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of Transportation

# Taxicab Regulation in U.S. Cities

## Volume 1: Final Report

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# **Taxicab Regulation in U.S. Cities Volume 1: Final Report**

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Final Report  
October 1983

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16. Abstract  Municipal regulation of taxicab service has recently become a matter of concern to public officials. This report presents the results of a national study of taxicab regulatory practices. The study included a national telephone survey of 120 cities, stratified by size, plus ten in-depth case studies of cities that have recently enacted substantive taxi regulatory changes. The results show that most cities regulate both entry into the industry and fare levels, and relatively few cities have changed, or are considering changing, to taxicab deregulation. The study also shows that in those cities that have made major regulatory changes, there is a common pattern followed with respect to how these changes have been considered and evaluated.					
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## EXECUTIVE SUMMARY

In many U.S. communities, taxicab regulations have recently emerged as a local concern. In some instances, this concern results from difficulties in enforcing or administering taxicab ordinances or from particular problems posed by taxi service. In other cases, the concern is generated by a desire on the part of local officials to improve taxi service or to utilize this important private sector resource in a more effective manner. In all these instances, the communities encounter the challenge of devising taxicab regulations that meet local conditions and objectives.

An important element of this challenge is the lack of information about how to regulate taxicab service. Until now, the subject of taxicab regulatory practices has received virtually no empirical research attention. Little has been known about how cities regulate taxis and how these cities are changing these regulations.

This report addresses this lack of information by presenting the results of an investigation of regulatory practices. The study focused on three objectives:

1. To determine how cities are currently regulating taxis;
2. To assess the degree to which cities are considering changes in taxi regulations; and
3. To identify the reasons for taxi regulatory changes.

The study involved a random stratified telephone survey of 120 cities and on-site case studies of ten cities that have recently made substantive taxicab regulatory changes. The investigations covered a



variety of topics ranging from the current content of taxi regulations to the procedures by which cities consider regulatory changes. These investigations were supplemented by a literature review and telephone calls to state officials in those states that regulate taxis.

The major conclusions of the study include the following:

- (1) Only three states completely regulate taxis; seven others exert partial control over taxi service;
- (2) Most cities (87.8%) limit entry into the industry, and most cities (76.7%) regulate taxi fares;
- (3) Only a small number of cities (21) have changed to either open entry or open pricing regulation;
- (4) There is currently a low level of interest in major taxicab regulatory change among U.S. cities; and
- (5) Regulatory change -- when it has occurred -- has followed a common pattern with respect to how it is suggested, considered, and enacted.



## 1.0 INTRODUCTION

### 1.1 Challenge of Taxicab Regulation

With few exceptions, municipalities in the United States regulate taxicab services. These regulations vary from city to city, yet they follow certain common themes. Most cities control how many taxis can operate and what they can charge passengers. Virtually all cities regulate drivers, vehicle quality, and insurance coverage. Moreover, these regulations have been in place since the beginning of taxicab service.

Taxicab regulation remains a challenge to cities, despite the vast experience that cities have garnered in regulating taxis. This challenge has two dimensions. One is administrative while the other is more goal-oriented in nature.

For most cities that regulate taxi service, the administration and enforcement of these regulations is at least a minor burden. Like other municipal regulatory functions, such as licensing vehicles, pets, or new construction, taxi regulation takes city council and staff time. However, taxi service poses unique administrative city-regulated functions. Taxi drivers experience a high turn-over rate, meaning added burdens on city staff in processing driver permits. Taxis serve a wide variety of people, including some who are unfamiliar with the city and hence subject to overcharging. Taxi regulation is a non-stop activity, in that complaints regarding service may be received by a city virtually any day of the year. Also, taxis ply the streets of a city, and, as a result, enforcement procedures directed toward a particular driver may require substantial time by city staff members just to locate the driver.

No doubt the largest administrative burden is that of setting fares and limiting the number of taxis to be licensed. Fare setting is never an easy public function, even in the case of public utilities for which reliable cost and revenue data are available. However, for taxi service, such data are rarely available in a reliable form, and city governments often set fares not based on costs, but rather on surveys of fare levels in other cities. Limitations on entry into the taxi business are equally vexing. Cities often experience difficulty in determining whether or not a few additional taxis are needed.

Aside from the administrative and enforcement burdens, there are other challenges posed by taxi regulation. These result from the difficulty a city has in accomplishing specific goals that involve taxi service. Some cities have become concerned about the image of the taxi industry with respect to the growth of tourism and convention business. Commonly this concern centers on taxi service at airports and on ways in which cities can improve the image of taxi service through changes in taxi ordinances. Another example is the inclusion of taxi service in public transportation programs. Some cities have changed their taxicab ordinances to permit taxicab operators to contract with public agencies, to charge non-meter fares, and to provide shared-riding. Finally, some cities have hoped to spur innovation within the industry by changing taxi regulations to permit jitney service and special fares. In each of these cases, taxi ordinances have been a tool used by cities in an attempt to accomplish specific goals.

Taxicab regulation is clearly not an easy public function. For the reasons discussed above --both the administrative and the goal-oriented problems-- cities often find taxi regulation to be troublesome. It is



not surprising, therefore, that taxi regulation is an ever-present challenge to most cities.

## 1.2 Objectives of Study

The taxi regulatory problems discussed in the previous section would be far less troublesome were it not for another factor. Cities have not had an effective mechanism to share information regarding taxi regulations. Although cities share information about many issues, there is no organization of municipal taxi regulators. As a result, little organized information about city experiences has been available since a 1947 survey of city regulators.<sup>1</sup> Instead, cities have been forced to solicit information informally from each other. One consequence has been that cities that have received national publicity for dramatic regulatory changes (i.e. San Diego and Seattle) have received numerous inquiries from other cities while cities that have implemented less controversial policies have received few inquiries.

Because of this information gap, a study was undertaken at the University of North Carolina to assess the state of taxi regulations in U.S. cities. In particular, this study has three objectives:

1. To determine how cities are currently regulating taxis;
2. To assess the degree to which cities are considering changes in taxi regulations; and
3. To identify the reasons for taxi regulatory changes.

Any attempt to study taxicab regulation runs the risk of being interpreted in a pejorative manner. A few cities in recent years have made fundamental changes in the degree to which they regulate taxicabs, particularly with respect to control over the numbers of taxicabs and fares. Some of these cities have reduced their controls. These major

regulatory changes are called "regulatory revision" and illicit significant philosophical and economic arguments among policy makers, taxi operators, and others regarding the proper amount of government control over taxi operations. Thus, any study of taxi regulations may be interpreted by some as a study of taxi regulatory revision.

This study is not an examination of regulatory revision. Further, it does not advocate more or less regulation. Rather, it is a study of what is being done, what is being changed, why changes are occurring, and the extent of these changes.

In addressing these questions, the study focuses on three aspects of taxi regulations. One is administrative procedures. This focus results from administrative problems discussed in Section 1.1. Regulating taxis takes time and is sometimes a problem. It is important; therefore, to know how cities have coped with these administrative problems.

The study focuses on two other aspects of taxi regulation: entry controls and fares. Both of these regulatory topics are important and troubling to cities; hence, they are logical subjects for any analysis of regulation.

There are, of course, many other regulatory topics that are significant. Insurance coverage, driver qualifications, and shared-riding are examples. Some of these topics are critical issues in specific cities; for example, a few cities with large numbers of foreign drivers have had problems regulating and enforcing drivers' abilities to know where streets are and to communicate with passengers. This study includes some information on these topics, but the primary emphasis is on administrative procedures, entry controls and fare setting.

## 2.0 TAXI REGULATIONS IN U.S.

### 2.1 Evolution of Regulations

The regulation of taxicabs and their predecessors began in England over three hundred years ago. In 1635, Charles I ordered that London hackneys be licensed and be restricted to certain parts of the City. His proclamation stated in part that his interest was "to restrain the multitude and promiscuous use of coaches."<sup>2</sup> Unfortunately for Charles I, he did not provide adequately for the enforcement of this first paratransit regulation, and the proliferation of hackney coaches continued.

Nineteen years later Parliament adopted a slightly different regulatory approach, one that lasted for over three centuries. In 1654, Parliament placed a limit of 300 on the number of London hackneys. They further required each hackney owner to have at least two horses per coach, one in use and one as a standby. Parliament also made the London Court of Aldermen responsible for administering and enforcing these regulations.

The early English regulations were not unchanging. As London grew, the need for hackneys surpassed the 300 limit of 1654. In 1661, the limit was raised to 400; in 1694, it was increased to 700. Finally, in 1768, it was increased to 1000.

During these years, London also expanded the scope of paratransit regulation. In 1660, Parliament imposed two licensing fees on hackney owners, one to pay for damage to the streets and one to pay for the cost of enforcement. A year later restrictions were placed on the qualifications of persons who could own hackneys. Vehicle cleanliness requirements were imposed in 1665. In 1695, a commissioner was

appointed to license hackneys. Stands at which hackneys could wait for business were regulated in 1768.

These early regulations were compiled and expanded by two London Hackney Carriage Acts, one in 1831, and a second in 1843. These acts regulated driver qualifications and conduct. They required the return of lost property, required a metal license to be mounted on each carriage, and prohibited taking a second passenger without the permission of the first passenger in a vehicle. The acts also broadened public regulation to include public inspection of vehicles. More importantly, the 1843 act resolved a legal issue by placing on the hackney owner liability for actions of hackney drivers, regardless of whether the driver was leasing the vehicle or being paid by the owner. These two acts provided a comprehensive regulatory response to the paratransit regulatory issues of the day. They also provided a model which was to be followed during the next century.

While some regulation of taxicabs occurred soon after their appearance in 1907, comprehensive regulation did not become prevalent in U.S. cities until the Depression. In the early 1930's, the rise of unemployment and unsold automobiles produced a dramatic increase in taxicabs. Automobile manufacturers and dealers leased cars that were unsold to unemployed persons who would use them as taxicabs. While fewer people could afford to ride in taxis because of the Depression, the number of taxis skyrocketed. There were 30,000 taxis in New York City alone, and an estimated 150,000 taxis in the U.S. Only 84,000 of these taxis belonged to pre-Depression operators. The excess supply of taxis led to fare wars, extortion, and a lack of insurance and financial responsibility among operators and drivers. Public officials and the



press in cities across the country cried out for public control over the taxi industry.

The response was municipal control over fares, licenses, insurance, and other aspects of taxi service. As early as 1932, 35 percent of the U.S. cities over 100,000 limited the number of taxis allowed to operate, and fourteen states had passed laws requiring mandatory insurance.<sup>3</sup> Chicago, in 1934, froze the number of taxi medallions at 4108, a number that was reduced to 3000 in 1937. New York froze the number of taxi medallions in 1932. As the Depression wore on, more cities passed ordinances controlling the supply of taxis, the fares that could be charged, and other facets of taxi service.

## 2.2 State Taxi Regulation

All 50 states have some form of taxicab regulation. However, the types of regulations vary widely, ranging from total state control to state enabling legislation that allows local jurisdictions to do their own regulation. In fact, the different types of state taxicab regulations can be viewed as a pyramid with total state control of taxicabs forming the point and very limited state control forming the wide base.

There are four distinct types of state taxicab regulation: total state regulation; state regulation through motor carrier laws; combination state and local regulation; and limited state regulations. All of these forms of state taxicab regulation have one factor in common: all state regulation (with one exception) is administered by each state's Public Service or Public Utilities Commission.

Three states totally regulate taxicabs: Maryland; Pennsylvania; and

Nevada. The first two regulate taxis through their state Public Service Commission; the state of Nevada has established a State Taxicab Authority. In all three cases, the state alone determines how many taxicabs are licensed, and the rates taxicab operator can charge. Since there is no local regulation of taxicabs in these states, local jurisdictional exceptions are included in the state regulations. In the case of Maryland, special statutes have been developed for Baltimore City and Baltimore County; these statutes explain exceptions peculiar to those jurisdictions. Maryland also limits taxicabs in its four biggest cities while the rest of the state has open entry. Before granting a permit of public welfare and convenience, the Maryland Public Service Commission considers existing taxicab and transportation services in the area along with the rate to be charged by the operator.<sup>4</sup>

Pennsylvania has taxicab regulations similar to Maryland, but they are more extensive. The State Public Utilities Commission has an open entry policy for the state with Philadelphia as the exception. In fact, all state regulations are applied uniformly, except in Philadelphia. Pennsylvania is different from both Maryland and Nevada in that it has updated its passenger carrier laws to stimulate more flexibility, innovation, and creativity in the motor transportation industry. The State Public Utilities Commission has developed laws encouraging peakload and special pricing, shared-ride service, and taxi feeder service.<sup>5</sup> While Nevada and Maryland have state regulations that deal exclusively with traditional taxi services, Pennsylvania's taxicab regulation is a model because it encourages all forms of paratransit.

The second type of state taxicab regulation is administered through the state motor carrier laws. Five states exemplify this type of

FIGURE ONE: TYPES OF STATE TAXICAB REGULATIONS

I. Total State Regulation of Taxicabs

(Local exceptions incorporated into state regulations)

Examples: Maryland  
Pennsylvania  
Nevada

II. State Regulations through Motor Carrier Laws

(Limited regulation, but does not define local areas right to regulate)

Examples: Nebraska                      Delaware  
Colorado                              Connecticut  
Montana

III. Combination State and Local Regulation of Taxicabs

(State asks for local areas opinion on entry and rates)

Examples: Rhode Island  
Kentucky

IV. Limited State Regulation

(State sets some minimum standards for health and safety, but regulation of rates and entry left specifically to local areas)

Examples: Virginia                      Florida  
West Virginia  
Most other States

regulation: Colorado; Connecticut; Delaware; Montana; and Nebraska. In this form of state regulation, taxicabs are treated as one form of motor carrier service and follow the same regulations as trucking companies and intercity bus companies. Most of the five states have a few specific regulations which only apply to taxicabs. For example, Nebraska requires all taxicabs in cities of over 15,000 to have taximeters,<sup>6</sup> while Colorado specifies when multiple loading of passengers is permissible.<sup>7</sup> In all five states the Public Service or Utilities Commission must approve all rates or tariffs. Entry into service is usually determined by the amount of existing taxicab service. Local regulation of taxicabs may be possible in these states, but the motor carrier laws do not mention whether local ordinances are allowed.

At least two states have a combination of state and local taxicab regulation: Rhode Island and Kentucky. In Rhode Island, potential taxicab operators must apply to the state for a certificate of public convenience and necessity. The State Public Utilities Commission also is authorized to prescribe adequate service and reasonable maximum fares. In these respects, Rhode Island is not very different from states in the second category of state taxicab regulation. The major difference is that no decision is made by the state until the opinions of local officials and current taxicab permit holders have been expressed. If these two groups petition the state with respect to fares, service, or operation of taxicabs, the Rhode Island State Public Utilities Commission will hold a hearing to determine whether a new certificate should be issued. Even though the opinion of local areas is used as a criterion, the state makes the final decision on the entry and rates of a new taxicab operator.<sup>8</sup>



Kentucky taxicab regulation is slightly different. The Kentucky Department of Transportation determines the need for new taxicabs and issues certificates of public convenience and necessity, but rate regulation is delegated to local areas. The state has mostly open entry for taxicabs, but some local areas have initiated their own entry requirements. The Kentucky Department of Transportation respects these limits when it issues new certificates. In both Kentucky and Rhode Island, the local areas and states work together to ensure that taxicabs are regulated with respect to entry and rate requirements.<sup>9</sup>

The final type of state taxicab regulation encompasses all other states. In these states there are minimum health and safety standards for taxicabs, but the regulation of rates and entry into service are left specifically to local areas. For example, Virginia requires taxicabs that operate outside the corporate limits of incorporated cities to get a state permit. Yet, all taxicabs operating within incorporated areas with a taxicab ordinance are exempt from this state law. Local areas usually determine the need for taxis and regulate rates.<sup>10</sup> Most other states are similar with enabling legislation which allows local jurisdictions to have their own taxicab ordinance or regulations. Overall, this type of taxicab regulation is most commonly used throughout the United States.

## 3.0 METHODOLOGY

### 3.1 Research Design

In order to fulfill the objectives outlined in section 1.2, three primary methodologies were used in this study. First, a preliminary data collection and literature review were completed to identify and evaluate existing information on local taxicab regulations and regulatory changes. The data collection was followed by a cross-sectional telephone survey of taxicab regulators in 120 U.S. cities. The telephone survey served two purposes. First, the survey supplied all the quantitative data used in this study and established a national list of taxicab regulators. Second, information from the telephone interviews was used to identify potential case study cities. The case studies constitute the final major research methodology used in this study, and they supplied much of the qualitative information.

This three-pronged research methodology ensured that the research team covered the significant aspects of national taxicab regulation and regulatory revision. The preliminary data collection and literature review provided a sound background for determining what information on taxicab regulation was available and what data needed to be collected. The telephone surveys and the case studies collected much of the missing data identified in the first step and established both a quantitative and qualitative database on taxicab regulation in the United States.

The remainder of this section, on research design, describes in some detail each research method.

### 3.2 Literature Review and Data Collection

This research method first required a review of all available

literature on state and local taxicab regulation, including regulatory revision and collecting preliminary data on other cities or states which had undergone some form of taxicab regulatory revision. The intention of this preliminary step was to evaluate existing data and identify what data on taxicab regulation needed to be collected. The literature review included all reports written during the past ten years on states or cities making regulatory revisions of their taxicab ordinances. Reports from Atlanta, Georgia; Indianapolis, Indiana; Dade County, Florida; Milwaukee, Wisconsin; Portland, Oregon; San Diego, California; and Seattle and Spokane, Washington, were considered in this initial literature review. After reviewing these reports, phone calls to these cities were made to collect additional and more up-to-date information about their taxicab ordinances.

While updating the information for each city in the literature review, additional phone calls were made to Urban Mass Transportation Administration (UMTA) officials, and the International Taxicab Association to determine if other cities had made taxicab regulatory revisions. This process uncovered a few cities other than the ones noted above, but usually the same cities were mentioned repeatedly. Fresno and Sacramento, California; and Kansas City, Missouri, were discovered through this process. Data were collected from these cities through phone calls and documents sent from each city.

Along with the initial research on local taxicab regulation, a review of state taxicab regulation was also conducted. This research was completed by reviewing data collected by UMTA staff on state regulations and calling the states known to regulate taxicabs. The data from this research are included in Section 2.2 of this report.

### 3.3 Telephone Survey

Concurrently with the literature review, the telephone survey was developed to collect information from taxicab regulators about taxicab ordinances, recent or contemplated revisions to ordinances, and methodologies used to determine the number of taxis licensed and fares to be charged. General questions on administrative procedures were also included. For example, each regulator was asked about recent taxi regulatory revisions including what was revised and why. The 24 question survey included both closed and open entry questions, and both quantitative and qualitative information was gathered from the taxicab regulators. The questions were based on the objectives of this study, other taxicab regulation surveys, and the data collected in the first research step. A copy of the final telephone survey is included in Appendix A.

As the telephone survey was developed, a cross-sectional sample of 120 U.S. cities was chosen, whereby cities were stratified by population size categories. To allow comparison with results from the National Taxicab Operators Survey, just finished at UNC, the population size categories used for the telephone survey are the same as those used in the analysis of the earlier survey. The four city size categories are: (1) 1,000,000 and above; (2) 500,000 to 999,999; (3) 100,000 to 499,999; and (4) 50,000 to 99,999. No cities with populations under 50,000 were surveyed.

There are only 22 cities in the U.S. with populations over 500,000--six cities in Category One and sixteen cities in Category Two. All but five of these large cities were interviewed for the telephone survey. New York, New York; Indianapolis, Indiana; San Diego,

California; and Milwaukee, Wisconsin were not included in the sample because their taxicab ordinances had been studied in other reports. Philadelphia, Pennsylvania, was excluded because its taxicab regulations are state-mandated. The remaining 103 cities in Categories Three and Four were chosen at random. The random sample was stratified to ensure that cities from all states and regions of the U.S. were represented in the telephone survey. A list of the survey cities is in Appendix B. After pretesting a draft survey, the final telephone survey was begun in February 1983. As each city was contacted, the interviewers requested to speak with the person in city government most familiar with the community's taxicab ordinance. The contact persons in each city varied a great deal, ranging from a city clerk or town attorney to taxicab inspectors or paratransit administrators. The variety in contact people also means a variety in the depth of answers for each question on the survey, but in most cases, interviewers felt they had talked to the most knowledgeable person in the city. When there was doubt about the reliability of contact persons, a copy of the taxicab ordinance was requested or other knowledgeable persons in the community were contacted.

The telephone interviews were completed in June 1983, and the data from the surveys were prepared for computer analysis. Of the 120 cities interviewed through the survey, 103 were complete enough to become part of the final computer database. Seventeen cities were eliminated because taxicab regulation was done by the state instead of the cities. Cities in states with state taxicab regulation were contacted to determine whether any local taxicab regulation was being done concurrently with state regulation. The survey found that no local



regulation existed in the seventeen cities from the following states: Rhode Island; Nevada; Pennsylvania; Colorado; New Mexico; Maryland; Connecticut; Kentucky; Delaware; and West Virginia.

The computer analysis of the 103 city sample was begun by separating each of the 24 survey questions into quantifiable components and registering the responses of each city through the use of a coding manual developed for the survey. The data were put into a computer database and analyzed using the SAS Statistical package to produce frequencies for each question and category of response. Cross-tabulations between questions, city-sizes, and regions were also run to determine if any significant trends had been isolated. All the data elicited from the computer analysis have been used throughout this study as quantitative evidence for trends in the regulation of entry into the taxicab industry, fare setting, and administrative procedures.

#### 3.4 Case Studies

During June and July of 1983, ten case studies of local taxicab regulation were completed by the research team. These ten cities were chosen from the cities contacted through the telephone survey and preliminary data collection. The first criterion for choosing cities was that they had not previously been studied. This criteria ensured that the case studies were not repetitive. The case study cities were also chosen for their innovative use of administrative procedures or recent revision of entry and/or fare regulations.

The ten case study cities are Sacramento and Fresno, California; Charlotte and Fayetteville, North Carolina; Dayton and Springfield, Ohio; Hillsborough County and St. Petersburg, Florida; Des Plaines,

Illinois; and Madison, Wisconsin. Of the ten case study cities, four have revised both fare and entry regulations. Two more of the case study cities have implemented innovative administrative procedures, while the final three cities have either reregulated, initiated an innovative process for regulatory change, or established innovative administrative procedures. Overall, the case study cities cover all important aspects of taxicab regulation and regulatory revision. Figure Two summarizes the reasons for choosing each city.

Members of the research team visited each city to conduct more indepth studies of their taxicab regulation. Two major research tools were used during these visits: personal interviews and review of all documents relating to taxicab regulation. The different city administrators responsible for taxicab regulation and members of the local taxicab industry were interviewed for all ten cities. Figure Three outlines the people interviewed during each visit to case study cities. In all cities, at least three personal interviews were completed.

The questions asked on the personal interviews were extensions of the telephone survey, and they were aimed at discovering the process behind the ordinance changes and what the taxicab ordinance was like before the change. The interviewers also focused on the effect of the most recent changes on the city staff and the taxicab industry, and what future changes were being considered. The interviews usually concluded with a discussion of how this city's experience with taxicab regulation would help other cities considering similar revisions. Overall, the personal interviews attempted to derive a complete picture of taxicab regulation in each case study city.

FIGURE TWO: REASONS FOR CHOOSING EACH CASE STUDY CITY

1. Sacramento, CA \* regulatory revision of entry and fare controls
2. Fresno, CA \* regulatory revision of fares and entry and reregulation
3. Hillsborough County, FL (Tampa) \* innovative administrative and revision of fare controls
4. St. Petersburg, FL \* innovative process in changing ordinance
5. Des Plaines, IL \* regulatory revision (fares)
6. Charlotte, NC \* innovative administration and ordinance changes including regulatory revision of fares and entry
7. Fayetteville, NC \* innovative administrative and ordinance changes
8. Dayton, OH \* current issues of regulatory interest
9. Springfield, OH \* regulatory revision (fares)
10. Madison, WI \* regulatory revision of fares and entry

FIGURE THREE: CASE STUDY CONTACT PEOPLE

<u>Date</u>	<u>City</u>	<u>Interviewed:</u>
June 1	Fayetteville, NC	<ul style="list-style-type: none"> <li>- Taxicab Inspector (Police Dept.)</li> <li>- Several Cab Company Owners</li> <li>- Taxicab Review Board</li> <li>- Assistant City Manager</li> </ul>
June 6-8	Tampa/St. Petersburg, FL	<ul style="list-style-type: none"> <li>- License &amp; Inspections Dept. Head</li> <li>- Taxicab Inspector</li> <li>- Cab Company Owners</li> </ul>
June 13-18	Springfield/Dayton, OH	<ul style="list-style-type: none"> <li>- Finance Dept. Head</li> <li>- Chief of Police</li> <li>- Supervisor for Administrative Div., Police Dept.</li> <li>- Taxicab Bureau Members</li> <li>- Staff in Legal Dept.</li> <li>- Assistant City Manager</li> <li>- Former City Commissioner</li> <li>- Circle Cab Company</li> </ul>
June 20-25	Madison, WI Des Plaines, IL	<ul style="list-style-type: none"> <li>- Asst. to General Manager</li> <li>- Licensing Officer</li> <li>- Cab Companies</li> </ul>
July 6-8	Charlotte, NC	<ul style="list-style-type: none"> <li>- Cab Companies</li> <li>- Taxicab Inspector</li> <li>- Assistant to Police Attorney</li> </ul>
July 12-19	Fresno/Sacramento, CA	<ul style="list-style-type: none"> <li>- Author of current ordinance</li> <li>- Finance Dept. Manager and Admin. Asst.</li> <li>- Assistant City Manager</li> <li>- Taxicab Inspector</li> <li>- Cab Companies, Coops, and Independent Operators</li> </ul>

After each case study visit was over, a report on that city was written. These reports usually include sections on the history of regulation, entry controls, fare regulations and administrative procedures. Since each of the cities has unique experience with taxicab regulation, reports vary. All case study reports are included in Volume II of this report and information from the case studies is used throughout this report as evidence of trends in taxicab regulation.

## 4.0 CHANGES IN ENTRY CONTROLS

### 4.1 Introduction

Entry controls are one of the most important aspects of taxicab regulation because they set the number of taxicab companies and vehicles allowed to operate. The purpose of this section is to investigate changes in entry controls by estimating trends and reasons for entry control revisions. This section will define the different forms of entry controls and discuss recent changes and future trends in these controls.

### 4.2 Types of Entry Controls

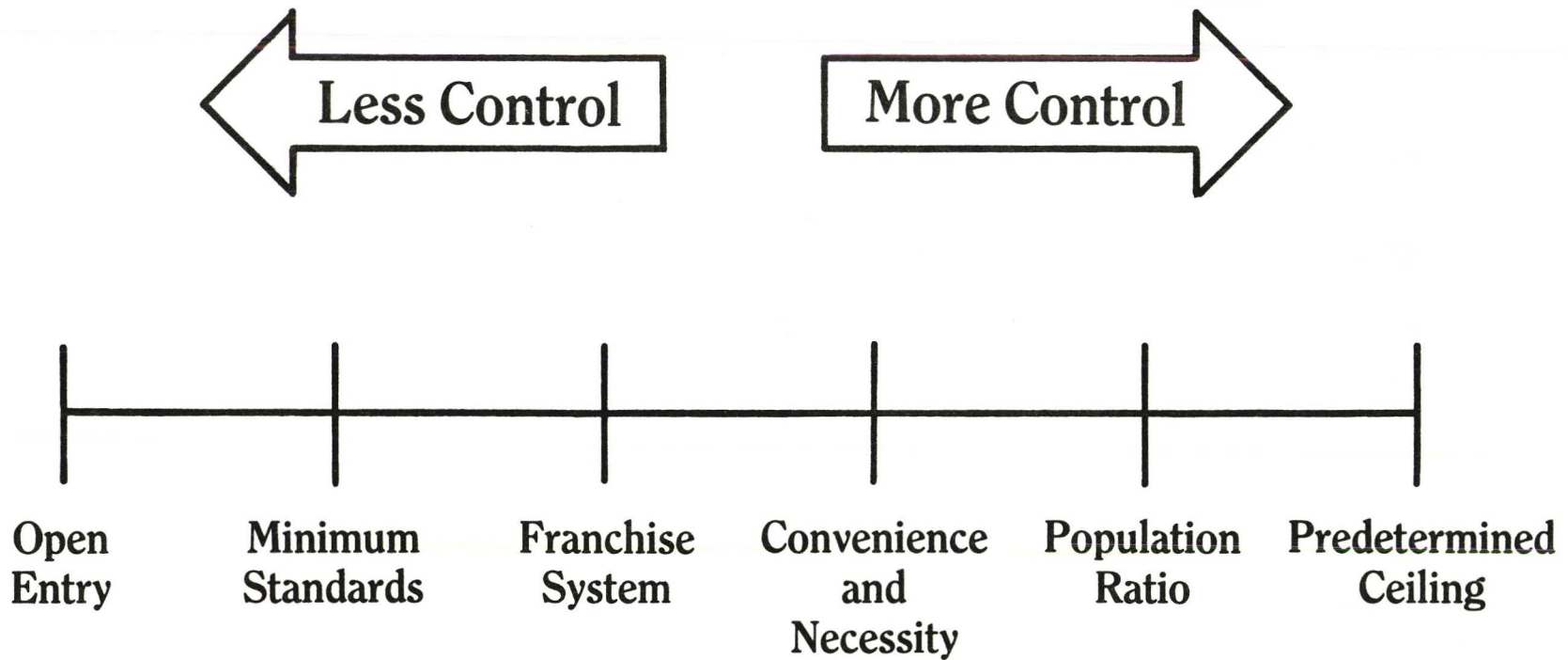
Entry control policies vary a great deal while the administrative procedures are often similar. This discussion will focus on entry control policies, and their corresponding administrative procedures will be discussed later in the report.

Based on the national survey and other research in the United States, six different categories of entry controls have been developed by considering the amount of control and the types of standards that the entry regulations use to determine control. The six categories have been given titles that attempt to define their policy. On a continuum of most to least control the categories are: predetermined ceiling; population ratio; convenience and necessity; franchise system; minimum standards; and open entry. (See Figure Four).

Since the entry control continuum does not have a true center with six categories, the areas of convenience and necessity and the franchise system represent the center of the scale and have similar standards. The other four categories clearly fall on either side of the center



Figure Four: Entry Control Continuum



through more or less control of the taxi industry. The following sections briefly define each category and describe the type of standards used to establish each control. In some cases an accurate definition is difficult because categories overlap and definitions become a matter of interpretation. Overall, the following descriptions of each entry regulation are an attempt to summarize the complicated realm of entry controls.

#### 4.21 Predetermined Ceiling

The predetermined ceiling represents the most controlling regulation on the continuum. A predetermined ceiling means that a community determines, and then limits the number of taxicabs in operation. For example, St. Petersburg, Florida currently allows only 160 taxicab permits to be issued. This figure is determined by city ordinance and cannot be changed without a mandate from city council. One definite result of the predetermined ceiling is that persons currently in the local taxicab market who hold one of the limited permits are protected from other individuals entering their market. If the predetermined number of taxicabs meets or exceeds the demand for service, the ceiling is meaningless. If demand for taxicab service exceeds the ceiling, a taxicab ordinance may be stifling competition by not allowing additional taxicab service. Therefore, the effect of this regulation on the taxicab industry will vary with the demand.

The question of where to set the ceiling is a difficult one for every city. Many times the ceiling becomes the number of currently operating taxis. Due to the arbitrary nature of these controls, they are considered to represent most control of the industry through governmental regulation.

#### 4.22 Population Ratio

The next form of entry regulation, population ratio, operates with a less arbitrary method. The number of taxicabs that will serve a community is determined by a formula of one taxi per a set amount of population. The standard population ratio is one taxicab per thousand people, although local variations are often used. In fact, some of the non-standard ratios appear to represent the current number of taxis divided by the local population. Overall, the population ratio method of determining entry into the taxicab industry constitutes less control than the predetermined ceiling because a definite standard for entry is established. The ratio will allow for variations in demand, unlike a predetermined ceiling.

#### 4.23 Convenience and Necessity

Basically, this method of regulation involves the use of a locally devised set of criteria to determine the right number of taxicabs for the community. Unfortunately, there is no single definition for the phrase "public convenience and necessity." In fact, the number of definitions used appears to almost equal to the number of communities which use this type of entry control.

The different uses of convenience and necessity range from ordinances allowing the local governing body to determine the level of taxi service without using specific criteria to those which require many specific requirements to be met. For example, Hillsborough County, Florida has established very specific criteria that new taxicab operators must provide before the local Taxicab Commission can issue a new permit. The Hillsborough County criteria include: proof of inadequate current service, proof of ability to provide the requested

service; assurance of no adverse effect on the existing permit holders; economically and environmentally sound method of providing service; and a management plan for conducting the new taxicab service. Most other communities do not have such specific standards for determining public convenience and necessity, but their standards usually follow a similar pattern of trying to consider demand for taxicab service.

Since this method of regulation does not firmly limit the number of taxis in the market, like a predetermined ceiling or a population ratio, it is considered to be more flexible, and therefore exerts less control on the industry. If a new taxicab operator can prove that new service is necessary, then the number of taxicabs can be increased. But the uncertainty of what public convenience and necessity means in each community may effectively limit the number of taxis because the existing members of the local taxicab industry and government officials may disagree on the definition.

#### 4.24 Franchise System

In many ways, the franchise system of entry regulation is very similar to convenience and necessity because companies that receive franchises often have to prove public convenience and necessity to receive the original franchise. The franchise system can take two different forms. The most common method is for a specific company to be issued a franchise allowing the operation of an exact number of vehicles. For the purpose of this report, this form of franchising, or the medallion system, is considered to be a predetermined ceiling because the franchised taxicab company cannot increase their taxicab fleet without the ceiling being changed.

The second, and less common form of franchising, allows a taxicab

operator to add more vehicles as he sees fit once he has received a franchise from the city. For example, in Madison, Wisconsin, once a taxicab company receives a certificate of convenience and necessity, or a franchise, they can add additional vehicles to their fleet throughout the year. The only requirements are to pay a vehicle fee to the City Clerk and to have the vehicle inspected. Basically, adding vehicles becomes an administrative task and is of no interest to the city policy makers.

Since a company with a franchise can increase its taxicab service according to demand, the franchise system does make it more difficult for new operators to come into a community. But the franchise system does lessen entry controls on existing companies and therefore represents less control than the previous three categories.

#### 4.25 Minimum Standards and Open Entry

The distinction between minimum standards and open entry is impossible to define. Minimum standards means that a city establishes certain standards that a new taxicab operator must fulfill before entering the local market. Examples of minimum standards include: twenty-four hour radio dispatch service, higher than average insurance rates, a published company telephone number, a terminal on private property, and a minimum number of vehicles for a new company. Alone, none of these standards would keep an individual from starting a new company, with the exception of a minimum number of vehicles, but any combination of these standards can make the cost of starting a new taxicab business too high for most individuals.

On the other hand, true open entry occurs when almost anyone who owns an operable vehicle can buy a taxi permit and begin operating as a

taxicab. Seattle, Washington is the most famous example of open entry because the city ordinance makes it quite easy to obtain a permit. Tacoma and Spokane, Washington are also examples of true open entry systems. The only requirements in an open entry system are that the driver has minimal insurance and no criminal record. Compared to the standards found in the minimum standards category, open entry is much less restrictive.

But, the differences between minimum standards and open entry may depend on one's interpretation of what to consider as minimum standards. Also, the effect of minimum standards on entry into a local taxicab market appears to vary from city to city. A minimum standard which is considered limiting in one city may effectively allow open entry in another.

Charlotte, North Carolina, for example, implemented a new ordinance which included specific minimum standards. They are: a terminal on private property; radio dispatch service; adequate supervision of drivers; evidence that telephone numbers will be in the telephone directory; and fulfillment of all insurance requirements. In some ways, these standards may not seem very limiting, but only one new company has begun operation in Charlotte since these standards became effective. On the other hand, Sacramento, California used requirements such as high insurance rates, strict vehicle inspection, and twenty-four hour dispatch service to limit entry into the local market. Yet, since the new ordinance was passed in 1982, the local taxicab industry has expanded from three to nineteen companies, including many single-car operations. Obviously, Sacramento is effectively an open entry city even though it does have fairly strict minimum standards. Also, many



cities who have minimum standards consider themselves to be open entry.

A true open entry city is easy to identify because of the lack of requirements for obtaining a taxicab permit, while cities with minimum standards evaluate permit applications more carefully. The requirement that a new company must have a minimum number of taxicabs to start operation will always determine a minimum standard city. The effect of standards, like twenty-four hour radio dispatch, will be determined after the new standards are implemented. If the taxicab industry changes a great deal by adding many new taxis and companies, then that city will effectively have an open entry system. If the local industry changes slightly, the city has created limiting minimum standards that will not allow open entry to occur. Again, the distinctions between open entry and minimum standards remain a matter of interpretation, but they do lay the groundwork for evaluation of cities that fall into these final two categories.

#### 4.3 Current State of Entry Controls Nationally

The telephone survey of 103 U.S. cities provides a picture of the current state of entry controls across the nation. The survey asked two different questions to determine what entry controls are being used. The first question determined whether a city had entry controls while the second question asked what type of entry control was being used by cities with entry controls. The information gathered from these questions was used to describe the current state of entry controls in the United States.

##### 4.31 Open Entry Trends

The telephone survey separated the cities with no entry controls

from those that do have some form of entry controls. Out of the 103 cities interviewed, only 12.2 percent said they had no entry controls, which left 87.8 percent of the cities with entry controls (see Figure Five). Open entry is not sweeping the country.

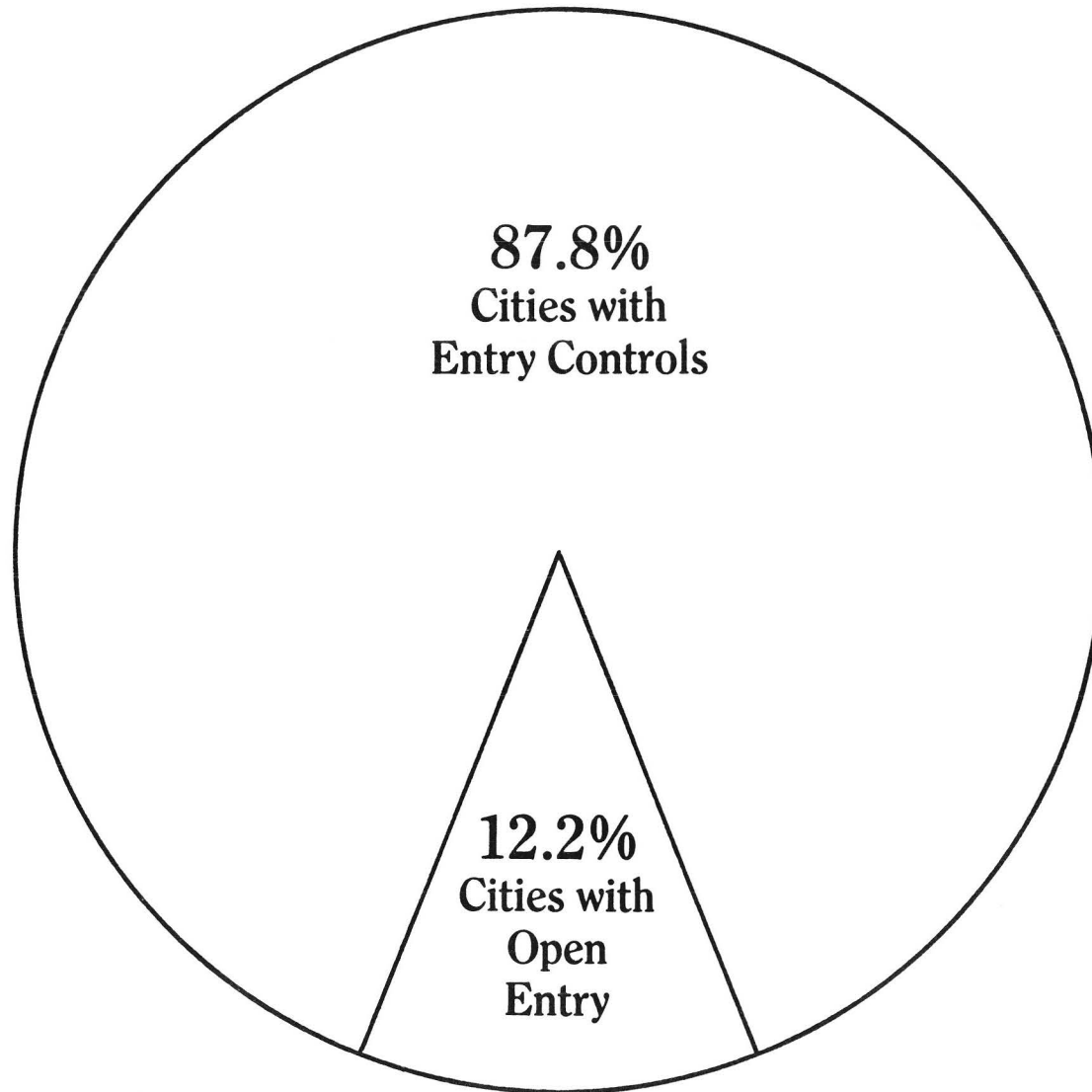
The open entry cities show two interesting trends. One is that four of the cities - Tucson and Phoenix, Arizona; and Spokane and Tacoma, Washington - that have changed to open entry are in the western part of the United States.

The second important trend is that there are two categories of open entry cities. The first includes larger cities like Tacoma and Spokane which have consciously chosen to switch to an open entry policy, while the second group of smaller cities have never seen the need for entry regulations for taxicabs. Seven cities with open entry are small cities with populations between 50,000 and 100,000. In almost every case, these cities have never used entry regulations because the number of taxicabs in each city is so small (usually less than ten). The small number of taxicabs and a limited demand for taxicab service appears to negate the need for entry controls. The smaller cities' reasons for open entry policies are quite different from the larger cities, and as a group they have not significantly changed their open entry policies. The other trend is that open entry cities can be split into two distinct groups.

#### 4.32 Current State of Entry Control

As noted in the previous section, 87.7 percent of the 103 cities surveyed have some method of regulating entry. The data from the survey quickly show how these cities fall along the entry control continuum. The survey asked about six types of entry controls including two

**Figure Five: Entry Control Trends**



separate ones for a predetermined ceiling on the number of taxicabs and the number of licenses. For the purposes of our analysis, these two categories have been grouped together as one category because they are essentially the same form of entry control. The other four questions are the same as the ones on the entry control continuum: population ratio, convenience and necessity, franchise system, and minimum standards.

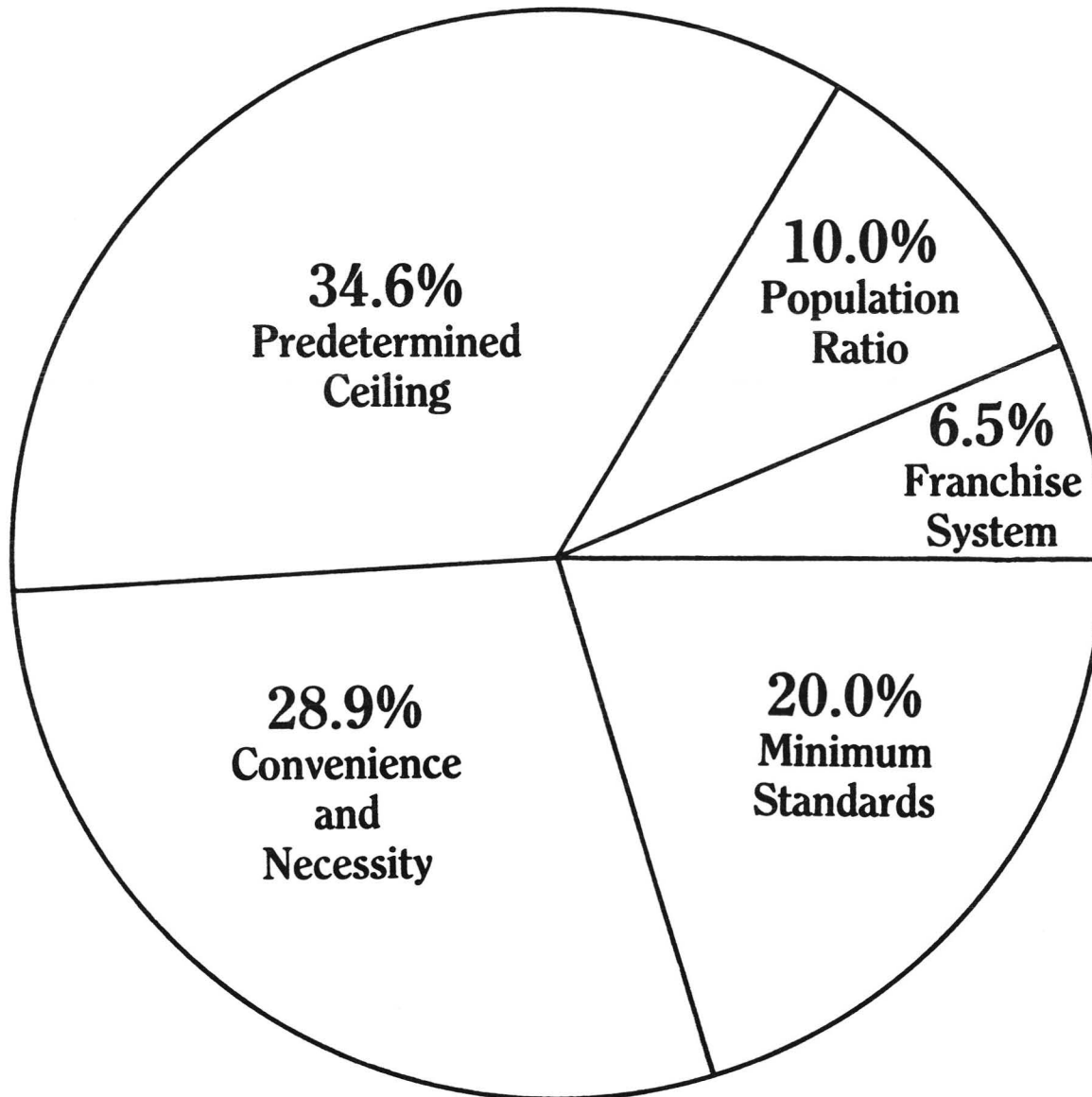
Based on the survey data, the 90 cities with entry controls show the following trends:

<u>Type of Entry Control</u>	<u>Ratio</u>	<u>Percentage of Total</u>
Predetermined ceiling	31/90	34.6
Population ratio	9/90	10.0
Convenience and necessity	26/90	28.9
Franchise system	6/90	6.5
Minimum standards	18/90	20.0

Obviously, the bulk of the cities fall on the more controlled side of the entry regulation continuum with 73.5 percent of the cities having a predetermined ceiling, population ratio, or convenience and necessity system of entry control. On the less controlled side of the entry control continuum, only 26.5 percent of the surveyed cities have these forms of entry control (see Figure Six). Between the two types of less control categories -franchise and minimum standards -minimum standards appears to be more popular.

The entry control data was cross-tabulated with data on city population, region and type of regulation administration. None of these cross-tabulations showed significant trends because the data were spread out fairly evenly among the different cells. This lack of trends apparently means that the form of entry control a city chooses is

**Figure Six: How Cities Regulate Entry**



influenced by factors which could not be captured in our survey, such as political influences and the nature of the existing taxicab industry.

Overall, our survey does show that entry regulation throughout the country is extensively practiced by local governments. The trend toward less controlled entry regulation actually appears to be very small.

#### 4.4 Recent Changes in Entry Controls

The previous two sections discussed the current state of entry controls in U.S. cities. A separate, but equally important, question concerns trends in entry control policies. That is, are many cities altering their entry controls, either toward or away from open entry? In other words, is there a discernible trend toward major changes in entry controls?

The answer is "no." Only nineteen cities have been identified as having changed entry controls in the past five years. In addition, only 27.3 percent of the sample cities are currently even reviewing their ordinances, and only seven percent of these are considering changes in entry controls. Of the nineteen cities that changed entry policies, sixteen moved toward less control and three moved toward greater control. Figures Seven and Eight show these two categories of cities along with summaries of the change they have made. The motives that led these cities to change entry controls are discussed in Chapter 7.

From Figure Seven, one can isolate several trends among the different cities involved in taxicab entry control regulation. The most important trend is that open entry also appears to be the most significant type of entry control change because eight, or one half of the sixteen cities, changed to open entry. One city, Sacramento, has minimum standards in its ordinance, but effectively the city has open



FIGURE SEVEN: MAJOR CHANGES IN ENTRY CONTROLS 1978-1983

<u>City</u>	<u>Date Ordinance Changed</u>	<u>Type of change</u>	<u>Motivation</u>
Portland, OR	1979	City changed from population ratio to entry based on minimum standards	The city wanted to encourage competition in the taxicab industry
Seattle, WA	1979	City changed from population ratio to open entry	The city wanted to reduce the burden on public officials and to encourage competition
Milwaukee, WI	1979	City changed from population ratio to open entry	The city believed population ratio was arbitrary basis for determining entry so decided to let taxicab market determine entry
Madison, WI	1979	City changed from population ratio to combinations of minimum standards and franchise system	The city was influenced by a strike which reduced the number of taxicabs and the desire to reduce the burden on public officials
Oakland, CA	1979	City changed from convenience and necessity to open entry	A drivers' strike reduced the number of taxicabs so the city chose to change to open entry
Spokane, WA	1980	City changed from population ratio to open entry	The city was influenced by other cities on the West Coast that had tried open entry

FIGURE SEVEN: MAJOR CHANGES IN ENTRY CONTROLS 1978-1983 (cont.)

<u>City</u>	<u>Date Ordinance Changed</u>	<u>Type of change</u>	<u>Motivation</u>
Berkeley, CA	1980	Changed from predetermined ceiling to open entry	A drivers' strike reduced the number of taxicabs so the city chose to change to open entry
Tacoma, WA	1981	Changed from population ratio to open entry	Reduce burden on public officials and influenced some by federal antitrust suits
Orlando, FL	1981	Increased predetermined ceiling from 127 taxicab permits to 220	An antitrust suit against monopolizing companies forced city to raise ceiling
El Paso, TX	1981	Changed from franchise system to convenience and necessity	unknown
Phoenix, AZ	1982	Formerly state regulated entry now city has open entry	State no longer regulates commercial transportation
Tucson, AZ	1982	Formerly state regulated entry now city has open entry	State no longer regulates commercial transportation

FIGURE SEVEN: MAJOR CHANGES IN ENTRY CONTROLS 1978-1983 (cont.)

<u>City</u>	<u>Date Ordinance Changed</u>	<u>Type of change</u>	<u>Motivation</u>
Norfolk, VA	1982	Changed from predetermined medallion ceiling to convenience and necessity	Concern over federal antitrust suits
Charlotte, NC	1982	Changed form convenience and necessity to entry based on minimum standards	Bus strike in 1979 and concern about burden on public officials
Sacramento, CA	1982	Changed from population ratio to minimum standards/open entry	Started by drivers' strike and fueled by antitrust suits also city wanted to reduce burden on public officials
Jacksonville, FL	1983	Changed from convenience and necessity to entry based on minimum standards,	Reduce burden on public officials and encourage competition

FIGURE EIGHT: OPEN ENTRY CITIES WHICH HAVE RETURNED TO ENTRY CONTROLS, 1978-1983

<u>City</u>	<u>Open Entry Begins</u>	<u>Open Entry Ends</u>	<u>History of Entry Control Changes</u>
Atlanta, GA	1965	1981	Atlanta started out with a predetermined ceiling which was lifted due to civil rights violations. Reestablished control over taxicab industry by setting a ceiling on the number of taxicabs to start a new company (25 cabs) and an overall ceiling on the total number of cabs.
Fresno, CA	1979	1982	Fresno spent much time trying to decide how to regulate entry before it allowed open entry in 1979. The city now controls entry through minimum standards for operating a new company.
San Diego, CA	1979	1982	San Diego had a system based on a combination of convenience and necessity and population ratio before open entry. Now the city has issued a moratorium on all taxicab permits until it determines whether it wants to continue with open entry.

entry. This means that according to this Figure, nine cities have open entry. The other major trend in the type of entry control changes is the switch to minimum standards. Four cities, not including Sacramento, are now determining entry through minimum standards. The less significant changes are two cities switching to convenience and necessity and one city significantly raising its predetermined ceiling.

The second important trend from Figure Seven is the geographic mix of cities making entry control revisions in their taxicab ordinance. Nine of the sixteen cities are located in the western states. With the exception of Tucson and Phoenix, Arizona, seven of the cities are on the West Coast. The other seven cities are spread out throughout the United States with two small concentrations. Two cities each in Florida and Wisconsin have made some sort of entry control changes. Obviously the majority of entry control revision has been centered in the West. This probably means that as several western cities (Seattle and San Diego) made changes, other western cities decided to follow suit. Since eight out of the nine cities in the West have chosen open entry for the taxicab industry, then one can say that cities in the West are choosing to make larger jumps across the entry control continuum.

Cities in other sections of the United States have been less likely to switch to open entry because only one of the seven non-western cities has switched to open entry. In fact, the majority of the seven cities appear to prefer minimum standards or convenience and necessity for entry controls.

The third trend found in Figure Seven is the timing of the entry control revisions in each city. The years 1979 and 1982 appear to be the ones in which major changes were occurring. In 1979, four

cities - Seattle, San Diego, Milwaukee, and Oakland - switched to open entry while one city, Madison, changed to minimum standards. In fact, more cities changed to open entry policies in 1979 than in any other year since then.

Two years, 1980 and 1981, were more stable because only five cities revised their entry policies. But, the pace increased in 1982 when three cities - Phoenix, Tucson, and Sacramento - revised their taxicab ordinances to include open entry policies. The two other cities - Charlotte and Norfolk - changed their entry controls in 1982 to minimum standards and convenience and necessity respectively. So far, only one city, Jacksonville, has made revisions in its entry control policy in 1983.

Figure Eight shows the fourth and final trend among the total of nineteen cities revising their entry control policies. The three cities in Figure Eight are ones that have experimented with open entry but have chosen to change back to stricter entry controls. Two of the cities, Fresno and San Diego, changed to open entry in 1979 and returned to more strict controls in 1982 while Atlanta, which had open entry for many years, changed back to more strict controls in 1981. All three cities chose to institute stricter entry controls after problems with rate gouging, unsafe cabs, and too many cabs at the airports. These three cities represent an important trend because the problems that made them discontinue open entry may also affect the other open entry cities shown on Figure Eight. It is possible that some of those cities may also discontinue open entry in favor of more strict controls. Therefore, the cities on Figure Eight may be foreshadowing the future of open entry in the United States.



Six other cities are known to be considering future revisions in their entry control policies. These cities include Kansas City, Missouri; Orlando, Florida; Anchorage, Alaska; St. Petersburg, Florida; Houston, Texas; and Dayton, Ohio. All six of these cities are seriously considering open entry or possible minimum standards for their revisions in taxicab entry controls. Currently, only Kansas City and Houston have ordinances with open entry provisions pending while the other four cities are just considering entry control revisions during the next several years.

Even though these six cities have not yet made any entry control revisions they do show that changes in city entry controls for taxicabs are not an issue of the past. Cities are still actively considering this issue particularly in light of the experience in other cities and the decline on the taxicab industry. In fact, these six cities are motivated into considering entry control revisions for the same reasons that influenced the nineteen cities which have revised their entry regulations.

#### 4.5 Motivations for Entry Control Revisions

Figures Seven and Eight list the motivations for each city's decision to revise entry controls. There is not one overwhelming motivation for entry control revision, and in fact, many cities appear to have more than one motivation. Overall, four primary motivations can affect a city's decision to revise entry controls from more controlled methods to less controlled methods, while several other motivations act as catalysts for change. The four primary motivations are as follows:

- (1) Reduce regulatory burden for public officials;
- (2) Encourage competition;
- (3) Imprecise procedures for fare and entry regulation; and
- (4) Influence of other cities.

Other motivations act as catalysts and include interpretation of federal antitrust laws in relation to local governments, state deregulation and strikes. All of these motivations will be discussed in detail in Chapter 7.

## 5.0 CHANGES IN FARE REGULATION

### 5.1 Introduction

Fare regulation is another important aspect of taxicab regulation because the setting of taxicab fares often determines how much profit a taxicab operator will make. This section investigates the changes in fare regulation by estimating the current trends and reasons for fare regulatory revision. The different forms of fare regulation are also defined along with a discussion of recent changes and future trends in fare regulation.

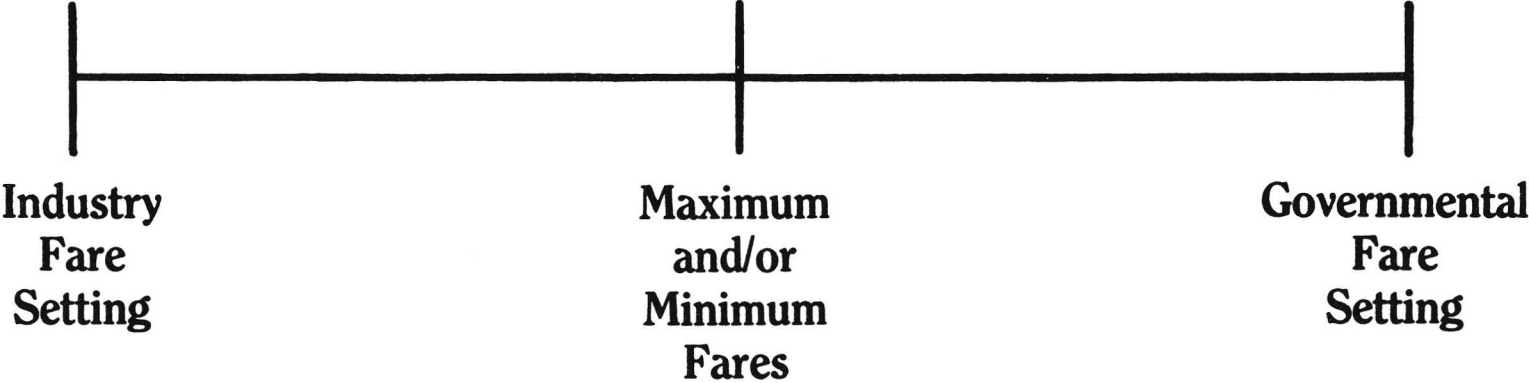
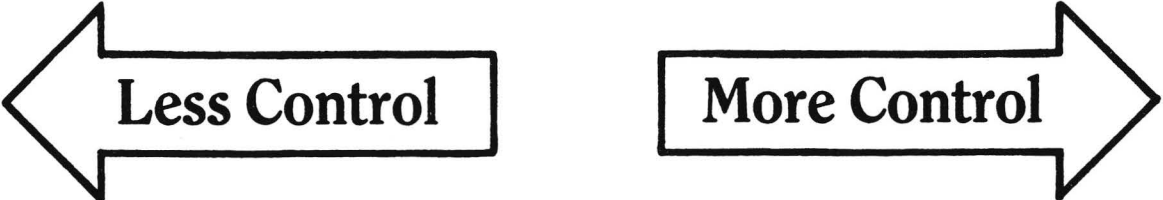
### 5.2 Types of Fare Regulation

Fare regulation is less complicated than entry controls because there are only three different regulatory options for setting fares. This discussion focuses on the different fare regulation policies, while their corresponding administrative procedures are discussed in Section 6.

Three different categories of fare regulation have been developed by considering who actually determines the taxicab fares. On a continuum, similar to the one used to describe entry controls, of most to least governmental control, the three categories are: governmental fare setting; maximum and/or minimum fare; and taxi industry fare setting (see Figure Seven, page 40).

The maximum and/or minimum fare is the center of the fare regulation continuum while the other two categories fall on either side representing total governmental control of fares and taxi industry control of fares. Obviously, the delineation between the different types of fare regulation is quite clear. Either the local government

**Figure Nine: Fare Regulation Continuum**



controls fares totally or it allows the taxicab industry to control its own fares, while the maximum and/or minimum fare system balances the control of fares between the local government and the taxicab industry. The following sections briefly define each category.

5.21        Governmental Fare Setting

Governmental fare setting means that local government determines the fares that taxicab companies can charge. The theory behind governmental fare setting is that taxicab service is a public utility, and the public must be protected from unreasonable fares. Therefore, the government, through a city council, determines the one fare that can be charged by all taxicab companies.

The advantages to governmental fare setting are that the public knows exactly what fare is legal and overcharging becomes obvious. Also, there is a consistency in fares among all companies since they must all charge the same fare. Of course, there is a question of whether consistency is best for the public or the taxicab industry.

The major disadvantage to governmental fare setting is that the taxicab industry is dependent on local governments to allow fare increases. In the days when the costs of fuel and vehicle remained fairly stable, fare increases were not a constant worry; but recently the costs of operating taxicabs have been escalating rapidly. Therefore, taxi companies have been forced to ask local governments for frequent fare increases. Since the governmental process can move rather slowly, the constant need for fare increases becomes a burden for both the local government and the taxicab industry.

Another significant problem with governmental fare setting is the variation in methods used by city councils to determine the best fare

for the taxicab industry and the public. Often local officials have inadequate cost and revenue data for local taxi operations, so they find it difficult to judge what is a reasonable fare. Some cities hold public hearings to determine if a fare increase is reasonable, while other cities attempt to attach fare increases to a standard such as the Consumer Price Index (CPI).<sup>11</sup>

#### 5.22 Maximum and/or Minimum Fares

The maximum and minimum fare system still ensures government control over taxicab fares, but this control is shared with the local taxicab industry. A local government may set a maximum fare for the taxicab industry with the provision that the industry can charge any fare up to the maximum charge. The theory behind this policy is that competition among the local companies will occur as they try to underbid each other, and that the public interest will be protected through the maximum charge.

In practice, the maximum fare apparently does not cause much competition because most companies operate at the maximum fare for most of their service. But, the maximum fare does allow companies to offer discounts to senior citizens or other clients and offer special prices for different types of taxicab service. Many companies do take advantage of these possibilities. Also, Hillsborough County, Florida, recently changed to a maximum fare system when one company wanted to charge less than the set fare.

The discussion of the maximum fare in Hillsborough County brought out several issues. One issue is that some taxicab companies are willing to charge lower fares to get more service. Also, the other companies were concerned that one company would put them out of business



with lower fares and then raise fares. This concern has been answered in other cities by implementing a minimum fare. This minimum fare, along with the maximum fare, gives taxicab companies a range to work within and insures that no one company can be put out of business by predatory pricing.

#### 5.23 Industry Fare Setting

When the taxicab industry sets its own fares, the local government no longer plays a major role in fare regulation. The city or county only acts as a recording agent for the public and may limit the number of times a taxicab company changes its fares per year. These minor limitations insure that the taxicab companies do not abuse the right to set their own fares and protects the public interest.

Industry fare setting has several advantages. The taxicab industry is able to adjust its own fares as soon as its needs change. For example, if fuel prices increase drastically, then fares can be increased accordingly. The time factor is also important; taxicab companies can adjust their fares within a reasonable time after the need arises. Under governmental fare setting, the time for getting a fare increase can take so long that another increase is already needed. Industry fare setting does eliminate the time lag and the need for constant governmental monitoring.

Yet, the lack of governmental monitoring can cause problems for the public. Taxicab service clients may be unsure of what fares are registered with the city and may not know when they are being overcharged. Also the variation in fares between different companies may be confusing to customers. The requirement that taxicab fares be clearly posted eliminates some of the confusion, but problems with

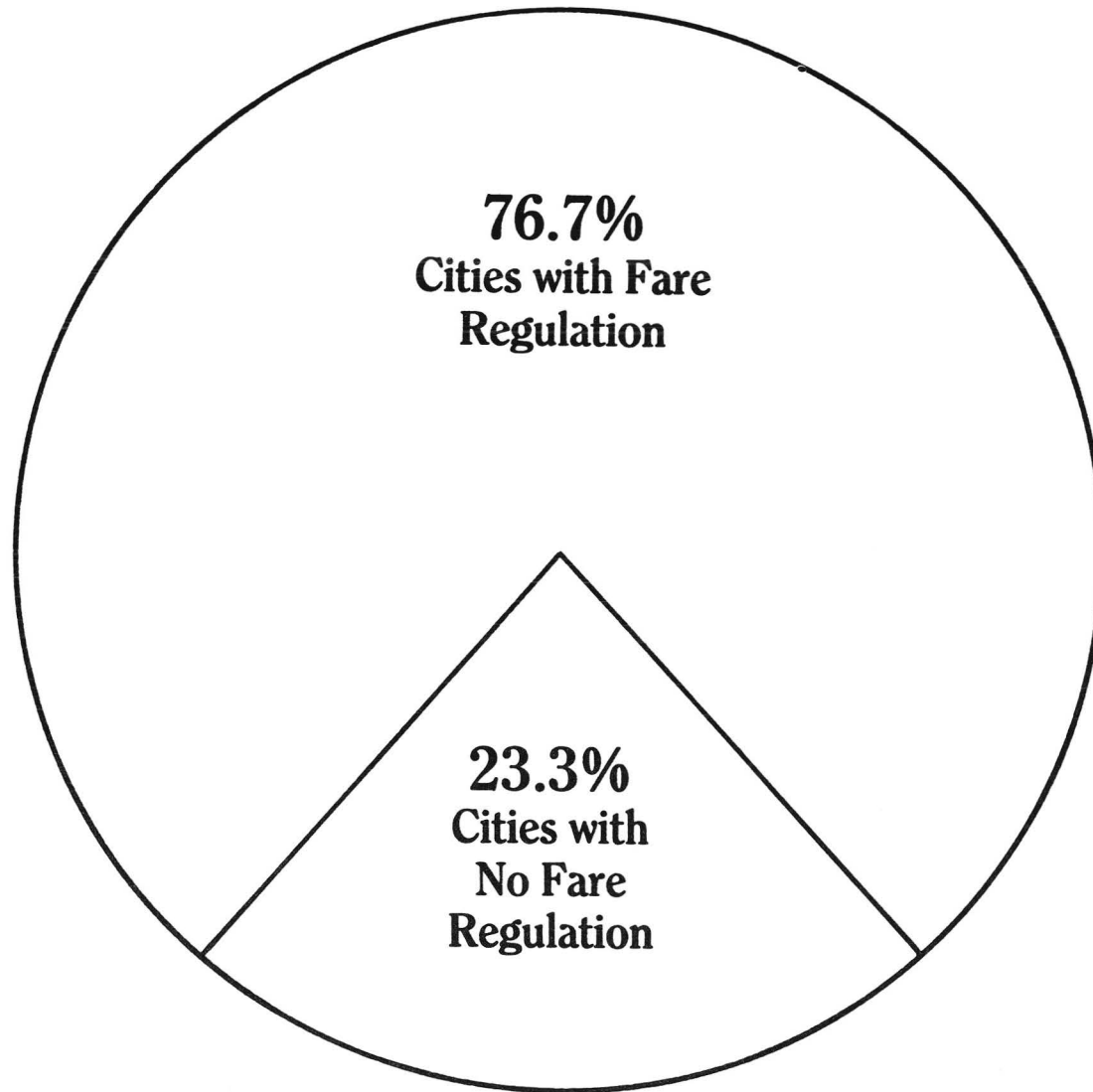
overcharging may still occur. From the case studies, the experience with industry fare setting varies considerably. In Madison, Wisconsin, and Des Plaines, Illinois, the local companies have not increased their rates since they were allowed to set their own fares. Yet, Fresno, California, had constant complaints of outrageous fares (\$3.50 per mile) while they experimented with industry fare setting. It appears that the success of industry fare setting depends on local circumstances.

### 5.3 Current State of Fare Regulation

To establish the trends for fare regulation in cities across the United States, the telephone survey included several questions that pinpointed how cities approach fare regulation. First cities were asked whether they regulated fares and from the 103 respondent cities, 79 cities, or 76.7 percent of those surveyed, had some form of fare regulation, while only 24 cities, or 23.3 percent of those surveyed, had no fare regulation (see Figure Ten). Obviously, fare setting is still an important aspect of taxicab regulation in the United States since over three-fourths of the cities contacted for the survey regulate the fares charged by taxicab operators. Yet, the 23.3 percent of the cities surveyed that allow industry fare setting merit some consideration in the next section.

After determining how many cities regulate fares, the survey asked how the cities who set fares regulate their fares using governmental fare setting, maximum fares, and maximum and minimum fares as categories. The survey quickly found that almost all cities used either fare setting or maximum fares for fare regulation with only a few setting a minimum and a maximum fare. No other methods of fare regulation were discovered. Since so few cities used both a maximum and

**Figure Ten: Fare Regulation Trends**



a minimum fare system, this category was combined with the maximum fare system in the computer analysis.

Fifty-one of the 79 cities regulating fares used governmental fare setting, while 28 of the 79 used a maximum and/or minimum fare system. This means that 64.6 percent of fare regulation cities prefer governmental fare setting, while 35.4 percent use some form of maximum fare system.

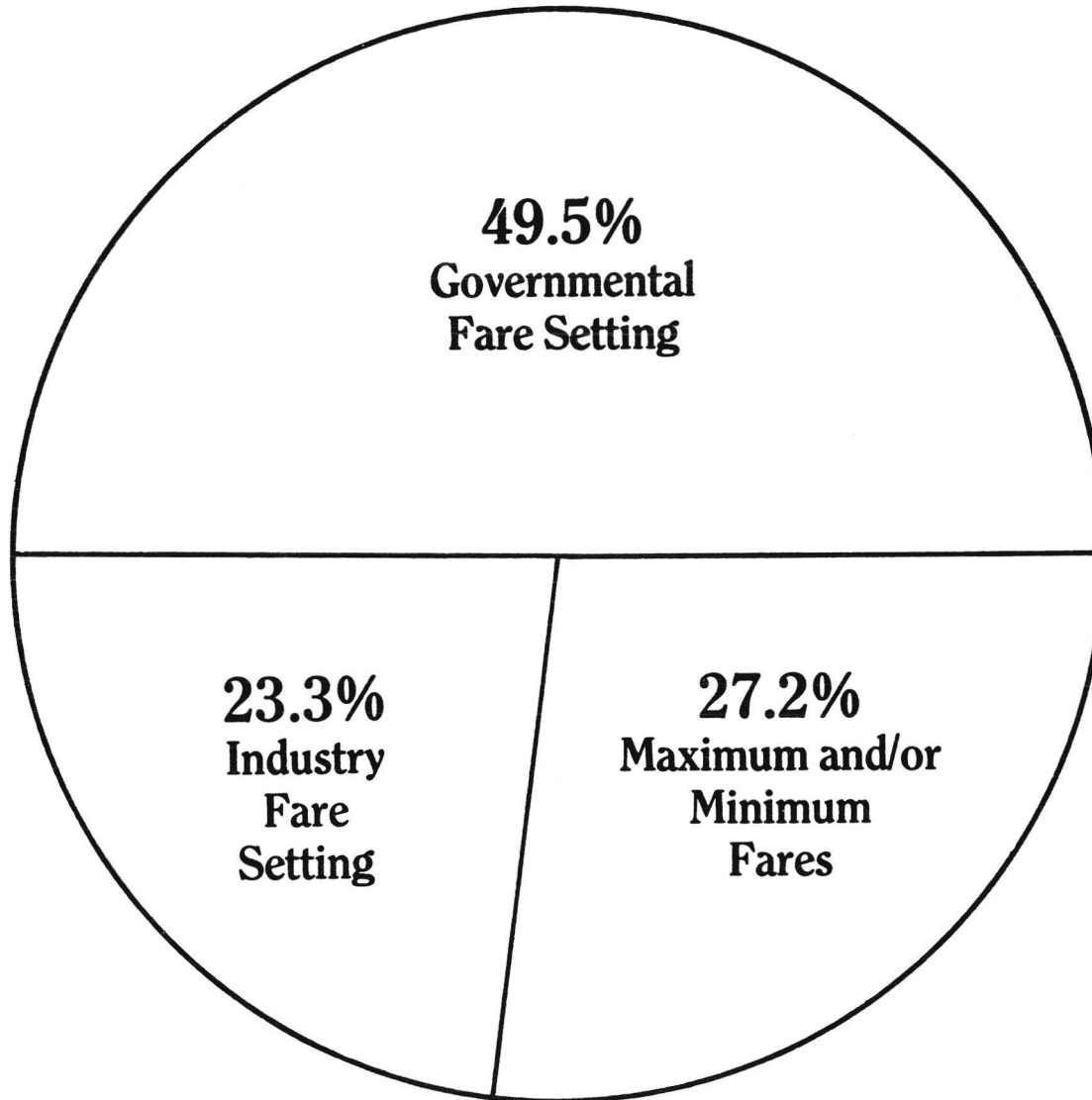
These figures for fare regulation can be considered in a fare regulation continuum by combining the fare regulation cities with the industry fare setting cities. This combination, using all 103 respondents, shows the following differences:

<u>Type of Fare Regulation</u>	<u>Number of Respondents</u>	<u>Percentage of Total</u>
Governmental fare setting	51	49.5
Maximum and/or minimum	28	27.2
Industry fare setting	23	23.3
Total:	103	100.0

In this case, government fare setting is not an overwhelming first choice because it drops from 64.6 percent of 79 respondents to 49.5 percent of all 103 respondents. Maximum fare setting and industry fare setting share the other half of the 103 respondents almost equally. The maximum fare system has the edge with 27.2 percent of the total respondents.

Cross-tabulations of the fare regulation questions with city size, region, and type of regulation administration did not show any significant trends. How cities regulate fares does not appear to be affected by these characteristics. Elements within cities that could not be covered by the survey, such as political forces and the strength

**Figure Eleven: How Cities Regulate Fares**



of the taxicab industry, probably play a larger role in the determination of fare regulation. The survey did not uncover any new methods of fare regulation.

#### 5.4 Recent Changes in Fare Regulation

The data collected from the telephone survey show that the maximum fare system and industry fare setting are used by just over 50 percent of the cities. The preliminary research for this project and the survey data show that many of the survey respondents and other cities have changed to these forms of fare regulation during the past five years. Figure Eight summarizes the cities that have made recent changes from a completely government controlled fare setting policy to a less controlled fare regulation.

Figure Twelve shows seventeen cities that have revised their fare regulations during the past five years. Obviously, seventeen cities do not constitute a major regulatory trend. Even though these seventeen cities show that regulatory revision of fare regulation is not sweeping the country, they do show what kind of changes are being made and the motivations behind the changes.

Overall, this figure shows four different trends behind the recent fare regulatory revisions. The first major trend is that most of the seventeen cities have chosen to allow their local taxicab industry to set its own fares. In fact, thirteen of the seventeen cities on the table allow industry fare setting. The other four cities -- Fresno, San Diego, Anchorage, and Tampa -- use maximum fares. Fresno experimented with industry fare setting from 1979 to 1982, but settled on maximum fares after complaints of outrageous fares in 1982. Obviously, when cities revise their fare regulations they are quite willing to swing

from the total government control side of the fare regulation continuum all the way to no government control. This willingness to change fare regulations so drastically appears to be related to the motivations for change. These motivations will be discussed in the final section of this chapter.

The next most noticeable trend is the predominance of West Coast or western cities on the list. Eleven of the cities revising their fare regulations are located in this region, while the remaining six are spread across the United States. Apparently cities in the West are more likely to make changes in their taxicab regulations since most of the cities that revised their entry controls were also located in the western United States.

In fact, many of the cities on the table that have revised their fare regulations have also revised their entry controls. Twelve of the seventeen cities are also included in Chapter 4 on entry controls. These twelve cities are: Fresno; Seattle; San Diego; Spokane; Berkeley; Oakland; Tacoma; Charlotte; Tucson; Phoenix; Sacramento; and Madison. The remaining five cities have only revised their fare regulations, but three of these five - Kansas City, Tampa, and Anchorage - have or are considering changing their entry regulations in the near future. The remaining two cities - Des Plaines and Springfield - are small cities with populations under 100,000, and in both cases there is only one cab company. These two cities do not feel any pressure to change entry regulations for the above reasons. Also, one should note that ten of the twelve cities revising both fare and entry regulations are also located in the western United States.

The final trend in the revision of fare regulations is the timing



FIGURE TWELVE: CHANGES IN FARE REGULATION, 1978-1983

<u>CITY</u>	<u>DATE OF CHANGE</u>	<u>TYPE OF CHANGE</u>	<u>MOTIVATION</u>
Fresno, CA	1979 1982	Changed to industry set fares in 1979 and to maximum fares in 1982	constant requests from industry for rate increases burdened public officials rate gouging forced return to maximum fares
San Diego, CA	1979	Maximum fare	encourage competition
Seattle, WA	1979	Industry fare setting	encourage competition and reduce burden on public officials
Berkeley, CA	1980	Industry fare setting	taxicab drivers' strike and encourage competition
Oakland, CA	1980	Industry fare setting	taxicab drivers' strike and encourage competition
Spokane, WA	1980	Industry fare setting	influence of other cities
Des Plaines, IL	1981	Industry fare setting	burden on public officials
Springfield, OH	1981	Industry fare setting	burden on public officials
Tacoma, WA	1981	Industry fare setting	encourage competition and reduce burden on public officials
Charlotte, NC	1982	Industry fare setting	burden on public officials
Madison, WI	1982	Industry fare setting	burden on public officials

FIGURE TWELVE: CHANGES IN FARE REGULATION, 1978-1983

<u>CITY</u>	<u>DATE OF CHANGE</u>	<u>TYPE OF CHANGE</u>	<u>MOTIVATION</u>
Phoenix, AZ	1982	Industry fare setting	State deregulation
Sacramento, CA	1982	Industry fare setting	burden on public officials and antitrust
Tucson, AZ	1982	Industry fare setting	State deregulation
Anchorage, AK	1983	Maximum fare	encourage competition
Kansas City, MO	1983	Industry fare setting	antitrust
Tampa, FL	1983	Maximum fare	encourage competition

of the changes. Overall, the revision of fare regulations appears to be spread fairly evenly across the five-year time period with one exception. Every year except 1982 averages three fare regulation revisions per year, but in 1982, six cities made revisions. Of these six, Fresno reversed its experiment in industry fare setting to the maximum fare system, while the other five revisions were first time changes.

No cities in the survey mentioned the possibility of future fare regulation changes. Apparently, most cities considering future changes in taxicab regulations are more concerned with entry regulations and administrative procedures.

#### 5.5 Motivations for Fare Regulation Revisions

From Figure Twelve in section 5.4, one can see that the motivations for revising fare regulations are very similar to the ones for entry control revision. Of the seven reasons listed in Figure Twelve, four are related and they appear to be the primary motives in most cases of fare regulation revisions. The four primary motivations are as follows:

- (1) Burden on Local Government officials;
- (2) Encourage fare competition;
- (3) Imprecise Procedures for fare and entry regulation;
- (4) Influence of other cities.

The other three motivations are secondary and usually act as catalysts for changes in taxicab ordinances. All motivations are explained in detail in Chapter 7.

## 6.0 CHANGES IN ADMINISTRATIVE PROCEDURES

### 6.1 Introduction

Although it is difficult to separate from the process of fare and entry regulation, the administration of a taxicab ordinance includes permitting or licensing, fare setting, inspections, insurance and due process methods. According to the nationwide telephone survey, over 60 percent of all revisions were in these administrative areas. Half of these changes involve the imposition of stricter driver requirements, fifteen percent involve changes in handling permit suspension, revocation or denial, and the remainder fall in the areas of inspection and vehicle specifications. Figure Thirteen illustrates these administrative changes.

According to telephone interviews with taxicab regulators, at least 41 cities have made various changes related to administrative procedures within the past five years. Figure Thirteen illustrates that the changes made are difficult to categorize. In addition to the changes described above, cities have clarified ordinances and updated the language to reflect current needs.

It is clear from the survey results that the responsibility for taxicab ordinance administration is placed in a variety of city departments. One quarter of the cities surveyed indicated that either the Finance or Clerk's Department administers the local ordinance. Many cities delegate the responsibility to either the City Council or the City Manager's Office. In larger metropolitan areas it is likely that a Transportation Authority or Department administers the ordinance, while a License Department does so in smaller cities (see Figure Fourteen).

Administration relies heavily upon enforcement to carry out the

FIGURE THIRTEEN: LOCAL TAXICAB ORDINANCE CHANGES IN ADMINISTRATIVE PROCEDURES 1978-1983

<u>City</u>	<u>Date of change</u>	<u>Change</u>
Anaheim, CA	1982	Equipment requirements increased to include two-way radios and higher insurance coverage
Anchorage, AK	1983	Radio dispatch made non-mandatory
Buffalo, NY	1981	City changed to medallion system
Cambridge, MA	1980	Methods of due process changed
Camden, NJ	1982	Independents allowed to receive licenses
Charlotte, NC	1978	Established a Taxicab Review Board, and new administrative processes for fares and permitting
Dayton, OH	1979	Leasing of vehicles allowed
Daytona Beach, FL	1980	Increases in fee permits
Des Moines, IA	1982	Tightened driver requirements
El Paso, TX	1981	Changed from a franchise system to certificate of need and Public Transportation Administration took control of all transportation matters
Fayetteville, NC	1981	Established Taxicab Review Board
Grand Forks, ND	1981	Liability insurance requirements increased
Greensboro, NC	1983	Certificates of convenience and necessity made nontransferable

FIGURE THIRTEEN: LOCAL TAXICAB ORDINANCE CHANGES IN ADMINISTRATIVE PROCEDURES 1978-1983

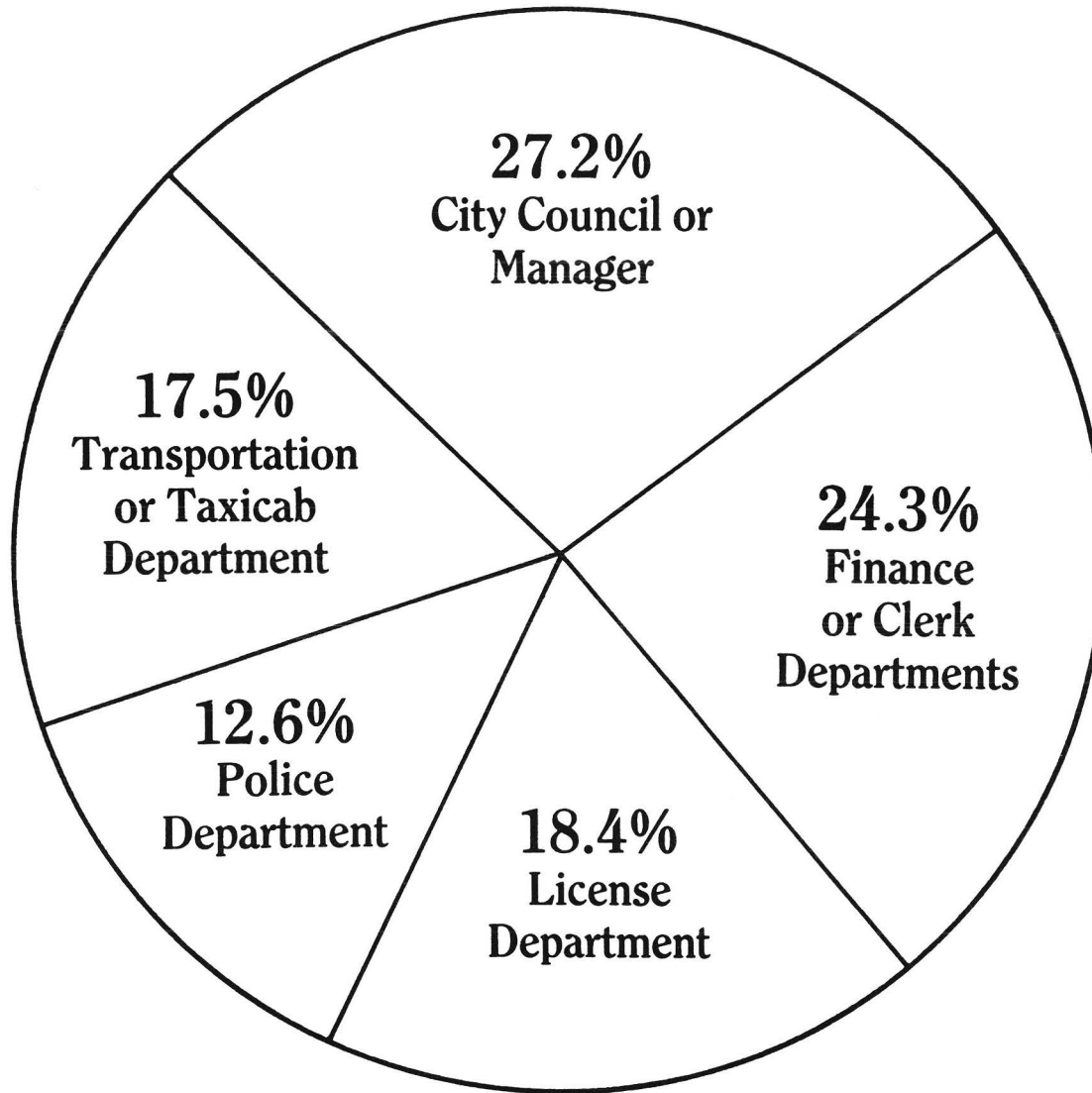
<u>City</u>	<u>Date of change</u>	<u>Change</u>
Little Rock, AR	1979	Airport rules and regulations incorporated in new ordinance, independents no longer required to have radio, requirements for condition of vehicle made more stringent, new rules instituted for hearings of denied permits
Louisville, KY	1979	Due process changes require public hearings, more coordination of state and local regulations, updated and clarified ordinance definitions
Minneapolis, MN	1983	Leasing allowed, definitions clarified
Nashville, TN	1980	Council placed a minimum requirement of ten cabs to enter market
New Bedford, MA	1980	Fee for license increased
New Orleans, LA	1980	Methods of due process changed
Norfolk, VA	1982	Medallion system discontinued
Portland, ME	1980	Transfer of licenses allowed, reinspection costs increased, methods of due process changed
Quincy, IL	1980	Limo service placed under a separate ordinance
Sacramento, CA	1982	Fares filed with the City and administered by the City

FIGURE THIRTEEN: LOCAL TAXICAB ORDINANCE CHANGES IN ADMINISTRATIVE PROCEDURES 1978-1983

<u>City</u>	<u>Date of change</u>	<u>Change</u>
St. Louis, MO	1983	Definitions clarified, permits revoked in 60 days if not used, inspection requirements tightened, insurance requires more bonding, monthly insurance stickers required, license needs to be posted and illuminated on dash of cab.
St. Paul, MN	1980	Leasing now allowed
San Francisco, CA	1978	Proposition K made transfer illegal (State law)
San Jose, CA	1982	Increased vehicle inspection requirements
Springfield, IL	1983	Increased cost of permits
Springfield, OH	1981	Rates must be filed with the City and administered by the City
Syracuse, NY	1980	Tightened requirements on conditions of vehicles
Tampa, FL	1976	Taxicab Commission formed for Hillsborough County
Toledo, OH	1980	Decreased cost of permits, eligibility for permits made stringent, updated insurance requirements
Trenton, NJ	1983	Fee for license renewals increased
Tulsa, OK	1982	Decreased inspection requirements



**Figure Fourteen: How Cities Administer  
Their Taxicab Ordinances**



letter and intent of the ordinance. The Police Department enforces the ordinance in over 65 percent of the cities surveyed. Twelve percent place the responsibility in a License or Transportation Department. A small number of cities use the City Council or Manager; others delegate the authority to the Finance Department or Clerk's Office (see Figure Fifteen).

Although there have been alterations in insurance and other requirements, the following discussion focuses on innovative methods of administering fares, entry and due process. In many cases, administrative branches of government have assumed responsibility previously held by politically appointed Councils.

## 6.2 Recent Changes in Administrative Procedures

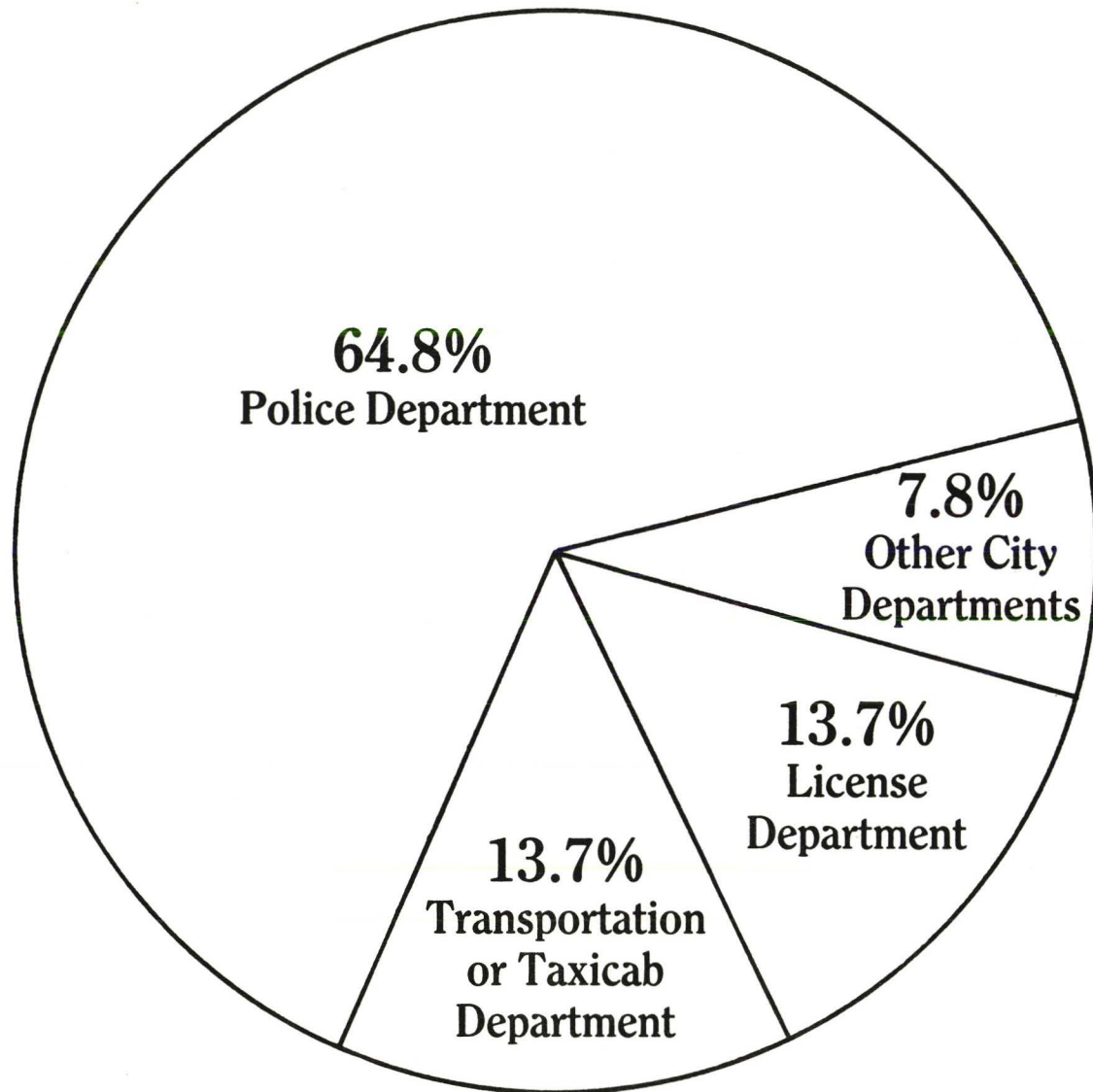
Analysis of the surveys and the case studies in particular reveals that there are three primary areas of administrative revision: the creation of separate public bodies which coordinate the administration of local taxicab ordinances; the formation of new permitting and fare setting processes; and the establishment of taxicab regulation advisory groups. Examples from the case studies and the survey will be used to further explain these areas of administrative revision.

### 6.21 Creation of Regulatory Bodies

For most cities the administrative duties of taxicab regulation, such as licensing and fare setting, have traditionally been handled by a city council. Some cities have established separate agencies or commissions to handle setting policy and administering taxicab regulation. For example, New York City has had a Taxicabs and Limousines Commission for many years.

There seems to be a trend toward the formation of these special

**Figure Fifteen: How Cities Enforce  
Their Taxicab Ordinances**



taxicab agencies and commissions. At least five cities have established a taxicab regulatory agency or commission in recent years. These cities are Toledo and Dayton, Ohio; Los Angeles, California; Atlanta, Georgia; and Hillsborough County, Florida. The structure of these boards or commissions vary, but they do have one commonality - all determine entry into the local taxicab industry and, in some cases, set fares. Some boards are autonomous while others answer to the local city governing board. The taxicab commissions and agencies of the first four cities listed above are briefly described below followed by a detailed description of Hillsborough County's Taxicab Commission.

6.211 Dayton, Ohio

The Taxicab Board consists of the Directors of Police, Finance, and Law for the city of Dayton. This board administers the local taxicab regulations in conjunction with the City Finance Department. The board determines entry into the local taxicab industry through hearings on convenience and necessity. This determination is made three times a year when public hearings are held to discuss the current number of licenses.

6.212 Toledo, Ohio

The Board of Review in Toledo is comprised of the Directors of Public Utilities, Public Service, and Law Administration for the city. The Board's major responsibility is the determination of whether more or less than 98 taxicabs should be allowed to operate, while the City Council still authorizes ordinance changes.<sup>12</sup>

6.213 Los Angeles, California

In Los Angeles, the Board of Transportation for the city determines

the level of taxicab service by reviewing applications for taxicab franchises within the city. The suspension of these franchises can be done by the Board if rules, orders, and/or conditions of the ordinance are violated. The Board of Transportation also has the authority to adopt rules and regulations necessary to ensure the safe operation of vehicles and the provision of adequate service. Finally, the Board also controls fare setting and the establishment of franchise zones. Overall, the Board of Transportation controls almost every detail of taxicab operation in Los Angeles.<sup>13</sup>

6.214 Atlanta, Georgia

When Atlanta reregulated taxicab entry in 1982, it also formed a Bureau of Taxicab Vehicles for Hire and a Vehicles for Hire Appeals Board. This Bureau is a Division of the Department of Public Safety, and it bears primary responsibility for oversight of the taxi industry in Atlanta. The staff of the Bureau includes a Director and eight inspectors. The inspectors issue vehicle, driver and company licenses, conduct vehicle inspections and monitor operations through street patrols. For license suspensions and revocations, the Bureau must go through the Vehicles for Hire Appeals Board. This independent city board has seven members which includes representatives from the taxicab industry and citizens. This appeals board also holds public hearings on "matters relative to the industry" and makes recommendations to the Atlanta City Council on proposed ordinances. Overall, the Bureau and the Appeals Board share joint responsibility for taxicab regulation in Atlanta.<sup>14</sup>

6.215 Hillsborough County, Florida

The Hillsborough County Public Transportation Commission is one of the most dramatic examples of an area placing all regulatory functions under one roof, separate from the various levels of government. In 1976, the Hillsborough County Consolidated Taxicab Commission was created by a state enabling Act to regulate vehicles for hire, including taxicabs, limousines and handicabs. The Commission was recently renamed the Hillsborough County Public Transportation Commission in order to accurately reflect the extent of its regulatory responsibilities to Tampa, Plant City and Temple Terrace.

Prior to 1976, Hillsborough County and the three municipalities regulated taxicabs according to their own ordinances. In order for companies to serve the entire county, they would apply for and receive separate operating permits for each city. As the metropolitan area experienced substantial population growth, jurisdictional overlapping caused regulatory problems. The county-wide agency appears to centralize regulatory activities and mediate jurisdictional conflicts while preserving some local autonomy.

The Commission has the authority to fix or approve taxicab zones, rates, fares and charges, make classifications; rules and regulations for such operations; and require the filing of reports and other data. Taxicab, van and handicab supervision and regulation are the main responsibilities of the Commission.

The County Commission is primarily a policy-making body consisting of seven members, including three members from the Board of County Commissioners, two from the City of Tampa and one each from Plant City and Temple Terrace. Alternates are chosen from each municipality and



each person is a member for two years. The ordinance requires that a meeting be held at least once a month.

Policy-making activities include authorizing changes in local rules, approving new applications for certificates of convenience and necessity and hearing appeals of those denied licenses. Implementation of the Commission's policies is carried out by two taxicab inspectors and a staff which are in charge of driver registration, licensing and inspecting vehicles, insurance of lawful company operations, complaint investigation, and processing certificates of convenience and necessity. Enforcement of the ordinances is handled by both inspectors who are qualified deputy sheriffs.

There appears to be a number of advantages to the creation of a centralized regulatory agency. The Commission has solved public and private transportation problems caused by conflicts between jurisdictions. The public has the assurance that drivers have the necessary qualifications and that vehicles are properly inspected. Finally, since the Commission is entirely self-supported by fees, regulation is not a burden on taxpayers.

So far, taxicab companies and city officials favor the Hillsborough Commission. In fact, the County inspection procedure relieves operators from hiring their own safety inspection staff.

#### 6.22 Innovative Fare Setting and Permitting Procedures

Administrative procedures are most likely to change with revisions in the regulation of fare and entry requirements. Cities such as Springfield, Sacramento, and Des Plaines deregulated fares within the past five years. Necessarily, adjustments in administrative procedures followed. In all cities, the responsibility for the determination of



fares passed from political to administrative hands. Instead of forming separate agencies or commissions to deal with licensing and permits, the responsibilities have been given to city administrative staff such as city managers, taxicab inspectors, or finance staff. Even when fares are set by the operators, administrative personnel must file and approve rate schedules. Similar changes occurred in the permitting and licensing procedures.

Three cities - Charlotte, Fresno and Madison - made major changes in the permitting and licensing procedures of their local ordinances. This section describes the creative way in which these cities have handled the administrative responsibilities of permitting and fare setting.

6.221 Charlotte, NC

In January 1982, Charlotte revised its taxicab ordinance by changing entry and fare regulations and some administrative procedures. A strike in 1978 by the Charlotte Transit System and the recognition that the city had become a major metropolitan area in the Southeast prompted the reassessment and modifications to the ordinance.

Since 1982, fares have been basically deregulated in Charlotte. All applicants and current holders of operating permits must file all rates and charges they use with the Taxicab Inspector. According to the ordinance, rates must be uniform for all taxicab vehicles of the same color combination with any taxi company.

While companies are allowed to set their own fares, the City administers the filing of the rates only if the suggested rates meet criteria specified in the ordinance. The ordinance states that vehicle waiting time, initial drop charges and additional distance, passenger

and baggage charges, must follow standards set by the City (See ordinance in Charlotte case study in appendix). In addition, the City has designated that "owl" rates for taxicab service provided during the hours of midnight to 6 a.m. may be charged as well as a fixed rate for service from the Municipal Airport to central Charlotte. One of the most interesting ordinance provisions allows for a permit holder to charge less than the metered fare.

The Taxicab Inspector is responsible for administering the rates filed and charged. The Inspector allows a rate change if a new rate schedule is filed at least fifteen days prior to the effective date of change. In the event that the Inspector has questions regarding a change, the Inspector consults with the Chairman of the Taxicab Review Board and the Assistant City Manager.

Public convenience and necessity proved to be as imprecise method of determining the number of taxicabs that should operate in Charlotte. The City replaced the certificate with an operating permit issued to a vehicle rather than an individual or company. Issued by the City Manager or his/her designee, the operating permit allows a person, firm, association, or corporation to operate a taxicab. This permit shows that the convenience and the necessity of the public requires the operation of the vehicle. The Inspector distributes a numbered medallion to be affixed to the vehicle. All operating permits expire on December 31 of each year and must be renewed.

Aside from consideration of public convenience and necessity, the Inspector ascertains whether or not applicants have met conditions in the ordinance. In order to finalize the issuance of the operating permit for a vehicle, the applicant must prove that he/she can provide:

- a. A depot or terminal on private property
- b. Radio-dispatched twenty-four-hour service with centralized dispatching
- c. Adequate supervision of drivers
- d. Evidence that telephone numbers for the taxicab company will be listed in the next Charlotte telephone directory issued
- e. Uniform company color, style and markings for vehicles

Permits may not be transferred from the permit holder to another without the approval of the City Manager or his/her designee. The Inspector maintains a list of persons desiring to obtain permits and notifies the City Manager when permits are available so that inactive permits may be offered.

As usual, any permit holder who ceases to operate a vehicle in compliance with the ordinance, loses the permit. Charlotte also requires that the operating permit holder continue to operate a taxicab for a minimum of twenty days, for at least eight hours a day. Operating permits are only restored through a new application process.

Appeals to suspension or revocation of the operating permit are normally filed with the Taxicab Inspector who gives the notice to the Chairman of the Taxicab Review Board. A hearing is then normally scheduled to hear the appeal.

In addition to obtaining an operating permit which is connected to the vehicle, the driver must be granted a permit as well. The Inspector interviews and investigates the driver's background to make sure he/she conforms to the provisions of the ordinance. A driver's permit is then issued for a probationary period not to exceed 60 days. Once the driver has satisfactorily completed the period, he/she is issued a permit valid

for one year.

The driver's permit and the operating permit work in combination to ensure vehicle and driver safety. A driver must operate a cab for the operating permit holder shown on the driver's permit only. The Inspector has the authority to suspend any driver's permit issued for any violation of the Articles of the Ordinance. Suspension occurs for a period of 30 days unless reduced by the Inspector. Appeals may be taken to the Taxicab Review Board.

6.222 Fresno, CA

Within the past four years, Fresno has extensively altered their taxicab ordinance. In 1980, Fresno deregulated the taxicab industry so and for almost two years anyone who obtained a permit to operate a vehicle could join the business. The City of Fresno reregulated entry and fares in January, 1983. In order for an operator to participate in the industry, he/she must operate a minimum of three taxicabs and meet other standards set by the City.

Since deregulation in 1979, the responsibility for permitting and licensing of taxicabs has been placed in the Finance Department. Originally, the Police Department administered the code. Both Departments provide field enforcements of regulations.

Given that entry is limited to persons who meet these criteria, Fresno has fairly innovative methods of setting fares and issuing licenses. Prior to deregulation, fares were set by the City Council, and for a short period, the rate schedule was linked to changes in the Consumer Price Index (CPI). Initially, the City Council set a maximum fare. Adjustments to the current rate maximums are authorized when an adjustment equal to the percentage change in the Transportation Index

for Los Angeles-Long Beach Urban Wage Earners and Clerical Workers, from the date of the last wage change, would equal ten dollars per mile or more. The Controller notifies taxicab permittees of the new rates. Changes in the hourly fare rates are made on the same basis except that the increments are of fifty cents per hour.

The most recent ordinance requires a provisional permitting for those who wish to operate in the City of Fresno. During the provisional period of three months, new companies must submit monthly financial reports to the Controller showing average daily earnings from each taxicab. In order to receive a permanent permit each vehicle must earn on average 160 dollars a day.

#### 6.223 Madison, WI

In 1979, Madison made changes in entry regulations in response to a 1978 strike against the local taxicab union. Madison was faced with a shortage of cabs when a major company went out of business. Prior to the strike, permits had been issued based on a population ratio of one cab per 1,000 people. This requirement was changed to allow cab companies to add vehicles to their fleets after receiving a certificate of convenience and necessity. Madison's taxicab ordinance was modified again in 1982 deregulating fares. Deregulation relieved the Common Council from the time-consuming task of fare setting and gave companies a degree of freedom in setting their own charges.

Based upon recommendations from a Regulatory Review Task Force, Madison made extensive changes in its rate structure. The City removed fixed limits on rates and let the ordinance explain how meter and zone fares must be charged.

Provisions of the ordinance allow taxicab companies to charge any



rate for any unit of distance as long as the rates are posted on the exterior and interior of the vehicle. Specific zones are also described in the ordinance. In all cases, operators must file their rates with the City Clerk. Companies can change their rates only once every six months by filing a new rate schedule with the Clerk 28 days before the new rates become effective.

In order for a company or individual to obtain an operating license, an application for an initial certificate of convenience and necessity is completed. After the application process, the potential licensee attends a public hearing held by the Commission within 30 days. The Commission investigates the business and decides on the convenience and necessity of granting a license. It gives the recommendation to the Common Council.

Commission investigations consider many factors before it gives its approval. Licensees must often describe their experience in managing or owning a new business, the way in which vehicle purchases will be financed, and the intended rates of fare. The Commission must also be satisfied that the applicant can meet the entry requirements stated in the ordinance. Each year the licensee must be renewed and again, license holders are asked a series of questions at a public hearing. Applicants who are up for renewal are asked to describe the success of their operations.

#### 6.23 Innovations in Due Process

A number of cities across the country rely upon taxicab advisory groups or Taxicab Review Boards to decide matters related to appeals of ordinance violations. Sometimes, task forces are appointed by City government to study current regulations and problems. These advisory

groups or Review boards are also different from the commissions mentioned earlier in this section because they usually do not deal with policy issues such as fare setting and entry determination. Overall these boards were devised to handle specific problems on issues which arise in the day-to-day administration and enforcement of taxicab regulations.

Three cities from our survey have strict Taxicab Review Boards, and they are Charlotte, Fayetteville, and Fresno. Los Angeles, Dayton, and Toledo have Taxicab commissions which also take on the responsibilities of due process found in the Review Board procedures.

Most of the Taxicab Review Boards have a fairly standard process for hearing violations, though they may vary in terms of membership. In order to put these review boards into perspective, the next section will briefly describe Taxicab Review Boards created within the past five years in Fayetteville and Charlotte, North Carolina.

6.231 Fayetteville, NC

In 1981, the Taxicab Inspector proposed the establishment of a Taxicab Review Board that would relieve the City Council of hearing appeals of taxicab ordinance violations. Board members include the Assistant City Manager, a representative from the Police Department and members of the taxicab industry.

At the monthly meeting, the Taxicab Inspector approaches the Board with the case at hand. Witnesses and the driver are heard and the Board renders a decision in closed chambers. The City of Fayetteville discovered that besides freeing Council time, the most important reason for the utilization of a Review Board is that it allows the taxicab industry to participate in its own regulation. During the appeals



process it is as crucial to have opinions from taxicab owners and operators as well as a city-wide perspective. The needs of the industry become known and the decisions rendered appear to be judicious.

6.232 Charlotte, NC

In 1978, the City of Charlotte established a Taxicab Review Board to balance additional powers granted to the Taxicab Inspector. It is comprised of two City Council members, the City Manager and Mayoral appointees. Two appointed members must be an operating permit holder and an individual owner-driver.

The main duty and responsibility of the Review Board is to hear a variety of appeals related to enforcement decisions. In short, the Board provides a driver or company owner with due process if the Inspector has made a decision that is questionable. As in the case of Fayetteville, appeals are made based on the Inspector's finding of fact and application of the law. The Board hears the case and makes a decision. In addition to its authority to hear and decide appeals, the Board may make policy decisions about Charlotte's taxicab regulation normally made by the Council.

6.233 Conclusions

Taxicab Review Boards are generally formed to relieve the City Council of the arduous task of deciding appeals of ordinance violations and the issuance of new permits. In these two case study cities, the Board was formed to balance the added powers granted to the Taxicab Inspector and other administrators. Allowing taxicab operators and a representative from the City Departments to make decisions and policy together means that all parties are participants in regulation.

At least in Fayetteville and Charlotte, both the taxicab industry and City officials feel that the Review Boards are successful. Drivers are given a fair "trial" based upon evidence, and decisions are perceived to be judicious. As in permitting and fare setting changes, matters involving due process have moved from the political to administrative realm.

### 6.3 Changes Under Consideration

To date, case study cities are considering no other major changes in administrative procedures. Some city officials expressed their desire to see permitting fees increased, or collected in a more efficient manner. Others are waiting to see the results of recent revisions to the ordinance before suggesting further changes. Among the cities surveyed only a handful are contemplating minor changes. Figure Sixteen shows the above cities.

Overall, most municipalities have been slow to make modifications in administrative processes. Those places that have extensively re-written their local codes in order to accommodate new entry and rare requirements are few. It is not surprising that administrative changes which often support new ordinances are also few.

### 6.4 Motivations for Change

The motivation for making administrative revisions in taxicab ordinances is based solely on the desire to reduce the administrative burden of taxicab regulation. This motivation will be discussed in Chapter 7.

FIGURE SIXTEEN: LOCAL TAXICAB ORDINANCES

CHANGES IN ADMINISTRATIVE PROCEDURES CONSIDERED, 1978-1983

<u>CITY</u>	<u>CHANGE CONSIDERED</u>
Fort Lauderdale, FL	All holders have equal chance to obtain additional permits
Jacksonville, FL	Insurance needs reduced
Little Rock, AR	Not permit independents
Memphis, TN	Clarification of terms of ordinance
Richmond, CA	Eliminate convenience and necessity requirement
Washington, DC	Tighten standards and requirements

## 7.0 THE PROCESS OF REGULATORY CHANGE

### 7.1 The Extent of Regulatory Change

Only a handful of cities across the United States have reviewed their local taxicab ordinances within the past five years. In fact, many of the cities surveyed indicated that their ordinances had not been reviewed since the Fifties. Still a few cities have made major regulatory changes in their local taxicab ordinances. Nineteen cities across the country have revised entry controls, at least four cities revised fare regulations, and at least eight have revised both fares and entry regulations. Known cases of reregulation include Atlanta, Fresno, and San Diego. Only 24 cities have made major changes in either entry controls or fare regulations.

More cities have made minor regulatory modifications, in some cases to tighten vehicle and driver requirements and in others to encourage the provision of innovative services. Thirty percent of the sample imposed stricter entry requirements and driver regulations, and four cities - Great Falls, Montgomery, Toledo, and San Jose - made regular vehicle inspections mandatory. Almost fifteen percent added new provisions to the ordinance to allow operators to provide special services such as shared-ride. Finally, many cities made changes to their methods of due process. But, major regulatory change, especially related to entry and fares, is not sweeping the country.

### 7.2 Motivations Behind Regulatory Changes

Municipalities that have made ordinance revisions exhibit a common pattern with respect to the process they follow in adopting new regulations. While there are at least eleven common reasons for cities

to adopt regulatory changes, these reasons fall into two categories: motivating catalysts and primary motives. Cities differ with respect to the specific reasons they use from each of these categories, but cities uniformly follow a two-step process in which a motivating catalyst spurs interest in taxi regulation and the city then focused on one or more primary motive in considering regulatory changes.

The motivating catalysts are events that suddenly focus public attention on local taxicab regulation. Motivating catalysts are as follows:

- (1) Strikes;
- (2) Antitrust concerns;
- (3) Bankruptcy of a taxicab company;
- (4) Frequent requests for fare increases; and
- (5) State deregulation.

Without the occurrence of these events, taxicab regulation almost always remains a low visibility public policy, and cities which have not experienced these catalysts usually report that no review of their taxi ordinances has occurred for decades.

Even though the above motivations act as catalysts for change in taxicab ordinances, they are rarely the primary reason for the final decision to revise an ordinance. Very few cities have considered taxi regulatory revision without a motivating catalyst, and none of the exceptions actually adopted regulatory change until public attention was focused on taxicab regulation.

Once public attention is focused on local taxicab problems, city officials usually enter the second step of the regulatory change process: discussion of primary motives. Primary motives are those

reasons that dominate in city council deliberations about how to respond to the motivating catalysts. The primary motives reported by cities that have made major regulatory changes are as follows:

- (1) Burden on public officials;
- (2) Desire to encourage competition;
- (3) Imprecise procedures; and
- (4) Influence of other cities.

These four motives reflect two very different concerns. Motive #2 is a theoretical concern and is based on a philosophy about how the economic market for taxi service should work. The other motives are practical concerns and demonstrate a frustration with the administrative burden resulting from regulation. Cities that adopt regulatory changes report that at least one of these motives -- and usually several of them -- dominated their consideration of possible regulatory revision actions.

#### 7.21 Motivating Catalysts

The catalysts for taxicab regulatory revision are discussed below.

##### 7.211 Strikes

Many places indicated that one major event, such as a strike of either taxicab union drivers or other transportation workers prompted change. In Madison, a strike of the local taxicab union against the major taxicab companies led to shortages in taxicab service. In order to alleviate the shortage, the City allowed companies that received certificates of convenience and necessity to add to their fleets at will. This system replaced a system whereby the City monitored the number of vehicles operating in Madison. In San Diego and Sacramento,



similar strikes of union drivers led to the review of local ordinances.

A different sort of strike occurred in Charlotte. In 1978, the local transit union struck. Faced with a crisis, the City decided to provide alternative transportation, including the use of taxicabs. When it was discovered that the existing ordinance did not allow companies to provide different types of service in the event of an emergency, the City of Charlotte decided to review the local code.

#### 7.212 Antitrust concerns

In 1982, the Supreme Court case of Community Communications v. City of Boulder was decided. The decision limits the antitrust immunity of a municipality in acting to limit competition without a specific delegation of authority from the state legislature. As a result, some cities have used antitrust concerns as a major or secondary reason for making regulatory changes in various industries, including taxicab service.

The overall effect of federal antitrust suits on taxi regulatory revision is limited, although the actual influence of antitrust actions is difficult to determine because the affect of the suits varies from city to city. In a few cities, the antitrust issue was the primary reason for regulatory revision, while in others, the antitrust issue was used as a reason for changes already under consideration. Overall, from the national survey and other research, only six cities have been affected in some way by federal antitrust suits when they considered entry control revisions.

Three of the six cities are on Figure Five: Norfolk, Virginia; Tacoma, Washington; and Sacramento, California. Of these three, only Norfolk had fear of antitrust suits as the major motivation for changing



entry controls. Both Tacoma and Sacramento were already considering open entry or other entry control policies when antitrust suits became an issue. The other three cities are ones from the list of cities now considering revisions of taxicab entry controls; they are Kansas City, Missouri; St. Petersburg, Florida; and Dayton, Ohio. St. Petersburg reports that they may use the federal antitrust suits as a reason for re-opening discussion of taxicab entry controls, while federal and state antitrust suits are of secondary importance in Dayton's consideration of entry control revisions.

Only Kansas City reportedly is considering entry control revision solely because of federal antitrust suits. Kansas City's concern is based on a local antitrust suit filed against the city by a disgruntled applicant for a new taxicab permit. The suit has been dropped, but the fear of another antitrust suit has already caused Kansas City to discontinue fare setting and is now at the root of the discussion of entry control revision.<sup>15</sup>

#### 7.213 Bankruptcies

In recent years, the uneven economy and the high costs of operating a taxicab company have forced some into bankruptcy. If the company controls a major portion of the local taxicab industry, the local ramifications can be tremendous. The reduction in needed taxicab service must be filled, and since taxicab operations are often considered public utilities, the problems with the taxicab industry are brought to the forefront. For example, a bankruptcy of a major taxicab company in Madison started the public discussion of open entry in the taxicab industry.

7.214 Fare Increases

The increased cost of taxicab operations has forced many companies to repeatedly request fare increases from local governments. These frequent requests focus attention on the taxicab industry and the burden of fare regulation on public officials. In fact, frequent requests for fare increases are one of the most common catalysts for regulatory revision of how fares are set.

7.215 State Deregulation

Only cities in Arizona have been affected by state deregulation of taxicabs. When the state deregulated all transportation industries in Arizona, cities like Phoenix and Tucson were forced to consider local taxicab regulation. Until the state deregulation, there had been no local involvement in taxicab regulation.

7.22 Primary Motivations

The primary motivations for taxi regulatory revision are described below.

7.221 Burdens on Local Governments

Local governments have regulated many utilities, including taxicabs, for decades. Because of increasing demands placed on government, municipalities are finding ways to unburden themselves from time and money-consuming responsibilities. The regulation of taxicabs consumes much time in City Council meetings because of the need to determine the number of vehicles or companies allowed to operate and the fares that should be charged.

Fare setting has become especially burdensome because inflation in

the mid to late Seventies forced companies to request frequent fare changes. Councils are often confused as to how to set fares, and companies become frustrated because rising costs must be considered in the operation of their business and delays in raising rates often occur.

These frustrations and delays led to deregulation of fares in Madison, Springfield, and Des Plaines. Prior to deregulation, there were four types of fares: meter, zone, limousine and flat rates specified in the Madison ordinance. Now, although the city sets standards for zone shared-ride and exclusive meter service; companies are free to set their own rates. Fare regulation was questioned by a new City Council in Springfield at the same time that the other local utilities were deregulated. The philosophy of the Council complemented the industry's desire to set its own rates of fare. Finally, Des Plaines deregulated fares in 1981 after the City decided that the responsibility for setting fares could be shifted to its one company.

#### 7.222 Encourage Competition

Some cities choose to make changes in their regulations in order to encourage competition and service innovation. Fresno hoped to reduce fares and increase the quality of service when it deregulated entry and fares in January 1980. Similarly, the City of Indianapolis wished to improve the level of service provided with open competition. Portland considered regulatory reform throughout the Seventies and finally made revisions in 1979 and 1980, in part, to stimulate competition and to allow operators to provide new services.

#### 7.223 Imprecise Procedures

The previous sections have shown the wide variety of fare setting and entry controls available for use in taxicab regulation. Cities have experimented with several different methods ranging from open entry to predetermined ceilings for entry controls and from industry to governmental fare setting. Since all of these methods are imprecise at best, cities like Fayetteville and Milwaukee have tried to develop new ways to determine entry or fares while other cities have chosen to relinquish their regulatory power and allow the taxicab industry to regulate itself. Without a precise method for entry or fare regulation, these cities believe the taxicab industry knows its entry and fare needs best. In either case, the problems with fare and entry procedures motivate many cities to consider changes in their taxicab ordinances.

#### 7.224 Influence of Other Cities

The influence of other cities can play a large role in a city's decision to revise its taxicab ordinance. This influence can have two different affects. First, a city may have never considered the revision of its taxicab ordinance until it hears of another city making these changes. Spokane, Washington, is an example of this sort of influence because this city changed its ordinance after watching Seattle revise its taxicab entry and fare controls. In fact, this type of influence may very well underlie other cities' decision-making also - especially on the West Coast.

The second form of influence from other cities comes when a city considering regulatory revision contacts all cities known to have made these types of revisions. Some cities, like Seattle and San Diego, are

nationally known for their taxicab ordinance revisions; they become examples for all other cities. This means the influence of the well-known cities in taxi regulatory revision is widespread-- particularly on the West Coast.

### 7.3 Procedures Used in Adopting Regulatory Changes

There are many procedures used by cities making changes in their municipal codes; however, the most common appear to be the use of task forces, public hearings, and overall negotiation between the city government and taxicab drivers and operators. These procedures are often supplemented by surveys of nearby cities. Typical procedures are illustrated by Madison, Charlotte, and St. Petersburg.

#### 7.31 Madison, WI

A strike of the local taxicab union forced regulatory review in Madison. Started by the Mayor, a Regulatory Review Task Force was charged with inventorying all existing regulations enforced by the City and recommending the elimination of duplications and cumbersome codes. The Task Force's proposals streamlining all ordinances included the taxicab ordinance. Public hearings were held, and Union Cab Company contributed to the final recommendations accepted by the City Council. The process initiated by taxicab operators and owners led to open entry based upon minimum standards in 1979 and industry fare setting in 1982.

#### 7.32 Charlotte, NC

The City of Charlotte followed similar procedures although the process was more involved. A strike of Charlotte Transportation System employees pointed out that the existing ordinance was inadequate in a



growing city. The revision process was a cooperative effort among the City Departments of Transportation, Police, and Legal Affairs. In order to maximize participation of all affected by the probable changes, a series of meetings were held for taxicab owners and drivers. Discussion led to compromises among all parties. For instance, although drivers wanted the discontinuation of the twenty-four-hour dispatch requirement, the City remained firm with this part of the law. But the City eventually allowed operators to cruise for fares and to set their own rates. City staff members surveyed all North Carolina cities which were served by taxicabs to discover their methods of regulating the industry.

7.33      St. Petersburg, FL

The St. Petersburg City Council requested a review of their taxi ordinance as early as 1972 to study entry and rate policies. Between 1972 and 1974, the administrative staff presented alternatives to the existing code. No action was taken at that point. Discussion surfaced again in 1979 and led to a new ordinance in 1981. The issue was raised again when one company requested additional public convenience permits and another company asked the Council to return over twenty permits.

The City then initiated another review of its taxicab ordinance. Staff members compared entry and fare procedures in St. Petersburg with those found in thirteen other cities and counties in Florida. They compiled information such as the transferability of permits and licenses, rates, licensing fees, equipment and driver regulations, and the extent of enforcement. Recommendations included removing the limit on the number of permits and allowing operators to set fares. Members of the industry voiced opinions at a public hearing and a workshop.

The City Council then created a Taxicab Committee comprised of six taxi operators. Within two months, the Committee made recommendations on entry, fare setting, general standards, and procedures for dealing with the waiting list for new permits. Based upon more public hearings, staff recommendations, and the advice of the Taxicab Committee, the City's Legal Department drafted a new ordinance.

The St. Petersburg City Council delayed action on the ordinance to study regulation further. When the State of Florida deregulated all forms of intrastate commercial transportation, the City considered deregulation of taxicabs. Hoping to obtain information on the economic impact of local taxicab deregulation, the City staff surveyed cities such as San Diego and Seattle. After considering the vast amount of recommendations and information, the Council finally passed a new ordinance in April, 1981.



## 8.0 CONCLUSIONS

Based on the research and the telephone survey completed for this project on taxicab regulation, several conclusions are readily apparent about how cities are currently regulating taxicabs and the degree to which some cities have revised their taxicab ordinances. These conclusions are as follows:

- (1) Most cities regulate taxicabs and use traditional methods, such as predetermined ceilings or "convenience and necessity" for entry controls and governmental fare setting for fare regulation.
- (2) Regulatory revision of taxicab regulations is not sweeping the country, but the few cities that have changed their taxicab ordinances show several significant trends.
- (3) The motivations for taxicab regulatory revision are fairly consistent in that most cities follow a similar pattern or scenario when they initiate changes in their taxicab regulations.
- (4) There is a low level of interest in the regulatory revision of taxicab ordinances among cities.

Not only is the evidence for these conclusions fairly conclusive, but also it supports more specific implications which fall under the general categories. The remainder of this section summarizes the evidence and the implications of these results.

### 8.1 Current State of Taxicab Regulation in the U.S.

The telephone survey clearly shows that most cities prefer

the more controlled forms of taxicab regulation. For example, 63.5 percent of cities surveyed use either a predetermined ceiling or "convenience and necessity", 20 percent use minimum standards and only 12.2 percent use open entry as entry controls. The survey also shows that about 50 percent of the cities prefer to set taxicab fares and only 23.5 percent allow the taxicab industry to set fares. These results indicate that a majority of cities maintain their control over the local taxicab industry.

Entry control policies cause cities more concern and problems than do fare regulations. Fare regulation choices are limited: a city either chooses to set fares for taxicab operators or it gives this power to the taxicab industry. The choices between these two fare regulation policies are clear.

Cities are, however, faced with six different types of entry regulation policies which vary considerably in the amount of control they exert over the taxicab industry. This great variety of entry regulations causes many problems for cities. Public officials have to make two different decisions before they implement any form of entry control for the taxicab industry. First they must decide how much control they want or need to have over the taxicab market, and then they must decide how their control over entry will be exercised. The decision-making process is further complicated by the fact that there is no single best way to control entry into a local taxicab market. All six types described and defined in this report have disadvantages for both cities and taxicab operators.

Theoretically, entry controls attempt to balance the supply of taxicabs with the demand for taxi service. Ideally, such controls

should be based on an unambiguous assessment of taxi demand, such as a mathematical model relating certain city characteristics to the taxicab ridership. A mathematical model would be ideal because it could reduce the administrative and political burden of determining entry into a simple exercise. One difficulty with such a model is selecting the correct variables for predicting the need for taxicab service. It is also likely that these variables could change from city to city. The formula would also have to take into account the need for taxicab operators to make a profit, and the question of what constitutes a reasonable profit would have to be considered. All of these problems explain why no city is using a model for setting the number of taxicabs that it licenses.

## 8.2 Recent Changes in Taxicab Regulations

Overall the group of cities making regulatory changes is small. Our research clearly shows that regulatory revision of taxicab ordinances is not sweeping the country because only nineteen cities are known to have revised their entry controls and only seventeen are known to have revised their fare regulations. Since some cities have made changes in both entry and fare regulations, the total number of cities making major regulatory changes in either their fare regulation or their entry controls is only 24. A sizable number of our surveyed cities (41) have made some changes in their administrative procedures, but most of these administrative procedures are minor.

### 8.21 Revision of Entry Controls

Cities revising their entry regulations show several important

trends. The first trend is that cities making changes usually move from more controlled entry situations to less controlled ones. The most popular changes are to the open entry and minimum standards forms of entry controls. The one exception to this trend is that three cities have reregulated their taxicab industry after experimenting with open entry. In these cases, the cities have returned to a more controlled form of entry regulation, but they have chosen a less controlled method of entry regulation than they had before open entry.

The second most significant trend is that the majority of cities revising their entry controls are located in the western United States. Apparently this trend is caused by the publicity given to regulatory changes made in the taxicab ordinances of Seattle and San Diego. Cities throughout the U.S. have contacted Seattle and San Diego when considering major regulatory change.

#### 8.22 Revision of Fare Regulations

There are several trends related to cities revising their fare regulations. Apparently, most cities choosing to revise their fare regulations prefer to relinquish all of their power and allow the taxicab industry to determine its own fares. Only a few cities choose the middle course and use a maximum and/or minimum fare structure. The administrative problems associated with governmental fare setting, such as the burden on public officials, appear to be the major motive behind some cities choosing the industry fare setting option.

Another significant trend is that more cities are likely to relinquish their control over fare regulation than over entry regulation. Only 12.2 percent of cities allow open entry while 23.3

percent allow industry fare setting. The reason that more cities are willing to allow industry fare setting rather than open entry is that fare regulation is almost always less confusing or complicated than entry regulation.

The final trend is that most are located in the western United States. The early influences of Seattle and San Diego, which also made fare regulation revisions, is again the cause of this phenomena.

#### 8.23 Revision of Administrative Procedures

Most of the revisions in administrative procedures for taxicab regulation have been fairly minor because they deal with such issues as tightening driver requirements or adjusting insurance rates. Yet, there are three significant types of revisions in administrative procedures. They are: new regulatory bodies other than political bodies; innovative fare setting and permitting procedures; and taxicab review boards. These revisions are important because they show the shift of regulatory decision-making to the administrative rather than the political realm. Most cities' redistribution of these tasks to city administrators or other regulatory bodies are saving time for their governmental bodies while also insuring that taxicab regulation has full-time administration and enforcement. Entry and fare regulations are taken out of the political realm and placed under an administrator who can deal with these issues daily. Finally, the formation of taxicab review boards balances the new power of these administrators with the rights of taxicab companies.

#### 8.3 Motivations for Regulatory Change of Taxicab Ordinances

Even though there are a wide variety of motivations for the

regulatory revision of taxicab ordinances, most cities tend to follow the same scenario when they are motivated to change their taxicab ordinances. The most typical motivation scenario follows a two-step process. First, there is a motivating catalyst which focuses public attention on taxicab regulation. Second, the city considers one of a core group of primary motives. These primary motives are consistent for almost every city. A few cities have considered revisions of their taxicab ordinances without a motivating catalyst, but none of these cities took serious action towards regulatory change until a major event occurred. The typical motivating catalyst are as follows:

- (1) Strikes
- (2) Antitrust concerns
- (3) Bankruptcy of taxicab company
- (4) Frequent requests for fare increases
- (5) State deregulation

All of these motivations focus the public's attention on taxicab regulation and the local taxicab industry which leads to a discussion of problems or changing needs of local taxicab regulation. Even though these motivations act as catalysts for the discussion of regulatory revision of taxicab ordinances, they rarely are the primary motivation for the final decision to revise taxicab ordinances.

Antitrust concerns are considered as only a motivating catalyst because our research shows that it is rarely the major reason for regulatory revisions. Most cities view antitrust concerns as a reason to consider making changes in their taxicab ordinances or use it as a tool to ensure that regulatory revision is passed by the governmental body. The exceptions to the above procedure are Kansas City and



Norfolk.

After the motivating catalyst occurs, public attention is focused on taxicab regulation and the taxicab industry, and a group of primary motives becomes relevant. These core motives are:

- (1) Burden on public officials
- (2) Desire to encourage competition
- (3) Imprecise procedures for fare and entry regulations
- (4) Influence of other cities

Usually, the local governing body discusses one or more of these motivations before making a decision on regulatory revision, and these motivations are the ones that determine if changes are finally made.

The last motivation on this list is both a catalyst and primary motivation in the decision-making process behind regulatory change. A city may decide to consider regulatory revision of its taxicab ordinance because another city makes changes, but the types of changes the other city has made may also determine how a city considering regulatory revision proceeds. In fact, the influence of other cities in the decision-making process for regulatory revision is paramount because the majority of cities making changes are in the western United States or, if they are located in other regions, the cities are very aware of the changes made in taxicab ordinances in the West.

The other three primary motivations for regulatory revision reflect the conflicting interests in taxicab regulation. Most cities view the taxicab industry as a public utility, and they want to protect their citizens from possible abuses while ensuring adequate, continuous service. Yet, regulation takes governmental time and may inhibit a private industry in changing fares or number of vehicles. Apparently,



most cities which have revised their taxicab ordinances are trying to resolve this perceived conflict between the public and private interests.

#### 8.4 Level of Interest in Regulatory Revision

The level of interest in regulatory revision of taxicab ordinances is very low in most cities. In fact, the telephone survey found only eleven cities currently interested in reviewing their entry controls or administrative procedures, and none are seriously considering fare regulation revisions. Overall, the telephone survey also shows that 76 percent of the cities feel no pressure to change their taxicab ordinance. All this evidence adds up to a definite lack of interest in taxicab regulation.

The lack of interest in taxicab regulation can be explained through the motivations for regulatory revision. Most cities do not change their taxicab regulations unless some event or circumstance focuses attention on their local taxicab ordinance or industry. Therefore, without motivating catalysts to focus public attention on taxicab regulation, the lack of interest in taxicab regulation will continue in most cities in the United States.

APPENDIX A

Interviewer \_\_\_\_\_  
 City Size Category \_\_\_\_\_

Hello, my name is \_\_\_\_\_, and I am calling from the University of North Carolina at Chapel Hill. We are currently conducting a telephone survey to determine the trends and content of local taxicab regulations. The results of this survey will be prepared for the U.S. Department of Transportation. May I speak with someone who can answer a few questions dealing with taxicab regulations? (GO TO PAGE 2)

INFORMATION

Name \_\_\_\_\_  
 Organization \_\_\_\_\_  
 Phone Number (\_\_\_\_) \_\_\_\_\_  
 Street \_\_\_\_\_  
 City \_\_\_\_\_ State \_\_\_\_\_

DATE	TIME		RESULT	CODE & NOTES FOR RECALL
	Begin	End		

Abbreviations:  
 NA - No answer  
 WR - Will return (time,date)  
 REF - Refused  
 C - Completed  
 IC - Incomplete interview  
 WN - Wrong Number  
 DISC - Disconnected

Code for Recalls:  
 A - Respondent not selected  
 B - Have talked with respondent

APPENDIX A

TAXICAB QUESTIONNAIRE

First of all, I'd like to ask a series of questions which will determine the extent of taxicab regulation in (NAME OF CITY).

1. Who is responsible for administering the local taxicab regulations?

2. Who is responsible for enforcing the local taxicab ordinance?

3. How many taxicabs operate in your city?

4. Are each of those licensed in (NAME OF CITY)?

5. Does your city regulate the number of taxicabs licensed to operate?

Yes.....1

No.....2 (Skip to QUESTION #7)

APPENDIX A

6. How do you control the number of taxis?	
A limit is set on the number of taxis that may operate.	.....1
A limit is set on the number of licenses that may operate.	.....2
Specific franchises are granted.	.....3
High standards are set in order to enter the industry.	.....4
A ratio of taxis to population is set.	.....5
Convenience and Necessity	.....6
7. Does <u>(NAME OF CITY)</u> regulate the <u>fares</u> charged by taxicabs?	
Yes.....	1
No.....	2 (Skip to QUESTION #9)
8. How are fares regulated?	
Fares are set by the city.	.....1
A maximum fare is set by the city.	.....2
A maximum and minimum fare is set by the city.	.....3
Other (EXPLAIN)	.....4
9. How does your taxi ordinance treat shared-riding?	
Does not mention it.	.....1
Makes it legal with permission of the first passenger.	.....2
Explicitly makes it legal with no conditions.	.....3
Forbids it.	.....4
Other (EXPLAIN)	.....5

APPENDIX A

10. Are there other local bodies which regulate fares?

Yes.....1

No.....2 (Skip to QUESTION #12)

11. Which bodies regulate fares?

County.....1

Airports.....2

Other nearby cities.....3

State.....4

12. Are there bodies which regulate entry?

Yes.....1

No.....2 (Skip to QUESTION #14)

13. Which bodies regulate entry?

County.....1

Airports.....2

Other nearby cities.....3

State.....4

Next, I'd like to ask you a few questions about the local taxicab ordinance.

14. Have there been substantial changes made in the ordinance within the past five years?

Yes.....1

No.....2 (Skip to QUESTION #20)

15. When was the last change made?

16. Could you describe the major changes made in the taxicab ordinance?

APPENDIX A

17. Who initiated the changes?

18. Has your ordinance been reviewed since then?

Yes.....1

No.....2 (Skip to QUESTION #20)

19. When was it last reviewed?

20. Are there efforts not to change the ordinance?

Yes.....1

No.....2 (Skip to QUESTION #24)

21. From whom does this pressure come?

22. What types of changes are being suggested?



APPENDIX A

23. What is expected to be the result of these changes?

24. What problems do you see with the existing ordinance?

Finally, with regard to regulatory changes:

25. Has the use of taxicabs been considered for the provision of special transportation services such as shared ride?

26. Are there provisions of the ordinance that could be changed in order to encourage the creation of new services?

27. Do you believe that the current regulations allow for such innovations?

NOTE: PLEASE COMPLETE COVER SHEET WITH IMPORTANT INFORMATION ON INTERVIEWER.  
A LIST OF REGULATORS AND ADDRESSES IS BEING COMPILED.

APPENDIX B

List of Survey Cities

City Size 1 (Population = 1,000,000<sup>+</sup>)

Detroit, MI  
Houston, TX  
Los Angeles, CA  
Philadelphia, PA<sup>1</sup>

City Size 2 (Population = 500,000 - 999,999)

Baltimore, MD<sup>1</sup>  
Boston, MA  
Cleveland, OH  
Columbus, OH  
Dallas, TX  
Memphis, TN  
New Orleans, LA  
Phoenix, AZ  
San Antonio, TX  
San Francisco, CA  
San Jose, CA  
Washington, DC

City Size 3 (Population = 100,000 - 499,999)

Albuquerque, NM<sup>1</sup>  
Anaheim, CA  
Anchorage, AK  
Birmingham, AL  
Boise, ID  
Buffalo, NY  
Charlotte, NC<sup>2</sup>  
Cincinnati, OH  
Columbia, SC  
Columbus, GA  
Dayton, OH<sup>2</sup>  
Denver, CO<sup>1</sup>  
Des Moines, IA  
El Paso, TX  
Fort Lauderdale, FL  
Fort Worth, TX  
Greensboro, NC  
Honolulu, HI  
Jackson, MS  
Jersey City, NJ  
Las Vegas, NV  
Lincoln, NE  
Little Rock, AR  
Louisville, KY

APPENDIX B

List of Survey Cities (cont.)

City Size 3 (Population = 100,000 - 499,999: cont.)

Madison, WI<sup>2</sup>  
Minneapolis, MN  
Montgomery, AL  
Nashville, TN  
Newark, NJ  
Norfolk, VA  
Oklahoma City, OK  
Omaha, NE  
Pittsburgh, PA<sup>1</sup>  
Providence, RI<sup>1</sup>  
Richmond, VA  
Rochester, NY  
St. Louis, MO  
St. Paul, MN  
St. Petersburg, FL<sup>2</sup>  
Salt Lake City, UT  
Santa Anna, CA  
Spokane, WA  
Syracuse, NY  
Tacoma, WA  
Tampa, FL  
Toledo, OH  
Tucson, AZ  
Tulsa, OK  
Wichita, KS  
Worcester, MA  
Yonkers, NY

City Size 4 (Population = 50,000 - 99,999)

Albany, GA  
Altoona, PA<sup>1</sup>  
Bethesda, MD<sup>1</sup>  
Billings, MT  
Bloomington, IN  
Bryan, TX  
Cambridge, MA  
Camden, NJ  
Charleston, SC  
Charleston, WV<sup>1</sup>  
Cheyenne, WY  
Clarksville, TN  
Danbury, CT<sup>1</sup>  
Daytona Beach, FL  
Dearborn, MI

APPENDIX B

List of Survey Cities (cont.)

City Size 4 (Population = 50,000 - 99,999: cont.)

Des Plaines, IL<sup>2</sup>  
Dubuque, IA  
Duluth, MN  
Euclid, OH<sup>3</sup>  
Fairfield, CT<sup>1</sup>  
Fayetteville, NC<sup>2</sup>  
Grand Forks, ND  
Great Falls, MT  
High Point, NC  
Kenosha, WI  
Lafayette, LA  
Lynchburg, VA  
Manchester, NH  
Muncie, IN  
New Bedford, MA  
New Britain, CT<sup>1</sup>  
Odessa, TX  
Ontario, CA  
Overland Park, KS  
Owensboro, KY<sup>1</sup>  
Portland, ME  
Provo, UT  
Quincy, IL  
Richmond, CA  
Rochester, MN  
Rutland, VT<sup>3</sup>  
Saginaw, MI  
St. Joseph, MO  
Salem, OR  
Santa Fe, NM<sup>1</sup>  
Santa Monica, CA  
Sioux Falls, SD  
Springfield, IL  
Springfield, OH<sup>2</sup>  
Trenton, NJ  
Utica, NY  
Westminster, CO<sup>1</sup>  
Wilmington, DE<sup>1</sup>

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<sup>1</sup>Cities with state taxicab regulation.

<sup>2</sup>Case study cities.

<sup>3</sup>Cities with no taxicab regulation.

NOTES

<sup>1</sup>Simpson, H.S. "The Taxicab Problem," Bulletin No. 389, American Electric Railway Association, 1932. p. 13.

<sup>2</sup>Gilbert, G. and R. Samuels, (1982) The Taxicab: An Urban Transportation Survivor. (Chapel Hill: The University of North Carolina Press), p. 15.

<sup>3</sup>Municipal Yearbook, 1948, Washington, DC: International City Managers Association, 1948.

<sup>4</sup>Maryland, Public Service Commission Law of Maryland (1977), sec. 45-52.

<sup>5</sup>Pennsylvania, Public Utility Law (1977), Title 52, Chapter 29.

<sup>6</sup>Nebraska, Rules and Regulations of the Nebraska Public Service Commission, Chapter III, Article 9.

<sup>7</sup>Colorado, Rules and Regulations Governing the Operation of Taxicabs.

<sup>8</sup>Rhode Island, General Laws of Rhode Island (1960), Title 39, Chapter 14.

<sup>9</sup>Kentucky, General Laws of Kentucky, Chapter 281.

<sup>10</sup>Virginia, Virginia Motor Carrier Laws (1975), Title 56, Chapter 12, Article 41.

<sup>11</sup>Fresno now uses the CPI to determine fare increases.

<sup>12</sup>Based on telephone survey with city officials in Toledo, Ohio.

<sup>13</sup>Based on telephone survey with city officials in Los Angeles, California.

<sup>14</sup>International Taxicab Association, (1982) Decontrol and Recontrol: Atlanta's Experience with Taxi Regulation, p. 29.

<sup>15</sup>Based on telephone survey with city officials in Kansas City, Kansas.

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- Brandenburg, Ron. (Police Department). Dayton, Ohio. Interview, 14 June 1983.
- Charles, Piper. (Sergeant, Police Attorney's Office). Charlotte, North Carolina. Interview, 6 July 1983.

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