

# The need for cab regulations

*By Alfred LaGasse*

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Occasionally, elected officials are confronted with the agenda of an outside group promoting a self-serving solution in search of a problem. The recent lawsuit by the Minnesota Chapter of the Institute for Justice is just such a case.

The question that Milwaukee is faced with is not whether there should be limits on the number of cabs in the market. Rather, the question is: Does the cab system in Milwaukee work for the average user?

While a recent project sponsored by Milwaukee Downtown found a need to create more and higher-profile taxicab stands in our entertainment districts, there has never been a study that indicated Milwaukee had a deficiency of cabs.

It is well-documented in studies by both Price Waterhouse and North Carolina State University that the vast majority of cities with 10 or more taxicabs regulate entry into the market. The reason for that regulation and control is because where deregulation has been introduced, it has led to a degradation of service to the public, higher costs to government and a decrease in earnings for drivers.

In addition, matching the taxicab supply (entry limits) to meet the typical public demand for taxicab service gives the industry the stability required for capital investment. Without that stability, there is minimal investment and, while the quantity of taxicabs may increase, the service area and the price and quality of the taxicab service all work against the consumer.

Proponents of taxicab deregulation rely on economic theory to

support their position that increased competition between taxis will lead to improved quality and lower fares. However, studies show 21 communities that deregulated all or a portion of their taxi industries over the past 30 years uniformly experienced serious problems as a result. Studies have shown that cities like Milwaukee have experienced the following decline in service and increase in cost upon moving to an open entry system:

Municipal regulatory budgets were increased to administer and monitor the large number of new, often one-car, entrants into the industry.

More taxicabs meant less passengers transported per taxi per day. Taxicab driver incomes declined as a result.

New drivers demanded fare increases to make up for the decrease in trips available to each taxicab. It is well-documented that fares are higher in communities that have open entry than those that do not.

Trip refusals jumped as new drivers rejected short trips in the hopes of longer trips with greater fares. Trips to or from low-income neighborhoods or trips requiring more time, such as trips to the grocery store or service to people with disabilities were often the most affected.

Reports of gross overcharging for fares, even in areas that continued to regulate the fares.

Aggressive solicitation by drivers, particularly at airports, train stations and hotels.

Serious deterioration of vehicle condition, including a doubling of the average age of a taxi, even though every area continued to regulate vehicle quality through safety inspections.

After experiencing these adverse impacts, each of the 21 municipalities reinstated comprehensive regulatory controls. The willingness of elected officials to reverse a controversial vote is indicative of the serious effects encountered under an open entry system.

Reputable studies on taxicab open entry markets have determined that deregulation has been an absolute failure.

Moving to such a system neither improves service nor decreases rates for the typical passenger. Elected officials only need to look to similar cities where the economic reality of taxi open entry has been tested to see failed results. Those communities that regulate the safety, quality of service, rates charged and quantity of service to balance supply with demand have the best taxicab service for their local citizens and visitors.

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