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Tired of Messy, Costly Taxis? Here's How One City Improved the Ride

Indianapolis reaps the benefits of a deregulated industry

By Robert Hardaway

PASSENGERS in most American communities suffer from the ravages of government taxicab regulation. Poorly maintained vehicles and slow or nonexistent service are but a few of the ills plaguing an industry that loses thousands of customers daily to alternative transportation providers who are unencumbered by oppressive government regulation.

Indianapolis residents realized the great drawbacks of taxicab regulation after an exposé in the Indianapolis News revealed that "the cost of renting a 35-foot limousine, complete with TV and VCR, to or from the Indianapolis Airport, is about half the price of a taxicab on the same route."

The story went on to say that residents who were willing to brave taking a cab had "disappointing experiences with local cab companies — from dirty, ill-maintained vehicles to late arrivals. Even Mayor Goldsmith once waited for two hours for a cab to arrive."

In a declaration of independence from the oppression of regulation, outraged Indianapolis residents finally succeeded in throwing out the regulators last summer. On the heels of a United States Department of Transportation study estimating that "deregulating the cab industry would save consumers \$800 million and create 38,000 new jobs," the city adopted Proposal 72 outlawing regulatory price-fixing and entry restrictions.

It took just five months before increased competition and better efficiency prompted the Indianapolis News to report that taxicab deregulation was a "remarkable success."

"Just a few of the benefits thus far ... are lower fares, 29 new taxi companies (20 women- and minority-owned), and cab drivers who wear ties and are on time," the newspaper reported. In addition, at least one jitney company was formed to transport inner-

city welfare recipients to Hamilton County, where jobs are plentiful, the paper said.

Deregulation also frees up city resources needed to improve the cleanliness and safety of taxicabs. The safety issue is often given too little attention by those who cry loudest for economic regulation.

Every business in America would engage in price-fixing and practices to exclude competition if they could. A monopolist and

granting new licenses. As a result, existing licenses, which had previously been issued for \$161, were being "scalped on the street for \$3,000 to \$6,000," forcing independent cab drivers to pay "\$100 to \$200 a week to use a license." Few drivers could make a decent living after being gouged for such fees.

In New York City, licenses for the privilege of extracting monopoly rents from hapless passengers in the form of so-called "medallions" are sold

on the market for hundreds of thousands of dollars, leaving individual drivers at the mercy of those who can afford to buy them, and relegating many drivers to the status of indentured servants.

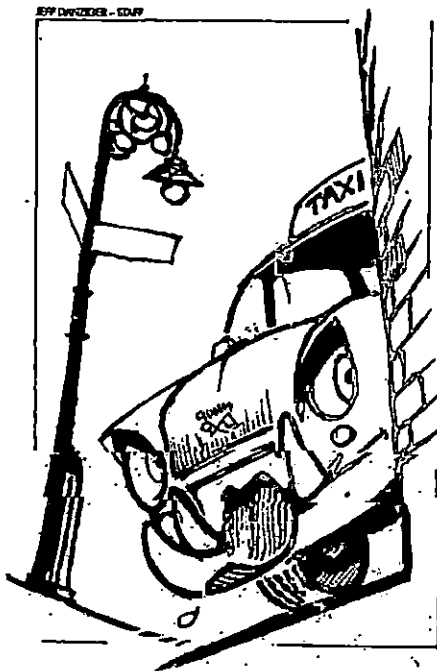
GOVERNMENT regulatory and price-fixing policies have hit minorities and the poor and disabled the hardest. As the Cincinnati Enquirer observed, "driving a cab has traditionally been a first step for men and women with little money to start their own business. It is a glaring inconsistency for council members to say they want to create jobs and opportunities for poor and minorities and then trample on the same folks."

The newspaper cited the case of Deborah Berliner and Ralph Stewart, who were fighting for the right to provide high-quality taxicab service but were refused a license by a city intent on maintaining the monopoly and oligopoly status of entrenched economic interests.

Not surprisingly, in many cities around the country, vested economic interests at the local level have succeeded in preventing the elimination of regulation, price-fixing, and exclusionary practices in the taxicab industry.

It is time for long-suffering passengers and taxicab drivers to declare their independence by urging city fathers to follow Indianapolis's example and throw off the heavy chains of taxicab regulation.

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price-fixer can extract monopoly rents from the consumer without concern for a competitor offering better service or lower prices.

This is why antitrust laws make this kind of behavior unlawful and even criminal when practiced by private firms. But when the government itself encourages and legitimizes price-fixing in the form of heavy-handed "regulation," consumers and small businesses are left to the mercy of monopolists. Meanwhile, government grants itself immunity from such antitrust laws.

IRONICALLY, regulation harms taxicab drivers even more than it harms passengers.

In 1994, the Cincinnati Enquirer exposed a city policy of excluding small entrepreneurs from the taxicab business in the form of an unofficial "moratorium" on