Taxicab Regulation in Ohio's Largest Cities

A Policy Report
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Executive Summary

Ohio's largest cities impose numerous regulatory burdens on the start up and operation of taxicab businesses. The regulations often prohibit small, independent operators from starting a taxi business. This limits economic opportunities in Ohio's major cities. Additionally, the regulations severely limit service and price competition among taxi companies.

Meanwhile, other U.S. cities have found success in deregulating their taxi markets, Within the first six months of deregulation, Indianapolis had 32 new companies start up. In Denver, four entrepreneurs sued the State of Colorado in order to start their own company. "Freedom Cabs" became the first cab company in 48 years to open up in Denver and now employs 100 drivers.

Taxi Regulations

- Minimum Number of Cabs: Cleveland will not issue a taxi license to any company with fewer than 25 cabs, effectively prohibiting independent operators from starting. Cleveland has issued fewer taxi licenses than either Cincinnati or Columbus.
- Mandated 24 Hour Service: Akron, Canton, and Dayton require full-time taxi service, 24-hour, 7 days per week, effectively prohibiting part-time cab services.
- Separate Dispatching Office Required: Cleveland and Dayton require cab companies to have a separate dispatching office. This drives up costs and ignores the possibility of independent operators using cellular phones.
- Proof of Public Need: Toledo and Cincinnati require cab companies to prove their business will serve a public need. This provides the opportunity to existing cab companies to use their political power to limit new competition. Cincinnati, Columbus, and Toledo also require a public hearing on new licenses, further burdening new companies.
- Price Competition Restricted: Toledo and Youngstown effectively set rates for all cab companies, eliminating price competition. Other cities restrict price competition by prohibiting flat rates and requiring prices to be submitted to city officials before going into effect.
- Cab Stands Regulated: Canton, Cincinnati, Cleveland, Dayton, and Youngstown require cabs to wait at officially designated cab stands. This limits cab owners' ability to negotiate individually with restaurants, bars, and theaters, and respond more quickly to customer traffic patterns.
- Cap on New Taxis: Columbus imposed a moratorium on new cab compantes in May 1990. Cleveland and Toledo put caps on the number of taxis legally allowed to operate (although the cap has not been reached).

Case Study: Dayton

A review of taxi regulations in Dayton found that the regulations increase the cost of starting a cab company by at least $67,000. Dayton requires 24-hour, seven day a week service from all cab companies. It also requires a 24-hour, seven day a week dispatching office. This effecttvely prohibits an independent owner-operator from starting a cab business. This may explain why there are 100 cabs licensed in Dayton, but only four taxi companies in operation.

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I. Introduction

A taxicab business could be one of the easiest businesses to start up, The only requirements would be a clean, safe automobile; a driver in good physical condition without a recent criminal record; a driver's license; a simple, low-cost business permit; and the proper insurance.

In practice, this is a business where local regulatory barriers impose powerful obstacles to start-up companies, either by establishing unnecessary financial burdens and bureaucratic rules, or outright restrictions on new businesses.[1] When regulations become too onerous, would-be entrepreneurs, like other businesses, sometimes go underground and provide their services illegally.[2] Most importantly, many will never start at all.

But everyone loses out in the long run when businesses do not get started or remain underground. The health and vibrancy of cities depends on entrepreneurs creating new businesses and growing successful enterprises. When regulations stifle business start-ups, city residents are dependent on existing jobs in the area. Often these jobs are in established businesses which are not growing rapidly. Thus, without entrepreneurial outlets, job opportunities in cities are limited.

When businesses remain underground, this also limits economic growth in a city. The mere fact they are illegal or unregistered means growth jeopardizes their existence. As soon as a company grows, it becomes more visible. High visibility means underground businesses run higher risks of being closed down by local authorities.[3] Thus, when city regulations keep businesses underground, it creates a perverse incentive for them to limit their growth and contribute less to a city's economy.

So, creating opportunities for entrepreneurs to easily start new businesses and bringing underground businesses above ground should be objectives of any city's economic development strategy. This means keeping regulatory costs and burdens to a minimum.

II. Taxicabs Regulation: An Overview

Cities in the U.S. have regulated taxicabs for at least 75 years (see box below), In most cases, regulations are developed on the local level, usually by a city. Taxicab regulations are some of the most common in city ordinances, and may also be some of the most restrictive.

This is ironic because a taxicab service may be one of the easiest business to start up. Car ownership is widespread, even in poor and inner city areas. Start-up entrepreneurs face some financial barriers -- a good, clean, used car may cost up to $4,000 or more and insurance runs about $3,000 per car.[4] But, local ordinances and regulations can significantly increase the difficulty of starting up a new taxicab business.

Origins of Taxicab Regulations

Taxicab regulations can be traced to England, when Charles I restricted the number of horse-drawn carriages for hire in London in 1635. The first comprehensive taxicab regulation was the London Hackney Carriage Act of 1831,

The first significant regulations imposed on the American taxicab industry emerged during the 1920s and 1930s. Philadelphia placed its first restrictions on taxicabs in 1920. Milwaukee began regulating taxicabs in 1924, followed by Los Angeles (1925), San Diego (1928), and Phoenix (1928).

Taxicab regulation became significantly more restrictive when New York City passed the Haas Act in 1937. This Act restricted the number of licenses, or medallions, to 13,566. Attrition reduced the number to less than 11,800 after World War II. This cap on taxis significantly restricted the supply of new taxis well below demand. As many as 30,000 illegal taxis exist in New York, and the purchase price of a license, or medallion, runs $175,000 or higher.

Taxicab deregulation began to pick up steam when Indianapolis, Denver and Cincinnati deregulated their markets in 1994 and 1995.

Source: Historical background on taxicab regulation provided by the Washington, D.C.-based Institute for Justice. See "Challenging Denver's Taxicab Monopoly," *Litigation Backgrounder*, and *Is New York City Killing Entrepreneurship?*, pp. 5-8.

Types of Taxi Regulations

Taxicab regulations generally take on 4 different types. While cities will impose many other types of regulations – advertising restrictions, language requirements, uniforms, etc. – the following general categories are the most common.

Types of Taxicab Regulations

- Caps on the number of taxis or firms
- Health and safety
- Price regulation
- Types and levels of services

Caps on Taxis

First, cities limit entrepreneurial access to taxicab markets. Many ordinances limit the number of companies that can legally provide taxi services at any given time. In some cases, the city places a cap on the number of companies. In a survey of regulations in 25 cities, Price Waterhouse found that 10 cities placed limits on the number of taxis that could operate within their cities.[5]

Cities can also restrict entry by simply not approving additional licenses or placing a moratorium on issuing new licenses. This is the current case in Columbus.

Other cities may limit entry by creating onerous application processes. This is often done by requiring an applicant to "prove" his or her company will serve a public purpose, or that existing service is inadequate.

Health and Safety

A second type of taxi regulation revolves around health and safety. A taxicab driver is usually required to have adequate insurance and an acceptable driving record. Most ordinances also deny driver's licenses to people convicted of serious offenses, such as fraud, assault, burglary, or robbery. Rules about vehicle inspections also fall under safety regulation.

Price Regulation

A third type of regulation is price regulation. Some cities legislate the amount a taxi can charge. Before its market was deregulated, for example, Indianapolis's ordinance set taxi prices at 95 cents for the first 1/5 mile and 30 cents for each additional 1/5 of a mile. In other cases, local regulations simply place a maximum on the amount that could be charged, leaving other rates to market activity.

Service Level Regulation

The fourth type of regulation sets standards for the quality of service. These regulations require proper conduct, regulate vehicle appearance and cleanliness, and specify the types of services provided by taxicab drivers and companies.

These regulations can create significant barriers to start-up taxi companies in Ohio cities. The result, in most cases, is fewer companies, less competition 'and fewer entrepreneurial opportunities. With less competition, service levels often decline,[6] forcing customers to bear the burden of longer wait times for taxis or loss of service as existing companies fail to serve some areas of a city. By setting a cap on the number of new taxis, starting a new cab company is difficult - if not impossibl e - regardless of individual effort, how well one knows the city, or how prompt service will be. Those who want to drive a cab must work for someone else, often paying thousands of dollars to a cab company to lease its cars.[7]

The Push to Deregulate Taxis

Recognition of the beneficial impacts of a competitive taxicab market and increased economic opportunities led some cities to deregulate local markets in the 1990s. Indianapolis, Cincinnati, and Denver have made significant strides toward opening up the industry to entrepreneurs and limiting government intervention.

In Denver, for example, no new cab companies entered the market between 1947 and 1995.[8] A cartel of 3 cab companies operated in a tightly regulated market. Local regulations required would-be entrepreneurs to prove inadequate service by the existing cab companies.[9] Thus, would-be entrepreneurs were forced to prove to a government agency that the demand existed for their service before they could begin. More importantly, start-up companies also had to show that the existing companies would be unable to provide adequate service.[10]

These rules effectively deprived Denver residents of an ability to pursue a trade or business and "earn an honest living,"[11] according to the Institute for Justice, a Washington, D.C.-based public interest law firm. The Institute sued the State of Colorado on behalf of four entrepreneurs turned down by the Colorado Public Utilities Commission. The entrepreneurs won. On August 1, 1995, Freedom Cabs became the first new cab company in 48 years to open up in Denver as a result of the law suit and r elated legislative activities.[12] Freedom Cabs now employs 100 drivers that serve many of the markets underserved by the cartel.[13]

Cincinnati also opened up its market to entrepreneurs by eliminating an effective cap on new companies,[14] and by clarifying the requirements for obtaining a license and "providing" public need.[15] While the cap was in place, more than 100 applications for new licenses were pending before the city.[16] More than 237 new cabs started up in Cincinnati in the wake of local deregulatory efforts.[17]

Indianapolis's deregulation plan may be the most comprehensive and successful to date **(see Indianapolis)**. Its success in creating new opportunities for minority entrepreneurs, increasing the number of cab companies, and using competition to reduce average rates is quickly becoming a model for other cities. As of July, 1996, 158 new taxicabs have entered the market.[18]

Criticisms of Deregulation

Some argue that deregulation will actually result in a deterioration of quality and service. Gene Stalians, former President of the International Taxicab Association, believes that "open entry is not the answer to a community's legitimate desire to improve its taxicab service."[19] In 1993, Price Waterhouse, in a study commissioned by the International Taxicab Foundation, concluded "the effects of taxicab deregulation have ranged from benign to adverse, depending on local conditions and markets." [20]

Objections to deregulation range from broad concerns over the quality of service to fears that wages will fall for current drivers (see Appendix). In a study of San Diego taxicab deregula- tion, for example, driver eamings fell by 30% after deregulation.[21] Drivers in Cincinnati also complained about the possibility that new companies would reduce the profitability of exist- ing companies.[22] Of course, average driver incomes may fall if more com- petitors are allowed in the market place. - Taxicab companies often operate in a regulated environment, protecting them from market competition.

Instead of deregulation, Stalians proposes that entry into a taxicab market be controlled according to a mathematical formula that determines the "optimal" number of cabs in a particular city. Stalians believes rates should also be regulated, although not as strictly as under many city ordinances.[23]

Responses to Criticisms

Unfortunately, little work has been done to evaluate changes in quality before and after deregulation **(see Appendix)**. Most evidence relies on case studies and anecdotal evidence.

Service Quality

Deregulation, however, can lead to service quality increases. "The primary benefits of deregulation have been to increase service availability, to reduce telephone order response times by a modest amount, and to give consumers a greater choice among companies, some of which have different rates," observes Roger Teal after his study of the impacts of San Diego's deregulation efforts.[24]

More importantly, deregulated cities typically have significant increases in the number of independent cab companies and taxicabs. Deregulated cities in the Price Waterhouse study, for example experienced a 23% tncrease in the number of taxis from 1985 to 1992.[25] These increases were much larger than in cities that either remained regulated or that re-regulated.[26] Thus, cities interested in promoting economic opportunities for residents can consider taxicab deregulation as tool for p romoting this form of entre-preneurship.

Demand for Taxis

The dramatic increase in the number of cabs operating in deregulated cities also addresses another concem of regulators. Some argue that the demand does not exist for higher levels of taxicab service. In fact, this is implied by regulations that require potential applicants to "prove" a need exists for their services. Those, such as Stalians, that argue for a formula-based approach to determining the number of cabs also suggest that existing cab service is sufficient.

Yet, if this were true, cities that deregulate would not experience a significant increase in the number of cabs operating in their cities. The demand would be insufficient to sustain a larger number of cabs and cab companies. They would quickly go out of business. The fact that almost all cities that deregulate their local taxicab market experience an increase in the number of taxis in operation suggests that substantial unmet demand exists for these services. More importantly, this unmet demand can expand economic opportunities for central city residents.

Increased competition from new taxicab drivers and companies obviously prompts renewed calls from existing drivers and companies to restrict entry. Deregulation may result in lower wages and earnings for existing drivers and companies protected by the closed entry system. As more firms enter the market, they will engage in price competition. This means lower average fares and/or an increase in quality, both of which occurred in San Diego.

Driver Income

In fact, one of the primary arguments for deregulation is that existing companies keep fares and wages higher by taking advantage of their monopoly over the taxi market.[27] An analysis of taxicab regulation in Toronto found that prices were 25% higher than if the market were left unprotected by local regulations.[28]

Moreover, wages may fall as new jobs are created and entrepreneurial opportunities are expanded in the taxicab market. Even though wages for existing drivers might fall, the benefits of putting more people to work as taxicab entrepreneurs, increasing the availability of taxicabs, and increasing the variety of taxicab services may more than outweigh the income losses experienced by existing companies **(see box on Indianapolis)**.[29]

More importantly, the mere fact new taxicab operators enter the market, providing new levels of service, suggests that economic opportunities are better driving taxis than other jobs. Many cab operators may be willing to accept lower wages for the opportunity to be their own boss and give themselves a shot at even greater wealth as their business expands. Otherwise, they would invest their time, money, and experience pursuing other opportunities.

Indianapolis Taxicab Deregulation Creates Jobs

Indianapolis's deregulation of its taxicab market was subjected to fierce debate. Opponents consisted mainly of established taxicab companies. Richard Hunt, the owner of Yellow Cab, Inc., argued that deregulation would cause price wars, forcing some taxicab companies out of business. "You've got to have a level playing field," he said, "[Deregulation] drives it down to where nobody makes any money and everybody goes broke."[1]

Supporters argued that deregulation would increase service and provide economic opportunities. James Chatman, an Indianapolis cab driver who wanted to start his own company, appealed to local government officials to make his dreams of owning and operating his own cab company a reality. "All I'm asking from the City-County Council," he wrote in a letter-to-the editor of the Indianapolis News, "is the right to succeed or fail based on me - my decisions, my service, my prices, and my hard work."[2]

After extensive debate, the city's economic development committee presented Proposal 76, a comprehensive taxicab deregulation ordinance. The local city-county council approved the deregulation proposal in May, 1994.

The proposal made three major changes to the local taxicab ordinance. It

- eliminated the cap of 393 taxicab licenses imposed by the controller,[3]
- replaced a set rate with a maximum rate, although all rates must be posted outside the taxi and with the local government,[4]
- dropped a 24-hour dispatch service requirement, allowing companies to operate part-time.[5]

Within the first six months of deregulation, the city reports 32 companies started up.[6] Three quarters of the new companies were owned by minorities or women. Pick up rates were 12% lower for new companies compared to existing companies.[7] Average mileage rates were 3% lower, and the average rate for the first mile was 7% lower.[8] As of July, 1996, 158 new taxis have entered the market.[9]

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1. Greta Shankle, "Draft of Taxi Ordinance would Deregulate Industry," *Indianapolis Business Journal*, January 10-16, 1994.
2. James Chatman, "Cabbie Appeals to City," *Indianapolis News*, April 16, 1996.
3. This was eliminated because the new chapter (Chapter 996) regulating taxi services repealed the earlier regulations. The new regulations do not permit a cap on the number of taxicabs.
4. Revised Code of the Consolidated City and County, Chapter 996, Section 996.81
5. See note 3.
6. Ordinance 76 Update, Regulated Competition in the Indianapolis Ground Transportation Marketplace, Economic Development Committee, January 19, 1995.
7. *Ibid*.
8. *Ibid*.
9. Data compiled and provided by Institute for Justice, Washington, D.C., July, 1996.

III. The Taxicab Market in Ohio Cities

A more complete understanding of the complexity of local regulations and their impact on economic opportunities is important before developing recommendations for local policy makers. The Buckeye Institute collected taxicab ordinances from Ohio's largest cities and analyzed them to determine the extent local taxicab markets were regulated.[30] The Institute also used a case study of Dayton to illustrate the extent local regulations can impose sub-stantia1 financial burdens on start-up businesses.

The cities included in the analysis are the eight largest central cities in Ohio (Table 1).[31] Their populations range from 84,788 (Canton) to 642,987 (Columbus). Similarly, the number of taxicabs operating in each city ranges from 40 in Youngstown to 587 in Cincinnati.

The number of cab companies varies even more. Only one company services Canton, while more than 114 service customers in Columbus.

Table 1

Taxicabs in Ohio's Largest Cities

City	Population (1992)	Licenses (Taxis)	Companies
Akron	223,621	85	3
Canton	84,788	72	1
Cincinnati	364,278	587	45
Cleveland	502,539	293	3
Columbus	642,987	433	114
Dayton	183,789	100	4
Toledo	329,325	130	9
Youngstown	94,387	40	3

Source: Population data from U.S. Bureau of the Census, taxi data from survey of individual cities.

Taxicab Availability

One way to gauge taxicab service and availability is to look at the number of taxicabs per 1,000 population (Figure 1). Cincinnati has the largest number: 1.61 cabs for every 1,000 persons. Its closest competitor is Canton, which has fewer than one cab per 1,000 persons living in the city. The most "underserved" city based on this criteria is Akron, with a cab per 1,000 ratio of only 0.38.

Figure 1

Taxis Per 1,000 Residents

Taxis licenced per 1,000 population

Source: City taxicab licensing agencies and departments

Taxicab Company Size

The average number of taxis per company may be an indicator of the degree each city's market is dominated by large or small firms. Cities with fewer taxicab companies will have higher average fleet sizes, This suggests that the number of independent operators would be smaller in cities with larger average fleets.

Many cities are dominated by established companies (e.g., Yellow Cab, Checker Cab, etc.) with large fleets. In some cases, these fleets number in the dozens or even hundreds of cabs.

Columbus is on one extreme with the lowest number of taxis per company on average (3.8 per company). Cleveland is on the other extreme. Three taxicab companies **(see Cleveland)** control the entire market in that city. The average size of a taxicab company in terms of available cabs in Cleveland is 97.7.

Figure 2

Taxis Per Company

Average Number of Taxis Per Company

Source: City taxicab licensing agencies and departments

IV. Taxicab Regulations in Ohio

Taxicab regulations in Ohio's largest cities can be grouped into three general categories:[32]

- *Licenses and fees* or charges levied on businesses unrelated to their level of service. These licenses are necessary to operate legally within the city.
- *Non-financial mandates* such as restrictions, limitations, and regulations on how and when a business may operate or who qualifies to operate the business.
- *Rate regulations* that determine the extent of price competition allowed within the city. Some cities set rates in their taxicab ordinances.

  Others adopt maximum rates. Still others allow market-determined rates.

Licenses and Fees

Most cities charge fees for new taxicab companies and drivers. The fees range widely among Ohio cities.

Fees for Drivers

For drivers, Dayton is the most expensive city to operate a taxicab in, charging $33 per driver each year (FIgure 3). The least expensive is Cleveland, which charges only $3 per driver. In most Ohio cities, the fees are relatively modest, comparable to the cost of obtaining a driver's license.

Figure 3

Licence and Registration Fees for Drivers

Source: Individual city ordinances and interviews

Fees for Companies

Cities, however, also charge fees to license and register taxicabs (vehicles) and companieq. These fees are much larger. The cheapest place to begin a taxicab company is Youngstown which charges only $25 (Figure 4). The most expensive cities are Dayton and Akron, which each charge $250 per company. Dayton also charges $250 for each additional vehicle while Akron adds a surcharge of only $10 per vehicle operated by the company (Figure 5). Thus, for the sole proprietor of a company with one driver/owner, the cost of licensing and registering his company and car ranges from $25 in Youngstown to $260 in Akron.

Some cities may not allow single operators to start new companies, even if they can afford the licensing fees. This would occur if the city has a cap or has implemented a moratorium on new taxis.

Figure 4

Licence and Registration for 1-Car Cab Companies

Source: Individual city ordinances and interviews

Figure 5

Cost of Licensing One Additional Car

Source: Individual city ordinances and interviews

Non-financial Mandates

Licenses and fees are only one element of the regulatory system overseeing taxicab drivers and companies in Ohio cities. City councils have erected numerous other barriers, from requirements specifying the hours the business can operate to caps on the number of taxicabs operating in the city. A survey of Ohio's big city taxicab ordinances found fifteen regulations that impact taxicab companies and drivers (Table 2).

Regulations of Taxis

All cities placed limits and restrictions on the taxis that operate within their city limit,~. Cleveland, Columbus, and Toledo put caps on the numbev of taxis legally allowed to operate in their cities. Cleveland has a cap of 700 cabs.[33] (see box on page 16). Toledo has a cap of 300 cabs.[34] (The number of taxicabs operating in each city, however, is lower than the legal cap.) Columbus imposed a moratorium on new cab companies in May 1990, creating an effective cap of 433 taxis **(see box on Columbus)**.[35]

Caps and moratoria on new taxicabs are potentially insurmountable barriers. New taxicab drivers and companies are allowed to enter the market only if other companies fail or existing drivers stop driving.[36]

Four cities - Canton, Cincinnati, Columbus, and Toledo - required city approval of color schemes and insignia.[37] Cleveland's ordinance imposes a minimum size on cab companies (25 cabs)[38] and maximum age for nev cars (3 years old or newer).[39]

Examples of Regulatory Mandates

- 24-hour service availability
- Separate dispatching office
- Caps and moratoria on taxicabs
- Physician's certificate required
- Prove public need

Regulations of Drivers

Most cities also regulate drivers. Four cities - Cleveland, Columbus, Dayton, and Toledo - require a physician's certificate to operate a taxi. While this regulation seems reasonable, it further increases the costs of obtaining a license. Even healthy drivers with no history of serious illness have to pay for a physical exam and the doctor's office visit. Canton imposes a minimum age of 21[40] and a maximum vork day (12 hours) for drivers.[41]

Table 2

Non-Financial Mandates on Taxicab Companies

Regulations of Company Operations

Local ordinances regulate aspects of the company's day-to-day operations as well, influencing the technology used to run the business as well as facilities and eamings. Akron, Canton, Cincinnati, and Toledo require companies to file annual financial reports.

Other restrictions also make part-time and owner-operator taxicab companies almost impossible to start-up. Two - Cleveland and Dayton - require cab companies to have a separate dispatching office to handle dispatching. This requires companies to hire dispatchers and rent office space, increasing overhead and start-up costs. Of course, to cover the overhead, most companies need to have more drivers and cars under contract. As the next section of this report details, this requirement can impose a substantial financial burden on a start-up company.

The advent of paging devices, cellular phones, and voice messaging systems means that taxicabs could operate completely free from within a cab. City regulations often do not reflect these technological breakthroughs.

The use of modern low-cost technology is even further restricted in cities such as Akron, Canton and Cleveland. These cities mandate the technology used to handle dispatching: *Two-way radios*.

Cincinnati and Toledo limit advertising: Their ordinances prohibit cab compantes from generating additional revenues by selling advertising space on or in taxicabs.

Service Regulations

All Ohio cities in the survey also regulated the level and quality of service. Five of the eight city ordinances prohibited taxicabs from walting for potential customers except at officially designated taxicab stands.

Akron, Canton, and Dayton require full-time service, 24-hours, 7-days per week, effectively prohibiting part-time cab services. This ordinance effectively prevents an independent, single-operator entrepreneur from entering the market. One person cannot operate a business non-stop, 7 days a week, 24-hours a day without help. Thus, any start-up company will immediately have to cover the overhead of additional employees, either more drivers or administrative support,

Cleveland Shuts Out Independent Owner-Operators

Cleveland's taxicab ordinance has a unique entry restriction compared to other cities in Ohio: It legislates a minimum company size.

Sections 443.021 and 443.022 of Cleveland's taxicab ordinance prohibit the Commissioner of Assessments and Licenses from issuing a license to any company with fewer than 25 cars. The ordinance further prohibits the commissioner from issuing a license to an independent operator unless he or she is a member, and will operate as part of, an association approved by the Commissioner. An association is defined as a society organized for the purpose of benefiting a group of hot less than 25 owners of "public hacks " (or taxis). No associations currently operate in Cleveland. City taxi services are provided by only 3 large taxicab companies - Cleveland Yellow Cab, Zone Cab, and Americab.

This may explain why Cleveland's cap on taxicab licenses is set at 700, but only 293 licenses have been issued, a lower number than either Cincinnati or Columbus.

Columbus Places Moratorium on New Cab Licenses

The City of Columbus imposed a moratorium on new taxicab licenses in May, 1990. The moratorium on new licenses effectively capped the number of taxicabs at 433. The City's Vehicle for Hire Board declared that the number of taxicabs in the city was excessive after conducting a need and necessity study. More cabs, they believe, will harm the public and compromise "the public health, peace, property, safety, and welfare" of the citizens of Columbus.

The result has been an increase in the black market price of taxicab licenses. While, officially, a taxicab operator's license would cost only $75, prospective cab operators have reportedly paid thousands of dollars for the privilege of operating a taxi in the City.

Many inner-city neighborhoods and low-in-come residents might benefit from companies that service only high volume times (e.g., Friday or Saturday nights) or serve customers only on an on-call basis. This is one of the primary reasons Indianapolis dropped its regulation requiring 24-hour availability for taxicab operators. In Washington, D.C., entry is relatively unrestricted. Ninety percent of the taxicabs are owner operated, and half are part-time.[42]

Proof of public need is almost always an onerous regulatory barrier because the presumption is against new entrants. This standard arose because taxicabs were originally regulated as a public utility.[43] Criteria for determining public need are often ambiguous and subject to wide interpretation by regulatory authorities. The burden of proof is also almost always shifted to the new entrants who must "prove" a "need," or unmet demand, exists for new taxicab companies and operators. Often, exi sting companies have an opportunity to show local authorities how they will meet the need discovered or identified by the applicant for a new taxicab company license. Denver's requirement created a burden impossible to overcome without expensive litigation. These restrictions allowed existing companies in Philadelphia in the 1970s and 1980s to keep the number of operating cabs to a minimum.[44]

Toledo requires applicants to prove their company wtll serve a public need. Cincinnati has a similar provision, but criteria approved with the deregulation ordinance in 1995 significantly reduced the burden of proof for applicants.[45] In fact, a critical component of Cincinnati's deregulatory efforts was defining public need clearly to reduce the burden on new taxicab companies. By reducing uncertainty over whether new applications would be approved, this reform was partly responsible for a significant incre ase in the number of cab companies starting up after deregulation (see cincinnati).

Rate Regulations

The final area of regulation concerns rate regulations. All the ordinances examined in Ohio cities regulate how and when taxicab companies can set rates or fares.

In Toledo, the taxicab ordinance sets a maximum and minimum rate, effectively requiring a set price for all taxis.[46] A similar restriction exists in Youngstown, where the local ordinance specifies that the rate must be $1.50 for the first 1/10 of a mile and 10 cents for each additional 1/10 mile.[47] Thus, in both cities, negotiating for a lower fare would be illegal.

Four cities - Cincinnati, Cleveland, Columbus, and Dayton - set a maximum fare.

Taximeter Rate Setting Policies

Akron .... market determined
Canton .... market determined
Cincinnati .... maximum rate
Cleveland .... maximum rate
Columbus .... maximum rate
Dayton .... maximum rate
Toledo .... set by ordinance
Youngstown ..... set by ordinance

Only two cities, Akron and Canton, allowed market-determined fares. Each of these cities, however, requires cab companies to submit fares and rate changes to city officials before they go into effect.[48] In Canton, rate changes must also be advertised three times in "a publication of general circulation."[49] These procedures are administrative, however, and less likely to distort markets.

Rates can also be regulated by specifying how the fare will be caclulated. Most taxi fares are calculated using taximeters, devices that track the distance traveled and time sitting idle (e.g., in traffic, at traffic lights, or waiting for customers). Fares are determined by multiplying the rate by the distance traveled plus waiting fees.

Six of Ohio's largest cities require that fares be calculated using a taxi-meter. Cleveland and Columbus set maximum rates, but also officially allow alternative forms of charging customers such as flat rates for certain trips.[50]

In most cities, charging or negotiating fares other than the amount registered on a taximeter would be illegal. Taxicab owners or drivers could not legally charge a flat fee for specific trips, or set different fee levels for peak times or special hours.

Rate regulation can mean higher overall rates for consumers. Average fares for a 1-mile trip in the two cities (Akron and Canton) that allow the market to determine rates have fares 11.8% lower than cities that regulate rates.[51] The average fare in the cities that use markets to determine taximeter prices for cab services was $2.59 for the first mile (Figure 6). The average fare for the cities with a maximum rate ceiling was $2.85, and $3.10 for the two cities that have rates set by ordinance.

Figure 6

Taxicab Fares for 1-Mile Trip in Ohio's Largest Cities

Average Fares ($)

Source: **See end notes**

Cab company fares are also competitive for longer distance trips in cities using markets to determine trip prices (Figure 7). The average fare in Akron and Canton was $7.53 for a 5 mile trip, higher than the average of $7.49 for the cities with rate ceilings. These rates were still lower than in cities with rates set by local ordinance ($8.00). Overall, the average market-determined fare was 3.4% lower than the average fares in regulated cities.

Many factors will determine taxicab fares, including the level of demand and the number of suppliers. Nevertheless, these data suggest that legal restrictions on prices do not necessarily translate into lower average fares.

Figure 7

Taxicab Fares for 5-Mile Trip in Ohio's Largest Cities

Average Fares ($)

Source: **See end notes**

Summary of Local Taxicab Regulatory Policies

The most common regulations effect price and fares.[52] Six cities set a maximum price and allow only metered fares. In most cases, altemate fares and prices, cannot be set based on the type of trip or the time of day.

Half of Ohio's largest central cities require physician's certificates for drivers, mandate financial reports for cab companies, and regulate colors and insignias.

table 3

Most Common Taxicab Regulations in Ohio's Largest Central Cities

V. The Regulatory Burden of Regulation: The Case of Dayton

This section estimates the costs imposed by local regulations on start-up taxicab coinpanies and drivers in Dayton. By estimating the financial burden of complying with the city's taxicab regulations, a more complete understanding of the role these regulations play in limiting entry becomes possible.

Drivers in Dayton, like their counter-parts in other Ohio cities, are not entrepreneurs. In fact, while 100 cars are licensed to operate as taxis, the city has only 4 licensed taxicab companies. Drivers usually do not own their cars. They usually work as independent contractors for large cab companies.

The following analysis helps explain why.

Cost Impacts of Regulations

In Dayton, an important barrier to sole proprietorship is a regulation requiring a separate business office open at all times to receive and dispatch calls.[53] This regulation adds at least two additional cost items.

First, the taxicab company must now rent commercial office space since local zoning laws do not allow a taxicab company to operate as a home-based business.[54] Renting office space will cost the firm about $1,750 annually.[55]

Additional Employees

Second, the firm will need to hire employees to cover the 24-hour dispatching service. At least four additional people would be needed to run the business/dispatching office on a full-time basis.[56] Since dispatching will require some skill, wages will probably be above minimum wage. Combined with social security, workers compensation and unemployment insurance, labor costs from this regulation could approach $50,000 for four employees.[57]

Cost Impacts of Restrictions on Hours

Other elements of Dayton's ordinance virtually eliminate the single owner/operator from the local taxicab market.

The ordinance also requires all companies to provide taxicab services 24 hours a day, 7-days per week.[58] Thus, any new company will need more than one driver, since one driver is unlikely to be available at all the times required by law.

In Dayton, this means each company will have to add cars to accommodate a larger number of drivers. More cars are necessary to ensure at least one operates at all times. If one car breaks down, or needs to be serviced, the company would violate the local ordinance since its services would not be accessible at all times.

If the company needs 3 cars to ensure 24-hours, 7-day a week service, it would have to purchase and maintain at least two cars in addition to the one the entrepreneur uses if he or she were a sole proprietor owner/operator. Combined with insurance, this would add $14,570 on to the first year costs of a start-up a business if the company owned the cars and insured them.[59]

Costs of Licensing and Fees

The taxicab company is charged $250 per cab annually to operate.[60] Thus, licensing the 3 cabs will cost $750. Each driver incurs an additional cost of $33 annually, $25 for the license and $8 for ID processing. This means expenses could run as high as $915 each year just to license 5 drivers that would cover the days and hours of operation required by law.

Restrictions on Fares

Another local regulation requires taximeters, approved by the Police Department, in every taxi to calculate fares.[61] A taximeter is a device that records the distance traveled and the total cost of the trip. A taximeter costs between $150 and $450, according to local cab companies and public officials, and must be placed in every operating taxicab. This would be a onetime expense.

In addition to the maximum price regulation, however, the taximeter imposes another type of price control. Taxicabs are required to set their fares based solely on distance traveled. Since the fare is regulated by the City, price competition is discouraged. It would be illegal, for example, for a company to offer downtown taxicab transportation for a flat fee of $3.00 as an established service. The total cost of the trip is based on the published fare (not to exceed $1.60 for the first 1/6 of a mile and 20 cents for each additional 1/6 mile) multiplied by the distance traveled.

This policy discourages efficient pricing policies and price competition. By prohibiting other forms of pricing (e,g., flat rates, reduced rates on certain routes, etc.), local cabbies cannot price according to peak times, special trips, or other criteria other than distance.

Table 4

Regulatory Costs of Starting a Cab Company in Dayton Cost Estimated Burden Taxi cab operators Contract work Clerical/support (4) Base salary $ 42,000 Social Security $ 3,150 Workers Comp $ 3,069 Unemployment Insurance $ 1,080 Additional Cars (2) $ 8,570 Insurance for Cars $ 6,000 Separate office space $ 1,750 Licensing Vehicle Licenses (3) $ 750 Taxi driver's Licenses (5) $ 165 Taximeters (3) $ 450[a] Total estimated Burden $ 66,984 Source: The Buckeye Institute, see end notes. [a]indicates a one-time expense.

Restrictions on Service Availability

Taxicab operators are also not allowed to solicit passengers except at "lawfully designated taxicab stands."[62] This restricts the demand for cab services and, as a result, opportunities for taxicab entrepreneurs.

This restriction makes it illegal for cabs to wait outside bars, restaurants, and other establishments without approved taxicab stands, further restricting their use as an everyday means of transportation. Thus, consumers also experience a lower level of service than would exist of taxi drivers were allowed to tailor their services to the needs of individual consumers and peak demand locations and times.

Summary of Regulatory Burden in Dayton

What is the cumulative impact of these regulations in Dayton?

The fiscal impact alone of these regulations amounts to $66,984 in additional costs during the first year of operation (Table 4, Figure 8). This means that for a new company to start up, it must generate almost $67,000 to cover the costs imposed by the loca1 ordinance, irrespective of the compensation to the entrepreneur, More than 95% of these costs, are in added personnel, cars, and equipment as a result of the effective prohibition on part-time operators.

The impact of local regulations on entrepreneurship can be seen when the burden is compared to the earnings from operating the business. The average annual income of a taxicab operator in Ohio is about $20,000.[63] This means, for a taxicab company, local regulations create operating costs in the start-up year that exceed 3 times the *average* annual eamings of a taxicab driver.

Figure 8

Cost of Regulatory Burden on New Taxi Companies in Dayton

Source: The Buckeye Institute. Percentages do not add to 100 due to rounding.

Thus, the taxicab company is no longer a low-cost business accessible to the semi-skilled, low-skilled, or start-up entrepreneur. A cab company requires a substantial financial investment. This means the start-up company will need third party financing from a bank, development corporation, or private individual, substantially reducing economic opportunities for neighborhood residents.

In Dayton, most taxicab drivers work for someone else. Only 4 cab companies operate 100 taxicabs (legally) in the city.

Given the costs of starting up a new company under local law, the reasons for the low number of independent companies are even more evident.

Regulation Mandates Inefficiency An unintended impact of these regulations is to force entrepreneurs to invest money inefficiently.

How! As the analysis of the Dayton ordinance shows, regulations require entrepreneurs to spend money in areas where it may not be most productive. For example, companies in Dayton, Cleveland, and Toledo are required to spend money to staff a dispatching office, even though modern technology would allow a company to operate quickly and efficiently without one (e.g., paging, voice-mail, cellular phones, etc.). This is money that could be used upgrading the quality of cars or increasing the number of drivers t o service other areas of their respective cities.

With these regulations, taxicab services are more costly to operate than in a market-driven industry. In fact, while this study does not calculate the impact on the rate of return for investors and entrepreneurs, the regulatory burden likely mandates an inefficiently large cab company.

The result! Smaller, more efficient, and potentially more profitable companies cannot operate effectively. These regulations give established, large companies an even greater advantage in the market place.

VI. Increasing Economic Opportunity Through Taxicab Regulatory Reform

The impact of local regulations on start-up businesses are significant and important. In Dayton, Ohio, for example, entrepreneurs face burdens that effectively require them to begin a business with almost $70,000 in start-up capital just to satisfy the regulations, Burdens this high clearly constrain economic opportunities for local residents.

Similar burdens have led several cities, including Cincinnati (see below), to deregulate large parts of their taxicab markets.

Specifically, what can city officials do to break down regulatory barriers and increase economic opportunities in the taxicab market?

This research and the experience of other cities with deregulation suggest several "principles" for regulatory reform:

Adopt Streamlined Licensing and Registration Procedures.

Cities should depoliticize the licensing process, reducing the role of licensing boards in granting taxicab licenses. This can be accomplished by making licensing an administrative process. Cities should avoid broad, politically driven criteria such as "public need" or "improve service quality."

This means using concrete, identifiable criteria for granting licenses, such as ensuring the taxicab operators:

- have a good safety and driving record.
- are of legal age,
- have a legal driver's license.
- have no recent criminal record.
- have a clean and safe car.

Cincinnati Pushes Forward on Taxicab Deregulation

Pressure to deregulate the taxicab industry in Cincinnati built up over several years.

From 1990 to 1994, the city imposed an unofficial cap of 348 licenses issued. In 1994, in the first step toward deregulation, the city lifted the cap and distributed 170 new licenses. By late 1994, in the wake of Indianapolis's success, public officials in Cincinnati were again holding hearings on taxicab deregulation.

In January of 1995, the taxicab industry was deregulated further by the city council. The council would not place an official limit on the number of licenses issued, but it retained the provision that applicants prove "public convenience and necessity" in order to obtain a license. The revised ordinance however prohibits local authorities from including the economic impact on existing taxicab companies in granting the licenses. Criteria such as whether the new company will serve underserved areas, whether t he quality of service will be enhanced, the driving record of the applicant, and any past criminal activity are considered in determining whether a new license will be granted.

Preserve Open Entry

Consumers are served when new competitors enter the market to challenge existing companies with lower fares or better quality. Open entry can be ensured by:

- removing caps on numbers of taxis and licenses.
- streamlined licensing process.
- automatic renewal of licenses.
- lowering fees.
- removing minimum cab company size

Maximize Flexibility

Customers have varied needs and wants, and the taxicab market should reflect this. Taxicab companies should be allowed to:

- operate on a part-time basis.
- serve specific needs and peak demand times.
- serve particular routes.
- provide niche services (e.g., after hours transportation for bars).
- determine acceptable pick-up and drop-off sites.

Key Features of a Pro-Entrepreneur Taxicab Ordinance

- *Streamlined licensing process*
- *Open entry.*
- *Maximum flexibility*
- *Minimal fees*
- *Restructured zoning laws*

Minimize Fees

Taxicab licensing fees should reflect the administrative costs of processing the application and running criminal background checks on the applicants.

- limit taxicab operator fee to $25 or less.
- exempt start-up businesses from licensing fees in the early years of their operations.

Restructure Zoning Laws

Classify taxicab companies as home-based businesses for zoning purposes unless they:

- create a perceptible and quantifiable burden on their neighbors and neighborhood.
- out-grow their existing space within the home.

Adopting these principles, and translating them into legislative action, will help create economic opportunities for urban residents while providing a higher 1evel and quality of service to everyone.

Appendix: Benefits of Taxicab Deregulation

Despite widespread regulation of taxicabs, relatively little research has been published on the subject. An electronic search of more than 300,000 articles, books, and dissertations generated only 9 citations relating to the taxicab industry and taxicab regulation.

One of the more recent studies was commissioned by the International Taxicab Foundation, an organization servicing the interests of the taxicab industry. The study, performed by Price Waterhouse, analyzed taxicab deregulation, re-regulation, and regulation in 29 cities. Generally, the study concluded that deregulation 1) did not reduce prices, 2) did not significantly improve service quality, and 3) did not lower administrative costs. The study then concluded that all but four of the 21 cities that deregul ated have moved to re-regulate their taxi industries as a result of dissatisfaction with the effects of deregulation.

The study's findings and conclusions, however, are questionable. First, the analysis relies to a significant degree on case studies, some of which have conflicting results. For example, Price Waterhouse uses data from San Diego to show that service quality declined, while other data found that service quality may have increased **(see discussion)**. The study also uses Indianapolis as an example of a city that deregulated and then re-regulated as a response to poor market performance. Indianapolis, howe ver, is now used as an example of comprehensive deregulation as a result of its 1994 deregulation efforts (see box on p. 7).

More importantly, the Price Waterhouse report ignores the role politics may have played in pushing cities to re-regulate. Existing taxicab owners are often the most vocal opponents to deregulation. In many cases, they stand to lose significant amounts of money if the market were opened up. In Indianapolis, for example, the cap on taxicabs created a black market for licenses. The only way someone could operate a taxi was if they purchased a license from an existing company. The going black market rate for a 1icense before deregulation was $5,000.[64] Once the market was opened up, the price of a taxicab license fell to just $100. One of the city's principal taxicab owners owned 300 licenses. Thus, the cab company owner effectively lost $1.5 million as the value of his licenses fell as a result of deregulation!

Many of the cities that remained deregulated were growing cities, where an expanding economic pie could satisfy existing and new entrants. Many of the cities that re-regulated, or remained regulated, were slow growth or declining cities. These cities would experience the most intensive lobbying by existing taxicab owners to restrict entry and increase regulation, Existing cab company owners could lose substantial amounts of their investment if the market were opened up.

Another problem with the Price Waterhouse report is its imprecise definition and use of "re-regulation." While many cities re-instituted caps on taxicabs, others went from allowing fares to be set in a free-market to instituting maximum fares. In many cases, the price system was still more mar-ket-oriented than when the city was fully regulated.

In addition, while *median* fares increased faster in deregulated cities compared to regulated cities, *average* fares increased more slowly. The median would be the price charged by the taxicab company halfway down the list if each company were listed from slowest to fastest growth in fares. The average fare would measure how fares in the entire market responded. The average incorporates fare changes of all companies operating in the market. On average, fares between 1985 and 1992 increased by 17 .4% in deregulated cities and by 17.3% in regulated cities. (The Price Waterhouse study only reports median data.)

The Price Waterhouse study also ignores the important public policy goal of increasing the number of jobs for local residents. The study observes that the increase in the number of taxicabs following deregulation resulted from a substantial increase in the number of small and independent cab companies, Thus, even if deregulation were not accompanied by clear improvements in quality, deregulation could be justified for the widely acknowledged impact of increasing economic opportunity for local residents, par ticularly those in poor inner-city areas.

End Notes

1. For an overview of the potential barriers, see Walter E. Williams, *The State Against Blacks* (New York: McGraw-Hill, 1982), 75-88. For a more recent analysis of the impact of local policy on taxicabs, see Bill Styring, "Taxicab Licensing In Indianapolis: The Situation and Economics," paper prepared for Regulatory Study Commission, City of Indianapolis, January, 1993.

2. Also called Gypsy cabs, these illegal operations already exist in many of Ohio's neighborhoods, particularly underserved and poor areas. The ways red tape and laws drive businesses underground has been explored extensively in

the academic literature. See Hernando De Soto, *The Other Path* (New York: Harper R Row), 1989; Saskia Sassen-Koob, "New York City's Informal Economy," in *The Informal Economy: Studies in Advanced and Less Developed Countries,* ed. Alejandro Portes, Manuel Castells and La uren A. Benton (Baltimore, Md: Johns Hopkins University Press, 1989), pp. 60-77; and Sam Staley, *Drug Policy and tbe Decline of American Cities* (New Brunswick, N,J.: Transaction Books, 1992), pp. 18-26.

Drug Policy and the Decline of American Cities, and Peter Reuter, Robert MacCoun, and Patrick Murphy, *Money from Crime: A Study of the Economics of Drug Dealing in Washington, D. C.* (Santa Monica, Calif.: RAND Corporation) 1990.

4. Estimates based on the used car market in Dayton, Ohio (see Section V) and interviews with representatives of companies that insure taxicabs and taxicab operators,

5. Cities limited the number of taxi-cabs, froze the number at the existing level, or used population ratios to regulate the number of taxis. Only 6 cities in their study allowed open entry without inquiry into "public convenience," number of taxicabs, etc. Price Waterhouse, *Analysis of Taxicab Deregulation and Re-Regulation* (Kensington, Maryland: Intemational Taxicab Foundation, 1993), Appendix A. Indianapolis had an ordinance imposed cap of 600 taxis before it deregulated its taxicab industry in 19 94. The controller, however, was required to determine the number of taxis that could operate within the city within the 600 limit imposed in the ordinance, The effective cap, then, at the time of deregulation was 393.

6. See Williams, *Tbe State Against Blacks*.

7. In New York City, cab drivers pay between $75 and $100 per 12-hour shift to a legal cab company to drive a cab. See William H. Mellor, *Is New York Killing Entrepreneurship?* (Washington, D.C.: Institute for Justice, 1996) p. 6.

8. See Dwight Filley, "Taken for a Ride: How the Taxi Cartel and the State Are Disserving Denver's Economy," Issue Paper #6-93 (Golden, CO: Independence Institute, April), 1993; "Challenging Denver's Taxicab Monopoly," *Litigation Backgrounder*, Institute for]ustice, Washington, D,C., n.d., n.p.

9. Institute for Justice, "Challenging Denver's Taxicab Monopoly. "

10. *Ibid*.

11. The Fourteenth Amendment protects "privileges or immunities of citizenship," which include the right to contract and engage in trade, by guaranteeing equal protection under the laws.

12. Media Advisory, Institute for Justice, August 1, 1995. The taxi market was opened up through legislative activity prompted by the law suit.

13. Data as of July, 1996, provided by the Institute for Justice, Washington, D.C., September 3, 1996.

14, See Jeff Simmons, "Compromise Means City Still Regulates Taxicabs," Cincinnati Business Courier, February 3, 1995.

15. The ordinance retained language requiring proof of public convenience and necessity, against city staff recommendations to eliminate this language, but explicitly prevents the city from considering "the impact an applicant's business may have on the business of existing license holders."(Section 407-8(i)). The ordinance further specifies that the city "shall consider" criteria such as whether the applicant will service underserved areas of the Cincinnati or whether the new company will result in service improvements. These criteria will not necessarily determine whether the applicant's license will be approved or denied. See Ordinance 33, Section 407-8, paragraphs (a) through (j). For administration comments, see the memorandum from William M. Gustavson, Director of Safety for the City of Cincinnati on Taxi Regulation Ordinance Proposal, January 10, 1995.

16. Memorandum from Gustavson, January 10, 1995.

17. Data as of July, 1996, provided by the Institute for Justice, Washington, D.C., September 3, 1996.

18. Data as of July, 1996, provided by the Institute for Justice, Washington, D.C., September 3, 1996.

19. Gene Stalians, "Regulatory Revision and the Taxicab Industry: What We have Leamed," paper presented to the 50th Annual Convection, The New Zealand Taxi Proprietors' Federation, Wellington, New Zealand, August 30, 1988.

20. Price Waterhouse, Analysis of Taxicab Regulation and Deregulation, p. iii.

21. Roger F, Teal, "Taxicab Regulatory Change in San Diego," Taxicab Management (Fall 1986), p. 32.

22. Simmons, "Compromise Means City Still Regulates Taxicabs."

23. Specifically, Stalians argued for a "zone of reasonableness" standard to govern rate changes. See Stalians, "Regulatory Revision and the Taxicab Industry," pp. 10-1. Many cities have moved toward this standard anyway by setting rate maximums rather than specifying precise fares in ordinances.

24. Teal, "Taxicab Regulatory change in San Diego," p.32

25. Price Waterhouse, *Analysis of Taxicab Deregulation and Re-regulation, p*. 11.

26. *Ibid*. See R.F. Teal and M. Berglund, "The Impacts of Taxicab Deregulation in the USA," Journal of Transport Economics and Policy, January, 1987, p.41.

27. See Williams, *The State Against Blacks*.

28. D. Wayne Tailor, "The Economic Effects of the Direct Regulation of the Taxicab Industry in Metropolitan Toronto," *Logistics and Transportation Review* 25, no. 2 (June 1989), pp. 169-82.

29. Importantly, new drivers will enter the market because they expect their earnings as taxicab operators to be greater than their current wages. In many inner-city areas, this could mean unemployment or unskilled minimum wage jobs. Thus, for these employees, owning and operating a taxicab company will be a significant step upward, economically. The increased wages to new entrants into the taxicab market is rarely considered in assessments of the benefits/costs of deregulation.

30. The Buckeye Institute used 1992 population data to identify cities with populations over 80,000 people.

31. Central cities excluded from the analysis are Lima, Mansfield, Zanesville, and Springfield. Central cities are defined by the Census bureau as cities with at least 50,000 in population that serve as the employment center within a metropolitan area of at least 100,000. Since each of these cities has a population below 80,000, we excluded them from our analysis.

32. Follow up telephone calls were made to each of the cities to verify our interpretation of the ordinance and to gather additional information about how regulations were implemented, the size of the taxicab market, and the number of applicants for new licenses.

33. Cleveland taxicab ordinance, Chapter 443, Section 443.03.

34. Toledo taxicab ordinance, Chapter 771, Section 771.01.

35. City of Columbus, Ordinance No. 1385-90, approved May 22, 1990.

36. This is why the black market cost of taxicab licenses is higher than the legal rate. Licenses in New York City, or medallions, can cost $175,000 or more. Banks will even loan money for entrepreneurs to purchase the medal-lions. See Mellor, *Is New York Killing Entrepreneurship?*

37. Most cities require companies to register color schemes, names, and inisgnia. This was counted as a "regulation" only if the ordinance required city officials to approve them.

38. Cleveland city taxicab ordinance, Chapter 443, Sections 443.011, 443.021, and 443.022.

39. *Ibid*., Section 443.05.

40. Canton city taxicab ordinance, Chapter 763, Section 763.05(b)(1).

41. *Ibid*., Section 763.12(e).

42. Williams, *The State Against Blacks*, pp, 82-3.

43. Interview with William H. Mellor, attorney, Institute for Justice, Washington, D.C. Mellor was the lead counsel in the court case that led to opening up the Denver taxicab market.

44. See the discussion in Williams, *The State Against Blacks*, pp. 80- l.

45. See the discussion in note 15.

46. Toledo City Ordinances, Chapter 781.05.

47. Youngstown city ordinances, Section 785.06.

48. Akron city ordinances, Section 111..544(B), Canton city ordinances, Chapter 763.04 (E).

49. Canton, Ibid.

50. Some city ordinance allow flat fares for special events (e.g., concerts or other major public gatherings at a specific location). These altemative fares are allowed only at the discretion of city officials, and are not market driven. Cleveland and Columbus were the only cities that appear to allow taxis to set different fares from the standard taxi-meter rate independently of specific events authorized by public officials or otherwise sanctioned by the city.

51. Average fares determined by telephone interviews with taxicab companies in each of the cities in this report. The fares are unadjusted averages, and do not account for fleet size. Price Waterhouse found that independent drivers and companies tended to have higher fares than large fleets. See Price Waterhouse, *Analysis Taxicab Deregulation and Deregulation*. Using an unadjusted average, then, might distort the citywide averages in cities with a larger number of independent drivers.

52. This index excludes insurance and bonding requirements. All cities require cab companies and drivers to be insured and bonded. These requirements help prevent "fly-by-night" companies that operate risky operations.

53. Dayton city ordinances, Section 115.44(B).

54. A taxicab company would not qualify as a home business because it would require a full-time paid employee, or someone who is not an occupant of the residence, and require daily services and traffic not normally found in the adjacent residential area. See Dayton Zoning Code, Section 150.342, paragraphs G and J,

55. Based on 250 square feet of office space, rented at $7.00 per square foot. This is a conservative estimate because commercial office space is not readily available in many low-income areas. Thus, the rent could be much higher. Data on office rent and lease rates were compiled from 1995 greater Dayton Office Market Study (Dayton: The GEM Real Estate Group), submarket surveys by Leasetrends, Inc., and interviews with real estate agents and brokers.

56. A 24-hour' a day operation means that a workers would have to cover 168 hours each week. This means at least 4.2 people would be required to cover the dispatching office on a full-time equivalent (FTE) basis (4.2 people x 40 hours per week = 168 hours).

57. Assuming 4.2 (FTE) positions averaging $5 per hour. The entrepreneur is assumed to be a cab driver, and does not work in the dispatching office. The Ohio Bureau of Employment Services estimates that workers in transportation services and utilities averaged $15.24 per hour in June, 1994. Many of these workers have specialized skills that are not necessary for dispatching services. Retail wage rates averaged $7.76 per hour in the same month, which is probably closer to the skill level needed for this busi ness. Nevertheless, interviews with cab company operators in the Dayton area indicated that most dispatchers eam substantially less. See Ohio Bureau of Employment Services, Labor Market Reviece, June 1994, p. 37.

58, Dayton Taxicab Ordinance, Section 115.44 (A).

59. The price of a used car was estimated using the N.A.D.A. Official Wholesale Used Care Trade-In guide, July 22, 1996. Case studies of taxicab deregulation in San Diego and Seattle suggest that smaller, independent companies have older cars, averaging about 6 years old (Price Waterhouse, *Analysis of Taxicab Deregulation and Re-regulation*, p. 15). We used the average price of a 1990, basic, 4 door sedan for the following makes and models: Buick Skylark, Cheverolet Caprice, Chrysler LeBaron, Ford Tau rus, and Oldsmobile Cutlass. Foreign makes (e.g., Honda, Toyota) typically run $2,000 to $3,000 higher. The average cost of the Domestic models for 1992 models (only 4 years old) was $6,475. Insurance agents indicated insurance would cost about $3,000 per car. Thus, adding two cars (1990 model average), and insurance for each, would add costs of about $14,570. The cost of acquiring the cars would be a one-time expense while insurance would be an annual expense.

60, Section 115.39(B).

61. Section 115.47.

62. Section 115.56(A).

63. This is the estimated average annual wage of an employee in the transportation industry in Ohio according to the Ohio Bureau of Employment Services. This estimate is consistent with the experience of cab company operators interviewed for this report.

64. This information and example were drawn from an interview with an economist involved in the Indianapolis deregulation effort.
