must be taken out of operation.

Entry. Entry into the industry is virtually unregulated. There are some minimum requirements but these are generally easy to meet. For instance, all operators must possess a valid chauffeur’s driving license and must not have been convicted of a felony, drunk driving, or being a habitual offender within the preceding five years. Drivers are tested on knowledge of the rules, the geography of the city and surrounding counties, and their ability to operate a motor vehicle. These minimum requirements are nearly the same for all jurisdictions around the country and are not significant barriers to entry.

When Indianapolis deregulated the industry, the number of taxicabs increased from approximately 350 to more than 600 but has since settled down to approximately 450. According to city staff, the major advantage of this open system is that it allows greater opportunity for employment. However, saturation of the market also has made it harder for drivers to make a living and has led to price gouging by some drivers. The city says another disadvantage is that it is difficult to get rid of poor quality operators because the minimum requirements are so liberal.

Fares. Fares are unregulated below the maximums set by the city. Currently, a maximum of $.40 per 1/5 mile is allowed. However, drivers are allowed to charge anything they want for a pickup charge, which commonly is referred to as a meter drop charge. Meter drop charges range from $1.25 to $5.00. Fares do not have to be approved by any regulatory agency but must be filed with the controller. Fares can be changed only once per quarter. Special fares can be charged during periods of racing at the Speedway and must be filed ten days prior to implementation.
Case Study 8: Los Angeles, Calif.

**Regulatory Structure.** Taxicab service in Los Angeles is delegated by the city council to the Board of Transportation Commissioners (the Board), which is made up of citizens appointed by the mayor and approved by the council. The Board has the authority to adopt necessary rules and regulations regarding taxicab operations. These rules cover service, safety, permitting, penalties, suspensions, driver licensing and revocation, and rates. It also makes recommendations to the city council on franchise applications. Enforcement of Board regulations is delegated to the Department of Transportation for the city along with various police powers such as the ability to make arrests for misdemeanor violations of the rules. The city DOT also is responsible for conducting required background checks on operators and drivers and ensuring that all insurance requirements are met and maintained.

**Entry.** Los Angeles uses a franchise system to control entry into the market. There are currently ten taxicab companies divided among five franchise areas. Franchisees are allowed to cruise only within their respective areas; however, they also are allowed to pickup in other areas by request. Permits are authorized based on public convenience and necessity and are issued by the Board only after a public hearing. Periodic (but not frequent) refranchising is used to open the market to new companies. This is accomplished by recalling all franchise permits and reallocating them among current and new companies.

**Fares.** Fares are fixed by the Board, except for flat rates from the airport, which are set by the operators and filed with the Board. All Board recommended rates must be approved by the city council, by ordinance, prior to taking effect. Current meter fares are $1.90 for the first 1/8 mile and $0.20 for each additional 1/8 mile. These rates must be charged regardless of the franchisee or the area serviced.

Case Study 9: Portland, Ore.

**Regulatory Structure.** Regulatory control of the taxicab industry in Portland is split between city government and an independent commission called the Taxicab Board of Review. The Taxicab Board of Review consists of seven appointed members, five voting and two non-voting. Voting members serve two-year terms and include three members of the general public, the manager of the city bureau of licenses, and the city traffic engineer. The two non-voting members represent the taxicab industry and serve one-year terms. The Board holds hearings and makes recommendations to the city council on permit applications and rates. The city council then makes the final decisions on taxicab permits and rates.

**Entry.** Entry is controlled through the permitting process. The number of taxicabs allowed to operate inside Portland is capped, however the caps are reviewed in each odd-numbered year and
additional permits may be authorized based on population increases, changes in travel patterns, and increases in the number of passengers transiting the airport. In considering whether a new permit will be granted, the city council takes into account the ability of the public transportation system to provide movement of persons around the city, the ratio of taxicabs to city population, a demonstrated need for service that is not currently being met by existing taxicab companies, and the interests of the applicant in establishing a local business. All companies doing business within the city limits must maintain an office that is open and staffed eight hours a day, five days per week. They also must provide 24-hour service and operate not fewer than 15 taxicabs.

Rates. The city council sets the maximum rates that can be charged and allows operators to charge less. Each taxicab company must file its rates with the city. Current maximum rates are $2.50 for the first 1/15 mile and $0.10 for each additional 1/15 mile.

Case Study 10: Seattle, Wash.

Regulatory Structure. In Seattle, regulation of taxicabs is delegated to the city finance department, which handles permit applications, vehicle inspections, vehicle licensing, and drivers licensing.

Entry. Applicants for taxicab permits must operate a minimum of 15 taxicabs. However, when the current regulations were adopted, all operators who held permits were grandfathered into the new system. As a result, there are 217 taxicab companies in business, of which 210 are independent operators. Taxicab licenses are now capped at the number in effect as of December 31, 1990, which was 637 taxicabs. Although this restricts entry, permits are transferable in Seattle, and they currently have a market value of about $12,000. Applicants' vehicles must be less than seven years old at the time of application and must be equipped with a two-way radio and taximeter. Drivers must pass both an oral and written test covering written and spoken English, knowledge of safety rules, and knowledge of the geography of the city and surrounding areas.

Rates. Rates are fixed by the city council based on the public's "need for the lowest level of charges consistent with the provision, maintenance and continuation of service." The council also considers rates charged by surrounding counties. Current meter rates are $1.80 for the first 1/9 mile and $0.20 for each additional 1/9 mile. In addition, a waiting-time charge of $0.50 per minute is automatically initiated when the speedometer drops below 17 miles per hour (e.g., at traffic lights), which results in a wide variety of final charges for identical trips.
Case Study 11: Miscellaneous States

Entry and fares are regulated at the state level in several states, including Colorado, Connecticut, Delaware, Maryland, Nevada, Rhode Island, and Pennsylvania. The degree of involvement varies as described below for each state. In addition, in a number of other states there are statewide requirements regarding certain safety and service issues, such as minimum insurance coverage.

**Colorado.** The state Public Utilities Commission has authority to grant certificates of public convenience and necessity to operate taxicabs within and between counties with a population of 60,000 or greater based on the federal census conducted in 1990. The commission also has the authority to approve fares and to regulate matters of safety, insurance, and service quality for taxicab service in the state. Taxicab companies in these large counties (60,000 population) are required to provide service 24 hours per day. Taxicab companies that provide a point-to-point service in an area with a population greater than 250,000 must deploy at least 15 taxicabs at any given time. Taxicabs must be less than six years old; however, vehicles up to ten years old may be used if they are deemed by the state safety inspector to be in outstanding physical condition.

**Connecticut.** The state Department of Transportation is charged with establishing regulations with respect to fares, service, operations, and equipment, and it must approve all certificates of public convenience and necessity. It also conducts hearings with respect to written petitions from local government or any other interested party regarding fares, service, operations, and equipment or, the convenience, protection, and safety of passengers and the public. The state Department of Motor Vehicles registers taxicabs and licenses drivers along with performing semiannual vehicle inspections.

**Delaware.** The state Department of Motor Vehicles has the full range of responsibilities for regulating taxicabs, including imposing and approving fees and fares, proposing and adopting rules and regulations following a public hearing, granting certificates of public convenience and necessity, and enforcing its rules and regulations. The state uses a medallion system. Each certificate holder of public convenience and necessity gets a medallion or other identifying insignia for each vehicle operated under that certificate. Certificates and medallions are transferable subject to the approval of the Department. A holder of a certificate of public convenience and necessity may lease its taxicabs to independent operators, provided that the holder of the certificate of public convenience and necessity is responsible for the proper operation and maintenance of the vehicles.

**Maryland.** Any person who operates a taxicab business in Baltimore County and the cities of Baltimore, Cumberland, and Hagerstown must have a permit issued by the state Public Utility Commission. Local laws governing taxicab operations do not limit the jurisdiction of the
Commission over a taxicab business as a common carrier. The Commission has the power to
suspend or revoke business permits as well as authorize permit transfers. The primary criterion
for issuance of a taxicab permit is public welfare and convenience. Fares also must be approved
by the Commission. Taxicab services in other cities in Maryland are regulated by local
government, but the state reserves the right to intervene.

Nevada. The state taxicab authority regulates taxicab services in counties that have agreed by
ordinance to be included in the jurisdiction of the taxicab authority. The authority has five
members appointed by the governor, and no member serves more than six years. No elected
officer of the state or any political subdivision is eligible for appointment. Although the state
statute spells out most of the rules and regulations in detail, the authority has the power to adopt
additional ones. These rules and regulations may include different provisions to allow for
differences among the counties. In addition, the taxicab authority grants certificates of public
convenience and necessity, sets fares, licenses taxicab drivers, and enforces these rules and
regulations. Local law enforcement agencies and the state highway patrol, upon request by the
authority, may assist in enforcing these rules and regulations. The state transportation services
authority deals with appeals from decisions of the taxicab authority. Certificates are transferable
upon approval by the authority. The holder of a certificate is required to provide regular service
24 hours per day. All applicants for a driver’s permit must successfully complete a training
course.

Pennsylvania. The state of Pennsylvania regulates taxicabs in its major cities through its Public
Utility Commission. It approves certificates of public convenience and necessity, sets fares,
inspects vehicles, and prescribes rules and regulations necessary to regulate taxicabs. It
establishes a driver certification program in each city. It may contract with the police department
in each city for enforcement. For smaller cities, the state delegates regulatory powers to the local
government. Each of the smaller cities must license taxicab services through its police
department, which must check the character and general fitness for taxicab services of each
license applicant. The state uses a medallion system in the major cities. Every taxicab needs
both a certificate of public convenience and necessity and an accompanying medallion. A
certificate of public convenience is a licensing right that authorizes the operation of one taxicab
in a specified city and may be canceled by the Commission. A medallion, on the other hand, is
considered as property and may not be revoked or canceled by the Commission. Medallions are
transferable but all transfers must be made at offices of the Commission in the presence of a
Commission staff member. Five percent of the medallions in each major city must be issued to
minority drivers or minority-owned companies. The total number of certificates and medallions
may be increased if the Commission finds a need for additional taxicab service in individual
cities. The fee for each new medallion equals the market value of a medallion and can be a
substantial barrier to entry. The cap on the total number of certificates and medallions in each
major city is 1,600. Taxicabs placed in service cannot be more than eight years old. Each taxicab
must be equipped with a protective barrier for the protection of the driver, and a two-way radio for use with a centralized dispatch system. Taxicabs can pickup passengers from any point in the state for trips to the city for which the certificate is issued as long as the request for service is received by call to its radio dispatch service.

Rhode Island. State government regulates taxicab services throughout Rhode Island except for the town of New Shoreham. Two state agencies are involved: the Division of Public Utilities and Carriers within the Public Utilities Commission and the Division of Motor Vehicles. The Division of Motor Vehicles has jurisdiction over the lighting, equipment, safety, and sanitary condition of all taxicabs through pre-licensing and periodical inspections and over the licensing of taxicab drivers. The Division of Public Utilities and Carriers has a broad range of powers and responsibilities. It conducts hearings and approves applications for certificates of public convenience and necessity, approves fare changes, approves leasing arrangements for taxicabs being operated by persons who are not owners or employees of owners, and approves transfers of certificates for taxicab businesses. The state allows local governments to establish additional rules and regulations on taxicab services as long as they are consistent with the state regulations.

Case Study 12: Miscellaneous Independent Commissions

The above case studies for Hillsborough County, Davidson County (Nashville), Los Angeles, and Portland describe how independent commissions operate in those jurisdictions. Other independent boards and commissions are described below.

Anchorage, Ak. The Municipal Transportation Commission is composed of five members appointed by the mayor. The city transit director serves as an ex officio member of the Commission.

The Commission regulates taxicabs, limousines, and other vehicles for hire. It establishes maximum rates to be charged for taxicab service. It holds public hearings to determine the maximum number of taxicabs needed based on proof of public convenience and necessary. Whenever the Commission increases the maximum number of taxicabs as a result of the public hearings, the new permits are sold at a public auction to the highest qualified bidder(s).

Ann Arbor, Mich. The Taxicab Board consists of five voting members appointed by the mayor, subject to the approval of the city council. One of the members is a member of the city council and serves a one-year term. The other four members must be non-employees of the city and serve three-year terms. Additionally, the controller and chief of police are included as non-voting Board members. The controller serves as secretary of the board and the Board elects its own chairman, who serves for a term of one year.
The primary purpose of the board is to hold grievance hearings. The Taxicab Board may adopt regulations regarding administrative procedures relevant to its duties that must be first approved by the city attorney and filed with the city clerk. Entry and fares are regulated by the city. Any person aggrieved by the decision of the city department that enforces taxicab regulations regarding the issuance or revocation of a taxicab license or a taxicab driver's license may appeal that decision to the Taxicab Board.

**Charlotte, N.C.** The Taxicab Review Board is composed of five members: two members appointed by the city council, one appointed by the mayor, and two appointed by the city manager. Of the city council's appointments, one must be an operating permit holder or his designee and the mayor's appointee shall be an individual owner-driver. All members serve without compensation. Term of office is four years. The city manager designates one of the members appointed by him as chairman. The chairman must be a member of the Charlotte Police Department and have the rank of captain or above.

The Taxicab Review Board is responsible for holding hearings on all appeals regarding suspensions or revocations of operating permits. The Taxicab Review Board has the power to make all rules and regulations with regard to its authority over the taxicab industry and files them with the city clerk. The city manager or city council may assign the Taxicab Review Board other responsibilities as it deems necessary. Entry is regulated by the city; fares are deregulated.

**Columbus, Ohio.** The Vehicle for Hire License Board consists of thirteen members of which five are appointed by the mayor. The remaining eight include the director of public safety (serves as chairman), the city auditor, the chairperson of the public safety committee of the city council, an owner representing owners of 25 or fewer taxicabs selected by majority vote of these owners, an owner representing owners of 25 or more taxicabs selected by majority vote of these owners. The appointed membership consists of a member of the chamber of commerce, a member of the Columbus Municipal Airport Authority, a member of the Convention and Visitors Bureau, and two private citizens. The director of public safety and the city auditor serve during their incumbency as public officials. The chairperson of the public safety committee of the city council serves as long as such person remains on the city council. These members serve on the board without additional compensation from the city. All other members serve for a term of one year, without compensation.

The Vehicle for Hire License Board conducts a public hearing at least annually to recommend to the city council the total number of taxicabs which may be licensed within the city based on consideration of public convenience and necessity. Maximum fares are set by the city.

**Glendale, Calif.** The Transportation and Parking Commission (TPC) consists of seven members appointed by the city council. All appointees serve a three-year term without compensation.
Each member of the TPC must be a qualified elector of, or conduct a business in, the city at the time of appointment and throughout incumbency. At least four members of the commission must be persons either active at the time of appointment or previously active in the transportation field including, but not limited to, transportation planning, transportation program management, transportation advisory agency, civil engineering, transportation/traffic engineering, or urban planning.

The TPC has a wide range of powers and duties regarding the transportation industry of which taxicab regulation is one part. The Commission grants or denies applications for certificates of public convenience and necessity after holding public hearings. Fares are deregulated.

**Montgomery County, Md.** Members of the Taxicab Services Advisory Committee are appointed by the county executive. All serve three-year terms and may serve no more than three consecutive terms. The committee consists of five public members and four taxicab industry members. Of the four industry representatives, two must represent management and two must be taxicab drivers. Of the two drivers, one must be an owner-operator and one must be a non-owner-operator. Of the public members one person must represent the handicapped community. A representative of the director of the county Department of Transportation and a representative of the county attorney serve as ex officio nonvoting members of the committee.

The committee advises the director of the county Department of Transportation in carrying out the duties and functions prescribed in the regulation and evaluates the performance of the taxicab industry in serving segments of the population with special transportation needs such as the handicapped and the elderly. The county regulates fares and entry.

**Norfolk, Va.** The Board of Review consists of five members: the city assessor, the city traffic engineer, the city director of human services, and two members to be appointed by the city council. One of the appointees must be a representative of the drivers, and the other a representative of the owners. The city assessor serves as chairman of the board.

The Board’s responsibilities include holding hearings and adjudicating appeals regarding proposed suspensions and revocations decided upon by the chief of police. The Board has the power to affirm, modify, or reverse the decision of the police chief. Entry and fares are regulated by the city.

**Orange County, Calif.** The Orange County Transportation Authority (OCTA) regulates taxicab service through the Orange County Taxi Administration Program (OCTAP) in 23 of the county’s 32 municipalities. OCTA is governed by an eleven-member board of directors consisting of four county supervisors, six city council representatives, and a public member selected by the other
ten. Three alternate members are also selected to fill-in when a director is unable to attend or vote on a particular issue. A special member representing the state Department of Transportation also sits on the Board.

The Orange County Taxi Administration Program (OCTAP), established in January 1998, is the regulatory agency that coordinates and administers the permitting of taxicab companies, drivers, and vehicles for the participating jurisdictions. OCTAP was designed to relieve the administrative burden from the cities, to centralize permitting and to eliminate duplication of effort among the cities and the county. OCTAP policies are guided by two committees that meet quarterly. The OCTAP Steering Committee is composed of one member appointed from each participating city, OCTAP staff, one representative appointed from the tourist industry, and two taxicab company representatives. This committee guides OCTAP on policy issues and sets fares for all participating cities. The OCTAP Public Safety Committee is composed of law enforcement personnel appointed from each participating city and OCTAP staff. This committee guides OCTAP on issues relevant to public safety. Enforcement is conducted by local police departments. Each city reserves the right to regulate entry.

Prince William County, Va. The Taxicab Board of Review consists of eight members appointed by the Board of County Supervisors. They must all be residents of the county and cannot be an owner, employee, member of a board of directors, or a stockholder of a taxicab or taxicab company. Members are appointed for a two-year term and may be reappointed to successive terms.

The primary focus of the Taxicab Board of Review is to conduct public hearings and act upon new applications for certificates of public convenience and necessity and appeals of actions from the taxicab inspector's office. The Board of County Supervisors regulates fares.

St. Louis, Mo. The Board of Public Service consists of seven members made up of the president and the heads of the six city departments. These are the Public Utilities Department, the Street Department, the Welfare Department, the Parks, Recreation, and Forestry Department, the Health Department, and the Public Safety Department. The president and the directors of public utilities and of streets and sewers must be engineers with at least ten years experience. Length of term is dependent on employment with the city.

The Board issues permits subject to proof of public convenience and necessity. It also has the power to approve transfers of certificates and to revoke or suspend certificates after public notice and hearing. The Board, after a duly authorized hearing, may affirm, reverse, or modify the decisions of the director of streets on driver licensing, rule enforcement, etc. Fares are deregulated.
Washington, D.C. The District of Columbia Taxicab Commission consists of nine members. Five are members of the public and three are industry members with experience in taxicab operations within the District of Columbia. The chairperson is a public officer of the District dedicated full time to the Commission. All are appointed by the mayor. The chairperson must have experience in transportation administration and regulation. All appointees, except the chairperson (who serves at the pleasure of the mayor), serve for a term of five years and may not serve more than two consecutive terms. All public and industry members are compensated for their service and the mayor determines the salary of the chairperson.

The Commission is organized into two panels whose membership is determined by the mayor. The Panel on Rates and Rules consists of the chairperson, three public members, and one industry member. The Panel on Consumer and Industry Concerns consists of the chairperson, two public members, and two industry members. The Commission’s Panel on Rates and Rules has jurisdiction over rates and standards. Entry is deregulated.

Advantages and Disadvantages of Different Approaches

**Regulatory Structure.** Taxicab regulatory bodies in the U.S. typically are either an independent commission or one or more departments of local—and in some cases, state—government. Each of these can be either a single-purpose agency (i.e., regulate only taxicabs) or a multi-purpose agency (i.e., regulate other services in addition to taxicab service). Multi-purpose agencies tend to be better able to resist undue influence from any single industry (i.e., to resist being “captured” by the industry).

If an independent commission consists of local elected officials, it is more likely, for better or worse, to be influenced by local politics and public input than is a department of local government staffed by professional regulators, and there is a higher degree of public accountability. It is less likely to be able to afford the broad array of staff expertise that is available to local governments.

Both an independent commission and a single department of state or local government avoid the fragmentation and communication problems that can occur when regulatory responsibilities are distributed among more than one department of local or state government. However, regulating taxicabs with multiple departments offers the advantage of delegating specific functions, such as licensing and enforcement, to agencies that are best suited to perform these functions. Police departments, for example, are effective as enforcers of taxicab regulations, but some other department may be better suited to handle permitting.

**Geographic Coverage of Regulatory Body.** Most commonly, the jurisdiction of taxicab
regulatory bodies is the city limits; however, there are many regulatory agencies with county-wide authority. Some regulatory agencies have state-wide authority. No examples of multi-county or regional authority were found.

The narrower the geographic coverage, the greater the ability to tailor regulations to meet the unique needs or desires of a local area. A city dependent on tourism, for instance, may opt for very high standards for vehicles, while a rural area may prefer lower-cost service that uses older vehicles. Narrower coverage also often leads to less coordinated service among jurisdictions and increased inefficiencies due to restrictions about cabs from one jurisdiction picking up passengers in a neighboring jurisdiction.

The wider the geographic coverage, the greater the ability to avoid staff duplication and to afford a high level of expertise on the staff. Wider coverage also improves coordination and allows for greater uniformity in regulations and enforcement across jurisdictions. Wider coverage, especially statewide coverage, also lessens the likelihood that the regulators will be "captured" by the industry or be influenced by local politics. But removal from local politics also means removal from local accountability and, to some extent, less responsiveness to local residents.

**Entry Regulation.** Entry into the industry typically is restricted either by requiring proof of "public convenience and necessity," by tying the maximum number of taxicab permits to population in a formula, or by a flat ceiling on the number of taxicab permits. Deregulation (i.e., open entry) or deregulation with minimum service standards are the other primary options.

Open entry refers to the case where competition and market forces are allowed to determine the quantity and, in part, quality of service that is offered. Open entry with minimum service standards is a modified form of free competition where the regulatory body determines and strictly enforces the quality of service that is offered and leaves the quantity to be determined by market forces. The minimum standards that are set by the regulatory body address such issues as minimum fleet size, hours of service and geographic coverage that must be provided, driver and vehicle fitness and appearance, response time, required equipment such as two-way radios, having a lost-and-found department, and numerous other details.
# RestRICTED ENTRY

<table>
<thead>
<tr>
<th>ADVANTAGES</th>
<th>DISADVANTAGES</th>
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<tbody>
<tr>
<td>♦ It helps to maintain a stable and economically healthy industry by avoiding destructive competition.</td>
<td>♦ The criteria for entry can be very subjective and, consequently, subject to politically influenced interpretations.</td>
</tr>
<tr>
<td>♦ In the absence of market forces, it is difficult to determine the optimum supply of taxicabs. This can result in either under-supply of cabs and excess profits or over-supply of cabs and insufficient profits to maintain equipment to desired levels.</td>
<td>♦ The protection offered by regulation reduces the incentive to innovate, develop new services, and control costs.</td>
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# OPEN ENTRY

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<thead>
<tr>
<th>ADVANTAGES</th>
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<tbody>
<tr>
<td>♦ It increases competition, which tends to result in reduced response times and, in theory, to increase the incentive to innovate, develop new services, and control costs, although that appears not to have happened in practice. (See also under disadvantages.)</td>
<td>♦ Easy entry may result in an over-supply of cabs, which often results in reduced operator incomes and leads to deferred vehicle maintenance, high driver turnover, unqualified drivers, and deteriorating service.</td>
</tr>
<tr>
<td>♦ The supply of taxicabs is determined by market forces.</td>
<td>♦ If entry is given to individuals (i.e., independents), not just to taxicab companies, the result can be an extremely fragmented industry that is very difficult to police. It also, for instance, becomes next to impossible for a passenger to locate any items inadvertently left in a cab.</td>
</tr>
<tr>
<td>♦ It creates employment opportunities for displaced workers, recently arrived immigrants, and people on welfare to become economically self-sufficient in an easy-entry, low-cost business.</td>
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A Review of the Method and Structure of Taxicab Regulations in Representative Communities in Florida and Other States

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<tr>
<th>OPEN ENTRY WITH MINIMUM STANDARDS</th>
<th>ADVANTAGES</th>
<th>DISADVANTAGES</th>
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<tbody>
<tr>
<td>It increases competition while maintaining the quality of service desired by the local community.</td>
<td>Minimum standards may require more enforcement activities and resources than open entry.</td>
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<tr>
<td>If fleet-size minimums are established, regulation enforcement is much easier and the taxicab companies to some extent will be self-policing.</td>
<td>Minimum standards increase the costs of doing business, which puts upward pressure on fares.</td>
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<tr>
<td>Minimum standards may restrict the choices offered to the customer. Persons who would prefer cheaper but lower quality taxicab services may not have that option.</td>
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**Fare Regulation.** Fares can be completely deregulated and be set by the individual taxicab operators or the regulatory body can either set the fares or establish maximums that the operators cannot exceed. Under the cases with completely deregulated fares or maximums, operators typically are required to file in advance with the regulatory body the fares they are going to charge.

<table>
<thead>
<tr>
<th>FIXED FARES</th>
<th>ADVANTAGES</th>
<th>DISADVANTAGES</th>
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<tbody>
<tr>
<td>Fares can be set at the level needed to protect customers and to ensure an economically healthy taxicab industry.</td>
<td>Any benefits of fare competition are lost.</td>
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<tr>
<td>Customers can be certain of what the fare will be.</td>
<td>Generally, operators cannot segment the market according to the level of service and fare desired by different customers</td>
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<td></td>
<td>The regulatory body has the burden of determining appropriate fare levels.</td>
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## Deregulated Fares

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<tr>
<th>ADVANTAGES</th>
<th>DISADVANTAGES</th>
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<tbody>
<tr>
<td>♦ In theory, competition may reduce fares, but in practice it appears that there is little long-term change. (See also under disadvantages.)</td>
<td>♦ Competition may reduce fares and profits below what is needed to maintain an economically healthy taxicab industry.</td>
</tr>
<tr>
<td>♦ If there are no minimum standards, fare deregulation allows operators to provide a lower quality of service at a lower fare, which may be an option preferred by some customers.</td>
<td>♦ Fares may--but usually do not--increase dramatically.</td>
</tr>
<tr>
<td>♦ Fare differentials among operators make it difficult for customers, especially tourists and other visitors, to know in advance what the service will cost them.</td>
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## Deregulated Fares with Maximum Levels

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<tr>
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<tr>
<td>♦ It allows for fare competition while prohibiting exorbitant increases. (See also under disadvantages.)</td>
<td>♦ Competition may reduce fares and profits below what is needed to maintain an economically healthy taxicab industry.</td>
</tr>
<tr>
<td>♦ If there are no minimum standards, it allows operators to provide a lower quality of service at a lower fare, which may be an option preferred by some customers.</td>
<td>♦ Fare differentials among operators make it difficult for customers, especially tourists and other visitors, to know in advance what the service will cost them.</td>
</tr>
<tr>
<td>♦ The regulatory body has the burden of determining appropriate maximum fares.</td>
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### Summary

It appears that the more serious failures of deregulation during the 1970s and 1980s were a result of (1) opening up the industry to individual taxicab operators rather than to taxicab companies and (2) failing to maintain and enforce service standards.
When a city has open entry but limits the entrants to fleets of a minimum size (i.e., to companies instead of individuals), the taxicab companies then become the regulators of supply (i.e., entry). That is, the taxicab companies decide based on market forces when to expand or contract their supply of cabs on the street. The companies also tend to be self-policing about service standards because they are protecting their company name and image, which is in competition with the other companies.

On the other hand, individual owner-operators do not market a name and, therefore, tend to be much less concerned about service standards. It appears that opening entry to individuals results in the lowest-cost and lowest-quality operators entering the market and forcing out higher-cost, higher-quality operators to the point where acceptable-cost, acceptable-quality operators also can no longer compete. This occurs first at airports and cabstands where the first-in, first-out rule precludes the opportunity for choice or comparison shopping by the consumer.

Perhaps the problems with low-quality operators could have been ameliorated if the deregulated cities had tightened and strictly enforced their service standards while leaving entry and, in some cases, fares deregulated. But the proliferation of individual operators made it extremely difficult to police and enforce service standards.

The structure of the regulatory body appears not to have been a factor in the success or failure of past deregulation efforts. Nor does it appear to be a significant factor in successful regulation of the industry today. The primary concern with regulatory bodies is that they not be “captured” by the industry, which may argue for a multi-function agency or department. Adequate policing and enforcement capability is always important, but it becomes critical under any form of deregulation.

The geographic coverage of the regulatory body also has not been a major factor. The jurisdiction of regulatory bodies usually is either city-wide or county-wide. Multi-county authority is either very rare or non-existent.

As a final cautionary note, Multisystems in its 1982 report observed that "...entry decontrol should not be viewed as an experiment that may be tried and rescinded at will. ...deregulation is not always easily reversible." (Multisystems, 1982, p. iv)
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