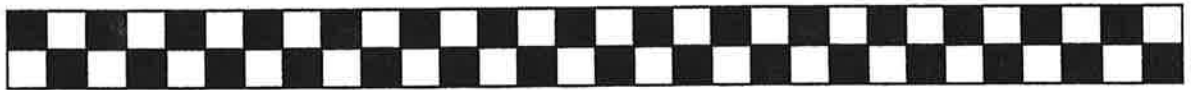


Review of Taxicab Regulatory Changes in Cincinnati, Indianapolis, and Seattle



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1.0 Introduction

This report presents the results of a study of taxicab regulatory changes in three cities: Cincinnati, Ohio; Indianapolis, Indiana; and Seattle, Washington. To understand the significance of the study findings it is first necessary to understand the context in which these regulatory changes occurred. This introductory section of the report presents provides background information on the taxicab industry, taxicab company organizational structures, a perspective of industry/government regulation, and a review of the study data collection process. Sections 2.0 through 4.0 describe the regulatory changes that occurred in each of the three cities, the motivations for those changes, and the impacts of the changes. Section 5.0 provides cross-city comparisons, and Section 6.0 presents study conclusions.

1.1 Importance of the Taxicab Industry

Myths and perceptions about taxicabs are very different from reality. Often viewed as a service of last resort operated by poorly qualified drivers, the industry is frequently misunderstood both by the public and by transportation policy-makers at all levels of government. In addition to being the mode of last resort (transportation safety net) for the elderly, disabled and poor, the taxicab is also the mode of choice for many business travelers, tourists, special school students, corporations transporting customers and packages, hospitals transporting blood and medical supplies, automobile dealers transporting service customers, and a wide range of businesses. It is an industry for which images are very misleading.

One poorly understood characteristic of the industry is its availability of service. It is perhaps unique as a nearly ubiquitous industry that provides service twenty-four hours a day, everyday. It serves virtually all cities and towns in the U.S., and it does so through operations which, with a few exceptions, are locally owned. Thus, it is an indigenous industry that is available nearly everywhere at nearly any time.

The amount and range of service provided by taxicabs in the United States is staggering. In 1986, the last year for which national survey data are available, taxicabs transported 1.43 billion passengers (Stanley and Burby, 1988). This figure compares with about twenty million Amtrak passengers, approximately two billion urban rail passengers, and over five billion urban transit bus passengers (Gross and Feldman, 1994). Taxicab operators in 1986 provided this service using 170,000 taxicabs and operating 10.1 billion vehicle-miles. Urban rail systems that same year operated over 400 million vehicle-miles, and urban buses operated about two billion vehicle miles. Thus, the U.S. taxi industry is of comparable size--depending on the measure--of urban transit buses and urban rail systems and larger than Amtrak.

These numbers, however, underestimate the size and importance of the taxicab industry. In the past twenty years the taxicab industry has diversified through new services, such as executive sedans, and through contracts with public agencies, such as transit authorities and human service providers. In 1986 nearly two-thirds of the taxicab operators provided services under contracts with hospitals, corporations, cities, transit authorities, and human service agencies. The extent of

contracting is evident in the fact that in 1986 only 83.2% of the vehicles in the taxicab industry were taxicabs. That is, there were 170,000 taxicabs plus about 34,000 vans, buses, executive sedans, and limousines operated by taxicab companies. When these additional 34,000 vehicles are included, the taxicab industry transports 2 billion passengers per year.

1.2 Taxicab Organization Structure

In interpreting the results of this study it is helpful to understand the organizational structure of the taxicab industry in the U.S. and in these three cities. Typical of the local taxi industries in other large U.S. cities, the local taxi industries in Cincinnati, Indianapolis, and Seattle are characterized by three factors:

1. Independent contractor drivers;
2. Extensive competition; and
3. A variety of organizational structures.

It is appropriate to explain how these factors are present in these three cities.

According to a 1986 national survey, more than three out of every four taxi drivers work as independent contractors (Stanley and Burby, 1988). "Independent contractor" in the case of taxi drivers means that the driver either owns or leases his or her taxicab vehicle and is free to work where, when, and how he or she wishes, subject to city regulations. Independent contractors operate as small, one-person businesses rather than as employees. Given that the trend toward independent contractor status has not abated in the eleven years since the 1986 survey, it is likely that few employee taxi drivers remain in most large cities. The taxicab fleet owners interviewed for this study indicated all their drivers worked as independent contractors.

One of the myths of taxicab service is the belief that a single company owns all the taxicabs in a city. The Stanley and Burby 1986 survey found that in cities over 200,000 population only 6.9% of the responding companies operated all the taxicabs in their cities. In fact, 58.9% reported that they operated less than half of the local cabs, and many of these were operated by owner-drivers who owned their own cabs but operated under the auspices of a fleet operator.

This large amount of local competition is evident in Seattle, Cincinnati, and Indianapolis both before and after their recent regulatory changes. In 1994, before it opened entry, Indianapolis had 392 cabs licensed among three major companies, several small companies and cooperatives, and 26 independent owner-drivers. In 1995, prior to implementation of the requirement in Seattle that all taxicab operators belong to an association, there were 210 independent owner-drivers and seven companies. There was also extensive competition among 20 companies operating in Cincinnati prior to the relaxation of entry requirements in 1994.

These three cities also reflect the national picture of organizations within the local taxi industry. All three cities have taxi companies in which some vehicles are owned by the company and leased to drivers and some vehicles which are owned by drivers but which are operated under the auspices and color scheme of the company. All three cities also have associations or

cooperatives composed of owner-drivers. And, all three cities have large numbers of owner-drivers who operate as one-person companies.

The importance of these three organizational forms results from the very different ways in which they operate. Companies, as well as some associations, often work hard to market taxi service among local businesses, tourist facilities, and general public. Companies and associations also typically have dispatch services for their drivers, and in most cities operate twenty-four hours a day. Individual owner-drivers, on the other hand, seldom do marketing, are not affiliated with dispatch services, and normally serve walk-up locations such as airports and hotel stands.

1.3 Theory of Taxicab Regulation

The underlying theory and rationale for governmental regulation of taxicab services is that such regulations are necessary to correct market imperfections. Simply put, market imperfections exist when the necessary conditions for a free market are not met (Frankena and Pautler, 1984). Some of the most important of these conditions are: many service providers; many consumers; and perfect information among consumers about the prices and qualities of all providers. In many industries these conditions are met. Restaurants are an example; there are many restaurants, and prospective diners can examine a restaurant and even review its menu before deciding to dine there. A diner can even leave a very unsatisfactory restaurant. Moreover, each restaurant has a clear identity and location, so an unsatisfied diner can decide whether or not to return to the restaurant and can tell his or her friends about the quality and price of the restaurant. There are even reviews and guidebooks rating restaurants.

For taxi service the situation is generally very different. For local taxicab consumers who frequently telephone for taxicab service, the conditions might be met. However, for other consumers the situation is very different. Persons hailing a cab, engaging a taxicab in a queue at a hotel or airport taxicab stand, trying to get a taxicab in the middle of the night, or simply not frequent taxicab users all lack adequate information on alternative taxicab providers and lack the ability to shop for cab service. And, an unsatisfied taxicab user—unlike an unsatisfied diner—may be unable to exit a moving cab in hopes of finding another, more satisfying one. For all these situations there is a need for regulations that ensure the taxicab user that some level of safety and service is met by all taxicabs.

1.4 Taxicab Regulation in Practice

Generally, taxicab regulation is a municipal responsibility. It is entirely so in most states; in a few states, such as Pennsylvania, Nevada, Maryland, and Kentucky, there is limited state involvement in taxicab regulation.

Taxicab regulation is of two types: (1) *economic regulation*; and (2) *safety regulation*. The second of these is relatively uncontroversial. Cities impose certain licensing requirements on taxicab drivers and vehicle owners. Drivers must meet age, health, driving history, and character standards. Vehicles must meet safety and design standards. While there is sometimes

controversy over how these standards are imposed and enforced, there is fundamental agreement that cities should impose safety regulations on taxicabs and drivers.

Such is not always the case for economic regulation. Economic regulation consists of three types: (1) *entry controls*; (2) *fare regulations*; and (3) *service requirements*. Of these the latter two are also relatively uncontroversial. Virtually all cities, other than a few very small ones, impose some restrictions on fares, either by setting a uniform fare or by setting a maximum or minimum fare. Service requirements include two-way communication, 24-hour service, prohibitions on soliciting passengers, conditions under which a driver can refuse to transport a passenger, and many other such provisions.

It is the entry controls that provide the controversy in taxicab regulation. Entry controls are requirements that cities place on applicants for taxicab operating licenses, not on taxicab drivers' licenses. Cities vary considerably with respect to the strictness of their entry control, and there are six categories in which these entry controls fall. These are:

1. Fixed ceiling or medallion (30.4 %)
2. Public convenience and necessity (25.4 %)
3. Minimum standards (17.6 %)
4. Open entry (12.2 %)
5. Population ratio (8.7 %)
6. Franchise (5.7 %)

The numbers in percentages are the percentages of U.S. cities with each type of entry control (Shaw *et al.*, 1983). Note that one-half of the cities with open entry had fewer than 10 taxis in the city. Also, the restrictiveness of entry in cities using a population ratio depends on the ratio chosen.

Of these entry controls the first and last ones elicit the greatest attention. Economists, reporters, and taxicab regulators in other cities point to New York City, which has had a medallion system since 1937 and whose medallions now trade for over a quarter million dollars. To critics the New York situation represents the archetypal example of the problems of a system that fixes the number of medallions over time. On the other hand, the elimination of all entry control (#4), which is discussed in the remainder of this report, creates a set of other problems such as higher fares, poor quality drivers, overcrowding at key taxi stands, poor vehicle conditions, etc. (Price Waterhouse, 1993; Gelb, 1983a and 1983b; Zerbe, 1983; Teal, 1987).

Often lost in the debate over entry controls is the fact that there are four other mechanisms for controlling entry. To varying degrees these mechanisms blend control over entry, the ability to expand taxicab supply to meet demand, and the preservation of competition. The franchise mechanism, for instance, is used by Los Angeles to limit the number of taxi companies while allowing these companies to compete with each other and to grow or contract according to how successful they are in this competition. The minimum standards option means that there is no limit placed on the number of taxicab providers but each one must meet certain standards of customer service, such as a minimum number of taxicabs, a place of business, twenty-four-hour dispatching service, and a maximum age of vehicles. The other two mechanisms are merely ways to expand the total number of taxicab licenses over time if demand increases.

1.5 Deregulation in the Taxicab Industry

During the aftermath of the airline deregulation of 1978 there was a concomitant interest in deregulation of other transport modes, including intercity buses, trucks, railroads, and taxicabs. However, whereas these other modes were regulated at the state and national levels, taxicab regulation is usually a local matter, and hence deregulation was a local decision. In fact, few cities opted for deregulation; Price Waterhouse (1993) found that 21 cities had deregulated their taxicabs prior to 1983 and that no cities were known to have deregulated between 1983 and the time of the Price Waterhouse study in 1993.

Still, these 21 cities--especially Seattle and San Diego--received extensive attention from transportation regulators across the country and were extensively studied (Gelb, 1983a and 1983b; Teal, 1987; Frankena and Paulter, 1984). "Deregulation" in the case of taxicabs almost always has meant "open entry," a term that means a dramatic reduction in requirements that an applicant must meet in order to be granted a license to operate a taxicab. A few cities have also experimented with deregulation of fares, but primarily deregulation has meant open entry into the industry.

These 21 cities show the dramatic differences between economic theory and actual results. Proponents of taxi deregulation argued that open entry would enable new, better operators to enter the taxi industry, thereby instilling more competition which would improve service quality and reduce fares (Frankena and Paulter, 1984). In reality, nearly the opposite occurred as fares increased and service quality declined. New entrants did not enter the industry; rather, existing drivers became independent driver-owners and congregated at airports and hotels. Price Waterhouse concluded, "In retrospect, the effects of taxi deregulation have ranged from benign to adverse."

Dempsey (1996) has presented the theoretical explanation for the differences between the predictions of deregulation proponents and the actual results. He argues that, unlike the other deregulated transportation industries, the taxi industry is characterized by low capital costs and customers who do not have the opportunity to shop among different taxicabs. As a result, in a deregulated environment taxicab operators have a perverse economic incentive to drive down their costs and service quality instead of competing for new customers. The result is a proliferation of owner-drivers who can enter the market without incurring costs for a central office, dispatching, 24-hour service, marketing, and sit at public stands at hotels and airports.

Given the results of the 21 cities' experiences, it is easy to understand why Price Waterhouse found only 4 cities had retained their open entry regulations and that the impetus for re-regulating the industry came first from the airports. The recent actions by Seattle represent a full circle return to regulation after experimenting with open entry and deregulated fares in 1979 (Zerbe, 1984; Lewis, 1995; Avants *et al.*, 1995). The actions of Indianapolis and Cincinnati, however, are noteworthy as the only two cities in the past decade or so that have chosen to deregulate their taxi industries.

1.6 Study Goals/Objectives

This report presents the results of an examination of recent taxicab regulatory changes in three cities: Cincinnati, Ohio; Indianapolis, Indiana; and Seattle, Washington. These three cities are not similar in their regulatory actions. Two of the cities have implemented open entry while the third has moved strongly in the opposite direction. However, given that few large U.S. cities have implemented new taxi regulatory policies in the past decade, the actions of these three cities are of considerable interest. As a result, the International Taxicab Foundation has funded this study to examine the impacts of the regulatory changes in these three U.S. cities.

The intent of this study is to provide accurate documentation of why regulatory changes were made in each of the case study sites. The study is also intended to clearly identify and describe the impacts that these regulatory changes have had on service quality, local taxicab fleet operators and drivers, the tourism industry, neighborhood groups, regulatory agencies, and passengers.

1.7 Data Collection Methodology

In conducting this study the research team relied on first-hand information collected on-site in the three cities. Two members of the team visited each city for approximately three days each. In addition the team followed up with telephone calls to gather additional information and to clarify information gathered during the in-person interviews.

The in-person and telephone interviews were conducted in all three cities with key stakeholders, including representatives from: the taxicab industry (fleet owners and taxi drivers); the tourism industry (hotels and restaurants); neighborhood groups; and local taxicab regulatory and enforcement agencies. These interviews were conducted following an interview guide designed to solicit information on three primary issues:

- (1) What regulatory changes occurred;
- (2) Why did the regulatory changes occur; and
- (3) What have been the results of these changes?

By interviewing persons with different perspectives on the taxi industry the study team endeavored to obtain a balanced, objective answer to these three questions.

2.0 Cincinnati, Ohio

2.1 Introduction

The metropolitan area of Cincinnati covers 3,810 square miles and had a 1990 population of 1,744,124. The City supports a variety of public transportation alternatives that includes fixed-route bus and specialized human transportation. Taxicabs are a vital component of the public transportation network. The area is serviced by 499 taxicabs representing 44 taxicab companies. In 1994, Cincinnati adopted a taxicab ordinance that relaxed entry into the market. While this ordinance maintained the public convenience and necessity form of entry regulation, new criteria were inserted which made it much easier for applicants to demonstrate that new services would meet the needs of public convenience and necessity and thus gain entry.

2.2 Historical Changes in Taxicab Regulations - 1940's to 1993

During World War II, a two-tier system for regulating vehicles for-hire was implemented in Cincinnati due to wartime restrictions on fuel, tires, and vehicles. This was the first occurrence of opening entry into the taxicab industry in Cincinnati. In addition to taxicabs that operated throughout the metropolitan area, automobiles for hire were authorized to operate only in suburban locations. Business for the latter operators was generated through telephone calls only; automobiles for hire were not allowed to use taxicab stands. Following World War II, automobile for-hire operators were allowed to become licensed taxicabs.

In 1986, public vehicle regulation was transferred to the Office of Consumer Protection from the Police Department. There were a total of 348 taxicab licenses issued to serve the city. Additional licenses were not issued due to an inability of applicants to prove an unmet need to serve the public convenience and necessity. Yellow Cab of Greater Cincinnati held approximately 275 of the 348 licenses and leased licenses to individual drivers who operate their own vehicle.

In 1987, an individual submitted an application for 80 taxicab licenses and proposed this new company would use new vehicles and outfit drivers in uniforms. At a public hearing, existing taxicab company owners prevailed on the City Council to place a moratorium on issuing new licenses. One council member requested that the Chief of Consumer Protection rewrite the ordinance to better reflect his view of how the taxicab industry should be regulated. The council member who made that request subsequently became mayor.

The City Council dealt with the proposed revisions to the ordinance on a piecemeal basis. The only significant change that was adopted was the addition to the vehicle safety inspection program of an annual mechanical inspection to be conducted by an Automotive Service Excellence (ASE) certified inspector.

During 1988-1993, the City operated under an unofficial cap of 348 taxicab licenses issued.¹ This was an administrative policy decision; no cap on the number of taxicab licenses to be issued was specified in the City ordinance. No additional taxi permits were issued during this time as no applicant could prove the need for additional taxicabs under the public convenience and necessity requirement.

In 1993, Yellow Cab Company of Greater Cincinnati was sold to an owner of approximately 60 taxicab licenses who had been affiliated with the company and whose vehicles wore the Yellow Cab Company colors. During this individual's tenure as Yellow Cab Company owner, there were problems with taxicabs failing mandatory vehicle emissions tests because of disconnected pollution control equipment in 1996. As a result, the federal government levied a large fine against the company, which led to that owner entering bankruptcy and defaulting on his business loan from the previous company owner. Therefore, in 1996, the person who had sold the company in 1993 repossessed the company. As a result of this incident, Yellow Cab Company lost over 100 licenses, and when it was repossessed in 1996 Yellow Cab Company operated 168 taxicabs. It was reported that the publicity generated from the vehicle emissions test failures resulted in an unfavorable perception of the taxicab industry by several local government officials and increased political support for changing taxicab regulation in Cincinnati.

In 1993, just prior to the open entry ordinance, Yellow Cab was the largest taxicab company. Skyline Taxi, the second largest company at that time, operated approximately 75 taxicabs. There were a total of 20 taxicab companies operating 348 taxicabs. There were 8 independent owner-drivers and six with twelve cabs or fewer. About 75 percent of taxicab licenses and about 90 percent of the radio-dispatched taxicabs operating in Cincinnati were affiliated with three companies.²

2.3 Motivations For the 1994 Regulatory Change

There were several motivating factors that lead to the 1994 regulatory changes in the City. First, several taxicab license holders affiliated with Yellow Cab Company of Greater Cincinnati as well as drivers from a variety of taxicab companies made City Council members aware of their desire to own and operate their own taxicab company. The mayor and a majority of City Council members came to believe that a greater number of independent owner-drivers should be allowed to participate in the industry. Also, some of these local politicians disliked the practice of "selling" taxicab licenses and believed licenses should not have a value other than that charged by the City.

Another motivating factor was that regulators and City officials believed that relaxing entry requirements would result in an improvement in the condition of taxicabs and an improvement in service, particularly to areas experiencing inadequate service. The City was investigating

¹ "Taxicab Regulation in Ohio's Largest Cities," prepared by the Buckeye Institute for Public Policy Solutions, Dayton, OH, 1997.

² Arthur L. Herold, "Statement of Arthur L. Herold: Webster, Chamberlain & Bean, Washington, DC, on Behalf of Consolidated Transportation, Inc., Skyline Taxi, Inc., and Veterans & Best, Inc. Before the Law & Public Safety Committee of the City of Cincinnati," January 29, 1991.

potential means of improving the safety, maintenance, and appearance of taxicabs and improving drivers' appearances through changes to the ordinance regulating taxicab operations.³

Taxicab company owners were opposed to open entry because they believed that drivers would start independent companies, generating two unfavorable consequences. First, existing companies would need to recruit new drivers to replace those who left to form their own companies. Second, new companies would not be required to utilize central dispatching, provide 24-hour service, or provide service to all areas within the City. Each of these practices, while enhancing the quality of service, adds to the cost of providing taxicab service. If these requirements were to be deleted from the ordinance, existing taxicab companies would be competing unfairly with new independent operators who would not be required to shoulder the same cost burdens to provide service, leading to an overall degradation in taxicab service. The existing fleets will then have to re-evaluate whether to continue to provide late-night service and to respond to short trip requests.

2.4 Key Provisions of Regulatory Changes --February, 1994

The Cincinnati taxicab ordinance was revised effective February 1994. The 1994 ordinance (Chapter 407: Public Vehicles, Chapter 408: Drivers' Licenses for Public Vehicles) applies to taxicabs, limousines, handicapped livery vehicles, animal-drawn carriages, and pedicabs.

The 1994 ordinance retained the provision that applicants prove a need for service based on "public convenience and necessity" in order to obtain a license. However, the primary criteria specified for public officials to determine if a public vehicle license is to be issued include:

- "Whether the vehicle for which the application is made is a suitable vehicle to be operated as a taxicab...."
- "Whether the applicant's proposal will increase taxicab service in areas of the city where taxicab service levels are deemed inadequate...."
- "Whether the applicant's proposal includes service improvements above the level of service generally available from taxicabs currently operating in the City of Cincinnati."
- "The applicant's history in the operation of taxicabs or other public vehicles in the City of Cincinnati and other communities."
- "The applicant's procedures for inspection and maintenance of its taxicabs."
- "The applicant's training procedures for its drivers."
- "The applicant's rules and regulations governing driver's appearance and conduct."
- "Other matters presented by the applicant or other parties which relate to the issue of the public convenience and necessity which the director deems of value in determining whether the application should be granted or denied."
- "In determining public convenience and necessity the director shall not consider the impact an applicant's business may have on the business of existing license holders."⁴

³ Ibid.

⁴ Cincinnati Municipal Code, Chapter 407: Public Vehicles, Section 407-7: Issuance of Public Vehicle Licenses, February, 1994.

The final criterion has been interpreted as removing any burden of proof on the applicant for showing public convenience and necessity and thereby effectively eliminating any cap on the number of taxicab licenses that the City may issue. Anyone with a vehicle passing inspection and appropriate insurance coverage may now apply for a taxicab license and be likely to be granted a license.

The 1994 ordinance removes any service requirement, including 24-hour service, all-city service, and dispatching service. In contrast, however, to its hands-off approach to service requirements, the ordinance does stipulate a minimum fare of \$3 per trip.

The 1994 ordinance does not state a cap on the number of licenses that the City may issue. There were 347 taxicab licenses issued and 20 companies in business in 1993 just prior to open entry. Following adoption of the new ordinance, the number of licenses issued quickly rose to 587, and the number of companies in operation rose to 40. The number of independent owner-drivers increased to 19.

In 1998 there are currently 44 companies licensed to operate taxicabs in Cincinnati. Twenty-three of those companies are independent owner-drivers. Another three companies are comprised of an owner-driver plus one or more other drivers who own their own taxicab. There are currently 639 taxicab licenses issued. However, 110 of those licenses are now in escrow for non-usage. Cincinnati is unique among the three cities in placing into an escrow pool licenses that are surrendered, revoked, or not renewed. The City may also place a license in escrow due to lack of an operational vehicle. A license or licenses in the escrow pool may be reclaimed singly, severally, or totally without a showing of need and necessity. A license placed in escrow remains available for restoration to the owner for a two-year period. If the licensee has not restored the license within this two-year period, the license reverts to the City. According to regulatory personnel, escrow of licenses has mostly occurred at small companies operating 1-2 taxicabs.

Table 2.1 shows significant changes in the taxicab industry and in regulations that have occurred in Cincinnati since 1986.

Table 2.1: Significant Changes in the Taxicab Industry and Regulations in Cincinnati

Criterion	1986	1990-93	1994	July, 1997
Taxicab Companies	33	22 (1990) 21 (1991) 20 (1992,1993) 8 independents	40 19 independents	44 23 independents
Taxicab Licenses	348	347 (cap of 348)	587 (cap lifted)	639 of which 110 are in escrow
Licensed Taxicab Drivers	Not Available	1990-91 Not Avail. 1,301 (1992) 1,174 (1993)	1,170	1,007
Fares	Maximum Fares - Amount Not Available ⁵	Maximum Fares - Amount Not Available ⁵	Maximum Fares - \$2 drop, \$0.20 per 1/6 mile, \$12.00 per hour wait. \$3 minimum fare.	Maximum Fares- \$2 drop, \$0.20 per 1/6 mile, \$12.00 per hour wait, \$3 minimum fare.
Inspectors	3	3 until 1992 2 after 1993	2	2
Vehicle Inspections	Safety - Semi-Annual	Safety - Semi-Annual	Safety - Semi-Annual	Mechanical - Annual, Safety- Semi-Annual
Liability Insurance Required	Not Available	\$100,000 minimum as of 11/19/88	\$100,000 minimum	\$100,000 minimum

The number of licensed drivers currently fluctuates between 900-1100 (a 15% reduction from pre-deregulation levels). Applicants are examined by the director of safety or his designee as to their knowledge of the provisions of the taxicab ordinance, the geography of Cincinnati, and local traffic regulations through a written examination.

The 1994 ordinance revisions also established a minimum fare of \$3 per trip reportedly due to the compact size of the City. A maximum fare structure has been in effect during the 1986-1997 period. Current maximum fares are: \$2.00 drop charge, \$0.20 per 1/6 mile, and \$12.00 per hour waiting time. Fares for trips to locations outside Cincinnati are based on the meter rate plus a surcharge. The total fare rate charged for mileage outside the City limits must be no more than 25 cents per mile in excess of the meter rate.

⁵ The taxicab inspector was unable to provide these amounts.

Approximately 20 years ago there were 5 inspectors who, in addition to taxicabs, held responsibility for inspecting City buses. There were 3 inspectors as recently as 1988. The 2 current inspectors have responsibility for oversight of all public vehicle licensing—including limousines, animal-drawn carriages, pedicabs, and handicapped livery vehicles—as well as inspecting taxicabs.

The 1994 ordinance revisions increased the rigor of taxicab inspections. Prior to 1995, taxicabs were subjected only to a safety inspection. Under the current ordinance, taxicabs must pass an annual mechanical inspection by an Automotive Service Excellence (ASE) certified mechanic, plus semi-annual safety inspections by City inspectors. Taximeters are subject to semi-annual inspections. The addition of the mechanical inspection requirement is perceived to be an outcome of Yellow Cab Company operating taxicabs in poor mechanical condition and unable to pass mandatory vehicle emissions tests during the 1993-1994 period. Failure of these tests resulted in the federal government levying a large fine against the company and was largely responsible for the company going into bankruptcy.

Minimum liability insurance on each licensed public vehicle, except handicapped livery vehicles was increased through the 1994 ordinance to \$100,000. Handicapped livery vehicles must be covered by a \$1 million combined single-limit liability policy (death, personal injury and property damage). There is only one insurance company currently writing coverage for taxicabs operating within the City.

Other current regulations affecting vehicle licenses include:

- Companies providing radio dispatch must secure a public vehicle dispatching office license, at an annual fee of \$16. Radio dispatch is not required.
- Twenty-four hour service is not required.
- Licensees holding 25 or more taxicab licenses must apply for additional licenses in blocks of five.
- A reasonable and consistent effort must be made to operate all taxicabs within a given 30-day consecutive period, or the license may be revoked. However, licensees with 10 or more taxicab licenses may keep up to 10 percent of their vehicles out of use. Licensees with less than 10 taxicab licenses may keep one vehicle out of use.
- Licenses may be transferred between licensed owners for a \$10 fee.

2.5 Impacts From the 1994 Regulatory Change

2.5.1 Market Share

Prior to the 1994 relaxation of entry there were 20 companies in operation. Yellow Cab Company of Greater Cincinnati, held approximately 275 of the 347 licenses issued in 1993. Due to the 1994 regulatory changes, other taxicab companies were started and/or expanded (Towne Taxi, Around the Clock Taxi, etc.).

There are now 44 taxicab companies legally operating in Cincinnati with the majority of the City taxicab business held by five companies--Yellow Cab Company of Greater Cincinnati (97 licenses), Skyline Taxi (77 licenses), Towne Taxi (45 licenses), Around the Clock Taxi (48 licenses), and Veterans Taxi (21 licenses). Individual license holders are also affiliated with each of these companies--Yellow Cab Company of Greater Cincinnati (4 affiliated licenses), Skyline Taxi (1 affiliated license), Towne Taxi (21 affiliated licenses), Around the Clock Taxi (21 affiliated licenses), and Veterans Taxi (2 affiliated licenses). Twenty-three of the 44 companies possess one license, and several companies provide service primarily to suburban areas.

2.5.2 Disparity Between Services Offered By Large and Small Companies

Fleet owners were critical of the disparity between service provided by the larger taxicab companies and independent owner-drivers. The larger companies provide central dispatching, 24-hour service, and service to all areas within the City. Many independent owner-drivers primarily serve friends and repeat customers within a limited area and do not operate 24 hours or 7 days throughout the week. Suggestions to improve this situation, which were provided by both taxicab fleet owners and a regulator, include:

- Requiring provision of central dispatching (through either a company or a dispatching association);
- Requiring provision of 24-hour service;
- Requiring every company fleet to have a minimum number of taxicabs as a means of helping to ensure that service is available to all areas of the City;
- Requiring every company to have an office location; and
- Requiring drivers to log all drop locations.

The purpose of implementing these suggestions is to create an “even playing field” throughout the industry by treating all operators the same while at the same time ensuring customers that all operators meet at least a minimum level of service.

2.5.3 Service

Taxicab owners, regulators, and customers stated that there is currently a need for additional taxicabs in service at night, as shown by the difference between typical wait times during the day and at night which were cited by company owners and customers. Fleet owners reported that the average wait time for service during daytime hours is 15-20 minutes, compared to 1-1-½ hours at night. The reason given for that difference is that few independent owner-drivers work at night, and those who do work nights generally provide service only to known customers. It was also reported that the reason for the lack of taxicabs on Friday and Saturday nights is that the day business is lucrative enough that drivers do not need to drive nights. It was declared that drivers who are willing to work nights are particularly difficult to find in Cincinnati. Several customers stated that the average response time to an address in a public housing project was 45 minutes during daylight hours, but that taxicab service to that neighborhood is often not available after 5:00 p.m. This lack of service has existed for the past four years (since deregulation).

2.5.4 Driver Shortage

All the taxicab company owners interviewed cited a current shortage of qualified drivers. This is the result of the relaxing of regulations on entry to the business, which has resulted in a rather fixed supply of drivers now spread over more cabs. The difficulty of attracting new drivers to the industry is shown through price competition in the daily lease rate charged to drivers by companies. There have been periodic price wars among larger companies in an effort to attract drivers away from other taxicab companies.

Fleet owners stated that current driving record requirements and the prohibition on hiring individuals with a criminal history are excessively strict and prevent some otherwise qualified drivers from gaining work, thereby reducing the potential labor pool.

2.5.5 Other Problems Cited

Deregulation has not led to an improvement in vehicle condition. A regulator expressed the belief that additional enforcement personnel are needed at this time, since the number of enforcement personnel has remained constant for the past five years despite the increase in the number of public vehicle licenses issued. Several customers stated that the poor condition of many vehicles had not improved since the 1994 change in regulation, and service is poor on weekends and at night, especially in poorer neighborhoods. However, enforcement personnel believe that taxicabs are in somewhat better condition now than prior to the relaxation of entry, and credit this improvement to ownership of cars by independent owner-drivers. The taxicab inspector stated there has been no decrease in the number of complaints since entry was relaxed. The inspector was unable to provide the number of complaints received before and after deregulation.

The larger taxicab company owners said that the lack of a requirement for 24-hour, 7 days per week service and central dispatch has created differing expectations for service provided by independent owner-drivers compared to larger companies. As one large company owner stated, "Companies need to provide equal service. Now the four large companies provide service at their expense; other small companies eat the gravy." Providing taxicab service late at night and early in the morning is not profitable but is generally believed to be critical to the community. A regulator believes 24-hour service should be required as a condition of receiving a taxicab license. This regulator believes that independent owner-drivers should be accorded an opportunity to operate their own business, but that the owner-drivers should be held accountable for providing service 24 hours a day. His suggestion of a means to achieve these goals was that independent owner-drivers form groups to reach some minimum required size for a company or association, an approach which Seattle has adopted (Section 4). The association would provide a means of providing sufficient taxicabs to provide 24-hour, 7-day service throughout the city while allowing owner-drivers to operate their own businesses.

One practice that existed prior to the relaxation of entry and persists afterward is taxicab drivers providing service in areas for which they do not hold valid licenses. This problem exists in the greater Cincinnati area on both sides of the Ohio River in both Ohio and Kentucky. Cincinnati-licensed taxicabs, with the exception of 31 vehicles permitted to operate from the Greater

Cincinnati Airport under sublease agreements with Kentucky operators, cannot legally pickup at the airport, which is located in Kentucky. This situation results in deadheading for all Ohio operators except these 31 taxicabs. It also prevents a large influx of independent owner-drivers from obtaining Cincinnati licenses and waiting at the airport with the associated problems of overcrowding, soliciting, litter, etc.

3.0 Indianapolis, Indiana

3.1 Introduction

The metropolitan area of Indianapolis covers 3,532 square miles and had a 1994 population of 1,461,700. The City supports a variety of public transportation alternatives that include fixed-route bus and specialized transportation. Indianapolis implemented a significant change in its regulation of taxicabs with 1994 revisions to the City-County ordinance that allowed open entry into the taxicab business and established a maximum fare structure.

3.2 Historical Changes in Taxicab Regulation - 1970-1993

The unified City/County government was implemented in 1970; creating the Consolidated City of Indianapolis. Taxicab regulation was placed in the Controller's Office. Until the late 1960s, there were 423 taxicabs licensed in Indianapolis. Prior to 1970, the City taxicab ordinance had limited the number of taxicab licenses available by a population ratio of one cab per thousand population. In 1970, that limit was replaced with a ceiling of 600 taxicab licenses. Both prior to and following the 1970 change in the maximum number of licenses to be issued, taxicab licenses were issued based upon a finding of public convenience and necessity. In 1972, 502 taxicab licenses were issued. Red Cab held the majority—approximately 400—of these licenses. Four other companies held approximately 90 licenses, and independent owner-drivers held 10 licenses.

By 1972, Red Cab was experiencing financial and service problems. In 1973, company employees went on strike against the company, and Red Cab entered bankruptcy and ceased operations in August 1973. City officials became concerned about the condition of the local taxi industry as a result of Red Cab's problems. As Red Cab deteriorated, city officials suspected that many licenses were inactive. To curb this practice and to ensure that only active taxicabs were licensed, vehicle inspections were required every 30 days, and licenses of vehicles inactive for over 60 days were revoked.

The taxicab ordinance had stipulated that the City could revoke any permit not in use for over 60 days. This provision was the basis for the revocation and reissuance of permits. The Controller revoked 255 licenses during 1973. Taxicab licenses were redistributed at two periods during 1973 through administrative actions of the Controller's Office. The first redistribution took place in April-May of 1973, when 125 revoked licenses were reissued to new applicants. Ninety-four additional revoked licenses were reissued in April 1974.

All the available licenses were not requested. During the second period of reissuance in April 1974, a total of 466 licenses were issued, compared to the 502 licenses that had been issued in April 1973. There was only one *new* entrant to the taxicab business through these two periods of reissuing licenses. The other 33 recipients of taxicab licenses were individuals from within the taxicab business, many of whom were taxicab drivers. Requirements to provide 24-hour dispatch and to maintain a downtown office were retained but not enforced. There was no

requirement for a minimum number of taxicabs.

In 1985, the Controller's Office again made vehicle licenses available, but there were no applications for licenses. While the City-County ordinance allowed the Controller's Office to issue a maximum of 600 taxicab licenses, the number of taxicab licenses issued was at the Controller's discretion. There were 393 licenses issued in 1985. The Controller believed there was a need for additional licenses at that time; therefore, applications were sought for additional licenses. No applicants came forward.

In 1993, the year prior to Indianapolis/Marion County adopting open entry and maximum fares, twenty-nine taxicab companies were in operation, and 392 taxicab licenses were issued. This represents a decrease in both the numbers of taxicab companies and taxicab licenses from 1974, when thirty-six companies were in operation and 466 taxicab licenses were issued.

3.3 Motivations For the 1994 Regulatory Change

The primary motivation for deregulation of the taxicab industry in Indianapolis came from the City/County government, particularly Mayor Stephen Goldsmith, who held a philosophical view that government services should be privatized and/or deregulated in those instances in which potential economic benefits could be realized. Mayor Stephen Goldsmith formed the Regulatory Study Commission (RSC) through an executive order in 1991. The purposes of this commission were to investigate the feasibility of privatizing many publicly provided services and to revise government regulation of various boards, agencies, and commissions. A total of 61 different municipal services were privatized or deregulated as a result of RSC studies. Taxicab regulation was among the first public services to be examined by the commission. The RSC study of deregulating the taxicab industry focused on opening entry and changing from a City-set fare structure to a maximum fare structure. The study also recommended deleting the requirements for 24-hour service and radio dispatching.

Government officials believed that burdensome regulation should be minimized, allowing market economics to dictate business success or failure. Mayor Goldsmith stated, "The taxi industry is a good example of an area where regulations had completely displaced the economic principles of demand and competition."⁶ A former member of the RSC stated that the impetus for investigating deregulation of the taxicab industry were:

- The ordinance was seen as restrictive to entrepreneurial activity. Taxicab drivers wanted to be business owners, and government officials believed the ordinance unfairly prevented this from occurring.
- Prices were fixed. This was the only instance of a price for a service being fixed at the municipal level.

Several taxicab drivers had approached government officials requesting the ordinance be changed to allow entry into the taxicab business with fewer restrictions. The majority of those drivers were African-Americans. Therefore, opening entry to the taxicab industry offered an

⁶ "Regulation and the Urban Marketplace," Stephen Goldsmith, Cato Institute, January 1997)

opportunity for government officials both to advance their economic and entrepreneurial philosophy and to respond to pressure to increase minority business ownership.

Supporters of taxi deregulation included the Chamber of Commerce, the Indianapolis Urban League, the Hoosier Minority Chamber of Commerce, the Indianapolis Recorder, downtown hotels and banks, and some medical providers to the elderly. Supporters believed that deregulation would increase the level and quality of taxicab service, reduce fares, and provide small business start-up opportunities. "Proposal 72 was introduced to improve customer service and increase economic opportunity in the local ground transportation industry. In some areas of the city, there is little or no service and the service is not of high quality. This proposal gives everyone an opportunity to benefit."⁷

The improvements to be realized from implementing City Council Resolution 72, as cited by the Regulatory Study Commission⁸, were:

- "Open Market Entry:
The proposal (would) lift the arbitrary cap on the number of allowable taxis.
- Price Competition:
...Operators may charge whatever they want below the existing ceiling, meaning the proposal will allow prices to fall, but not rise above the maximum ceiling.
- Job Opportunities for Indianapolis Minorities:
Disproportionately, the Indianapolis black community is the demographic segment that both depends upon taxis the most, and ... can benefit the most from an opening up of that industry. The people who want and are denied the chance to own their own cabs are overwhelmingly African-American. It is not inconceivable that adoption of Proposal 72 could lead to 100 new black-owned businesses in the first six months.
- An Improved Local Ground Transportation Infrastructure:
An unreliable and expensive taxi industry hurts retail, restaurant and convention business. An improved taxi industry will have a positive impact upon the entire community.
- Allowing the Creation of a Local Jitney Industry:
This provision is extremely important to transit dependent people who can not afford the high price or unreliable service of local taxis. In addition, this provision would not only increase employment opportunities by enabling more people to get jobs, it would create jobs and business opportunities in its own industry."

Proponents of opening entry indicated that applicants for taxicab licenses were prohibited by existing regulations from starting their own businesses. In August 1992, the City Controller had attempted to award 39 new taxicab licenses by lottery. That action was blocked by a lawsuit brought by license holders that contended the controller didn't follow established procedure.

A review of the taxicab ordinance shows that it did not prohibit single-vehicle taxicab companies or stipulate a minimum number of vehicles for a taxicab company. The issue was really that

⁷ Tom Rose, Assistant to the Mayor for Regulation Affairs, as quoted in The Indianapolis Recorder, Saturday, March 26, 1994.

⁸ "City County Council Proposal 72: Improving the Local Ground Transportation Marketplace," Mayor Stephen Goldsmith's Regulatory Study Commission, March 31, 1994.

regulators had not issued additional licenses to applicants. While 392 licenses were issued, the Controller's Office could have issued up to a maximum of 600 licenses. Licenses were issued based on a finding of public convenience and necessity. Regulators did not see a need for additional licenses based on a finding of public convenience and necessity and maintained the number of licenses at a constant level.

All fleet operators opposed the proposed deregulation, arguing that consumer price gouging would result, quality of service would decline, that some taxicab companies would be forced out of business, and that drivers were being misled to believe that taxi service is easy and inexpensive to provide.

3.4 Key Provisions of Regulatory Changes --1994

Prior to implementation of Proposal 72 on July 1, 1994, entry to the taxicab industry was regulated by the need to prove public convenience and necessity, and the City of Indianapolis/Marion County set fares.

The City/County Council voted to adopt Proposal 72 in May 1994, and revisions to the taxicab ordinance became effective in July 1994 allowing open entry and changing to a maximum fare structure. The proposal made these major changes to the taxicab ordinance:

- Eliminated the cap of 600 taxicab licenses;
- Replaced a set fare rate with a maximum rate, although all rates must be posted outside the taxi and with the local government;
- Eliminated the 24-hour service and central dispatch requirement allowing companies to operate part-time;
- Lifted the prohibition against hailing a cab;
- Added licensing requirements for limousines (previously licensed by the State);
- Changed inspection of limousines and jitneys—two mandatory annual safety inspections plus up to three surprise safety inspections where warranted by citizen complaints;
- Increased the permissible operating life of taxicabs from 5 to 6 model years maximum; limousines and jitneys allowed a ten-year maximum vehicle operating life;
- Changed insurance requirements—increased the minimum liability insurance for taxicabs from \$100,000 to \$300,000, but reduced the required minimum for limousines from \$1,500,000 to \$300,000;
- Increased the annual license fee to better defray costs of issuing and administering licenses—for taxicabs and limousines from \$102 to \$152; for jitneys from \$25 - \$50 to \$152;
- Set maximum mileage and wait time rates; and
- Implemented a maximum “pick up” charge similar to a meter drop charge.

The number of taxicab stands in the downtown area was reduced from 35 to 8. It was perceived that some taxicab stands were taking space that could be better used for parking. A business organization stated that the need for taxicabs to wait in line at stands created traffic congestion

on some downtown streets, and that organization now states that the congestion no longer exists. It is impossible to state that the elimination of the requirement for taxicabs to pick up customers only at stands in the downtown area was totally or partially responsible for this change.

It should be noted that while the 1994 ordinance deregulated the taxicab industry, it actually began the municipal regulation of the limousine industry, requiring licensing of limousine and jitney operators and requiring inspections of limousines and jitney vehicles as well as taxicabs. The current ordinance (Chapter 996: Public Vehicles For Hire) applies to taxicabs, limousines, and jitanes.

Table 3.1: Significant Changes in the Taxicab Industry and Regulations in Indianapolis

	Prior to 1973-74 Redistribution of Permits	After 1974 Redistribution of Permits	Prior to Open Entry in 1994	1996	Current
Taxicab Companies	10 (5 Co.'s, 5 Indep.)	36 (4 Co.'s, 32 Indep.)	29 (3 Co.'s, 26 Indep.)	123 (83% one or two cab operations)	106 (2 major co.'s, 104 small co.'s and indep.)
Taxicab Licenses	502 <i>Cap at 600.</i> (492 major—302 Red Cab, 51 Yellow, 139 other firms; 10 Indep.)	466 <i>Cap at 600.</i> (0 Red Cab, 151 Yellow, 158 other firms, 157 Indep.)	392 <i>Cap at 600.</i> (201 Yellow, 66 Indep., other co.'s Not Available)	460 <i>No cap.</i> (172 Yellow, other co.'s and independents Not Available)	372 <i>No cap.</i> (173 Yellow, 20 Hoosier, 179 Indep.)
Licensed Taxicab Drivers*	Not Available	Not Available	Not Available 631 (1992)	Not Available	Not Available
Fares	Records Not Available**	Records Not Available**	\$0.95 drop, \$0.30 per 1/5 mile, \$0.30 per minute wait after 1 st 3, \$6.50 min. Airport.	Pick-up charge (amount not specified), plus \$0.40 per 1/5 mile, \$0.40 per minute wait, \$5 downtown flat fare.	Pick-up charge (amount not specified), plus \$0.40 per 1/5 mile, \$0.40 per minute wait, \$5 downtown flat fare.
Inspectors	1	1	1	1	1
Vehicle Inspections	Not Available	Safety - 4 per year; meter -monthly	Safety—3 per year; Meter— 3 per year.	Safety—2 per year plus up to 3 unscheduled, Meter—2-5 per year.	Safety—2 per year plus up to 3 unscheduled, Meter—2-5 per year.
Minimum Liability Insurance	Not Available	Not Available	\$100,000	\$300,000	\$300,000

*Information unavailable on number of licensed drivers due to the method of record keeping. Controller's Office

tracks only the number of new and renewal applications processed within a given year, and licenses are valid for a 2-year period. License period runs from applicant's birthday to birthday. The number of new/renewal driver's license applications for the past 4 years is: 1993—155, 1994—330, 1995—242, 1996—367, 1997—313. As of March 1998, 648 public vehicle for hire driver's licenses were issued. The 1998 figure includes both taxicab and limousine drivers.

**Information on fares and minimum liability insurance was unavailable from the Controller's Office. An historical record of this information is not maintained.

The number of taxicab permits increased initially following the 1994 deregulation but has since decreased to less than the number prior to opening entry. Thirty-two companies started within the six months following opening entry, and 75 percent of these companies were minority- or woman-owned. From opening entry in 1994 to 1996, the number of taxicab permits increased from 392 to 460. City records show that 83 percent of new entrants were small, one-or two-cab operators.

However, the number of taxicab companies decreased from 123 in 1996 to 106 in 1997. The number of taxicab permits also decreased, from 460 in 1996 to 372 in 1997. It is difficult to attribute the relative contributions of several factors to this decrease. Other forms of for-hire transportation have become available in Indianapolis. For example, jitneys are now permitted to operate in Indianapolis-Marion County. However, it was reported that no jitneys are operating in the city. Limousines increasingly compete with taxicabs, particularly in the airport market. Prior to 1994, there was a cap of 75 limousine licenses; there is no cap on the number of limousine licenses under current regulations.

While the number of taxicab companies has grown from 29 to 106 under the most recent open entry, the number of active taxicab licenses has actually decreased from 392 in 1994 to 372 currently.

The number of licensed taxicab drivers is difficult to calculate due to City/County record-keeping procedures. City/County Government officials were unable to provide an exact number of active taxi driver licenses as the Controller's Office tracks only the number of new and renewal applications processed within a given year. However, officials did state that at the end of 1992, 631 persons were licensed as taxicab drivers and there are currently 648 taxicab and limousine driver's licenses.

Complete historical fare information is not available from the Controller's Office. The rates shown for 1994, prior to enacting open entry, are accurate; however, the taxicab inspector believes that this rate had been increased just prior to that time. He was unable to confirm this or to provide the date of the increase or the previous fare rates.

Regulation of taxicab fares has changed from a government-set uniform fare to a government-set maximum fare. Prior to the July 1, 1994, regulatory changes, the taxicab ordinance set fares as follows:

- > 95 cents drop charge (base rate), 30 cents per each 1/5 mile, 30 cents per minute wait time after the first 3 minutes.
- > \$18.00 per hour plus \$1.50 per mile in excess of 12 miles in any hour.
- > \$6.50 minimum fare originating from airport.

After July 1, 1994, fares were subject to the following maximum amounts:

- 1994: An undefined base rate plus 33 cents per each 1/5 mile, extra passenger 55 cents, 33 cents per minute wait charge.
- 1995: Base rate plus 36 cents per each 1/5 mile, extra passenger 60 cents, 35 cents per minute wait charge.
- 1996 and after: Base rate plus 40 cents per each 1/5 mile, extra passenger 65 cents, 40 cents per minute wait charge.

One should note that no fixed or maximum charge is specified for the base rate for 1994 through the present. Each company establishes its base rate. Fares may not be changed more than once each calendar quarter. Current base rates range from \$1.25 to \$5.00. The two largest companies, as well as most independents, charge a \$1.25 base rate.

A flat fare of \$5 is now an option for travel within the downtown area. Customers *may* request that the meter be used instead, which in many cases results in a lesser expense, due to the compact size of the downtown area.

Historical information on the median base rate is not available; the Controller's Office does not track median rates or calculate them on an annual basis. This is due to the difficulty of compiling and computing such statistics due to the frequency of taxicab companies entering and leaving the market.

The number of taxicab inspectors has remained at 1 since 1994. Both vehicle safety and meter inspections were required 3 times per year prior to July 1, 1994. Vehicle safety inspections are currently required to be conducted only semi-annually.

The minimum liability insurance requirement prior to July 1, 1994 was \$100,000. Effective July 1, 1994, the minimum liability requirement was increased to \$300,000.

3.5 Impacts of the 1994 Regulatory Change

There are differing opinions on the success of the most recent open entry in Indianapolis. The three greatest objectives cited by regulators, fleet owners, drivers, and business and hospitality organization representatives to be realized from deregulation of the taxicab industry were:

- To increase business opportunities for those desiring to operate their own taxicab businesses, particularly members of minority populations;
- To improve customer service; and
- To open the for-hire transportation market to a variety of service options.

The first objective initially appeared to be partially accomplished, as shown by the increase in the number of taxicab operators and the initial growth in the number of permits issued through

1996. However, the more recent decrease in the number of taxicab permits and taxicab operators does not support accomplishment of this objective. It should be noted that this objective is not a *transportation* objective.

Opinions vary as to the success in accomplishing the second objective. Business and hospitality organization representatives that supported deregulation believe that (at least initially) overall customer service had improved, as shown in the following statements.

“Within 6 months of deregulation, the city reported 32 new companies had started, three quarters of which were owned by minorities or women. Pick up rates were 12% lower for new companies compared to existing companies. Average mileage rates were 3% lower, and the average rate for the first mile was 7% lower.”⁹

Eight months following deregulation, Indianapolis Downtown, Inc. (IDI) supported “the Council’s ongoing support of taxi ordinance 76 (sic). Through deregulation, we’ve recognized improvements in the following areas:

- Increased the number of individual taxicab owners/entrepreneurs.
- Improved visibility of rate by posting on outside of taxi.
- Improved quality standards. Newly licensed taxis are clean and well-maintained.
- Improved access to taxis. Customer/visitors can now “hail” a cab.
- Opened market to more limousine service.”

“IDI believes a deregulated taxicab industry is essential to its ultimate success as an affordable and efficient people mover. The positive market forces from deregulation are evident. However, taxi cabs in Indianapolis have yet to reach their highest potential as an everyday mode of transportation for our citizens and visitors.”¹⁰

However, IDI also recommended three changes to improve customer service. Those changes included elimination of the \$5.00 “Downtown zone” fare, moving a taxi zone, and incorporating a “requirement to place a window slick inside the back seat taxi window which says “Thank you for visiting Indianapolis...How’s my service? 327-5411”¹¹ A spokesperson for Indianapolis Downtown, Inc., stated that none of these recommendations has been implemented. IDI has not commented since the number of taxis fell below pre-deregulation levels, but local fleet operators stated that the reduction in total number of taxis is an objective measure of the decline in customer service being provided to the citizens and visitors to Indianapolis.

Regulators are unsure if customer service has improved since 1994, as the City/County does not maintain a historical record of the number of complaints recorded. A regulator stated that the number of complaints has increased. However, most of these complaints involved customers’ perceptions of having been charged an excessive fare. Checks by the taxicab inspector have

⁹ Ordinance 72 Update, Regulated Competition in the Indianapolis Ground Transportation Marketplace, Economic Development Committee, January 19, 1995.

¹⁰ From a letter written by Helen L. Brown, Director, Management Services, Indianapolis Downtown, Inc. to Dr. Philip Borst, Councilman—25th District, dated March 21, 1995.

¹¹ Ibid.

shown that in most instances, fares were charged correctly. With the maximum fare structure, trip fares can vary depending upon the fare charged by a particular operator. The second most prevalent type of complaint is that a driver did not know a destination address or took an excessively long route.

To respond to these complaints, the taxicab inspector modified the driving test in 1997 to determine better a driver's ability to locate specific addresses. Driver applicants are now asked to drive to one or more street addresses as opposed to a hotel or attraction. One regulator believed that there has been no change in service to poor, minority neighborhoods and to individuals with disabilities. Taxicab company owners stated they did not believe service quality had improved since open entry was implemented.

In terms of meeting the third objective, opening the for-hire market to additional service options, there are now fourteen limousine companies in operation. Regulators and airport staff stated there is increased competition from limousine service at the airport. Paratransit services have also been deregulated; regulators speculated that unlicensed neighborhood jitneys may offer increased levels of service in some areas. No jitney companies are or have been licensed by the city. However, at least one medium-sized taxicab company and numerous independent owner-drivers have left the taxicab industry in Indianapolis within the past three years.

3.5.1 Market Share

There was, and continues to be, extensive competition in the taxicab market. The number of taxicab companies operating in Indianapolis increased threefold following the periods when permits were redistributed in 1973-74. In April 1972, ten taxicab companies operated in Indianapolis—nine companies (A Cab, Duncan Cab, J Cab, Lawrence Cab, Northside Cab, State Cab, Yell-O-Taxi, Yellow Cab, Yello Taxi) plus one independent dispatching association. In April 1974, 36 companies were in operation—4 large firms plus 32 independent owner-drivers.

The number of taxicab companies remained relatively stable through June 1994, when 29 companies were in operation. The three largest companies at that time were Yellow Cab (201 licenses), Metro (41 licenses), and Hoosier (50 licenses).

Following adoption of Proposal 72 in July 1994, the number of taxicab operators initially grew to 45 companies. Currently, 106 companies provide taxicab service in Indianapolis/Marion County. The largest company is Yellow Cab (172 licenses). Other companies include Yell-O-Cab, Hoosier Cab, Union Cab, Budget Cab, Airline Cab, Reliable Cab, and A1 Taxi. There are now approximately 30 companies that operate only one or two taxicabs.

The number of active licenses now issued (372) is less than the total number of licenses issued in April 1974 (466). The number of licenses has fluctuated throughout the past 25 years, reflecting both changing regulations and changing conditions in the private, for-hire transportation industry. For example, in November 1979, 360 licenses were issued (Yellow Cab—156, Northside—71, consortium of State Cab/ Metro Cab/Carver Cab/several independents—68, other independent owners—65). In June 1994, prior to implementation of the revised ordinance, the number of taxi licenses was capped at 600 and there were 392 licenses issued (Yellow—201,

Metro—49, Hoosier—42).

3.5.2 Taxicab Company Business Failures

Some taxicab companies, particularly those with 20-50 licenses and which provided 24-hour, 7-day, radio dispatch service, were placed in a position in which they did not have sufficient resources to compete effectively with Yellow Cab and the independents for business. Those companies were not able to provide service effectively throughout the entire area and at all times of every day. Medium-sized companies also lack the flexibility and low operating costs enjoyed by independent owner-drivers. The exit of Northside Cab Company (the third largest fleet) from the taxicab business was attributed to conditions resulting from provisions of the 1994 ordinance. Yellow Cab and Hoosier Cab are the only companies now providing radio dispatch and service to all areas of the City. The owner of another company that has been in business for ten years is now considering closing that business due to lack of profitability.

Several owners and regulators stated that many taxicab businesses started by individual owner-drivers have failed within one year of start-up. Some regulators who advocated deregulation admit that success has not been as positive as had been hoped, citing the many companies entering and leaving the market. Some of these business failures were attributed to the inability of some independent owner-drivers to replace their single vehicles when they reached their maximum age threshold of six model years.

3.5.3 Fares

According to fleet owners, deregulated fares cause confusion with customers. Visitors arriving at the airport are directed to the first vehicle in the taxicab queue. Visitors may not realize that fares can differ among taxicab companies.

Several regulators and representatives of the business community believe that the \$5 downtown fare should be abolished in favor of a return to using metered fares. Metered fares are less expensive than \$5 for many trips within the downtown area, and the use of metered fares would result in cost savings for many customers. Interestingly, Indianapolis Downtown, Inc., which had advocated implementation of a Downtown Zone in 1994¹² reversed that position in 1995, and recommended charging by the meter within the downtown area.¹³

An airport representative said that fares have increased since they were deregulated. A study of fares done two years ago (after deregulation) showed Indianapolis among the 15 most expensive cities in the US for taxicab fares. As a result, airport staff stated they may investigate the feasibility of requiring lower fares for trips originating at the airport.

An examination of inflation-adjusted fare amounts shows that fares have risen a faster rate than the Consumer Price Index (CPI) for the 1993-1996 period. The cumulative increase in the CPI

¹² From an attachment to a letter from Helen L. Brown, Director, Management Services, to Dr. Philip Borst, Councilman, dated March 28, 1994.

¹³ Letter from Helen L. Brown, Director, Management Services, to Dr. Philip Borst, Councilman, dated March 21, 1995.

was 8.6 percent for the period. Using this multiplier, the 1993 fares of \$0.95 base rate, \$1.50 per mile, and \$18.00 per hour wait time would increase to \$1.03 base, \$1.63 per mile and \$19.55 per hour wait in 1996. This is significantly less in all categories than the 1996 actual prices of \$1.25 base rate (typical charge used by most operators, although this rate varies from \$1.25 to \$5.00), \$2.00 per mile, and \$24.00 per hour wait.

3.5.4 Qualified Drivers

Indianapolis, similar to Cincinnati, is enjoying a period of economic growth and low unemployment. In addition, many drivers for larger companies have started their own taxicab businesses. Owners of two of the larger companies in Indianapolis cited difficulty in acquiring sufficient numbers of qualified drivers. There is a relatively fixed pool of taxi drivers that is now serving a greater number of companies. Regulators acknowledged this problem. In 1994 alone, 40 Yellow Cab drivers started their own businesses. Another company owner mentioned the loss of approximately one-third of that company's drivers over the past three years, stating many of those drivers had become independent owner-drivers.

3.5.5 Other Problems Cited

It has been reported in the media that some drivers are unable to communicate effectively in the English language and are unable to comprehend customer requests.

Regulators and two taxicab company owners believe the lack of requirements for radio dispatch, 24-hour, 7-day service, and a central office location have resulted in the creation of a two-tier system of service. Larger companies provide service to all areas of Marion County at all times, and independent owner-drivers provide service at times and to areas at the discretion of individual drivers. A regulator also stated that the lack of a requirement in the taxicab ordinance for a central office location has made it more difficult for enforcement personnel to contact taxicab operators.

Finally, company owners believe that the lack of hiring additional enforcement personnel concomitant with the initial increase in the number of licenses resulted in insufficient enforcement activity. The Controller's Office is now responsible for administering and enforcing regulation of limousine and jitney companies in addition to taxicab companies.

4.0 Seattle, Washington

4.1 Introduction

The City of Seattle covers 84 square miles and had a 1995 population of 532,900. The Seattle metropolitan area (King, Kitsap, Pierce, and Snohomish Counties) contained 3,020,000 people within a 6,300 square mile area. The City supports, through a regional transit authority, a variety of public transportation alternatives that include fixed-route bus, specialized transportation, and light rail. In 1979, both the City of Seattle and King County opened entry and allowed taxicab companies to set their own rates. Seattle permanently closed entry in 1991; King County followed in 1992. In 1996, the City of Seattle revised its ordinance to implement a minimum standards taxi regulatory approach.

4.2 Historical Overview of Taxicab Regulatory Changes - 1979-1996

Prior to 1979, King County and Seattle each regulated both taxicab entry and rates. Entry was restricted according to a population ratio, and the City and County Councils set rates. In 1976, King County, the City of Seattle, and the Port of Seattle embarked on a program to regionalize taxicab regulations and licensing. The intent was to standardize fees and regulations, enforcement, and rate review procedures while maintaining adequate service levels throughout the county. For example, the County and the City allowed reciprocal licensing for vehicles and drivers.

In 1979, the County and the City passed ordinances opening entry and deregulating fares. Deregulation resulted in problems peculiar to each jurisdiction. For example, the airport had a surplus of taxicabs and problems with taxi drivers refusing short fares and poor conditions of taxicabs. The County and the City found that open rate setting resulted in severe abuses as evidenced by one company filing a \$10 drop, \$50 per mile charge. Each jurisdiction passed ordinances or implemented procedures to address these unique concerns. However, the variance in rates among different taxicab operators created consumer confusion resulting in a consumer perception of price gouging. It was not unusual for a traveler to pay a different return fare for transportation between the airport and downtown. Many taxicabs were also perceived to be in poor condition (Zerbe, 1983; Lewis, 1995; Gelb, 1983a).

In 1984, in response to these problems, the County returned to regulated entry by placing a moratorium on the issuance of new taxicab licenses and returned to setting taxi rates by ordinance. The City maintained open entry but limited fares by implementing a taxi rate ceiling. The County's entry moratorium expired in 1985, returning the County to open entry; however, fares continued to be set by ordinance. Also, in 1985, the Port placed a moratorium on the issuance of permits to operate at Sea-Tac Airport. This was because the number of airport permits had grown to 236, a number that airport staff deemed excessive. Airport staff stated that there was confusion among customers from the variance in fares, the poor condition of taxicabs, and poor customer service that resulted from deregulation. The airport, as a major market, had attracted a great number of taxicabs, creating long waits for drivers between trips. The airport

implemented the moratorium in response to these conditions as one step in an overall process to improve airport taxicab service. The Seattle-Tacoma International Taxicab Association (STITA) was formed in 1989. The purpose of forming this association was to place all taxicab operations at the airport under the aegis of a single entity, facilitating administration of ground transportation services. This association became, and remains, the sole taxicab operator licensed at the Sea-Tac International Airport.

King County placed a moratorium on the issuance of new taxicab licenses in 1986, when an Ad Hoc Taxi Committee was formed to study and recommend a method for determining the optimum number of taxis to operate in the County. The ordinance was revised as a result of the work of that Committee. First, a moratorium was placed on the issuance of new taxicab licenses. Second, a process was developed to establish rate and entry recommendations based on objective data. The County began to gather revenue and expense data on a quarterly basis from each licensed taxicab owner in July 1, 1988. These revenue/expense data were used by the County to establish an average net profit, which provided regulators with an indication of the industry's financial health and viability. When these data were contrasted with optimum and actual service response times, regulators could develop a better-informed view of the taxicab industry.

A Regional Taxicab Commission, which included representatives from King County, the City of Seattle, and the Port of Seattle, was formed in September 1988. The purpose of this Commission was to recommend taxicab rates, entry restrictions, and other related revisions to the King County Code. Recommendations on entry were submitted in February 1990. Those recommendations included increased standards for licensing and operations of taxicab vehicles and for-hire drivers. The Commission's term expired on December 31, 1990, before final rate recommendations were submitted. The Executive Staff of the County and the City jointly drafted an ordinance incorporating many recommendations of the Regional Taxicab Commission in the fall of 1990.

On January 14, 1991, the City of Seattle adopted Ordinance No. 108357, limiting entry in the City. The King County Council passed Ordinance No. 9986 on June 10, 1992, restricting entry in the County effective September 6, 1992.

On August 17, 1992, the County Council passed Ordinance 10498. In addition to raising fares from \$1.20 base rate/\$1.40 per mile to match the City meter rate of \$1.80 base rate/\$1.80 per mile/\$.50 per minute wait, this ordinance:

- Continued entry restrictions;
- Capped the number of taxicab licenses at 561;
- Changed the quarterly data collection process to an annual filing;
- Eliminated the mandated use of the net profit ratio in rate and entry recommendations;
- Enhanced the mechanical certification process, and safety and sanitation requirements for vehicles;
- Increased the number of mandatory safety inspections; and
- Increased for-hire driver standards for entry.

The impetus for this change to greater regulation came from the tourism and hospitality industries. Both the hospitality industry and City regulators stated there was a lack of control over taxicabs. Fare rates were not standardized and could be set at excessively high levels, some drivers lacked English language skills, some drivers lacked sufficient geographic knowledge to drive customers to requested destinations, and some drivers refused short trips.

In August 1995, King County and the City of Seattle entered into an interlocal services agreement. This granted authority for the County to issue City of Seattle for-hire driver's licenses as an agent for the City, and for the City to issue County taxicab vehicle licenses as an agent for the County. In addition, the agreement granted authority for County licensing inspectors to enforce the City taxi code as agents for the City and for City licensing inspectors to enforce the County taxi code as agents for the County. This specialization allows licensees to apply to only one agency to obtain both licenses.

4.3 Motivations Leading to Additional Regulation in 1996

By the mid 1990s, several downtown businesses, such as the Westin Hotel and Clipper Navigation, and organizations representing business and tourism interests requested increased regulation of taxicabs. Spokesmen for the business and tourism industries indicated that many taxicabs were in poor condition, some drivers lacked geographic knowledge of the City, some passengers with short trips were refused service, and some foreign guests were not transported via the shortest possible routes. Passengers complained that fares were inconsistent, i.e., one fare was charged from the airport to a given hotel and another fare was charged on the return trip to the airport. In addition, some drivers were reported to lack English language skills. The mayor and several council members were supportive of a more cooperative and coordinated regulatory effort between the County and the City. Some members of the taxicab industry also believed additional regulation would be beneficial to the industry.

These problems were determined by the City to be artifacts of the 1979 open entry, after which many independent owner-drivers entered the Seattle taxi market. Despite the various steps taken by the city, county, and airport to re-impose entry restrictions, there were in 1995 approximately 210 independents and 7 companies operating in Seattle. Most of these operators had no place of business and could not easily be located by the one on-street taxi inspector. Recognizing the magnitude of the service and enforcement problem it faced, the city brought in a peer review team of current and former taxi regulators from other cities. This team issued a report that called for increased self-enforcement by the industry (Avants *et al.*, 1995). The ordinance enacted by the city in 1996 implements the recommendations of the peer review team.

4.4 Key Provisions of the 1996 Regulatory Changes

In fall 1996, the City of Seattle changed its taxicab regulations effective January 1, 1997. The City ordinance contains some new requirements that move the city significantly toward tighter control over service quality and greater industry self-enforcement. Most significantly, taxicab license holders are now required to belong to associations, associations are required to meet

service standards such as providing dispatching, providing twenty-four-hour service, having at least 15 cabs, and using the same color scheme, trade name, and dispatch services. Radio dispatch is required for all taxicabs operating in the city. This requirement can be met by use of a mobile radio telephone service until December 31, 1999. After that date, the requirement can only be met by using two-way radio communication. Each association is also held responsible for the services of its affiliated cabs through a point system for rule infractions.

It should be noted that this new ordinance does *not* restrict entry. Each association may grow without limit, so new operators can always enter the market. Likewise, there is no limitation on the number of associations, so new associations can be created at any time. Taxicab associations must:

- Maintain a business office which is staffed between 9 am to 5 pm;
- Ensure that each affiliated taxicab is insured as required;
- Accept on behalf of any owner or driver of an affiliated taxicab all correspondence from the Director of the Department of Finance (taxi regulator) to that owner or driver;
- Collect and provide information on operations and customer complaints; and
- Pay all penalties that are assessed against the association, affiliated taxicab licensees, or affiliated drivers.

Associations may be comprised of one or more companies and/or "independent taxicabs". An "independent taxicab" is defined as "a taxicab that, prior to October 1, 1996, shared a central dispatch service with 9 or fewer other taxicabs. Independent associations now include Emerald City Taxi, Northwest Taxi, and Royal Taxi.

The City also required all drivers to retake the written examination and demonstrate English language proficiency to renew their license. These changes affect approximately 50 percent of County licensees who hold City licenses as well as County licenses.

Refer to Table 4.1 for a summary of changes from 1979 to the present.

Table 4.1: Significant Changes in Taxicab Industry and Regulations

Criterion	Prior to Open Entry in 1979	During Period of Open Entry (1979-1984)	Prior to Limiting Entry in 1991	Current
Taxicab Companies or Associations	57	~80-85	7 Companies, 210 independents	10 Associations
Taxicab Licenses	421 City 402 County	~520 City 426-648 County	City Not Available, 561 in County	645 City, ~850 County (includes Co. only and combined Co./City 166 Airport
Licensed Taxicab Drivers	Not Available	Not Available	1329 Total	1,865 Total 446 Co. only 818 Co. w/ City Endorse. 601 City only (Drivers may affiliate w/up to 3 assoc.)
Fares	County: \$0.90 drop, \$0.70 per mile, \$0.12 wait per minute.	County: \$1.00 drop, \$1.20 per mile, \$0.30 wait per minute, \$0.50 extras.	County: \$1.20 drop, \$1.40 per mile, \$0.35 wait per minute, \$0.50 extras over 2.	City/County: \$1.80 drop, \$1.80 per mile, \$0.50 wait per minute, \$0.50 extras over 2.
Inspectors	Not Available	Not Available	1 City 1 County	1.5 City 1 County
Vehicle Inspections	Not Available	Not Available	Safety: 2 per year; Meter: once per year.	Mechanical: Annual, by ASE certified mechanic; Safety: up to 3 per year; Meter: once per year.
Minimum Liability Insurance Required	Not Available	Not Available	Not Available	City: \$50,000/accident; \$25,000/person; \$50,000 property.

There was one taxicab association in operation prior to implementation of the revised Seattle and King County ordinances in 1991. The Seattle Tacoma International Taxicab Association (STITA) served as a model for the taxicab associations now required in the City of Seattle. The City has changed from regulating 106 companies and independent owner-drivers prior to January 1, 1997 to ten associations to enhance control and service.

The number of vehicle licenses increased throughout the period from 1979 to the present. Exact numbers of vehicles licensed in each jurisdiction are not available for all periods. Also, some vehicles are licensed for operation only in King County. Other vehicles are licensed for operation only in the City of Seattle. Some vehicles carry joint licenses. In addition, vehicles licensed to operate at Sea-Tac International Airport may be licensed to operate in either or both of the other two governmental jurisdictions. Compounding this confusion, under the interlocal service agreement of August 1995, King County now performs all driver licensing, and the City of Seattle now performs all vehicle inspections for both jurisdictions. There are currently 645

City-only licenses, approximately 850 County-only and combined City/County licenses. Of the 166 Airport licenses currently issued, 13 have City endorsements; the remainder have County endorsements.

The same inter-jurisdictional conditions apply to driver licensing. There are a total of 1,865 taxicab drivers now licensed. Of that total, 446 have County only licenses, 601 have City-only licenses, and 818 have County licenses with a City endorsement.

Uniform fares now apply to both King County and the City of Seattle. Both the City and the County deregulated fares in 1979, allowing taxicab drivers to set their own rates. In 1984, the County returned to established fare rates, and the City created a rate ceiling. The City adopted its ceiling rate as the established fare rate through the 1991 ordinance. In 1992, the City and County fares became identical. Note that this uniform rate is a result of circumstance, not a requirement of current regulations. City and County officials expressed the belief that a common fare rate is likely to become adopted as part of both ordinances in the near future as part of continuing efforts to coordinate taxicab regulation in the area.

Both the City of Seattle and King County have typically employed 1-2 taxicab inspectors during the past 20 years. There are currently one County Inspector and 1.3 City Inspectors, with plans to hire another City inspector at 50% time.

A semi-annual safety vehicle inspection was required for both City- and County-licensed vehicles until 1995. At that time, an annual safety inspection performed by an ASE-certified mechanic became an additional requirement. Up to 3 safety inspections may be performed on vehicles in one year, based upon violations cited at the initial inspection. Taximeters are inspected annually. The City under the auspices of the 1995 interlocal service agreement now performs all vehicle inspections for both the City and the County.

Current requirements for vehicle insurance coverage are a minimum of \$50,000 per accident, \$25,000 per person, \$50,000 property damage. These requirements have not changed for several years. Certificates of Insurance must now include coverage for underinsured motorists (\$25,000 per person, \$50,000 per accident).

4.5 Impacts of the 1991-1996 Regulatory Changes

4.5.1 Taxicab Associations

City regulations effective January 1, 1997 required all City-licensed taxicabs to belong to a taxicab association as of May 1, 1997, effectively ending autonomous operation by independent owner-drivers. Independent owner-drivers may still own and/or operate taxicabs in Seattle but must be members of an association. A "Taxicab Association" is defined as "a person or organization licensed ...that represents or owns at least 15 taxicabs licensed by the City that use the same color scheme, trade name, and dispatch services. An individual person may be a taxicab association as long as that individual owns or represents at least 15 taxicabs and

otherwise meets the requirements of (the City taxicab ordinance)”¹⁴.

Taxicab associations provide a mechanism for increased supervision of drivers, for making taxicab service more customer-focused, and for enabling taxi operators to grow according to how well they serve the public. They also bear some responsibility for the conduct and performance of their member taxicabs. Taxicab associations are assessed penalty points for specific violations of the ordinance, vehicle, and safety standards. Violations are classified according to three levels of severity. Class A violations are the least severe, and involve violations of vehicle standards, such as failure to carry a map of Seattle and the region published within the last two years, or operating requirements, such as failure to maintain a business telephone in working order during all hours of operation.

Class B violations are moderate in severity, and involve infractions of vehicle safety standards, and lack of adherence to procedural requirements for associations. Class C violations are the most severe, and include operating without a valid vehicle insurance policy or valid licenses¹⁵.

Monetary penalties are assessed against a for-hire driver or the owner of a taxicab or for-hire vehicle for each Class A, B, and C violation found away from the City’s inspection facility. These monetary penalties range from \$30 for the first Class A violation in a year to \$1,000 for all Class C violations. A vehicle re-inspection fee is assessed against a for-hire driver or the owner of a taxicab or for-hire vehicle for each Class A, B, and C violation found at the City’s inspection facility. Penalty points are assessed against the driver or vehicle owner’s taxicab association for all violations. Penalty points range from 2 points for the first Class A violation against an affiliated driver or vehicle owner in one year, to 20 points for all Class C violations by an affiliated driver or owner.

In addition to accumulating penalty points for violations attributed to affiliated drivers and owners, associations may also be assessed penalty points for violations attributable to association actions. If an association accumulates more than 5 penalty points per affiliated vehicle, on average, it must pay a penalty of \$100 per affiliated taxicab. An accumulation of more than 7 points per affiliated vehicle, on average, results in an additional penalty of \$150 per affiliated taxicab. An accumulation of more than 10 points per affiliated vehicle, on average, results in an additional penalty of \$250 per affiliated taxicab. Penalty points are accumulated on an annual basis, according to a September 1 through August 31 schedule.

4.5.2 Market Share

There are now a total of ten taxicab associations operating in the City of Seattle. In addition to STITA (166 licenses), associations now include: Emerald City Taxi (20 licenses), Farwest Taxi (117 licenses), Graytop Cabs (123 licenses), North End Taxi (24 licenses), Northwest Taxi (20 licenses), Orange Cab (99 licenses), Redtop Taxi (15 licenses), Royal Taxi (38 licenses), and Yellow Cab (176 licenses).

¹⁴ Seattle Municipal Code, Chapter 6.310.110V, October 21, 1996.

¹⁵ Refer to Seattle Municipal Code, Sections 6.310.320 and 6.310.330 for complete details of violations and their classification.

There has always been a lot of competition in the Seattle taxi industry. There were 57 companies operating prior to implementation of open entry in 1979. During the period of open entry in both the City and County from 1979-1984, approximately 80-85 companies were in operation at any given time. Just prior to the recent regulatory change in 1996, there were 7 companies plus 210 independent owner-drivers in the city.

4.5.3 Vehicle Age Limit

An eight-year maximum vehicle age requirement is being phased in over a three-year period from 1997-1999. The current maximum allowable vehicle age of nine years applies through August 31, 1998. As of September 1, 1999, no vehicles greater than eight model years in age will be allowed as taxicabs in the City of Seattle. This vehicle age limit does not apply to King County taxicabs.

4.5.4 Customer Complaints

Under the new ordinance, passenger complaints involving a City-licensed taxicab are forwarded to the appropriate driver, vehicle owner, and association for resolution. Written responses from all these parties are required within 10 days of receipt of the complaint. If a response is not received, the allegation is deemed to be true, and the City may then take disciplinary action. King County specifies an identical process with the exception of the involvement of the taxicab association, as membership in an association is not required for County-licensed vehicles.

The number of complaints of poor service from downtown hotels and the Port has decreased since additional regulatory requirements were imposed in 1996. The Westin Hotel no longer requires a special decal in order for a taxicab to provide service on its property. A representative from Clipper Navigation stated that his company has heard fewer complaints about poor taxicab service since association membership became required for taxicab operators. City staff have not noticed a significant reduction in the number of formal complaints received directly from dissatisfied customers. There are no records of the numbers of complaints received.

4.5.5 Driver Training/Examination

All applicants for a taxicab driver's license in Seattle/King County must attend a 2-day training course provided through the City of Seattle and taught by industry members. In 1995, the City began offering a 8 hour class (now expanded to 16 hours) that covers defensive driving, personal safety, geography, city/county rules and regulations, customer service. Applicants must also complete a one-week training course provided through their respective associations. This course includes two days of on-the-road experience with a licensed driver from that association.

All drivers' license applicants must pass a written test on City/County rules and regulations and local geography plus an oral English language examination developed in cooperation with educators from the local community college.

4.5.6 Other Problems Cited

All those who were interviewed expressed overall satisfaction with the state of taxicab regulation and the level of service provided. All parties (regulators, taxicab industry members, and tourism industry and business community representatives) interviewed perceived the current regulations to be an improvement over open entry and fare deregulation. The only negative comment was that some members of the taxicab industry believed that enforcement of some provisions of the ordinance is too strict. For example, all drivers are required to take the English language test and pay the associated fee. Regulators stated that the number of customer complaints might rise in the short term, due to the requirement that all taxicabs post consumer information boards listing the Taxicab Hotline phone number for complaints. However, regulators expect the number of complaints to decrease in the long term, as associations become more involved in providing more responsive customer service.

5.0 Discussion: Cross-City Comparisons

5.1 Introduction

Three questions form the basis for this study:

1. What were the taxi regulatory changes that occurred in each city?
2. What were the motivations for these changes?
3. What have been the impacts of these changes?

Based on the findings in the previous three sections we can now discuss how the answers to these questions vary among these three cities. Later, in Section 6, we draw conclusions about taxi regulatory changes in these three cities.

5.2 What Taxi Regulatory Changes Occurred?

The regulatory changes made by Indianapolis and Cincinnati are similar to each other and to the regulatory changes enacted in 1979 in Seattle. However, these changes are nearly opposite to those recently made in Seattle.

Indianapolis adopted open entry, deleted its requirements for twenty-four-hour service, removed its requirement for radio dispatching, removed its prohibition on hailing taxis, increased the maximum age of taxicabs from five to six years, and established maximum fare rates. Cincinnati adopted open entry through an extremely lenient public convenience and necessity regulation in which any applicant can obtain a taxi license just by stating where the applicant intends to provide service. The Cincinnati system explicitly prohibits the city from considering any impacts on existing operators in granting new licenses. In addition, Cincinnati removed its cap on the number of licenses and eliminated its requirement for twenty-four-hour service while imposing a minimum (\$3) fare on trips.

Seattle, on the other hand, continued to move away from its earlier open entry experiment and increased regulation by requiring all cabs to be affiliated with an association, by requiring a minimum of fifteen cabs per association, and by requiring twenty-four-hour service and radio dispatching. The requirement for radio dispatch can be met by use of a mobile radio telephone service until December 31, 1999. After that date, the requirement can only be met by two-way radio communication, to ensure use of central dispatch through each association.

Cincinnati and Indianapolis are clearly similar in their taxicab regulatory changes. Both effected open entry, although Cincinnati did so by retaining its public convenience and necessity clause but making it extremely easy to meet this standard. Both cities also reduced service requirements for taxicab operators by deleting their requirements for twenty-four-hour service, for dispatching, for a place of business, and for all-city service. Curiously, however, Cincinnati also moved toward increased regulation by establishing a minimum fare for taxi trips. Indianapolis relaxed its maximum vehicle age requirement from five to six years.

Seattle provides an interesting counterpoint as well as an indication of what can be expected to occur in Indianapolis and Cincinnati. Seattle in 1979 implemented deregulation not dissimilar to the changes recently enacted in Cincinnati and Indianapolis. The recent changes in Seattle's taxi regulations can be seen as a continuing move toward re-regulation in response to service and enforcement problems emanating from the earlier deregulation experience. Given the pattern that Price Waterhouse (1993), Teal (1987), and others have noted in deregulation experiences, one can expect that both Indianapolis and Cincinnati will experience service problems that will lead them to re-regulate their taxis.

5.3 What Were the Motivations for These Changes?

The motivations leading to the taxicab regulatory changes in these three cities differ considerably.

In Seattle the impetus for the 1996 changes stemmed directly from concern among the business and tourism communities that taxi services were of poor quality and were an important detrimental factor in the attractiveness of Seattle as a tourism and business destination. These groups believed that the taxi industry should either be more strongly controlled by the city or else more self-regulated, hence the requirements for affiliation with associations, for twenty-four-hour service, and for a point system for rule infractions.

While these industry concerns led directly to the City's increased taxi regulation, these concerns were but a step in the continuing process of remedying the impacts of the earlier experiment with deregulation in Seattle. As noted in Section 4, the city, county, and airport each took significant re-regulatory actions during the prior ten years, all designed to reverse the effects of open entry. In 1995, the City invited a peer review team of taxi regulators to review its taxi regulatory situation (Avants *et al.*, 1995). The peer review team pointed out the difficulty in enforcing any meaningful service standards with a small enforcement staff and an atomized taxi industry of 217 operators. It was the recommendations of this peer review team that were legislated into law by the City in 1996.

Cincinnati also reacted to problems within the taxi industry and dissatisfaction with the quality of taxi service. Unhappy with earlier confrontations with elements of the taxi industry over requests for new permits and tired of problems within the industry, the City reacted much as did Seattle did in 1979 when it, too, deregulated its taxi industry. Cincinnati might be described as reacting to problems rather than adopting a philosophy of government action.

This was not so in Indianapolis. Indianapolis adopted taxi deregulation as part of a philosophical approach to government action. Inspired by a mayor who advocated less government involvement in private enterprise, the City formed a commission to examine ways to reduce government regulations of all types. It elected to implement taxi deregulation despite its earlier negative experience with a limited form of deregulation in 1973 and 1974.

Indianapolis also differs from the other two cities in that its motivations expanded beyond transportation objectives. Sometime during the consideration of its new taxi regulations the City

adopted an objective of increasing the number of new job opportunities in the taxi industry, especially for minorities. Thus, in Indianapolis the deregulation initiative also became a social and jobs initiative, another fact that resembles the deregulation action of Seattle in 1979. It should be noted that the experience of Seattle and other deregulated cities has been that attempts to make the taxi industry a vehicle for social change have worked at cross purposes with passenger service quality objectives, e.g., higher fares, poor quality vehicles, short trip refusals, fewer centrally dispatched vehicles, etc. (Price Waterhouse, 1993).

5.4 What Have Been the Impacts of These Changes?

5.4.1 Level of Competition

Even prior to the regulatory changes in these three cities there was extensive competition within the three taxi industries. In Seattle there were more than 220 operators, of which 210 were independent owner-drivers. In Cincinnati there were more than twenty operators before open entry, and in Indianapolis 29 operators. This level of competition is just within the taxi industry in each city and does not include the competition between taxi operators and shuttles, vans, limousines, buses, and cars. Thus, regulatory changes were not needed in order to provide competition for taxi operators in these three cities.

In fact, in Seattle the intended impact of recent regulatory changes was to decrease governmental involvement in regulation of the taxicab industry while providing more control over operators and preserving competition. The 210 owner-drivers were required to join associations, and the result has been a much-reduced number of taxi providers: 10 associations.

In Indianapolis there has been an increase in the number of operators. Currently, about 104 independent owner-drivers and two companies compete for passengers. This large number of owner-drivers is also similar to what occurred in Seattle after its 1979 open entry and what has been reported by Price Waterhouse to occur in other open entry cities.

In Cincinnati there has also been an increase in the number of operators: from about twenty to forty-four. Here, too, the pattern exists of more independent owner-drivers (15) after deregulation. However, the growth of independent owner-drivers in Cincinnati has been dampened by the fact that the airport is located in Kentucky and has not been deregulated. Thus, unlike other deregulated cities where independent owner-drivers have become overcrowded at airports, such is not possible at the Cincinnati airport.

5.4.2 Size of Industry

One of the expectations of advocates of open entry is that new taxi operators will enter the industry after open entry. This hope was particularly evident in Indianapolis, which established as one of its objectives that minorities would enter the industry as taxi operators.

In Indianapolis there has been a *decrease* in the total number of taxi permits after the most recent

open entry (392 to 372). A similar decrease occurred in 1973-74 (502 to 466). One possible reason for this decline is the emergence of new competitors to taxi service, such as airport shuttles and executive sedans. Another factor may be that--contrary to the assertions of open entry advocates--there was no pent-up demand for taxi permits before open entry. This explanation is bolstered by the fact that the Controller's Office had not issued all the available taxi permits prior to the 1994 deregulation. One older taxi company has failed and left the industry after open entry.

In Cincinnati there has been a substantial increase in the total number of permits after open entry (347 to 499). Currently there are an additional 117 that have been suspended by the City for non-use.

No recent evidence exists regarding whether people from outside the taxi industry have entered the industry after open entry. However, for the 1973-4 open entry in Indianapolis only one person from outside the industry applied for a taxi permit; the other new permit holders were former drivers or owners (Gelb, 1983b). Anecdotal evidence from interviews indicates that few new operators from outside the taxi industry have entered the industry since open entry in either Indianapolis or Cincinnati.

5.4.3 Industry Structure

The local taxicab industries have become more disaggregated in both Cincinnati and Indianapolis and more concentrated in Seattle. Indianapolis now has 179 independent owner-drivers, Cincinnati has 44, and Seattle none.

5.4.4 Service Requirements

Both Cincinnati and Indianapolis have relaxed their service requirements by deleting their requirements for twenty-four-hour service, places of business, and radio dispatching. Seattle implemented a maximum age (8 years), dispatching, and twenty-four-hour service requirements.

5.4.5 Enforcement

Enforcement is critical to the effectiveness of taxi regulations. On-street enforcement agents handle many enforcement matters, such as vehicle inspections, responding to complaints or emergencies, tracing lost articles in cabs, and checking equipment and insurance. The enforcement burden is greatly increased with more taxicabs, more taxi operators, and more independent owner-drivers without business locations.

These three cities are evidence of the reluctance of city governments to spend much money hiring taxi inspectors. Cincinnati has decreased the number of its taxi inspectors from 3 to 2 during the implementation of open entry. Indianapolis has maintained just one inspector, as has Seattle, although Seattle has recently added a half-time inspector. Thus, while the need for

enforcement has increased, the amount of enforcement personnel has decreased.

The low-level of on-street enforcement raises serious questions about the efficacy of the regulations. Simply put, the enforcement requirements increase with the number of operators and with operators who do not have fixed places of business. In such situations taxi inspectors have great difficulty in simply locating taxi operators, and routine enforcement matters, such as articles left in cabs, become very difficult to adjudicate.

Seattle, recognizing that enforcement is critical but that it was not able to hire enough inspectors to deal with its taxi service problems, opted to increase the level of self-enforcement in its taxi industry. Thus, it adopted the requirement that all taxis belong to associations and that associations exercise responsibility for their member taxis.

5.4.6 Fares

Table 5.1 shows the current fares in Cincinnati, Indianapolis, and Seattle. It should be noted that distance and wait time rates shown for Cincinnati and Indianapolis are *maximum* allowable rates, and that actual rates may vary by taxicab company.

Table 5.1: Fare Rates

Type of Charge	Cincinnati	Indianapolis	Seattle
Drop Charge	\$2.00 (maximum)	"Pick-Up Charge" allowed but amount not specified (typically \$1.25-\$5.00).	\$1.80
Distance Charge	\$0.20 per 1/6 mile (maximum)	\$0.40 per 1/5 mile (maximum)	\$0.20 per 1/9 mile
Wait Time	\$0.20 per minute (maximum)	\$0.40 per minute (maximum)	\$0.50 per minute
Minimum Fare	\$3.00	-----	-----
Regional Center (downtown) Fare	-----	\$5.00	-----
Other	Surcharge not to exceed 25 cents per mile for trips to other cities/areas.	Extra passenger: \$0.65 maximum	Extras: \$0.50 each passenger over 2.
Typical Charge for 5 mile trip (no wait time):	\$8.00 (maximum)	\$10.00 plus Pick-Up Charge.	\$9.00

It should also be noted that Cincinnati is unique among these three cities in having a minimum fare (\$3) per trip.

5.4.7 *Age of Vehicles*

Two of the three cities have a maximum age requirement for taxicabs:

Cincinnati:	No maximum age
Indianapolis/Marion County:	6 years
Seattle (City):	8 years (by August 31, 1999; 9 years through August 31, 1998; King County does not have a maximum age requirement)

It should be noted that in Seattle the local airport authority implemented a seven-year vehicle age limit in 1989. Not only did this requirement predate the adoption of a maximum vehicle age by the City of Seattle, but also it is more stringent than the City's regulation.

5.4.8 *Customer Satisfaction*

When gathering information for this report there was a great deal of discussion regarding customer satisfaction—what is the quality of service as perceived by those using, regulating, and providing taxicab transportation. In most instances throughout the country customer satisfaction is largely a subjective matter, supported only by the number of complaints received by regulators. The number of complaints is tracked for a period of several years, and trends of increasing or decreasing numbers of complaints are noted.

Instead of this passive approach King County instituted a system of tracking response times for taxicabs at selected points within the County. A schedule of optimum average response times was established, and actual response times are calculated annually from reviews of dispatch and trip sheet records maintained by taxicab companies. Actual response times are compared to optimum average times to determine the performance of the industry in meeting customer requests for service. Information on response times for the past ten years demonstrates consistent performance within the established standards.

In addition to tracking pickup times the City and County have each established a definitive process for handling both telephone and written complaints. Complaints from customers using City-licensed taxicabs and received on the Taxi Hotline (296-TAXI) are referred to the appropriate taxicab association for resolution. Audits include a review of association complaint logs to verify satisfactory resolution of complaints.

In addition to gathering information on service response time questionnaires distributed to King County taxicab patrons gather information on driver conduct/appearance and taxicab condition. Summary information from those questionnaires is presented in Table 5.2.

Table 5.2: Results of King County Surveys

Cab Condition	1990	1991	1992	1993	1994	1995	1996
Well Maintained	70%	48%	59%	72%	69%	58%	74%
Dirty, but good repair	22%	32%	29%	14%	26%	32%	18%
Dirty, poor condition	8%	20%	12%	7%	5%	10%	7%
Driver Conduct/ Appearance							
Excellent	71%	28%	42%	55%	35%	32%	55%
Acceptable	17%	59%	43%	39%	52%	47%	34%
Not Acceptable	2%	14%	15%	4%	13%	15%	9%
Average Wait Time (Minutes)	13	16	11	10	13	10	8
Wait Time Satisfactory	85%	69%	85%	81%	89%	84%	95%

Cincinnati does not require a taxicab company to implement or follow specific customer service procedures. The taxicab ordinance only stipulates procedures and penalties for taxicab drivers and owners who violate provisions of the ordinance. There is no formal city-wide passenger complaint process nor formal procedure for handling customer complaints.

Section 996-133 of the Indianapolis taxicab ordinance stipulates that anyone knowing of the misconduct of a licensee may present a complaint to any police officer of the City or to the controller. The controller is to investigate the complaint with the assistance of the Indianapolis Police Department or the Marion County Sheriff, if necessary. The controller then notifies the licensee in writing that charges have been filed against him/her and of the time of a hearing on those charges.

5.4.9 Driver Training and Examinations

Cincinnati requires that all applicants for a public vehicle license show evidence of at least six months' experience in operating a motor vehicle or successful completion of a course in the operation of a motor vehicle given by a approved school, or both. Applicants are required to complete successfully written tests of knowledge of both the taxicab ordinance and City geography. Applicants must correctly answer at least 15 of 20 written questions and correctly match the locations of at least 30 of 35 local businesses/attractions. While the ordinance states that the application is to set forth that the applicant is able to speak, read and write the English language, there is no such statement on the application form.

Applicants for a taxicab driver's license in Indianapolis must pass a written examination and a practical test. Areas in which applicants are questioned include:

1. The applicant's qualifications;
2. The applicant's knowledge of the provisions of the ordinance and other relevant statutes, ordinances, and regulations;
3. The applicant's knowledge of the geography of Marion County and the surrounding counties;

4. The applicant's ability to communicate in English with customers; and
5. The applicant's skills in operating a motor vehicle, which may include a driving test.

A driving test has been developed and implemented to ensure that applicants can demonstrate practical use of their knowledge. According to the Taxicab Inspector, use of this test has reduced the number of complaints about drivers' lack of geographic knowledge and/or use of a longer route than necessary to reach a destination.

King County has tested for-hire drivers as a prerequisite for licensure since 1985. The examination is comprised of two parts—ordinance knowledge and geography knowledge. The examination tests an applicant's knowledge of regulations governing fare determination, driver-passenger relations, conduct, ability to understand oral and written directions in the English language, vehicle safety, and the geography of King County and the surrounding area. Of those who have taken the examination from 1985 through 1996, 4,901 passed, and 1,479 failed. Applicants for a County-only license may take the test as often as the test is given during their 60-day pending period. Applicants for a City of Seattle license may take the test two times. If they fail both attempts, they must wait 60 days before they can reapply and take the test again. Applicants do not receive a temporary license until they have passed the written examination.

5.4.10 Fees

Each of the three cities charges fees for license application and renewal for both taxicab and driver licenses. Each city also charges one or more other fees, linked to the regulatory structure in place (Table 5.3).

Table 5.3: Summary of Fees

Fee	Cincinnati	Indianapolis	Seattle
Taxicab Association/ Dispatching Office	\$16 annual for dispatching office	None	\$750 annual for Taxicab Association
Late Fee	None	None	\$75
Taxicab Change of Assoc. Affiliation	Not Applicable	Not Applicable	\$50
Taxicab License	\$161 annual, \$80.50 on or after July 1, \$10 initial application fee.	\$100 annual	\$240 annual City \$140 annual County
Late fee (renewal)	None	None	\$24 City/\$14 Co.
Change of Equipment	None	None	\$50 City/\$25 Co.
Change of Owner	\$10 Transfer	None	City: \$240 Sept-Feb \$120 Mar-Aug \$0 July 16-Aug 31
Vehicle Inspection	City inspection fees included in License Fee	Not Applicable	\$30/hour, 1 hour minimum, for re-test of taximeter
Vehicle Re-Inspection	None	None	\$20 Class A violations, \$50 Class B violations
Inspection Scheduling	None	None	\$20
Meter Registration	None	None	\$5
Suspension Reinstatement	None	None	\$50
Driver License	\$14 initial annual, \$5 annual renewal	\$18 bi-annual	\$55 annual
Add/Change Affiliation	Not Applicable	Not Applicable	\$20 (maximum of 3 associations)
Driver License Late Fee	None	None	\$10
ID Photo	None	None	\$2
Replacement License	\$1 1 st replacement of ID Card, \$2 subsequently.	None	\$5
Driver Training/ Examination	None	None	\$45 training for new applicants; \$30 Oral English Proficiency

A review of comparative costs shows that Seattle/King County is the most expensive jurisdiction of these three cities in which to license a taxicab. However, there appears to be a positive correlation between the amount of regulatory activity and the fees paid. Though the costs of regulatory fees are higher in Seattle/King County than in Cincinnati or Indianapolis, satisfaction with the regulatory structure and with taxicab service is also greater in Seattle/King County than in the other cities.

6.0 Conclusions

This study focused on three aspects of the taxicab regulatory changes in Indianapolis, Cincinnati, and Seattle:

- a. What regulatory changes were implemented;
- b. Why they were implemented; and
- c. What the impacts have thus far been of these regulatory changes.

Based on the findings and discussion in previous sections it is now possible to draw conclusions about the regulatory changes in these three cities.

1. The regulatory changes in Cincinnati and Indianapolis are similar to those of Seattle in 1979 but are opposite those of Seattle in 1996.

Both Cincinnati and Indianapolis enacted local ordinances to effect open entry into their taxi industries. These actions are directly opposite of the 1996 actions of Seattle in requiring all taxicabs to affiliate with associations and for associations to be responsible for the actions of their taxicabs. However, the actions of Cincinnati and Indianapolis are very similar to those of Seattle in 1979 when it, too, deregulated by opening entry and relaxing fare regulations. This similarity suggests that the re-regulation experience of Seattle may be indicative of what may occur in Cincinnati and Indianapolis in the future.

2. There was a competitive taxi market in each city prior to deregulation.

A common perception of taxicab service is that one or a few taxi companies control the market and open entry is necessary to bring competition to the industry. However, in all three of these cities a high level of competition existed prior to enacting of open entry.

3. These three cities appear to follow a common pattern described by the literature.

Price Waterhouse (1993), Teal (1987), Gelb (1983a,b), Dempsey (1996), and Frankena and Pautler (1984) all point out a common pattern that follows open entry in local taxi markets. Usually the fares increase and independent owner-drivers who service taxi queues at airports, hotels, and train stations obtain additional permits. A bifurcation of the industry results with companies focusing on neighborhood trips and independents serving the taxi stands. The problems resulting from too many cabs at these stands then cause the airports and perhaps hotels to institute their own controls over the waiting cabs. Subsequently, the municipal governments respond by enacting entry controls. The result is that regulation is re-imposed, which has occurred in all but four of the twenty-one open entry cities examined by Price Waterhouse.

Impacts from the regulatory changes in these three cities generally follow this pattern. An

opportunity has been created for fares to rise in Indianapolis in the period following deregulation. The cost for a typical 5-mile trip with the fare rates set prior to the implementation of Proposal 72 was \$8.45; that trip may now cost up to \$10.00 plus a "Pick-Up Charge" at the maximum rate now in effect. The price of a trip now varies among different operators due to the regulation by maximum rate; the typical price for a 5-mile trip calculated according to rates in use by the two larger companies in July 1997 was \$9.00 and \$11.25. The lack of a uniform price can be confusing to visitors accustomed to a set rate for all taxicabs. The price for a 5-mile trip is now a maximum of \$8.00 in Cincinnati and a set rate of \$9.00 in Seattle.

The level of service varies among the three cities. In Cincinnati, the number of taxicab companies doubled from 1993 to 1994, during the initial period of relaxed entry. From 1994 to 1997, there has been only a ten percent growth in the number of companies. Small independent owner-operators are reported to primarily serve downtown hotels and "personals." There has been difficulty in getting taxicabs to respond to service requests from low-income areas both before and after the regulatory changes according to residents. Residents and a regulator cited the difficulty of acquiring service during evening hours.

In Indianapolis, open entry has not resulted in an increase in the number of taxicabs; however, many independent owner-operators congregate at already well-served locations such as the airport and at downtown hotels. In both Indianapolis and Cincinnati, there is a disparity in the level of service provided by larger companies using radio dispatch and independent owner-operators using cellular telephones. The larger companies offer 24-hour, 7-day service throughout the metropolitan area, while the smaller taxicab companies tend to offer service during fewer hours and to smaller service areas.

The Seattle requirement that all taxicab owners belong to a taxicab association has placed additional responsibility for providing satisfactory customer service within the taxicab industry. Representatives from the hospitality and tourism industry reported a high level of satisfaction with operations under the current regulatory structure. The extent to which customer satisfaction has increased as a result of the driver training and testing programs is unknown. There were no perceptions from individuals who were interviewed in Seattle that any particular geographic area lacked an acceptable level of service. The supply of taxicabs at the airport is limited to those provided by one contractor.

4. Indianapolis experienced only a brief increase in taxi permits after its most recent open entry.

The number of active taxicab licenses in Indianapolis increased from 392 prior to opening entry to 460 in 1996. However, the number of taxicab licenses then decreased. In the 1973-4 open entry there was not even an initial increase in permits, and the number of permits fell from 502 to 466. For the most recent open entry the number of permits--after initially increasing--fell from 392 in 1993 to 372 in 1997.

The Indianapolis experience with decreases in the number of taxicab licenses illustrates an often-overlooked fact about taxi markets: the existence of entry controls does not necessarily mean that

there is a pent-up demand for taxi permits. Taxi operators face competition from a variety of other transportation providers as well as private autos. The removal of the cap on the number of limousine licenses (75) in Indianapolis as part of the revision of the vehicles-for-hire ordinance resulted in an increase in the number of limousine licenses. Fourteen limousine companies are currently in operation with 89 licensed limousines. The 1994 ordinance revisions also allowed jitneys to operate in Indianapolis-Marion County. No new jitneys have been licensed in the city.

5. The impacts of open entry are dampened in Cincinnati because airport is not deregulated.

One of the common occurrences after open entry has been the growth of the numbers of independent owner-drivers serving taxi stands, especially airports. The reason for this influx is that owner-drivers are able to wait at airports and eventually get trips without having to invest in radio dispatching or advertising. In Cincinnati, however, the airport is located in Kentucky and hence was not affected by Cincinnati's open entry ordinance. Thus, the city has seen only a modest number of independent owner-drivers (15). Since most of the problems with open entry have first been manifested at airports and other major traffic generators, one can expect that Cincinnati's problems with open entry will be dampened as long as the airport is not opened to all Cincinnati cabs.

6. Seattle demonstrates the long time required to remedy the effects of open entry.

Nearly two decades have passed since the beginning of Seattle's experiment with open entry. Although the airport, city, and county all took actions during the 1980s to re-regulate, as recently as 1996 the city was still coping with effects of open entry in terms of service complaints and too many operators to enforce effectively. Prior to the most recent regulatory actions of 1996, the city was still trying to regulate 217 operators, of which 200 were one-cab companies and most without places of business. Thus, the effects of open entry--especially the growth of independent owner-operators--lingered far beyond the open entry time period, making the re-imposition of quality controls very difficult.

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