




CITY OF

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MEMORANDUM

TO City Council

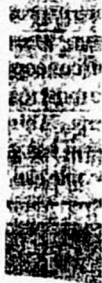
FROM John Hamilton, Taxicab Supervisor 

SUBJECT Resolution Opposing SB 858

Attached is a copy of a resolution that is being submitted to City Council next week. Also attached is a copy of "Taxicab Turmoil" from Governing magazine, December 1998. Opponents of SB 858 in the Oregon Senate referred to this article last week during debate. Although SB 858 passed out of the Senate, it is hoped that it will be stopped in the House Transportation Committee.

Thank you for your attention to this matter. Please call me if you wish further discussion.
823-5283

JH



Two decades ago, taxi service in Seattle was a mess. Cabs were hard to find, responses to customer calls were unreliable and fare prices were on the rise. But since there were only a fixed number of cabs allowed to operate, there wasn't much incentive for them to improve.

So in 1979, Seattle did what you might expect. It deregulated. By granting freer access to a taxi license, city officials reasoned, they could get more vehicles on the street and force operators to shape up in the battle for customers.

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



Taxicab Turmoil

Over the years, cities have tried just about every possible strategy for regulating the taxi business. It's still a problem almost everywhere.

to speak English and clueless about local landmarks and common destinations.

The streets were full of hacks, but the drivers commonly refused customers for short trips or bypassed them because of the color of their skin. Those who got into a cab could never quite be sure of the fares, since those varied between taxi operators, even for identical destinations. Fights between drivers—and between drivers and passengers—became so commonplace at **CHARLES MANTERIAN** 645 licensed cabs one hotel taxi stand that management finally banned cabs from the property altogether. From that point on, guests had to walk away from the hotel and hail a taxi on the street.

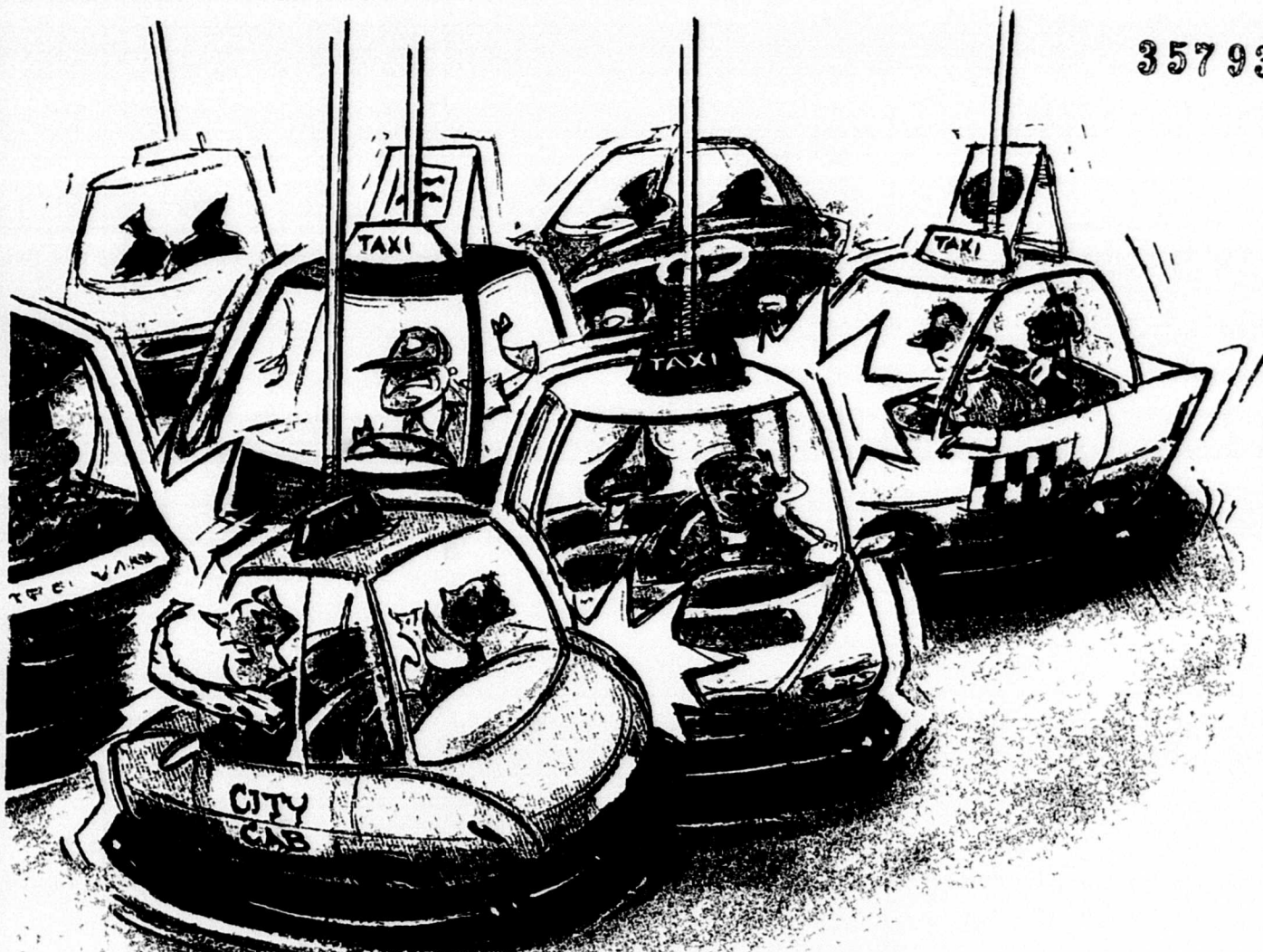
By 1995, says city council aide Dan McGrady, the system had broken down so completely that even the taxi companies were asking for reform. "It was a horrific problem," he says. "The hospitality industry was saying the taxi industry stinks and we're losing jobs and visitors."

At that point, Seattle's government had

to do something. So in 1997, it went back to strict regulation. Cab drivers now are required to wear a standard uniform, vehicles have an age limit, new drivers must pass a local geography test and all cabs must carry a Seattle-area map. So far, the early results are promising, if somewhat painful for local cabbies.

Within the first six months that the new regulations were in effect, more than one-third of the city's 645 licensed cabs were cited for safety and cleanliness violations. One cab company has drawn favorable notice for its service and distinctive green ties and white-collared shirts. "We would qualify it as a success," says McGrady. "We hardly get any complaints regarding taxis."

But anyone who thinks the problem is solved doesn't know much about the taxicab business in America. Over the past half-century, cities have experimented with just about every form of taxi oversight, from rigid supervision to virtual lais-



sez-faire. All of the strategies have had one element in common: They haven't worked very well. Hardly any city seems to be able to figure out how to provide its residents with uniformly clean, safe, reliable and courteous cab service.

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

In New York City this year, an alarming number of cab accidents led to a tough new crackdown on errant cabbies, and a counter-protest by the cabbies against the mayor's hard-line stance. In Miami-Dade County, frequent complaints about decrepit old taxis and rude drivers persuaded local officials to

issue age limits for vehicles and offer 125 new licenses, opening the market for taxi medallions for the first time in years. San Francisco, another city desperately seeking improved service, has raised the cap on the city's fleet size by issuing 300 new permits.

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

The problem, in large part, can be traced all the way back to the beginnings of the regulatory system, in the 1920s. The introduction of relatively inexpensive cars in those years did more than just flood the streets with taxis—it led to violent, cut-throat competition between cab companies. Many cities responded by creating regulatory regimes that limited entry into the market and set fare prices, while establishing service and financial responsibility standards for the operators that won the licenses.

In the early stages, these restrictions contributed in some ways toward improving service. But as time went on, the limited-license system often turned taxi companies into unresponsive monopolies that operated largely as they wanted, insulated from competition because it was nearly impossible for new companies or individual drivers to meet the high standards for licenses.

"You could be a company that provides lousy service, but you are protected by the ordinance," says Sam Staley of the free-

market Reason Foundation and author of a study examining taxi regulations in Ohio "They've evolved into a method for protecting companies from competition"

In Houston, for example, city law essentially prohibits anyone from challenging the franchise of the existing operators. New license applicants have to meet a "public convenience and necessity" standard that, among other things, requires the city to evaluate the number of vehicles to be operated, the effect on traffic congestion and the impact on existing

companies. Permit hearings can be held only in even-numbered years, and established companies are afforded the opportunity to argue against any new ones.

By the late 1970s and early '80s, however, a wave of cities began to question the logic of such a system. A shot of competition, it was argued, would decrease fares and improve service and efficiency. But it didn't quite work out that way. Like Seattle, many cities found to their surprise that under deregulation, fares actually rose, service declined and drivers' wages plummeted. The number of cabs on the street increased, but many of the independent cabs routinely ignored the neighborhoods that needed them most, preferring to service the more lucrative airport and hotel routes.

An influential 1993 study commissioned by the taxicab industry confirmed the widespread nature of the problem. Ultimately, the study concluded, 17 of 21 cities that deregulated returned to regulation.

Fresno, California, had one of the worst experiences of all. The deregulation experiment lasted only 18 months, but during that time, the number of customer complaints tripled. In Phoenix and San Diego, fares in-

creased almost immediately and an influx of taxis saturated the market. That, in turn, led to a troublingly high turnover rate among companies. The quality of service declined so precipitously in those cities that local convention and visitors bureaus lobbied for re-regulation.

"Virtually every major city which has tasted economic deregulation of the taxi industry has lived to regret it," says Paul Dempsey, a law professor at the University of Denver who has studied the taxi industry. "It has been a disaster. It is extremely difficult to have anything resembling a normal market in the taxicab business."

The rationale behind deregulation was, in part, that the taxicab market would operate like other markets, with the customers rewarding the firms that provided the best fares and service. But passengers hailing cabs can't exactly pick and choose. Even at a taxi stand, no one compares pricing between rivals. The shady operator can't be driven out of business that easily.

"It's a more complicated industry than people give it credit for," says Gorman Gilbert, former New York City taxi and limousine commissioner.

Despite Seattle's experience, there are those who are still convinced that free markets are the only antidote. They insist that the real problem with deregulation is a failure to enforce the standards that remain in place. "The conventional wisdom is that cities had a bad experience, but that's because drivers' wages went down," says Sam Staley. "They wanted to prop up cab drivers' income." Staley insists that if convenience for customers is the first priority, cities can achieve it if they handle deregulation properly, keeping a close watch on safety and drivers' standards even as they expand the number of cabs on the street.

Indianapolis is often cited as one place where an unrestricted taxi market is thriving. When the city deregulated taxi licensing in 1994—for a second time—about three-quarters of the city's 392 cabs were directly or indirectly controlled by one company. Close to 85 new cab companies have started up since then, many owned by women or minorities. "The two main consequences are that there are more cabs and you are starting to see some significant rate-cutting. So you have better service at lower prices," says Bill Styring of the Hudson Institute, who chaired the study com-



Angry cabbies face off against police in New York, threatening to turn Manhattan into 'a parking lot' as a protest against strict new requirements.

Where the Cabs Are

mission that designed the new system "There is zero public pressure to undo this."

Whether a change such as the one Indianapolis made would work in other cities is a matter of some debate. But the obstacles against such change are formidable. They include not only the restrictive ordinances that remain on the books but also the opposition of the existing cab companies and of the drivers themselves.

Last winter, when Chicago proposed an ambitious plan to flood the market with 1,000 new taxi medallions, angry drivers who felt they were already underpaid jammed into hearings to protest the plan. Then they got really mad, staging a one-day strike that created long waiting lines in airports, train stations, hotels and shopping areas.

The increased competition was a source of bitter resentment, and a requirement that taxi companies provide service to all areas of the city—an especially sensitive issue in minority neighborhoods—infuriated many cabbies. Arguing that some inner-city neighborhoods were simply too dangerous to serve, one cab driver proposed lending his medallion to any alderman who dared take up his challenge. "If you're still alive one month from now," he said, "I guarantee your ordinance will change."

Taxi drivers also struck in other cities, circling City Hall in protest of new regulations in Seattle and in opposition to the addition of new licenses in San Francisco. In New York City, Mayor Rudolph Giuliani had to send dozens of police officers to the outer boroughs as part of a plan to keep taxis out of Manhattan after hearing word of a scheme by disgruntled drivers to create gridlock there.

Giuliani's sweeping initiative against cabbies is aimed at reducing a sharp increase in the number of accidents involving taxis and livery cabs. The streets of New York may indeed be safer due to Giuliani's crime-fighting initiatives, but they are almost certainly more dangerous when cabbies are in the vicinity. According to some estimates, taxi accidents were up by 40 percent between 1991 and 1996.

One prong of Giuliani's assault has been on reckless driving, calling for suspension of drivers who accumulate six penalty points—for infractions such as

REGULATED-ENTRY CITIES	LEGAL TAXICABS	POPULATION PER CAB (THOUSANDS)
Albuquerque	133	3.10
Baltimore	1,151	0.61
Charlotte, N.C.	450	0.97
Chicago	5,700	0.48
Columbus, Ohio	500	1.27
Dallas	1,848	0.58
Denver	842	0.86
Detroit	1,310	0.76
El Paso	150	2.32
Fort Worth	170	2.66
Houston	2,067	0.82
Long Beach, Calif.	105	4.13
Los Angeles	2,084	1.65
Milwaukee	321	1.92
New York	12,187	0.60
Philadelphia	1,444	1.06
Portland, Ore.	317	1.42
San Antonio	590	1.69
San Diego	870	1.32
Seattle	643	0.81
OPEN-ENTRY CITIES		
Fresno, Calif.	50	7.74
Indianapolis	388	1.89
Kansas City, Mo.	360	1.23
San Francisco	995	0.74
San Jose	525	1.56
Virginia Beach	39	11.03

Source: Cascade Policy Institute

red-light running or illegal turns—over an 18-month period. In addition, the taxi-school curriculum has been redesigned to cover subjects such as geography, map reading and English proficiency. Consumer complaint procedures are being revamped. Hardly any detail is too small to escape notice. The lost property department of the city's Taxi and Limousine Commission—which handles about 600 reports per week—is another target for reorganization.

But cab drivers' penchant for collective action—and the unique ability to strike fear into the heart of the tourism industry with well-timed strikes—makes any stubborn element of the taxi business a force to be reckoned with. "That's why we haven't been able to get meaningful reform over the last 20 years," says Miami-Dade County Commissioner Dennis Moss, who helped pass an extensive industry overhaul in August. "I had to explain to them that we would not be intimidated. We've been try-

ing to make something happen with this industry, but every time we've tried in the past, commissioners haven't had the will to make those changes."

Industry resistance aside, Miami's plan is a close approximation of the model an increasing number of cities are settling on—a looser grip on entry and a tighter hold on driver and vehicle standards. Over the next five years, the city will parcel out 125 new permits at a rate of 25 per year. The new ordinance requires that taxicabs be no older than eight years.

The key to Miami's new system, however, is a provision that encourages current permit owners who are not drivers to sell their licenses to others who want to drive. As it stands now, permit owners—most of whom do not even live in the community—lease their permits to drivers without any concern for how those drivers behave. If drivers own their own licenses, the thinking goes, they will have more incentive to provide better service. Just in case that message has been lost on anyone, the county also plans to reward drivers who provide outstanding service.

After nearly a year of torturous negotiation between unionized drivers, taxi companies, hotels, passengers and restaurants, San Francisco also agreed in October on a hybrid model. The city plans to raise the 981-cab ceiling by adding 300 new taxis and increasing driver training from 16 to 36 hours. New drivers will be instructed in city geography, passenger relations and safety.

San Francisco didn't get everything it wanted. With large expansions planned for both the airport and the convention center, restaurateurs and other business owners asked for 600 new cabs. The city may eventually get an additional 100 cabs next year, but they can be used only during peak hours. In addition, drivers won a major concession with the increase in the "flag drop"—the initial fare—going from \$1.70 to \$2.50. "They got an enormous amount out of this effort, although they won't say that for political reasons," says City Supervisor Gavin Newsom.

On the brighter side, though, at least City Hall will be freed from the circling siege of disgruntled cabbies. Better yet, new cab drivers will be able to find it on the map. □

RESOLUTION NO.

35793

Recommend opposing passage of Senate Bill 858 and urging the Oregon House Transportation Committee to support local efforts in providing an equal access comprehensive system of transportation (Resolution)

WHEREAS, Senate Bill 858 forces deregulation of the taxicab, limousine or town car industry in Portland,

WHEREAS, Senate Bill 858 will prevent the City from regulating the number of taxicab, limousine or town car operators that enter the for-hire transportation market,

WHEREAS, Senate Bill 858 will prevent the City from controlling fares charged by for-hire transportation,

WHEREAS, Senate Bill 858 will prevent the City from regulating the quality and reliability of services within the for-hire transport system,

WHEREAS, the lower rates for "specially attended transportation" for our most vulnerable citizens would be seriously compromised due to the inability to regulate rates,

WHEREAS, Senate Bill 858 will prevent the City from ensuring that every area of Portland is served, and that every transport need is offered,

WHEREAS, other cities that have deregulated market entry and rates have experienced excessive, unmanageable numbers of cabs and companies, a wide range of fares and mileage rates, and provider selective service areas and routes,

WHEREAS, 17 of 21 cities nationwide have seen fit to return to regulation as their for-hire systems of transportation unravel,

WHEREAS, the Port of Portland would be unable to control the number of town car, shuttle and taxi companies competing for business at the Portland International Airport if SB 858 becomes law,

WHEREAS, Portland has been able to achieve a good balance between market forces, market, and regulation of rates and routes in Portland,

WHEREAS, deregulation would preempt local authority to regulate and force the car-for-hire industry into an unproven, theoretical open market system,

WHEREAS, Portland, its citizens, travelers and tourists rely on Portland's taxicab industry to offer reliable, quality service at reasonable prices to all citizens and guests, any time of the day or night, every day of the year, to any and all areas of town,

NOW THEREFORE BE IT RESOLVED, that the City of Portland strongly opposes passage of Senate Bill 858 and urges the Oregon House Transportation Committee to support local efforts in providing an equal access comprehensive system of transportation, and to reject this preemption of local authority

FURTHER, BE IT RESOLVED, that this Resolution shall go into effect immediately upon its adoption and copies shall be forwarded to the Chair of the Oregon House Transportation Committee and Oregon legislators

Jim Francesconi
Bureau of Licenses JW jh
May 12, 1999

Adopted by the Council **MAY 19 1999**

Gary Blackmer
Auditor of the City of Portland
By

Britta Olson Deputy

RESOLUTION NO

Title

Recommend opposing passage of Senate Bill 858 and urging the Oregon House Transportation Committee to support local efforts in providing an equal access comprehensive system of transportation (Resolution)

<p style="text-align: center;">INTRODUCED BY</p> <p style="text-align: center;">Commissioner Jim Francesconi</p>	<p>Filed MAY 14 1999</p> <p style="text-align: center;">Gary Blackmer Auditor of the City of Portland</p> <p>By <u>Clay Kershner</u> Deputy</p>
<p style="text-align: center;">NOTED BY COMMISSIONER</p> <p>Affairs</p> <p>Finance and Administration</p> <p>Safety</p> <p>Utilities <i>Jim Fran</i></p> <p>Works</p>	<p>For Meeting of _____</p> <p>Action Taken</p>
<p style="text-align: center;">BUREAU APPROVAL</p> <p>Bureau Bureau of Licenses</p> <p>Prepared by <i>John Hamilton</i> Date 5/12/99</p> <p>Budget Impact Review Completed <input checked="" type="checkbox"/> Not Required</p> <p>Bureau Head <i>Jim Wadsworth</i> Jim Wadsworth, Director</p>	

AGENDA	FOUR-FIFTHS AGENDA	COMMISSIONERS VOTED AS FOLLOWS	
Consent <input checked="" type="checkbox"/> Regular			YEAS NAYS
NOTED BY	Hales	Hales	✓
City Attorney	Francesconi	Francesconi	✓
City Auditor	Saltzman	Saltzman	✓
City Engineer	Sten	Sten	✓
	Katz	Katz	✓