

Review of Milwaukee Taxicab Regulation and Overview of Regulatory Models in Selected U.S. Cities

Prepared by the Legislative Reference Bureau

Preliminary Report

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Preliminary report by the Legislative Reference Bureau reviewing historical regulation of taxicab permitting in the City of Milwaukee, examining issues of market entry controls and providing an overview of taxicab company licensing and regulation in selected U.S. cities.

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A. Executive Summary.

This document has been prepared as a preliminary investigation report to assist the Taxicab Operations Study Subcommittee of the Public Transportation Review Board in developing a report with recommendations to the Public Safety Committee of the Common Council.

The Common Council established a study subcommittee of the Public Transportation Review Board upon adoption of Common Council File Number 130172 on May 21, 2013. This resolution charged the study subcommittee to submit a written report to the Public Safety Committee on or before November 7, 2013. The resolution directs that the report to the Public Safety Committee include:

1. Matters relating to the provision of taxicab service in the city and the licensing and permitting of taxicabs and taxicab companies and affiliations in the city.
2. Identification of practices, programs and regulation for improving taxicab service and recommendations for the implementation of improvements and the licensing and permitting of taxicabs, taxicab affiliations and companies.
3. Recommendations about increasing the numbers of taxicab permits issued by the City, addressing proposals to increase the numbers of current permits by a minimum of 100, or by removing limitation on the number of permits that may be issued, and providing a detailed proposal relating to the manner in which the recommended increase may be accomplished.

This preliminary report provides a historical overview of taxicab permitting in the City of Milwaukee (Parts A to C) and finds that the method for determining the number of permits to be issued has generally been based upon “public welfare, convenience or necessity” and that, beginning in 1934, a “public-need” ratio was established of one taxicab per 2,000 residents. This ratio was adjusted over time and was one per 1,175 at the time it was discarded in 1979. The actual number of permits issued averaged 68.8% of the maximum permitted over the period from 1958 to 1978 and never exceeded 631. If a population ratio were utilized, the 320 currently issued permits—a historic low since the Great Depression—would represent approximately one taxicab per 1,872 residents. The highest number of taxicab permits in effect since 1974 was 386 in 1978.

The report also includes discussion of issues related to government regulation of entry into the taxicab market addressing pros and cons of various levels of regulation and deregulation (Parts D and E). Among other studies and reports reviewed, the comprehensive report on deregulation by Price Waterhouse found that, within one year of deregulation of the supply of taxi services in the jurisdictions studied, the supply increased an average of 23%.

The report also includes an overview of company and fleet regulatory models in 7 selected cities (Part F) and a more comprehensive overview of the regulatory approach adopted in Madison, Wisconsin (Part G). Many of the cities that regulate taxicab businesses beyond the regulation of individual taxicab vehicles operated under permit or license. The regulation and licensing of drivers require taxicab companies to maintain standards that would be difficult for individual permittees to meet independently. Enforcement of these operational standards for large numbers of independent taxicab permits would be difficult at best.

Regulation of fleets, associations and companies provides these cities with a mechanism for shifting record-keeping and reporting responsibilities, as well as responsibilities for driver training, appearance and conduct, to the taxicab industry. Company-level licensing and regulation also promotes efficiencies in vehicle type and maintenance standards, more comprehensive insurance coverage, and the identification and planning for addressing community service needs.

B. Historical Regulatory Overview—Milwaukee.

1. The number of taxicabs permits in effect has almost always been restricted.

Due to public complaints beginning as early as 1915 relating to the charging of high, inconsistent and unpredictable taxicab fares, the first significant legislation relating to the operation of taxicabs was passed by the City in 1924. In 1928, broad provisions were established to restrict the number of new taxicab permits as the “public welfare, convenience or necessity may require.” The restriction on entry into the market was enacted preemptively at the urging of the principal taxicab operators in the city to protect existing operators against the threat of “price wars” occurring at the time in other major cities. Variations of code provisions restricting the number of taxicabs authorized to operate in the City have continuously been in effect since 1928.

It is noted that in May 1929, at the urging of the principal taxicab operators, the City issued to them a total of 150 new permits to respond to the 60% increase in ridership that resulted after the operators provoked their own price war by drastically cutting their fares.

2. Additional taxicab permits have generally been issued on the basis of public welfare, convenience or necessity.

From 1928 to 1934, the determination of whether to authorize the issuance of additional permits was made solely on the basis of “public welfare, convenience or necessity.”

Beginning in 1934, a “public-need” ratio of one taxicab per each 2,000 of population (1:2,000) was established. This ratio was amended at least 4 times over the next 45 years (1:1,750; 1:1,500; 1:1,275; and 1:1,175) until repealed in 1979. However, during the period from 1934 to 1979, the number of permits authorized to be issued under the limits of the ratio was, in practice, still based on a “public welfare, convenience or necessity” determination. During this period, the number of taxicabs allowed under the ratio was generally much higher than the number of taxicab permits actually issued.

From 1958 to 1978, the number of taxicab permits allowed under the ratio ranged from 542 to 631; however, the number of taxicab permits actually issued ranged from 63.8% to 86.1% of the maximum number allowable. Over the period, the average number of permits issued compared to the maximum allowed under the ratio was 68.8%.

In 1979, the population ratio limitation on taxicab permits was eliminated. From 1979 to 1990, the determination of whether to authorize the issuance of additional permits was again made solely on the basis of “public welfare, convenience or necessity.”

3. The current regulatory model has substantially remained unchanged.

Since the first significant legislation relating to the operation of taxicabs was passed by the City in 1924, the model of issuing annual or biennial permits to each vehicle individually has been essentially unchanged. Prior to 1946, vehicle permits were generally granted in blocks to fleet operators only, although each vehicle was required to be individually permitted. In 1946, taxicab regulations were amended to provide for the issuance of special individual permits that were restricted to veterans of World War I and II, and later the Korean War. In 1972, the restriction on issuing individual permits only to veterans was removed.

No other models relating to the issuance of individual medallions or the granting of franchises to selected fleet operators have previously been established by the City. In addition, at no time in the past was the issuance of permits based on restricting operation to a specific geographical area within the city.

4. The majority of taxicab permits has historically been issued to fleet operators.

The taxicab industry in the city was dominated by 2 principal fleet operators from 1922 to 1974. Some small independent taxicab operations existed in the city; however, the majority of permits were held in large blocks by the Checker Cab Company and the Boynton Cab Company (“Yellow Cab”) until the companies ceased operations in 1974 and 1979, respectively.

Under the fleet operator model, drivers were generally company employees who worked on commissions based on a percentage of meter fares (30% to 55%) plus tips, often with a guaranteed weekly minimum salary. The relationship between the fleet operators and drivers evolved over time to where more and more drivers became independent contractors who rented vehicles from fleet operators on a weekly or per-mile basis and were required to pay for their own fuel.

Although smaller fleet operators and cooperatives emerged prior to 1974—Veteran Cabs in 1946 and Apex Cab Cooperative in 1972, for example—and the number of independent operators increased, it wasn’t until the redistribution of the permits formerly held by Checker and Yellow Cab to successor operators that the shift from the fleet operation model to an independent operator model accelerated.

5. Maximum fare rates have almost always been restricted for taxicabs.

The maximum meter fare rates that taxicab operators can charge based on distance traveled, wait time, and number of passengers were first codified in 1924. Zone fares (popular during the Great Depression until the end of World War II) were required under the code to first be disclosed and approved. Fleet operators competed with each other by charging less than the maximum allowable rates.

The practice of competing for customers on price generally stopped as the revenue model for fleet operators shifted over time from meter rate revenue to leasing revenue.

C. Historical Review of Number of Permits Issued.

Year	Population	Nbr. Taxicab Permits Issued	Population/Nbr. Taxicabs Issued
1930	578,249	409	1,414
1935	609,724	424	1,438
1940	587,472	447	1,314
1945*	603,000	404	1,493
1950	637,392	507	1,257
1955*	681,000	510	1,335
1960	741,324	415	1,786
1965	729,209	416	1,753
1970	717,372	412	1,741
1975	669,022	382	1,751
1980	636,212	342	1,860
1985	612,077	350	1,749
1990	628,088	381	1,649
60-Year Average (1930-1990)	648,472	415	1,561
30-Year Average (1960-1990)	676,186	385	1,754
2012 Actual	598,916	320	1,872

*Heath Department estimate.

1. The number of taxicab permits currently in effect is historically low.

The 320 permits currently issued is the lowest number of permits in effect for any year since 1931 when, during the Great Depression, the number of permits dropped to 293. For the period after the Great Depression until the closure of the Checker Cab Company in 1974, the number of permits in effect dropped below 400 only once in any year.

The number of permits issued was at its highest point in 1973 at 526 permits, which is 206 permits higher (64.4%) than the 320 permits currently in effect. After 1974, the number of permits in effect in any year never again exceeded 386 (1978).

2. The number of taxicab permits currently in effect is lower than historical averages.

The average number of taxicabs in operation annually from 1930 to 1990 was 415. The 60-year average of 415 permits is 95 permits higher (29.7%) than the 320 permits currently in effect. From 1960 to 1990, the 30-year average of 385 permits is 65 permits higher (20.3%) than the 320 permits currently in effect.

3. The ratio of population to taxicab permits is at a historical high.

The average ratio of the number of taxicabs in operation annually to population for the 60-year period from 1930 to 1990 was one taxicab per 1,561 in population. For the 30-year period from 1960 to 1990, the average ratio of the number of taxicabs in operation annually to population was one taxicab per 1,754 population. The 60-year average ratio of 1:1,561 and the 30-year ratio of 1:1,754 are lower than the 1:1,872 ratio that results when dividing the current 320 taxicab permits in operation into the 2012 population estimate.

If the 60-year average ratio of 1:1,561 is applied to the 2012 population estimate of 598,916, and assuming a population ratio limitation provision was in effect, then 383 taxicab permits would be authorized to be issued—an increase of 63 permits (19.7%) over the 320 permits currently in effect.

If the 30-year average ratio of 1:1,754 is applied to the 2012 population estimate, then 341 taxicab permits would be authorized to be issued—an increase of 21 permits (6.6%) over the current number.

D. Overview of Common Arguments related to Market Entry Controls.

1. The free market can better determine the optimal number of taxicabs.

Argument: The free market is in a better position than the government to determine the optimum number of taxicabs due to access to better information. Government is not in a position to determine consumer demand. Unrestricted entry would provide conditions where it would be economically feasible for seasonal or part-time operators to operate only during peak hours or on peak days when demand is seasonally high or otherwise temporarily increased.

Counter Arguments: The free market could theoretically allow a number of cabs that is not welfare-maximizing, for instance having so many cabs that fares are suppressed or so few cabs so that customers are insufficiently served. Government has the ability to lower barriers to entry and set the number of permits authorized to be issued at levels sufficiently high enough to respond to peak and seasonal demand. Government can establish dispatch affiliation and reporting requirements to increase its access to the same market information used by the free market to determine the optimal level of supply.

2. Current licensees will be at a competitive disadvantage if barriers to entry are eliminated or reduced.

Argument: Role of government is to ensure an even playing field. Taxicabs operators who have paid or are paying a substantial fee to enter the market will be at a competitive disadvantage if new permits are issued to operators who are not burdened by the same barriers to entry. New operators with smaller debt loads would be able to operate more inexpensively and ultimately drive current operators out of business.

Counter Argument: Protectionism is harmful in that its costs outweigh the benefits caused by reducing unnecessarily high barriers to entry into the market and the public benefit of increased competition. Increased competition will cause all operators to operate more efficiently and cause innovation and improved service levels.

3. New entrants into the market will operate inferior vehicles.

Argument: Vehicles operated by new entrants into the market may be dangerous and harm the public good because the entrants do not have as much of a stake in the market since barriers to entry are reduced or eliminated.

Counter Argument: Service quality is better controlled by establishing and enforcing vehicle standards and inspection frequency requirements than by restricting entry into the market.

4. **New taxicab operators will instigate a “price war.”**

Argument: Because only maximum and not minimum taximeter fare rates are established, new taxicab operators will enter into a “price war” which will cause established taxicab operators to go out of business and, as a result, destabilize the taxicab industry, thereby harming the public good.

Counter Argument: Government could establish absolute or minimum meter fare rates rather than just maximum rates permitted to be charged, or restrict the frequency that operators are permitted to change rates over a period of time. A portion of new taxicab operators that would obtain permits may already be operating in the market illegally, and, after becoming licensed, would have less incentive to cut fares. Given the current revenue model based on lease and dispatch service revenue, taxicab owners have little incentive to cut meter rates to levels low enough to destabilize the industry.

5. **More taxicabs operating will increase traffic congestion and air pollution.**

Argument: Authorizing more taxicabs to operate will hurt the public good by causing more traffic congestion and air pollution. Individual operators will disregard environmental impacts if left unregulated. Because mass transit and taxi cabs are substitutes for consumers seeking transportation, more taxi cabs in operation will cause a reduction in more environmentally-friendly mass transit options.

Counter Argument: Alternative modes of transportation also have environmental costs, and mass transit options are not perfect substitutes for taxicabs due to limited availability or service areas. Government can establish age-of-vehicle restrictions, restrict the granting or renewal of permits to operators meeting certain fuel economy standards, require the use of low-emission vehicles, or establish fleet-wide or industry-wide goals or quotas.

E. Challenges of Taxicab Deregulation.

The national Taxicab, Limousine and Paratransit Association through its foundation has published a study in partnership with the Center for Transportation Studies at the University of Missouri - St. Louis that, among other things, reviewed the trends that occurred from 1970 to 1990 among many urban centers that deregulated their taxicab industries and “opened the market.” The study concluded, quoting Seattle—King County's Manager of the Division of General Services, that the elimination of the population ratio limitation on taxicab permits and opening of the taxicab market in that city in 1979 did not result in meaningful market regulation of entry and rates, but did result in rate gouging, short haul refusals, fights among drivers, discourteous driver conduct, increased accident experience resulting in increased insurance rates and restrictions on insurance coverage. (Benefits of a Full Service Taxicab Company to the Community and Consumers, p. 17.)

In addition, Price Waterhouse conducted a 6-city analysis of the impact of deregulation on the taxicab industry. The Executive Summary includes the following conclusions:

"Deregulation introduced several immediate changes in taxi supply, price, and service quality in the six cities for which detailed case study information is available (Berkeley, Oakland, Phoenix, Portland, San Diego, and Seattle.) The experience of these cities generally indicates that the benefits of deregulation were devalued by unanticipated and unattractive side effects."

"Although the supply of taxi services expanded dramatically, only marginal service improvements were experienced by consumers. Within a year of deregulation, the supply of taxi services increased an average of 23%. Because most new entrants were independent operators and small fleet owners with limited capability to serve the telephone-based market, most new service was concentrated at already well-served locations...customer wait times at these locations, already short, were reduced further. Response times in the telephone market were similar to pre-deregulation performance. Trip refusals and no-shows, however, increased significantly."

"Service quality declined. Trips refusals, a decline in vehicles age and condition, and aggressive passenger solicitation associated with an over-supply of taxis are characteristic of a worsening in service quality following deregulation...these effects were most closely associated with cities that implemented an "open entry" policy that enabled influx of independent owner-operators that were unaffiliated with companies or taxi cooperatives."

(Analysis of Taxicab Deregulation and Re-regulation, Price Waterhouse, Office of Government Services, Washington, D.C., 1993.)

According to Paul Stephen Dempsey, (*The Revolving Door: Taxi Industry Regulation, Deregulation & Reregulation: The Paradox of Market Failure*, 1996), common results of deregulation include more highway congestion, higher energy consumption and environmental pollution, less driver income, and little or no improvement in administrative costs.

Another study suggests that the goals of deregulation can be achieved with partial deregulation, through reducing the requirements for market entry and deregulating prices. The study proposes that entry should still be regulated, but requirements for entry should be limited to having a valid driver's license, vehicle insurance and registration, and a safety certification. Deregulated prices and fewer standardization requirements would purportedly encourage more innovation and lead to an overall improvement in service quality. (Cascade Policy Institute, *An Economic Analysis of Taxicab Regulation in Portland, Oregon*, 1998.)

According to an article in *The Regulator* Vol. 9, Issue 4, 2002, published by the International Association of Transportation Regulators, deregulation in Indianapolis produced a 35% rise in taxi fares, and taxicab drivers complained of waiting hours at airports for customers at taxicab stands. Taxicab companies claimed they increased fares in order to make up for lost competition resulting from the increased supply of taxis. Tourists and airport officials reported a decrease in service quality because of deregulation.

Furthermore, a multi-national review of taxicab competition relating to the US taxicab "system" finds the following:

“Although the details of regulation vary from place to place, most major cities continue to regulate entry and fares in some manner, most also regulate the types of service that can be provided (e.g., minimum number of cabs per company or association, 24/7 coverage of telephone requests, shared riding, conditions for service refusals, definitions of service areas, required dispatch capability, required taximeters), vehicle and driver characteristics (e.g., cab age and design, signs, no criminal background, knowledge of the city streets and landmarks, record keeping, neatness, facility with the English language, and sensitivity training), and service quality (e.g., cab cleanliness, maximum response times). In addition, jurisdictions often regulate the maximum hours of service per driver per day, license transferability, safety inspection frequency, and insurance and bond requirements. Recently, some cities have begun regulating the environmental effects of cabs, instituting minimum mileage per gallon requirements or requiring particular types of low emission vehicles. The monitoring levels for these various regulations seem to vary widely across jurisdictions.” (Taxi Services Regulation and Competition, Directorate for Financial and Enterprise Affairs Competition Committee, Organization for Economic Co-operation and Development, 2008.)

F. Regulation of Taxicab Companies: Case Studies.

The following information from selected municipalities was prepared and is provided at the request of the Public Transportation Review Board at its meeting of July 12, 2013. The information is intended to assist the Taxicab Operations Study Subcommittee in reviewing alternatives for regulating taxicab companies. Descriptions are provided of the “entry into market” controls that relate to fleets and cab companies, which generally include corporations, associations, collectives and other organizations.

Taxicab operations and taxicab fleets have historically been regulated in the cities through the permitting of taxicab vehicles and the licensing of taxicab drivers. Many municipalities also regulate fleets, associations and other organizations engaged in the operation of multiple vehicles and drivers through various levels of controls, up to and including licensing, permitting and franchising of companies and associations.

The legislation currently under consideration by the Common Council’s Public Safety Committee, Common Council File Number 111222, not only addresses issues related to the “cap” on issuance of new taxicab permits that is now on appeal from a District Court decision, but also includes elements of additional regulation ranging from the types of vehicles permitted, vehicle inspections, permit leasing and permit transfers to driver training and uniform appearance. The regulation of companies and fleets may provide additional tools for addressing these matters and provide industry data on which government can base market entry controls.

Following the case examples of 7 cities, an expanded review is provided of the regulatory framework and experience of Madison, WI, over the last decade.

1. Atlanta, GA

Atlanta, with a city population of 430,000 and a taxicab service area population to 1.8 million, currently permits operation of 22 taxicab companies. The 2012 TLPA Taxicab Fact Book reports that there are 2,400 licensed cabs serving the Atlanta Area. The City of Atlanta reports fewer than 1,600 licensed vehicles. The difference may reflect vehicles licensed in neighboring jurisdictions that are not subject to city licensing.

Any person, association, corporation or other organization that intends to “engage in the business of operating a vehicle for hire” is defined as a “company” that must obtain a “company permit” in addition to a general municipal business license. A certificate of public necessity and convenience (CPNC) must also be obtained for the operation of any vehicle. These CPNCs are transferable (by purchase, bequest, gift or stock acquisition) and can be “owned” by individuals or companies.

- Each taxicab is required to display the CPNC number and the company name.
- No company permit may be granted for operation of vehicles for hire to a company that owns or leases fewer than 25 vehicles; no fewer than 25 CPNC vehicles may be operated.
- The 25 vehicle minimum does not apply to companies with fewer than 25 taxicabs that were in operation on February 3, 1982.
- Companies must maintain an office within the city, staffed 24 hours daily including dispatch, which may be provided by another company under contract.
- Companies must maintain at least one off-street parking facility for vehicles.
- Companies that meet minimum application and operational requirements are granted a permit without further consideration of convenience or necessity.

The company permit requirement applies to other vehicles for hire including sedans and limousines, but with different requirements for the minimum numbers of CPNCs. Company permits are transferrable.

Atlanta taxicab operations are uniquely affected by the volume of airport-related traffic. Efficiencies of regulating a relatively large number of taxicabs are achieved by placing requirements on the regulating companies to assure driver proficiencies, insurance coverage and the like. Requiring companies to maintain offices within the city and to obtain a general business license for operations within the city also reduces administrative burdens on taxicab regulators and enforcement. These functions are administered through the Police Department’s Division of Taxicabs and Vehicles for Hire; the Chief of Police is the administrative officer responsible for renewal, suspension and revocation proceedings.

2. Austin, TX

The city of Austin has a population of 790,000 and a taxicab service area population estimated by the 2012 TLPA Taxicab Fact Book to be 925,000. The number of permitted vehicles reported by the TLPA for 2012 is 533. Austin “franchises” taxicab companies authorizing a limited number of non-transferable permits to each company. Currently there are 3 cab companies operating in Austin: Yellow Cab, Lone Star, and Austin Cab. However, the numbers allotted to each of the companies is adjusted by department allocation based on an overall assessment of need (a percentage of permits ‘needed’ are set aside for potential new franchise applicants). For instance, 45 additional permits were granted in July 2012: 30 to Lone Star and 15 to Austin Cab.

To obtain a franchise, a company must meet qualifying criteria that includes financial resources, criminal history, equipment and service plan. A valid business structure must be evidenced (by articles of incorporation, audited financial reports and similar documentation).

In addition, a series of items are ranked beginning with financial capacity and include:

- Proposed equipment and maintenance standards above minimum requirements.
- Driver training in code compliance, defensive driving, ADA compliance and knowledge of the city.
- Service plans that describe 24/7 availability and deployment, dispatch with customer pick-up confirmation.
- Additional reporting capacities including revenue figures, passenger and mileage statistics, vehicle replacement and accident data.
- Security measures for the safety of drivers and passengers, including driver screening and emergency equipment.
- Plans for providing 24/7 ADA accessibility.

A taxicab franchise may be granted, renewed, extended, amended or transferred only with City Council approval. Granting or denying a franchise application is based upon the recommendation of the City Manager and subject to the determination of the City Council that the applicant is “best qualified.”

Vehicles for hire operations other than taxicabs must receive city “operating authority” which is not dependent on the point where passengers are picked up. A driver ‘sponsored’ by a franchise or operating authority ‘holder’ must obtain a chauffeurs’ permit (with the exception of certain state-licensed drivers). Holders may ‘hire’ drivers as independent contractors. Drivers may lease vehicles from franchise companies or, in some cases, may “lease” or contract their vehicles to a franchise company but pay “terminal” fees.

Taxicab drivers have recently organized to advocate against granting of new franchise vehicle permits citing the large number of permits already authorized. The Austin taxicab service area population of 925,000 is comparable to Milwaukee's service population estimated to be 960,000 by the TLPA. The number of permitted vehicles is, however, much higher.

It appears that the 'franchise' approach adopted by Austin which is based upon a determination of "best qualified" applicant would allow for more flexibility in service plan requirements and expectations. It should be noted, however, that the 3 franchises have remained in place for approximately 20 years without new entrants.

3. Buffalo, NY

Buffalo, with a city population of 260,000, has a taxicab service area of approximately 900,000. The number of licensed taxicabs according to the TLPA is 95. By ordinance, the City of Buffalo has declared that "the public cannot properly be served without regulation of the (taxicab) business and limitation by the City of the number of taxicabs using the streets." The maximum total fleet is fixed by ordinance at 300 taxicabs.

Buffalo ordinances also declare that an 'equitable balance' should be maintained between numbers of taxicabs owned in fleets and numbers owned by persons who have one or comparatively few taxicabs. Buffalo allows certain sales and transfers of taxicab licenses by fleet owners to fleet owners and by owners of fewer than 5 taxicabs to other owners of fewer than 5 taxicabs. "Assignments" are prohibited. Transfer of a taxicab license from fleet to an individual owner and vice versa may only take place upon recommendation of the Commissioner of Permits and Inspection Services and approval of the Common Council. A fleet license may only be replaced upon surrender or revocation of a fleet license.

The city of Buffalo is included as an example of differentiating between fleets and individual taxicab owners in order to achieve or maintain market stability in a particular area. In theory, the method used by Buffalo allows the Common Council to make determinations influencing trends toward market monopoly by preserving the numbers of individually owned taxicab licenses. In practice, however, with fewer than 100 vehicle licenses actually issued, this may have little overall impact on the availability and quality of taxicab services in the community.

4. Detroit, MI

The City of Detroit, with a city population of 706,000, has a taxicab service area population estimated by the 2012 TLPA Taxicab Fact Book at 850,000. Taxicab licenses or permits are referred to as “bonds” and are capped presently at 1,310. This is the same number as reported by the 2012 TLPA Fact Book, but it appears that the actual number issued may be less. Additional bonds may be authorized by the Common Council upon certification of the Division of Consumer Affairs and the recommendation of the Mayor.

The Detroit Consumer Affairs Department is primarily responsible for taxicab and other vehicle-for-hire regulation. Inspection functions are performed by the Detroit Police Department under Consumer Affairs Department Rules. But the Police Department may also establish additional rules.

Bonds may be transferred after 18 months of issuance. Ordinances permit pledging, granting security interests and otherwise encumbering bonds. Foreclosure on a bond triggers minimum requirements for transfer.

A “Vehicle For Hire Commission” is established under authority of the Detroit City Charter which consists of 5 unelected City officers and 4 Mayoral appointments representing the public and the vehicle-for-hire industry. The ordinance establishing the Commission declares that the “sole duty and function” of the commission is “to establish rates.”

Detroit does not license or franchise taxicab or vehicle-for-hire companies, but attaches requirements to taxicab bonds in the same manner that Milwaukee regulates permitted vehicles.

The example of Detroit is included due to the nature of the Detroit “cap” on vehicles. The ordinances provide a process to allow, upon recommendation of the regulating authority and the Mayor, an increase above the cap upon a showing of necessity and convenience.

5. Louisville and Jefferson County, KY

The Louisville Metro area is defined as Jefferson County, Kentucky. The city of Louisville has a population of 597,000. The TLPA estimates the taxicab service area population to be approximately 1.3 million. The 2012 TLPA Taxicab Fact Book reports that there are 190 licensed taxicabs serving this area. There is no cap on the number of total vehicles that may be operated under certificates issued for vehicles for hire including taxicabs.

The Louisville/Jefferson County Metro Department of Inspections, Permits and Licenses is authorized under Metro ordinances to issue certificates permitting the holder to provide ground transportation service within the Metro area. The application for a certificate may include more than one vehicle to be licensed. Certificates expire annually (January 31).

Certificate applications require 19 categories of information. In addition to basic information about the applicant including name, address, contact information, business location, criminal convictions and business experience, the application requires the following:

- The number and identification of vehicles authorized by the Kentucky Department of Transportation.
- Location of depots and terminals.
- Color scheme and insignia of the vehicles.
- Commitment of the applicant to provide service or service improvements in identified areas above levels currently available.
- Commitment of any certificate holder with more than 25 vehicles to have at least 2% of its authorized vehicles to be wheel-chair accessible.
- Procedures for driver training.
- Rules and regulations governing driver appearance and conduct.

Applicants meeting these requirements, and not otherwise subject to disqualification, are “eligible for consideration.” The final determination is, therefore, left to the Director’s sound discretion.

The Louisville certificate process treats individual applicants as well as applicant organization, partnerships and associations in the same manner as other municipalities treat the licensing of a company. Elements that would otherwise be open for consideration based generally on necessity and convenience are spelled out in the application requirements.

6. Nashville and Davidson County, TN

Taxicab licensing and regulation in the Nashville and Davidson County “Metro” government are under the authority of an independent Metro Transportation Licensing Commission (“Commission”) established by Metro Government ordinance. The City of Nashville population is 626,000. The 2012 TLPA Taxicab Fact Book reports that the population of the taxicab service area is 619,000. The TLPA also reports that there are 350 licensed cabs serving the area. The number of actual permits authorized by the Nashville Transportation and Licensing Commission as of July 31, 2013, has grown to 755. According to Commission staff, the increase over the last 2 years is primarily due to the opening of the new Nashville Convention Center.

An extensive report entitled “Taxicab and Other Vehicles for Hire in Nashville” was published in July 2012. The report identified 585 taxi permits and 5 companies that had been granted certificates of convenience and necessity to operate taxicabs. The report noted the pending applications of additional companies; the Commission now reports that there are 9 companies operating under certificate (including Taxi USA which is the combination of 3 former companies).

The Commission is charged under ordinance to make determinations of public convenience and necessity by taking into consideration the number of taxicabs already in operation, whether existing transportation is adequate to meet the public need, the character, experience, financial condition and responsibility of the applicant, and other criteria adopted by the Commission in its rules.

The Commission rules provide that minimum standards for company certificates and vehicle permits when reviewing applications for additional permits include:

- Volume of complaints per annum.
- Defined complaint resolution process.
- Dispatcher training and accreditation program.
- Vehicle self-inspection program.
- Capital investment per annum (for vehicles, dispatch/communications and office management tools).
- Driver training and rewards programs.
- Driver probation period.
- Underserved areas service program.
- Special passenger accommodations (disabled, senior citizens).

Key features of taxicab company regulation include:

- Taxi companies must maintain a fixed place of business within the metropolitan government area where calls for service are received and cabs are dispatched 24/7.
- All calls for service within the metro government area must be answered within a reasonable time and service must be provided if cabs are available.
- A new applicant must have no fewer than 20 vehicles. An applicant for renewal must continually sustain no fewer than 15 vehicles for renewal.
- A new applicant must show a commitment to deliver services in areas not currently adequately served or to service improvements above the level of service generally available.
- A minimum of 90% of the permits issued to a company must be in active use.
- Certificate holders must report quarterly showing the taxicabs that it currently has in operation and pay a fee per vehicle.
- A certificate cannot be transferred without prior approval of the Commission.
- All regulated companies must provide Internet (e-mail) accessibility and must be able to file documents electronically.
- Every permitted taxicab must have a “Bill of Rights” listing 10 passenger “rights” and 7 driver “rights.”

7. Seattle, WA

In 2008, the City of Seattle initiated significant revisions in its taxicab and for-hire vehicle ordinances and regulation. The City of Seattle has a population of 608,000. The 2012 TLPA Taxicab Fact Book reports that the population of the Seattle taxicab service area is 1.0 million and that 643 taxicabs are licensed. The Seattle Department of Finance and Administration Consumer Affairs Unit administers the city’s taxicab licensing, inspection and regulation. The department reports that there are 688 taxicabs licensed to pick up passengers within the city: 336 of these are licensed solely by the city, 352 are dually licensed with King County, and there are an additional 236 taxicabs solely licensed by the Kings County. The total number of taxicabs licensed to serve the area is 924.

Seattle requires that all taxicabs be affiliated with a taxicab association that represents a minimum of 15 permitted taxicabs. A taxicab association license application requires basic information including name and contact information, form in which the business entity will operate (individual, corporation, partnership, etc.), taxicab numbers assigned by the City or County with the name of the vehicle owner, and the vehicle color scheme.

The application must also include a brief description of the uniform the applicant taxicab association proposes to require for drivers of affiliated taxicabs, which shall include full length pants (hemmed slack material), collared shirt, and shoes. The uniform may include the option to wear shorts in the summer, provided that the shorts extend no higher than two inches (2") above the kneecap and are of a similar color and pattern to the uniform full-length pants.

Further, the uniform may be modified in individual cases as necessary to (1) avoid interfering with the for-hire driver's religious beliefs, and/or (2) accommodate the for-hire driver's disability or disabilities. Limited exceptions may be made to this "costume" requirement by the taxicab association upon request of a driver.

Licensed taxicab associations are subject to extensive operating requirements that include:

- Maintain a business office that:
 - Is open and personally staffed all business days between 9 a.m. and 5 p.m.
 - Has a local listed Seattle business telephone number that must be answered during all hours that affiliated taxicabs are operating.
 - Stores all required records.
 - Provides secure storage for all items left in the taxicab by patrons.
 - Provides radio or computer dispatch during all hours that affiliated taxicabs are operating.
- Ensure that each affiliated taxicab is insured.
- Ensure that each affiliated taxicab maintains the taxicab association's color scheme and identification.
- Maintain required proof of insurance.
- Weekly, collect, verify accuracy and completeness, and store for at least two (2) years trip sheet records for all affiliated taxicabs, daily taxicab sign out logs, and association dispatch records.
- Collect and provide service information, vehicle collision reports, service response time reports, reports of crimes against for-hire drivers, and passenger complaints as follows:
 - Service Information Reports. Submit quarterly, on forms approved by the Director, the monthly total of paid trips, paid miles, and operating hours for each affiliated taxicab.
 - Monthly vehicle collision reports.
 - Quarterly service response time reports.
 - Quarterly crimes against drivers reports.
 - Quarterly passenger complaint records including driver conduct, vehicle condition, service response and driver route knowledge.

- Notify the Director within 2 working days of the taxicab association having knowledge of information about driver convictions, driver license status changes and vehicle accidents.
- Continue to affiliate with at least 15 taxicabs licensed under this chapter. If the number of taxicabs falls below 15, the taxicab association must increase the number to 15 within 6 months from the date the number falls below 15, or combine with an already existing association, or lose its license under this chapter (revocation or nonrenewal).
- Permit the Director to carry out inspections without notice of all taxicab records required to be kept.

Seattle also provides extensive requirements for leasing taxicabs (and other for-hire vehicles). Key elements of the leasing requirements include:

- The lease must be in writing and filed with the Director of Finance and Administrative Services.
- The lease amount may not exceed an amount set by the Director by rule.
- Sub-leasing is prohibited.
- A taxicab lease requires the driver to pay only the lease charge; the lease may NOT include other expenses such as:
 - Vehicle purchase.
 - Vehicle repairs and maintenance.
 - Vehicle registration or insurance
 - Dispatch fees.
 - Monetary penalties due to vehicle standards violations.
 - “Any other expense or deposit.”

Vehicle operating requirements include safety and inspection standards, display of valid license decals, insurance coverage, approved color scheme and the following requirements:

- The taxicab is equipped to accept credit cards.
- The taxicab or for-hire vehicle is equipped with a passenger information decal including the taxicab or for-hire vehicle name and number and the taxi complaint hotline telephone number, passenger information notice in Braille and raised lettering, and passenger survey and complaint cards must be available to passengers in the rear passenger seating area.
- The taxicab contains no scanner or other type of receiver that is capable of monitoring another association’s assigned frequency.
- The taxicab is equipped and operated so that it can be contacted by continuous two-way radio communications using a central dispatch radio base station.

- The taxicab or for-hire vehicle meets the vehicle requirements prescribed by Director's rule, including but not limited to vehicle size and standards for fuel efficiency and emissions.
- Signs, advertisements or other messages, are allowed in or on taxicabs only as prescribed.
- The taxicab must be equipped with an operable digital security camera system.
- The taxicab must be equipped with a monitored silent alarm system.
- The taxicab must be equipped with a monitored Global Positioning System (GPS).
- The taxicab must maintain a continuous connection between the taximeter and the computer dispatch system, if such system is installed.

Seattle's extensive requirement for vehicle operation—ranging from communication and GPS capabilities to security and alarm systems—would not be economically feasible for sole operators.

G. Review of Regulatory Model of Madison, WI.

The population of the City of Madison is 237,000 and the Madison taxicab service area is estimated by the TLPA to be 500,000. The 2012 TLPA Taxicab Fact Book reports 173 taxicabs licensed by the city.

The most recent number of approved permits actually authorized by City Resolution File Number 29866, effective July 1, 2013, is 200. These permits include: 3 airport shuttle taxicab permits, 120 taxicab meter permits (Union Cab and Madison Taxi) and 77 taxicab zone permits (Badger Cab and Green Cab).

1. Procedure and Jurisdiction.

- Section 11.06, Ch. 11 (“Public Utilities”) of the Madison General Ordinances was extensively revised by Ordinance 13,596, effective April 21, 2004, establishing requirements for licensing of any business engaged in transporting passengers for hire or driving a vehicle transporting passengers for hire within the City limits (s. 11.06(2)(a)).
- Applications for an initial taxicab business license are made to the City Clerk and referred to the City Traffic Engineer for review by the City Transit and Parking Commission (TPC). The denial or grant of the license is made by the Common Council upon recommendation of the TPC (s. 11.06(4)(b)).
- Two-year renewal applications are submitted to the City Clerk and referred to the City Traffic Engineer for review by the TPC (s. 11.06(4)(d)).
- Applications for a driver’s permit to operate any public passenger vehicle are made to the Chief of Police (s. 11.06(2)(e)).
- The City Traffic Engineer is responsible for public passenger vehicle inspection and enforcement of the ordinance section (s. 11.06(2)(g)).
- The Common Council is authorized to subject any license, vehicle permit or driver’s license to further regulation or restrictions based upon hearing and recommendations of the TPC (s. 11.06(12)).
- Licenses and permits may be revoked or suspended for up to 12 months by the City Traffic Engineer for violations of state statute or the ordinances or rules or any misconduct or offense substantially related to taxicab operation. Appeals may be made to an Appeal Subcommittee of the TPC. No further appeal is provided (s. 11.06(13)(c)).
- Upon 2 convictions in 12 months of charging fares other than those listed on the fare rate filed with the City Clerk, the licensee forfeits the license and is not eligible for another license for one year (s. 11.06(13)(d)).

2. Factors Considered in Recommendation for an Initial or Renewal License.

The factors to be considered by the TPC in making its recommendation to the Common Council on an initial or renewal application for a license to engage in the business of transporting passengers for hire include:

- The financial capability and responsibility of the applicant.
- The applicant's prior experience in operating public passenger services.
- The level and quality of service provided by the applicant in the past in areas in which it has operated.
- The experience and competence of the applicant's drivers.
- The applicant's prior record of compliance with applicable regulatory laws, ordinances and rules including records of complaints and enforcement actions against drivers and vehicle owners.
- The applicant's prior record of service complaints.
- The age and condition of the vehicles proposed to be licensed by the applicant.
- The applicant's safety record, including records of accident experience and record of employee safety training.

The TPC is also authorized to establish additional standards or criteria to use in reviewing applications (s. 11.06(4)(b)). There is no requirement for a finding of public necessity and convenience.

3. The Transit and Parking Commission (TPC).

The Madison Transit and Parking Commission (TPC) was created under sec. 3.14(4), Madison General Ordinances, and is charged with the following:

- To make recommendations to the Common Council regarding policies on all transit and parking matters.
- To be the official body constituting a public utility within the meaning of ss. 66.0621 and 66.0805, Wis. Stats., and a transit commission within the meaning of s. 66.1021, Wis. Stats.
- To function as a parking utility for the operation of the parking utility system for the City of Madison, a transit utility for the operation of the transit system for the City of Madison, and a utility capable of issuing revenue bonds with Common Council approval.

The composition of the TPC is 9 voting members to serve without compensation consisting of the following:

- 3 members of the Common Council.
- 6 citizens.
- 2 alternates who may be either Common Council members or citizens, but at least one of whom is a citizen.
- One member who is an individual with special transportation needs requiring accessible fixed route transit or paratransit.

The Commission elects one of its members as Chair and one as Vice-Chair to serve in the absence of the Chair. Two (2) members of the Transit and Parking Commission are appointed by the Chair to serve on the Long Range Transportation Planning Committee.

Common Council members are appointed by the Mayor subject to confirmation by the Common Council; geographic location is to be considered. Citizen members are also appointed by the Mayor subject to confirmation by the Common Council.

The meetings of the TPC are televised:

<http://www.cityofmadison.com/citychannel/meetings/tpc/>.

4. Key Features of City of Madison Taxicab Operation Regulation.

The requirements placed upon licensed businesses make it unrealistic for individual parties or parties with small numbers of vehicles to qualify. There is, however, no minimum number of vehicle permits required to qualify for a business license and there are no caps on the numbers of vehicles that may be permitted.

Taxicab businesses, which may be individuals, corporations, associations or any other legal form of business entity, are subject to the following:

- Metered and zoned (shared ride) taxicab operations must provide service 24 hours a day, 7 days a week (with certain weather-related exceptions).
- Metered and zoned taxicabs must provide adequate 24-hour accessible taxicab service.
- All licensed taxicab companies must provide service to the entire City.
- Adequate insurance must be provided with a 30-day cancellation notice to the City.
- No licensed taxicab company may refuse service (records required).
- Rates must be filed with the City and no other rate may be charged.

- Metered cabs must provide individual (as opposed to shared ride) service.
- Reporting requirements include the following:
 - Vehicle crashes.
 - Miles traveled.
 - Numbers of passengers.
 - Revenues and expenses.
 - Profit or loss information.
 - Internal complaints and City complaints.
 - Additional survey information provided at the request of the City Traffic Engineer about vehicle maintenance, driver rest periods, driver and passenger safety, refusal of service and rates.
- Licenses to engage in taxicab business may not be transferred and a change in ownership of licensed operator results in termination of the license.

Regulation of drivers includes the following:

- Drivers may not remain on duty for more than 12 continuous hours.
- Drivers may charge an estimated fee in advance.
- Daily logs are required to be kept current to the end of the last shift worked.

The Madison approach to taxicab licensing and regulation appears to be unique in several respects. Importantly, the city takes advantage of state laws authorizing the establishment of public utilities. In this context, the TPC has been given autonomy and authority which the Common Council retains basic oversight.

The division of responsibilities for administering a system, i.e. application to the City Clerk, vehicle inspection and system supervision by the Traffic Engineer, and driver permitting by the Chief of Police, allows for a distribution of administrative efforts and efficiencies.

H. Examples of Municipal Alternatives for Taxicab Company Regulation.

1. Summary of Comparisons for Selected Cities.

The City of Milwaukee currently regulates permitted vehicles and licenses drivers, but does not regulate companies, including association and dispatch services. The definition of “permitted fleet” (5 or more vehicles) is only used to require off-street parking; fleet permittees may also petition for fare increases.

For municipal comparisons, service area figures and the number of licensed/permitted taxicabs are taken from the 2012 Taxicab Fact Book published by the Taxicab, Limousine & Paratransit Association (TLPA).

Municipality	City Census Population	Service Area Population	Number of Licensed Cabs	Whether Cap Established (Limit)
Atlanta	432,427	1,800,000	2,400	Yes (existing nbr.)
Austin	790,390	925,000	533	No ³
Buffalo	261,025	900,000	95	Yes (300)
Detroit	706,585	850,000	1,310	Yes ⁴
Louisville/Jefferson	597,337	1,300,000	190	No
Madison	236,901	500,000	173	No
Milwaukee	594,833	960,000	321 ¹	Yes
Nashville/Davidson	626,681	619,000	350 ²	No
Seattle	608,660	1,000,000	643	No

¹currently 320; appeal on the constitutionality of the Milwaukee “cap” is pending.

²Nashville/Davidson report of May 2013 states 585; the TLPA report may reflect early 2011 figures. As of July 31, 2013, the Transportation Licensing Commission reports 755 authorized taxicab permits.

³Austin uses a formula for authorizing taxicab franchises by ordinance if minimum application requirements are met; franchises may be awarded certain numbers of franchise vehicle permits.

⁴More than 1,310 “bonds” are issued and, under certain circumstances involving public necessity and convenience, this number could be increased at the request to the City Council by the Consumer Affairs Department.

2. Licensing and Regulatory Features of Selected Cities.

Municipality	Licensing/Regulatory Body	Company Licensing
Atlanta	Atlanta Police Department, Bureau of Taxicabs and Vehicles For Hire; Mayor appoints 16 hearing officers	Yes; any party “intending to engage in the business of operating vehicles for hire”.
Austin	City Manager designates Public Works	Yes; “franchise” authority given to operate taxicab services
Buffalo	Commissioner of Police	No; fleet (5 or more) vehicle permits can only be reissued to fleet vehicles
Detroit	Consumer Affairs Department issues licenses; A Vehicle For Hire Commission (administrative agency officials and Mayoral appointees) establishes rates	No
Louisville/ Jefferson	Metro Department of Inspections, Permits and Licenses; Hearing Officers selected by Department Director	Yes; but a “certificate” to operate may be for one or any number of “licensed” vehicles
Madison	Licensing through City Clerk, City Traffic Engineer regulates and inspects and makes licensing recommendations to a Transit and Parking Commission which recommends disposition to the Common Council	Yes; the “business of transporting passengers for hire” is licensed
Nashville/ Davidson	A Metropolitan Transportation Licensing, staffed by the Department of Public Works, issues certificates of public	Yes; new applicants must have no fewer than 20 vehicles - formal requests for additional vehicle permits may be made
Seattle	Department of Finance and Administrative Services	Yes; taxicab associations are licensed to represent 15 or more taxicabs, leasing is regulated, “costumes” are required

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