

White Paper

“Opportunity for Positive Governance Change with New Milwaukee Taxi Ordinance”

By

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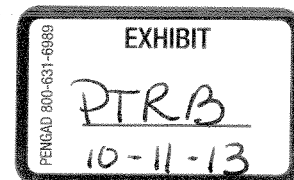
Introduction

I am writing this “White Paper” to provide members of the Milwaukee Public Transport Committee information to assist its deliberation and action relative to this important matter. Although it may have been many years since Milwaukee has considered new governance as it regulates taxicab transportation in the City of Milwaukee, it is not alone in considering the adjusting of its ordinance in this regard. Numerous other municipalities across the nation, such as Dallas, TX, San Francisco, CA and several other metropolitan area are doing so as well at this time. Indeed, it was just announced fifty (50) new medallions are being auctioned soon in Chicago.

It seems clear that the time is ripe for adjustment. As described below, there are many factors favoring change. Primary in Milwaukee is the recent legal decision declaring the existing ordinance unconstitutional. While it may be on appeal, it signals the need for examination by the City of Milwaukee, and proposals are being made.

Also motivating change is the fact observed by the Legislative Reference Bureau in its report that the taxicab-to-population ratio in Milwaukee is at its *lowest* since the Great Depression of the 1930’s. In part this is due to the existing taxi ordinance established in 1991 limiting the number of permits allowed of 321. Instead of issuing new permits, the City decided to cap the number of taxicabs by allowing transference of the existing permits. Given the limited universe of permits, the value of a permit has risen astronomically to estimates of \$150,000. Indeed, in August the Legislative Reference Bureau estimated that if new permits issued, a 23% increase in the number of taxicabs on the streets of Milwaukee would ensue, or approximately 73 more taxicabs to fill the vacuum of need. This increase is reflected in the proposal by Alderman Bauman to issue up to another 100 permits, and additional permits after that if desired up 50 more over five years. A proposal by Alderman Murphy would let the “market” set the number of permits without limitation. Such an increase would clearly increase service to the public, and perhaps in a way that would address underservice in certain area of the cities.

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Exactly how this regulation might work necessarily embraces consideration of its impact on the value of existing permits. Additionally, external threats include the new rise in European and American Cities such New York, Chicago, San Francisco and Dallas of new technology which one carrier, “Uber,” and another known as “Lyft” use to circumvent and undermine municipal regulations in its operations.

The following issues are raised for consideration of what the City of Milwaukee could do next to accomplish its objectives of achieving the maximum of public safety and service. Let me provide my industry input to them one at a time.

1. Should Milwaukee allow the issuing of new taxi permits?

There is an axiom in the taxi business, as well as in truly all service businesses, that, “Service builds business.” If this is true, and our experience over the past 37 years in business proves it out consistently and continually that it is true, then the act of allowing licenses to be activated in any market is just the first step in the process of validating the “need” for more taxis. Suppression or limiting of licenses results in the fostering of new demand and denies the possibility of that growth.

The only true mechanism to measure potential demand for taxi services, and therefore the “need” for licenses) is the marketplace itself. At American Taxi Dispatch, Inc. we have encountered city licensing environments in other jurisdictions and environments which have permitted too many cabs to licensed, beyond the needs of the natural demand. Inevitably, cabs fall out of service as the weaker operators cannot sustain the reinvestment needed to stay in business.

A given populace will always have some demand for taxi services. But certain segments of the demographic will respond to services which are abundant, and perceived by the public to be so, and which are reliable carriers. For example, where the enforcement of DUI laws are being stressed, taxi’s become a better alternative than risking the higher chance of arrest and punishment. Similarly, if groups of residents who are more likely to use air travel move to a district, and taxis offer reliable service and affordable, taxi use increases. The convenience factor alone can induce many people to switch to taxi service for transportation if the service is completely reliable.

American Taxi Dispatch, Inc. in suburban Chicago grew from two (2) cabs to over 850 over the years by convincing the public of their reliability, consistently low fares, and attractive attributes such the acceptance of credit cards for payment long before any other cab companies did. The Legislative Reference Bureau testified the population to taxi ratio is lowest it has been since the Great Depression years of the 1930’s and that if allowed, there would be a 23% increase in taxis servicing the public to meet the demand, or approximately 75 more vehicles in service. Whether this increase allowed because of finite number of

permits as in Alderman Bauman's proposal or letting the market determine itself the number of viable taxi's on it own, either way it is clear there is need for more taxi service in the City of Milwaukee.

2. Should a new ordinance limit to two individuals the number of new permits?

There are types of services which taxis render to the public. The first is hailing cabs which drive down the busy City streets looking for riders. These are prevalent in very large cities. But in smaller cities and more suburban markets, almost all taxis are ordered by telephone, and more recently through smartphones or online. Therefore, the mechanism for ordering the cabs is becoming more important, and the branding issue becomes ever more relevant as customers chose the service they prefer. The internet and smartphones allow customers to review at some of the features they seek in choosing the service which best suits their needs. But for most people, finding a good reliable service is still a trial and error process for the most part.

If the policies promulgated by the city result in highly fragmented operations, such as may happen if there are only 2 licenses allowed per individual, there will be little opportunity for these smaller entities to develop any brand identity. If they are compelled to sign up with a reliable dispatch service, there would be far more accountability by each operator. This is because they will be required to live up to the standards set by reputable dispatching services. The benefit to the public would be the increased reliability of the brand they seek in a competitive marketplace.

American Taxi Dispatch, Inc. believes that unaffiliated, fragmented operations, unless there is a very large demand for the street hailing type of service, would result in a chaotic profusion of relatively unaccountable operators. Accordingly, we recommend that even if there are limits placed on licensing, that all new entrants be required to affiliate or participate with a reliable dispatch service. The riding public will benefit by such accountability.

3. Should there be a minimum space requirement of 40 inches as measured from the back of the front seat to the back seat if it means more ecological and economical taxicabs are prohibited from being put into use?

This kind of taxi interior dimension limitations are a more recent development in the taxi industry. As very fuel efficient and ecologically superior hybrid vehicles become more abundant, taxi operators have discovered the great and obvious benefits of being able to seriously lower costs through more efficient fuel consumption. The most fuel efficient vehicles, such as the Toyota Prius, have become extremely popular nation-wide. In just the past six (6) months, the American Taxi Dispatch, Inc. fleet has grown from a handful Priuses to 90 (out of

855 cabs) because the word got out about the customer acceptance of the vehicles as taxicabs. We expect hundreds more to come into service in the near future. The smaller cars easily accommodate 2 or 3 passengers, with luggage. Using our sophisticated dispatch software, American Taxi Dispatch, Inc. is able to match the vehicle to the type of fare so that all customers are supplied with right vehicle. In changing from a sedan or van to a Prius, most drivers reduce their fuel costs, and consumption dramatically, often by about 70%. This is obviously good for the driver, and for the environment too.

Arbitrary dimensional requirements which would exclude these fuel efficient vehicles would be very counterproductive. The answer is to allow a balance of larger and smaller vehicles. American Taxi Dispatch, Inc. statistics establish that 72% of our fares are one passenger, 12% are for two passengers, and only the remaining 16% are for three or more passengers. The use of reliable and accountable dispatch services can easily direct the proper vehicle in the situations where 40 inches of seat room are required to accommodate those needs without eliminating the possibility for smaller vehicles to operate at all.

4. Should regulations be formulated to disallow taxicab transportation from non-permitted vehicles such as dispatch through “Uber” and “Lyft?”

The recent introduction to the national marketplace of new smartphone ordering “Apps” such as those involved in “Uber” and “Lyft” produce a new dimension of regulatory tension. This because the technology allows a way for unscrupulous operators to go around the ordinance restrictions imposed on all licensed taxi operators everywhere in all municipalities as in happening in Dallas, Chicago, San Francisco and New York. It is naïve to believe that the Milwaukee market will not be targeted very soon.

In the past, there have been options such as limousines and livery services, which offer services similar to taxis, but which cannot operate on the streets as quasi taxis, or jitneys. Now the ordering Apps come closer to being quasi taxis because they purport to offer immediate service. This is “electronic” hailing in practice.

American Taxi Dispatch, Inc. also offers the same ordering Apps – actually superior ones in our opinion. But what arrives is a licensed, insured, safety lane inspected, branded taxicab which the public can immediately recognize as a licensed, reputable taxi service at a glance. This process offers the public a known entity, with consistent metered pricing that is generally pre-calculated at the time of the order placement so the customer knows what the fare will be within a generally accurate estimated range.

THIS IS IN SHARP CONTRAST TO THE “UBER’ MODEL WHERE CUSTOMERS ACTUALLY BARGAIN FOR AN ACCEPTABLE FARE FROM

AN UNREGULATED VEHICLE THAT ENDS UP BEING GENERALLY 20% TO 40% HIGHER THAN A COMPARABLE TAXI WOULD BE.

American Taxi Dispatch, Inc. recognizes that Uber type services are clandestinely invading the marketplace. However we rely on the longstanding brand loyalty we have cultivated over decades by offering low cost, quality, reliable service. We believe honest competition always benefits the consumer, and we always welcome the presence of new competitors. Since we are a nationwide leader with the first general use of interactive voice response technology (“IVR”), with our conventional taxi service we feel we offer the best of both worlds in a properly regulated environment. Currently 70% of our orders are now placed through automation – online, smartphone, special hotel apps, and now general ordering apps for I Phone and Android users, along the with the IVR. We have a higher level automated services than any taxi dispatch service in the country, which frees our live operators to be much more available to handle the other 30% of the callers.

However, passing any ordinance change which does not include consideration of operations designed to bypass licensing requirements and safety regulations to protect the public is a mistake given the opportunity to craft model legislation that presents itself under the current circumstances.

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In conclusion, we thank you for the opportunity to participate in the discussion of any future Milwaukee Taxi Ordinance that may develop given the current circumstances

We believe a quality dispatch service, such as that operated by American Taxi Dispatch, Inc. offers more accountability for owner operators in Milwaukee than ever before. All vehicles are tracked when working whenever vthey change their status (such as accepting an order, picking it up or dropping it off, etc.), and our programs allow for even more tracking if necessary. We are even considering implementing extensive safety programs to detect speeding or unsafe driving using GPS data generated by the tablets, smartphones and laptops the drivers use as their mobile dispatch devices.

Trial programs have proved very effective so far. Our need to uphold and strengthen our brand loyalty ensures we take seriously every complaint, and address them in a timely fashion as we have done for so many years. In other words, we are in business to stay, and we operate that way. American Taxi Dispatch, Inc. would like the opportunity to introduce the same proven quality and sophistication into the Milwaukee marketplace, as we have so successfully done throughout suburban Chicagoland. We believe the taxi riding public, all the residents and all the businesses, would benefit by the presence of a company which takes its customer service so seriously. Thank you for your interest in our thoughts in the consideration of the Milwaukee Taxi Ordinance

John P. Coyne, Vice President and 50% Shareholder, American Taxi Dispatch, Inc.

AMERICAN TAXI DISPATCH, INC. BACKGROUND AND HISTORY

The purpose of this narrative is to provide some background and history of how a new start up taxi dispatching business in the suburbs of Chicago grew into a substantial presence in the taxi industry throughout the metro region of Chicago, and beyond the borders of Illinois in recent years.

American Taxi Dispatch, Inc. was established to provide dispatching service to taxis in suburban Chicago in the bicentennial year of the independence of the US, 1976. Hence the company name. Two brothers from the suburb of Wilmette, Bob and Jim Beck, were the founders. The next two individuals who came into the business were John and Dan Coyne, who were invited in to help build the fleet of owner operators and leased vehicles which would comprise the clients of the dispatch service. John and Dan, along with many others, built their fleet up to 12 combined cabs out of 80 total over the next three years in the business. Then, in 1979 there was an ownership change and John Coyne bought out Jim Beck, and shortly thereafter Bob Beck passed away prematurely, at age 36. At that point John Coyne took over the operations and strategy of the business, and Dan worked within the management structure. In the ensuing years, their strategies for growth and technological innovation resulted in the expansion of the fleet to the present 800+ size at present.

The company grew by approaching each suburban community with a request for an allotment of taxi licenses to be operated under the logo and markings of American Taxi Dispatch, Inc. Sometimes there was no relevant municipal code applying to taxis, in other places detailed and complex ones. Over the years we have encountered a wide variety of ordinances, which reflect the beliefs of those communities regarding regulation, and the extent of its reach. In many cases, community councils have changed from a much regulated regime, to a partially or unregulated regime, for all practical purposes.

In the first town where we licensed, Northbrook, the ordinance went from a strict regulation of numbers of cabs and specific rate structure, to a much looser, almost laissez faire approach, where there is easy entry, and rates are simply to be submitted to the city a month before implementation. Northbrook does however, which we appreciate, continue to require strict safety inspection requirements for the condition of the taxis, two times a year. The same approach was adopted by cities like Arlington Heights and Schaumburg, large suburbs in the Northwest suburban region where we expanded to in the 1980s. Other cities, like Skokie, still regulate meter and flat rate fares, but generally approve the rate structures which

are submitted. Skokie does technically regulate the number of taxis licensed, but has expanded that number significantly over the years.

A particularly telling example of the changes in approach to regulation is with the suburb of Oak Brook. Oak Brook was established as a suburban corporate center in the new (in the 1960s and 70s) expansion into the west suburbs. Oak Brook has good access to O'Hare airport, and a small residential population. Now it has a population of 13,000 or so, but when we first applied for licensing there, the population was just 9,000. When going before the city council to present our credentials and business plan, we were asked how many cabs we intended to operate, and how many more we might expect in the future. We replied that 25 would be good to start with, but that future requests would be contingent upon our ability to attract customers and expand the demand for our service. In a discussion among board members, it was brought up that a small residential population didn't tell the whole story of potential demand, because Oak Brook was then headquarters to 70 international corporations, including McDonalds and Waste Management. One board member said, "If American Taxi can support 100 taxis, then we will give them 100 licenses." We subsequently grew our business, and at present we have over 100 operating and licensed taxis receiving our dispatch and working in the Oak Brook area. So their words were prophetic.

We became licensed in the large suburb of Naperville in the next year, with three taxis. By cultivating demand through a steady presence, and good service, we were able to "create" demand in a certain sense. People who might not have thought of using taxi service to the airports saw our low flat rates and decided to change from driving themselves, or having a relative or friend do so, to taking a taxi. They saw our substantial presence at the airports, and recognized the convenience of being dropped off with no hassle at the upper level when departing, and then being able to have five minute pick up 24/7 when they returned at the lower level. So, they changed their habits, and created increasing demand for our service. We presently dispatch to about 180 taxis in the Naperville region as a result of cultivating that demand.

As you could expect, we advocate the laissez faire approach to both licensing, and to fares. However, in terms of safety and inspection regulation, we come down firmly on the side of strong regulation, in the interest of protecting the public as much as possible. We believe that as with all businesses, customers will patronize companies which give them the timely, quality service they desire. But many customers are transient and don't have the time to acquire local knowledge about reputable services, and therefore safety regulation establishes a minimum level of

protection for them. We strongly believe in word of mouth advertising, and in our case the visible presence of clean taxis in good condition adds an added dimension to that traditional approach.

So, in short, from these examples and many more in our experience, we think it is very difficult to accurately decide what would be an optimum level of allowable taxi licensing. The variables and factors we have cited show that the demand curve can be bent, so to speak, making limitations less appropriate. Over the course of our existence, the quantity of suburban taxis operating throughout the entire region in Chicago has risen from approximately 250 total to at least 1,400 at present. Demographic and business changes, such as increased air travel, have had a huge effect on these trends. We believe that the development strategies of our company alone have been a significant factor in these historical trends. We hope this narrative proves helpful in the council's decision making process.