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Taxicab Regulation in Southern California: A Comparison of Orange and San Diego County Approaches and Their Applicability to Los Angeles County

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Author
Ford, Amy Frances

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Taxicab Regulation in Southern California:
A Comparison of Orange and San Diego County Approaches and
Their Applicability to Los Angeles County

A thesis submitted in partial satisfaction
of the requirements for the degree
Master of Arts in Urban Planning

by

Amy Frances Ford

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ABSTRACT OF THE THESIS

Taxicab Regulation in Southern California: A Comparison of Orange and San Diego County Approaches and Their Applicability to Los Angeles County

by

Amy Frances Ford

Master of Arts in Urban Planning
University of California, Los Angeles, 2012
Professor Brian D. Taylor, Chair

Each city in Los Angeles County regulates its own taxis. Both San Diego County and Orange County assume the regulatory role from their respective cities, though each takes a different approach. Through a review of the literature and interviews with industry stakeholders in the three counties, this study compared the approaches to regulation in San Diego and Orange Counties and analyzed whether they could be applicable to Los Angeles County. The study finds that the regulatory approach in Los Angeles County produces duplicative and conflicting regulations that create a burden on both the taxicab industry and cities; the approach also confuses passengers. The regional approaches in San Diego and Orange County, by contrast, streamline safety regulations while allowing cities to customize taxicab standards through local franchising agreements.
The thesis of Amy Frances Ford is approved.

Lois Takahashi

Robin Liggett

Brian D. Taylor, Committee Chair

University of California, Los Angeles

2012
DEDICATIONS

To the general UCLA Urban Planning community, who inspired me while we were in school together and inspire me now as they continue to do amazing things.

To the many taxicab industry personnel in Los Angeles, Orange, and San Diego counties I spoke with, who gave so generously of their time and knowledge.

To my family, who supported my education with enthusiasm and interest.

To Camille Fink, who gave me the push I needed.

To Kevin Holliday, who often displayed more enthusiasm for my subject matter than I did.

To my husband, Bill Wagner, who always puts on an interested face when I talk about taxicabs.

And to Professor Brian Taylor, who never gave up.
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Chapter 1 – Introduction

Imagine you are a driver for Beverly Hills Cab Company. Your company has successfully bid on the franchises to provide taxicab service in West Hollywood, Beverly Hills, portions of the City of Los Angeles, and Culver City. In addition to whatever the company did to be awarded the franchise rights, you must make sure you personally have permits from each of the cities in order to drive there. You own your own cab (Beverly Hills Cab Company just provides dispatching for you and the other drivers in your cooperative) so you must make sure your vehicle is inspected in each of the cities. This inspection (and the associated vehicle permit) will cost you $700 a year in Beverly Hills, $400 in Culver City, $68 in Los Angeles, and $200 in West Hollywood. And since you have to have your vehicle inspected every year in each of those cities, this $1,300 in vehicle inspection visits will probably also cost you the time you could otherwise have used to pick up at least four passenger trips, a not insubstantial amount given that you earn less than $12 an hour.

You also need to remember that fares differ slightly depending on where you picked up your passenger. In Beverly Hills, a 5-mile cab ride will cost your fare $14.35. In Culver City, that same ride would cost $15.85, but in Los Angeles and West Hollywood, where the fares are the same, it would be $16.05. Your taxicab meter is programmed with the different rates; you must remember to select the right one depending on your location.

You may pick up passengers in any of the four cities your dispatch company has the franchise for, and you may drop them off anywhere they wish to go. But if you drop off a fare in Santa Monica, you must return to your permitted cities with an empty taxicab or risk a fine. And if a customer from Santa Monica calls your company, the company must refuse to send a cab out to pick him or her up.
This confusing, inefficient, and expensive situation is the result of the regulatory system in Los Angeles County, in which taxicabs are regulated on a city-by-city basis, regardless of the market conditions or travel patterns that carry people back and forth across municipal lines.

Writing in 1975 about the taxicab industry in Southern California, Kevin Busath expressed his frustration that “at a time when interest in public transportation is reaching new highs, one major existing transportation resource which services most urban areas has been largely ignored. This is, of course, the taxicab industry” (p 2). Advocates of an increased role for the taxi in U.S. urban public transportation systems like to compare the taxi with traditional fixed-route public transit systems, noting that taxis are a more flexible form of urban transportation than is typically provided by fixed route services, such as urban bus and rail systems. In terms of service quality, these advocates argue that the taxicab offers a means of transportation that is closer to most travelers’ needs than fixed-route public transit. The taxi can, of course, provide the same flexible, door-to-door service that the private automobile does, with the advantage that in downtowns and other crowded districts they do not need to look or pay for parking. In “The Joys of Automobility,” Melvin Webber (1992) argued, “if transit is to compete it must emulate the private automobile” (p 179). Peter Gordon (1997) also looks to the “many advantages of private autos” and argues that transit must be “flexible enough to connect origins and destinations that are increasingly ubiquitous” (p 2).

Other writers champion the taxi on efficiency grounds. Some believe that the taxi is more suited than fixed-route transit to the low-density development pattern of the modern city, noting that taxis do not depend on a high volume of passengers (Taebel & Cornehls, 1977). Kirby et al. (1972) write that compared to other public transit modes, taxis have lower costs per hour due to lower labor costs and vehicle operating costs, and higher system productivity. Weiner (1982)
suggests that taxicabs, operating in “shared-ride” mode (in which passengers who have different destinations can share a taxi for the portion of a ride), can ably replace buses on low productivity lines or in the off-peak hours of service.

What prevents this flexible form of transportation from playing an expanded, integrated role in transportation? As a 2001 report by the San Francisco Planning and Urban Research Association (SPUR) stated, “Integration of taxis and other modes is… sparsely covered in the literature” on taxicabs (p B-19). It is easy to figure out why individuals do not often take a taxicab – distances and fares are such that a trip can quickly add up to a hefty fee. The explanation behind the taxicab’s outsider status in Los Angeles regional transportation policy dialogues is more complex, though, than strictly economic reasons. Some regulators claim that Los Angeles is strictly not a “taxi town” since, unlike New York, Chicago, Boston, or San Francisco, it lacks a monocentric geography and strong central business district that draws a large mass of potential taxi consumers. Instead, Los Angeles is made up of many dispersed activity centers.

In addition, the role of the taxi is one of contradictions: its users are primarily the very poor and the relatively wealthy. Taxicab companies can be multi-national corporations, or a single individual who owns the cab that he\(^1\) drives. It is an industry of many players who compete, sometimes ruinously, for a finite market. Regulators often treat taxicabs as a nuisance to be controlled, even while basing the need for regulation on public good. Drivers include people who dip in and out of the industry or who work as drivers long-term. Perhaps most importantly, the taxicab industry remains a private industry, almost entirely unsupported by public moneys and

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\(^1\) Blasi and Leavitt (2006) explain (p 13): “Taxi driving is a predominantly male occupation...In all our work [which included a survey of over 300 taxi drivers], we encountered one female driver and were informed that there may be as few as four women drivers in the entire taxi fleet in the City of Los Angeles.”
therefore outside the strict fiscal scrutiny and public planning efforts that public transportation systems undergo.

Yet, the taxi industry faces a regulatory scrutiny of an extreme kind. In Los Angeles County, as in most areas of the country, taxicab regulation is performed at the municipal level. In the vastness of Los Angeles County’s 4,084 square miles, this means 90 different sets of regulations. Since taxis regularly cross municipal boundaries in transporting passengers from origins to destinations, taxi companies and their drivers must be familiar with, and often in compliance with, several sets of regulations. These regulations are sometimes arbitrary, sometimes conflicting, and often duplicative.

Two real-life scenarios described below demonstrate how the fractured regulatory environment in Los Angeles County prevents the taxicab system from working as efficiently as it might under a more coordinated structure.

*Serving South Central*

The City of Los Angeles is divided into 5 geographic zones of taxi service – Areas A, B, C, D, and E (See Figure 1). Area D of Los Angeles includes the district known as South Los Angeles. Previously known as “South Central,” the area was largely African-American and is increasingly Latino; it is a high-poverty, high-crime area, still tarnished with the stigma of the civil unrest that punctuated the verdict in the Rodney King police brutality case in 1992.

City regulators struggle to bring taxicab service to Area D. The City’s 2,300 permitted taxicab drivers most likely prefer to derive their income from safer or more lucrative areas (and,

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2 Including the 88 incorporated cities and an additional set of regulations governing the unincorporated areas of the county; Los Angeles International Airport (LAX) also has its own system of taxicab regulation, which is not unusual. Revenue from airports often makes up a substantial portion of taxicab revenue; for Los Angeles taxicab drivers, airport revenue makes up one-third to one-half of their revenue (Interview LA-1). Without a system of regulation for airport business, taxicab drivers tend to gravitate to that important airport business, creating an oversupply at the airport while leaving other areas without service.
Figure 1 - City of Los Angeles Taxicab Service Areas

Source: City of Los Angeles Department of Transportation
unfortunately, racial discrimination may play a role as well). The City provides incentives to encourage taxi drivers to provide service to Area D: for example, if a cab company wishes to provide service in any other two areas of the city, it must also agree to provide service to Area D. Service measurements collected by the Los Angeles Department of Transportation, however, indicate that this tactic is only marginally effective. In 2010, service response\(^3\) in Zones A, B, C, and E averaged 92 percent, while service response to Zone D averaged only 76 percent (LADOT 2011).

All is not lost for the residents of South Los Angeles, however; cab drivers from the adjacent City of Inglewood, just west of South LA (see Figure 2), regularly serve their area. With a population over 80 percent people of color and 22.5 percent of the population living below the poverty line, Inglewood shares some of the characteristics of South Los Angeles, and cab drivers from Inglewood are apparently more familiar with and more comfortable serving South Los Angeles. Yet, when they provide a service in this otherwise under-served area, they risk a citation from the City of Los Angeles Taxicab Inspectors. Of the three companies that are licensed to provide service in Inglewood, and the five that provide service in Area D of Los Angeles, only two (Yellow Cab (LA Taxi) and United Independent Taxi) provide service in both areas. In fact, the City of Los Angeles has arrested City of Inglewood-permitted taxicab drivers from time to time for picking up passengers within Los Angeles city limits (Interview LA-1).

_Taxi poachers_

The City of Santa Monica is surrounded on three sides by the City of Los Angeles (and, by extension, by Los Angeles’ Area B taxicab zone – see Figure 1). Until March 2011, Santa Monica’s approach to taxicab regulation was essentially “open entry,” meaning that there was no

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3 “Service response” indicates the percentage of completed calls to the company’s dispatch center that are responded to within 15 minutes of the call. For a cab company to have its franchise extended or renewed, it must maintain a certain level of service response or show improvement from year to year (LADOT 2003).
cap on the number of cabs, and anyone who completed the necessary paperwork and met the

rather steep insurance requirements could become a taxi driver. Through 2010, Santa Monica

had issued about 700 taxicab permits to provide service in the city. By comparison, Los Angeles,

with a population 44 times that of Santa Monica, permits only 3 times as many taxicabs. Thus, in Santa Monica, there is, in theory, one cab for every 128 residents; in Los Angeles, there are

Source: Google maps

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4 Los Angeles bases its number of cab permits on the current business volume for legal cabs.
1,700 residents per legal taxicab. As a result of the enormous difference in taxi supply between the two cities, Santa Monica taxi drivers regularly “poach” business in Los Angeles city limits.\(^5\)

*Fractured regulations*

These examples demonstrate two illegal, if inevitable, effects of Los Angeles County’s fractured approach to taxicab regulation. A means of safe, reliable taxicab service for South Los Angeles’ transportation disadvantaged population is officially discouraged by citation-wielding taxi inspectors. Overabundance of supply in Santa Monica drove cabbies across city lines into Los Angeles, where they risked a ticket competing for business from LA-certified cab drivers.

The literature on taxi regulation is extensive, but it tends to focus on the question of whether to regulate the entry of taxicabs into a given market, rather than on the nature of how to regulate. Regulation of taxicabs has been generally characterized as either *economic* or *safety-related*. Examples of economic regulations include fare setting and limits on the number of taxis permitted to operate in a given area; safety regulations include insurance requirements and safety inspections before permitting. Theoretical arguments for and against taxicab regulation have raged in the past 40 years, and experiments with taxicab deregulation in several cities around the United States and in Australia and New Zealand have provided evidence for both sides. Results of deregulation experiments have been mixed, but there is some consensus that safety regulations are appropriate public intervention (Dempsey 1996, Gilbert et al. 2002, Kramer & Mello 1996 (in SPUR 2001)).

There is also consensus that regulation imposes costs – from direct costs like fees for permits borne directly by the taxi driver or the taxi company, to indirect costs such as the slightly higher fares that passengers pay. These costs also have direct and indirect effects; permit fees come out

\(^5\) To address many issues associated with the overabundance of taxicabs, the City of Santa Monica introduced a franchising system for its taxicabs in 2011.
of driver and company pockets, with higher fares and lower quality for consumers the possible result. The profession of taxi driver is at once the most dangerous in terms of risk of homicide, and among the lowest-paid (Dempsey 1996). Not simply low-paying, driving a taxi frequently entails considerable financial risk as well; many taxi drivers who lease cabs pay the lease charge at the beginning of a shift and must earn back the deficit before earning any money (Gilbert & Schaller 1997).

Regulators, planners, business groups, and consumers tend to strive for quality improvements within the taxicab industry (Snyder 2004). Business and convention trade groups frequently emphasize that taxicabs play a part in how visitors perceive an area, and therefore how taxicabs affect tourism promotion. Some transportation planners express the hope that a high-quality taxi trade can help in luring auto-dependent residents out of their cars (Cervero 1997, Wohl 1982, Weiner 1982). Regulators tend to be concerned with the public good aspect of taxicab industry, and through their regulations seek to insure quality taxi service and, as noted above, compel taxis to provide service to lower-income areas of a city. Thus, as part of their licensing as a common carrier, local taxi regulations generally require a subsidy of low-margin, low-demand service from the high-demand, higher-margin product of the tourist trade. The taxi industry itself is fractured, as companies and drivers compete intensely for the lucrative aspects of the consumer demand.

With all of the explicit and implicit costs of taxicab regulations, it would appear that the most streamlined means of regulating would be the best way to go about regulating. Yet, municipal-level regulations in Los Angeles County surely impose unaccounted for, and perhaps unnecessary, costs on the taxi industry, taxi patrons, and on cities. Especially when neighboring cities have similar regulations, the benefits of local government regulations of taxis are likely
redundant: duplicative sets of regulatory boards enforce the same (or similar) regulations, often for the same cabs. In addition, certifying taxi operators and drivers (via a permit or business license) multiple times by multiple cities (often for the same regulations) is redundant.

I hypothesize that this system of municipal-level regulation is at least partly responsible for the outsider status of the taxi industry in Los Angeles regional transportation planning. The fractured environment wastes time and money, and keeps the focus on administration and enforcement, not on making the most of this flexible transportation mode. Specifically, I seek to examine whether a county-wide regulatory scheme could benefit the Los Angeles County taxi cab industry, regulators, and consumers.

Two counties in Southern California have gone to a regional coordination of taxi cab regulation. In 1989, in San Diego County, the Metropolitan Transit Development Board (MTDB) Taxicab Administration began administering regulations for taxi cabs in many of the agency’s 11 member cities. Just under ten years later, in 1998, the Orange County Transportation Authority took over regulation of taxi cabs in that county. With three and a half decades of experience at regulating taxis on a county-wide level, San Diego and Orange Counties can offer a great deal of insight for Los Angeles County.

In Chapter 2, I explore the literature on taxi cab regulatory structure. The literature review includes a discussion of proposals for county or regional coordination of taxi cab regulation, and the positive and negative outcomes of such proposals. In this thesis, I do not examine the necessity of regulation, and assume that some level of regulation will exist. I show in Chapter 2 that the general consensus in the literature is that safety regulations are advised. In Chapter 3, I discuss my research questions and the methodology I use to answer these questions. Chapter 4 presents a detailed picture of the taxi cab systems in Los Angeles County, and presents some
current effects of the regulatory structure. Chapter 5 looks at the regional approaches that Orange and San Diego counties have taken. Chapter 6 discusses the findings from interviews with public and private stakeholders in the taxicab industry about outcomes from the regulatory approaches currently taken in the three counties. Finally, Chapter 7 provides recommendations for Los Angeles County and suggestions for further action and research about this question.
Chapter 2 – Previous Research

In this chapter, I look to the existing literature to provide theoretical and practical evidence for local and regional regulation of taxicabs. The bulk of literature on taxicab regulation focuses on whether or not to regulate, and provides support for both sides of the issue from both economic and ideological angles. Detailed studies of regulations in general do exist (see Gilbert et al. 1987, Dempsey 1996) but studies of the structure of taxicab regulatory systems are lacking. In the first part of this chapter, I summarize the key arguments in this regulation-deregulation debate to give a context for understanding how cities in Los Angeles County regulate their taxicabs and to examine whether Los Angeles County’s current regulations follow any systematic approach.

In the second part of the chapter, I present the theoretical advantages and disadvantages of regional and local regulation, including specific calls for coordinated taxicab regulation in some areas. I include a brief discussion of the notion of regulatory capture and its existence in the taxicab arena. Understanding these theoretical arguments for and against regional regulation helps to (1) establish a framework to evaluate the two coordinated approaches to taxi provision in Southern California, (2) consider whether their implementation has resulted in the anticipated benefits, and (3) compare and contrast them with the current uncoordinated approach in Los Angeles County.

To regulate or not to regulate?

Gilbert et al. (2002) place taxicab regulations into two categories: safety regulation, which concerns “rules and enforcement activities designed to ensure passenger service quality and to protect the health and welfare of the public” (p 10); and economic regulation, which concerns “the amount of service provided and the fares charged to passengers” (p 10). Safety regulations
take the form of insurance coverage requirements and driver licensing and training; economic regulations include setting fare levels and market entry controls\textsuperscript{6} (Gilbert et al. 2002). Gilbert and his co-authors (2002) observe, “safety regulations are almost never controversial whereas economic regulation often is” (p 10). Arguments in favor of regulation note the imperfections in the market for taxi services. Arguments in favor of deregulation typically describe how regulations impose costs, stifle competition, and can be used to create monopolistic conditions.

To regulate…

Dempsey (1996) thoroughly studied taxicab industry market imperfections. According to Dempsey, the first imperfection results from the absence of a truly competitive market for taxicabs. He observes, “[for prospective passengers] competitive shopping is impractical in both the cabstand and the cruising cab market… The transaction costs to prospective passengers of finding the taxi with the lowest price can be problematic” (p 7). In these markets, there is little reason for taxi drivers to compete on the basis of quality, because what passenger wishes to wait around for the next cab to (perhaps) appear? A related market imperfection is “imperfect information and transaction costs” (p 8) because the effort the consumer must expend to shop around is high relative to the potential savings. A third market failure is that of externalities (the costs of an activity that are imposed on those outside the transaction). Externalities of the taxi industry include increased traffic congestion and pollution; Dempsey adds that the taxi industry can create a negative image of a city through poor quality or high prices.

\textsuperscript{6} Entry controls are an interesting topic unto themselves. Entry controls can be simply a set number of permits issued in a given geographic area, such as the well-known medallion system of New York City. Entry controls can also be imposed by specific business regulations that (depending on the point of view) either ensure a sound business foundation or ensure that smaller companies cannot enter the market. Some examples of these types of controls are 24-hour service requirements, minimum fleet sizes, or franchising fees (Buckeye Institute 1996).
A fourth market imperfection results from the taxi’s requirement to operate as a common carrier. Dempsey explains, “taxis are required to provide service to low-density areas or at nonpeak times without pricing discrimination” (p 10). Taxis use the higher revenue business from airports and tourism to cross-subsidize lower-revenue services for the transportation disadvantaged. Without the requirement to act as a common carrier, taxi drivers compete only for the lucrative business; illegal cabs are often accused by licensed operators of “skimming the cream” of the lucrative market and leaving sanctioned cabbies to carry the low-revenue passengers without their cross-subsidy.

Dempsey’s fifth market imperfection stems from the issue of “economies of scale and scope,” which might appear counter-intuitive at first, given the theoretically low economic barriers to entry for each individual cab driver since all that is required to become a cabbie is a car and a license. However, Dempsey explains, “the per passenger overhead costs of marketing, advertising, dispatching, accounting, and cab maintenance generally decline as the size of the company's fleet grows” (p 11), demonstrating an economy of scale. Dempsey explains economy of scope with this example: “a company which dedicates its primary business to the radio-dispatch market can easily park temporarily idle cabs in hotel and airport queues” (p 11).

The final market imperfection arises from the absence of sound economic conditions in an unregulated taxi industry. With barriers to entry set too low, open entry “puts too many taxis on the road when…least needed” (p 11). For example, in times of economic depression, the unemployed turn easily to driving a cab, at the exact time when there is less demand for them. In other words, “the supply of labor and equipment by the industry appears to have an inverse

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7 Indeed, this exact situation arose during the Great Depression. While taxicab regulation had existed before the Great Depression, the results of “taxi wars” caused by too many cab drivers vying for too little business spurred a great increase in regulation (Gilbert & Samuels, 1981).
relationship with the level of economic activity” (p 11) and leads to ruinous competition between desperate taxi drivers.

...Or Not to Regulate

Arguments favoring deregulation postulate that entry regulations stifle innovation, competition, and entrepreneurship. By creating high barriers to entry, or by setting a limit on the total number of taxis that may enter a market, regulators make impossible what could otherwise be “a prime example of a microenterprise with growth potential” (Staley et al. 2001). As a result of entry controls, some of which impose requirements that are practically impossible for an individual driver to meet (such as 24/7 service), the single-cab operation is effectively shut out of the market, stifling both economic and job opportunities (Buckeye Institute 1996). Regulations also impose an “artificial scarcity,” which further leads to a “dynamic illegal market” in many cities (Staley et al. 2001 p 9). Deregulation advocates note further the myriad of regulations that different cities impose, from the variety of licensing requirements and fees, to the types and combinations of requirements (Buckeye Institute 1996). Those who argue for deregulation contend that the potential for cartel is much higher when a few large operators are able to benefit from high entry requirements that keep smaller firms out of the market.

Experience with deregulation in several American cities

For many years, the debate over “whether or not the taxi industry meets the criteria that justify regulation” (CUTR 1999 p 3) was purely theoretical, but experiments with deregulation in several U.S. and international cities during the 1980s and 90s provided fresh fodder for the debate. The results of these experiments were mixed, and both sides were able to cite evidence to bolster their point of view. A 1999 review of deregulation trials by the University of South Florida’s Center for Urban Transportation Research (CUTR) concluded that the “results of those
experiments did not live up to the expectations” (p 4) of deregulation proponents, but the CUTR report also examine why expectations were so often not met: was it the fact of deregulation, or the manner in which deregulation was enacted? The deregulating cities generally experienced an increase in the number of taxicabs, but not necessarily a decrease in fares or increase in service quality or diversity of services. In an early review of taxi deregulation, Sandra Rosenbloom (1985) explained, “free-market private taxis simply don’t act like entrepreneurs in a free market…Taxi operators in most ‘reformed’ cities were not very enterprising, energetic, or competitive” (p 191).

The 1999 CUTR report explained that, as a result of deregulation experiments, “the latest attempts to improve service by modifying regulations are taking a more incremental approach” (p 6) such as easing entry restrictions while maintaining or tightening minimum standards for service practices and quality. The CUTR researchers found that “geographic coverage of the regulatory body also [was not] a major factor” (p 28) in the success or failure of deregulation attempts (nor was it a factor in successful current regulation).

Schaller (2007) added some nuance to these initial impressions of the impacts of deregulation. Looking at the experience with deregulation in 43 North American cities and counties, Schaller concluded that “the impact of entry controls is affected by characteristics of the market for taxi service and the qualifications applied to entry” (p 1). In cities with “large cab stand and street hail markets,” “open entry has consistently led to an oversupply of cabs and deterioration in service quality” because it “spreads fare revenues too thinly… to support quality drivers, vehicles, and dispatch systems and creates incentives for drivers to shun less profitable trips” (p 12). In these same markets, limits on entry benefit cab stand and street hail markets, but lead to “deficiencies in service to outlying areas” (p 15).
Schaller (2007) found that company-level entry qualifications (such as requiring dispatch systems or minimum fleet sizes) “can promote the development of effective dispatch operations” (p 15) but do not address oversupply in walk-up markets. He concludes, therefore, that cities must “find the most effective blend of entry policies that produces satisfactory service levels for both walk-up and dispatch trips” (p 15) and identifies examples of focusing entry controls on walk-up markets, such as “limiting access to cab stands while providing more relaxed entry controls in dispatch-oriented geographic areas [with] fewer walk-up trips” (p 15). While cities can learn from each other, ultimately, he concludes, regulatory decisions must reflect a jurisdiction’s “unique attributes” (p 15).

Local vs. Regional
Scholars have written for decades about the need for the scale of governments to match the scale of the problems they are charged to address. Many problems – like air quality, power generation and distribution, and transportation – scale above local governments but below most state governments. This fact has led to the formation of metropolitan governments to address regional-level problems. In 1957, William A. Robson wrote that a better way to manage metropolitan areas was a “two-level government” that would allow a metropolitan-wide government perform functions that require “large-scale planning, co-ordination, or administration throughout the metropolitan area” (p 443) when municipal level boundaries failed to encompass and correspond to “facts of population, wealth, or territory” (p 442). He included traffic and transportation in his list of functions requiring metropolitan-level coordination. Yet, Robson noted the value of municipal-level administration in its ability to be closer and more responsive to its citizens’ daily lives, and providing a means of creating and maintaining an identity “in the ocean of the vast metropolis” (Robson 1957 p 443).
In his 1999 study of taxi regulation in British Columbia, Lanyon echoes Robson. Even while arguing for province-wide standards for taxicabs, Lanyon describes the benefit of including local statutory bodies in the regulatory scheme, especially “where those statutory bodies decide in favour of regulation” (p 55). In addition, Lanyon writes, “regulations concerning quality of service and safety could be enacted by municipalities or regional bodies if they would have the effect of imposing standards higher than those imposed by the Province” (p 56). In other words, regional bodies could set minimum standards that municipalities could supersede if needed for local audiences. He added that the provincial governing body “should not…issue a license in a municipality without that municipality’s consent” (p 56).

In a study of the effect of state and federal policies and programs at promoting regional governance, Beckman (1966) identified four criteria for assessing whether local government provides the appropriate response to public administration problems. Geographic adequacy refers to the idea that the geographic jurisdiction is aligned with or adequate for effective performance of urban services. Economies of scale is the idea that as some kind of service grows larger, the average cost of producing the service declines. Adequate and equitable revenue sources stipulates that “government should be able to raise adequate revenue and do it equitably” without uneven allocation of fiscal resources or differing levels of service throughout a metropolitan area (p 101). Responsibility to the public acknowledges the role that localities play in ensuring that the needs of local residents are understood and met. As part of his recommendations to ensure that federal and state strategies met the four objectives, Beckman (1966) advised that “incentives [be] provided for local joint participation by local governments in programs lending themselves to areawide administration” (p 105).

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8 In transportation, this argument generally refers to use of capital facilities, such as maintenance yards.
These arguments for and against regional control are neatly applied to the taxicab industry in the 1999 CUTR report. In this report, in which the CUTR team studied the structure of taxicab regulatory agencies in Florida and in other states, the researchers found arguments in favor of local control (p 24):

“[T]he narrower the geographic coverage, the greater the ability to tailor regulations to meet the unique needs or desires of a local area. A city dependent on tourism, for instance, may opt for very high standards for vehicles, while a rural area may prefer lower-cost service that uses older vehicles.”

In addition, local control allows for local accountability and responsiveness to local residents (CUTR 1999).

At the same time, the CUTR team found reasons that regulations based on a greater geographic coverage provide benefits, including avoiding staff duplication and affording a high level of staff expertise, improved coordination, and “greater uniformity in regulations and enforcement across jurisdictions” (CUTR 1999 p 24). The researchers found that “narrow coverage also often leads to less coordinated service among jurisdictions and increased inefficiencies due to restrictions about cabs from one jurisdiction picking up passengers in a neighboring jurisdiction” (p 24).

**Regulatory capture**

Regulatory capture is an economics term for a situation in which regulation is working neither to advance the public interest, nor to correct market failures, but is being used instead to benefit the very producers it is supposed to control to promote private gain (Page 1987, Levine & Forrence 1990). In theory, a situation of regulatory capture arises from the disparity between the “large, diffuse groups” (Page 1987 p 623) of consumers and the “compact and highly interested” producers, who have very different interests at stake regarding regulations (Page 1987 p 624). Consumers as a group may benefit greatly from a given regulation, but each consumer’s
individual stake in the outcome from public interest regulations is small; in addition, it is difficult to organize consumers to participate in the political process. By contrast, the tightly knit producers are “better able to internalize benefits of investment in the political process” and therefore work to set up a system of regulations that will benefit them (Page 1987 p 624).

To apply the notion of regulatory capture to the taxicab regulation debate, it is necessary to understand the industry structure. First, the taxi industry is heterogeneous – taxi companies can be the owners of large fleets who lease vehicles to driver-operators; they can be a cooperative of driver-owners who band together for central dispatching; or simply a single owner-operator who owns his own vehicle and business, and handles his own dispatching and driving duties (sometimes at the same time). Although they still exist, companies that employ drivers to operate company-owned vehicles are increasingly rare.

Regulatory capture refers to the idea that the taxi industry “captures” regulators and creates regulations favorable to the industry but not necessarily to consumers. It can also refer to large taxi companies – with expensive infrastructure – attempting to shut out lower-cost, smaller companies. Evans and Webb (2001 p 37) explain how regulations can be used:

[I]t is difficult to ignore the part that political pressure plays in determining if recommended changes will be implemented. Unlike British Columbia where there is a Commission that is independent of the political process, municipalities or regional governments determine supply in most other jurisdictions, and taxi regulation is left to the local or regional council. Consequently decisions are frequently based less on objective study than on either lobbying by various interest groups, in particular the taxi industry, or on ideological stances.

In their report, the CUTR researchers (1999) expressed concern that taxicab regulatory bodies not be captured by the industry, but did not conclude that either local or regional control provided a universal solution to the problem. Wider geographical coverage, they speculated, might lessen the likelihood that the taxicab industry could capture regulators and would remove
the influence of local politics. At the same time, the CUTR team cautioned against the loss of local accountability that such a regional scheme might promote. The CUTR (1999) team noted that a “multi-function agency or department” might provide a preventive measure against capture of taxicab regulators (p 28).

Scale of regulation

Many analysts have pointed out that taxicabs are generally regulated at the municipal level in the United States. Rosenbloom (1985) traces the origins of municipal-level regulation to local events and local concerns. As she explains (p 183),

“Early on, threatened transit operators sought restrictions against taxis, which had developed the habit of racing along fixed trolley lines and picking up trolley passengers waiting at stops. … Localities were uneasy about public safety; they were concerned with the sometimes violent forms of competition between taxis, as well as criminal behavior on the part of some individual drivers. Moreover, local city councils were concerned with ensuring service continuity and area coverage. The answer to these problems seemed to be a permanent relationship between a selected few operators and the local legislative body.

The result, as Gilbert and Samuels (1982) explain, is that in most states regulation is local:

“Some limited state regulation occurs in enabling legislation giving municipalities the right to regulate taxicabs…Most aspects of taxicab regulation…are left to the discretion of local governments” (p 142). Several states explicitly devolve taxicab regulation to the municipal level.

Dempsey (1996) explains that “the state of New York permits its municipalities to adopt ordinances which require the registration and licensing of taxicabs…[while] Texas and California state statutes require municipalities to regulate the local taxi industry” (p 3) (emphasis added). Frankena and Paulter (1986) note that extensive government regulation of taxicabs has existed since about 1930. They find that “the extent of regulation increases with city size” (p 131) and note that “although at least 10 states regulate entry and/or fares in the taxicab industry, most regulation is done by municipal governments” (p 10) as well as by airport authorities.
CUTR (1999) finds no examples of multi-county or regional taxi authorities, although Guensler (2001) identifies active outreach to the taxicab industry in regional transportation planning in the Columbus, OH, Las Vegas, NV, and San Diego, CA regions. Table 2 provides a summary of type and structure of taxi regulation in a sample of areas in the United States and Canada. No particular geographic pattern of taxicab regulation emerges. What is clear, though, is that even if municipal regulation of taxis is the most prevalent method, it is certainly not the only method.

*Unfavorable outcomes of uncoordinated regulations*

Several authors have observed negative outcomes from municipal-level regulation of taxicabs. In their review of the history of taxicab regulation, Gilbert and Samuels (1982) find that municipal-level regulation can produce ambiguity through duplicative regulation and burdensome procedural effects. In particular, they find that metropolitan areas suffer from an ambiguity compounded by the existence of many municipal jurisdictions. In such cases a taxi operator may have to seek fare increases from many different local governments. Airports often have regulatory powers and may limit the number of taxis allowed to pick up passengers. The result is confusion and duplication of regulatory efforts.

Lanyon (1999) identifies a “patchwork of regulations” (p 55) in British Columbia, and points out how such a patchwork is unfair to the taxicab industry: “one company has to bear the costs of meeting safety and other regulatory requirements while another company has neither those costs nor fixed fare rates” (p 55). In his view, such a situation “undermines the entire regulatory scheme” (p 55).
<table>
<thead>
<tr>
<th>Level of regulation</th>
<th>Geographic area</th>
<th>Notes</th>
</tr>
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<tbody>
<tr>
<td>Municipal</td>
<td>Los Angeles County, CA</td>
<td></td>
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<tr>
<td></td>
<td>Sacramento, CA</td>
<td>Permit Section is responsible for the regulatory program.</td>
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<tr>
<td></td>
<td>Portland, OR</td>
<td></td>
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<td></td>
<td>St. Louis, MO</td>
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<td></td>
<td>Indianapolis, IN</td>
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<tr>
<td></td>
<td>Minneapolis, MN</td>
<td>City Council oversees taxicab regulations.</td>
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<tr>
<td></td>
<td>DuPage County, IL</td>
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<td></td>
<td>Detroit, MI</td>
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<td>Memphis, TN</td>
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<td>New Orleans, LA</td>
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<td></td>
<td>Austin, TX</td>
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<tr>
<td></td>
<td>Boston, MA</td>
<td>Police commissioner authorizes taxis.</td>
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<td></td>
<td>Albany, NY</td>
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<td></td>
<td>Toronto, ON</td>
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<td></td>
<td>Ottawa, ON</td>
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<tr>
<td>City/County</td>
<td>San Francisco, CA</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Jacksonville, FL</td>
<td>Jacksonville City and County are consolidated governments and regulate local taxicab operations through the City Council. Other counties and cities may regulate taxicab operations separately.</td>
</tr>
<tr>
<td></td>
<td>City of Seattle &amp; King County, WA</td>
<td>Joint regulations through inter-local agreements, including reciprocal enforcement and licensing agreements</td>
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<tr>
<td>County</td>
<td>Orange County, CA</td>
<td>Cities may opt into county-wide program; all cities and the county currently participate.</td>
</tr>
<tr>
<td></td>
<td>San Diego County, CA</td>
<td>Cities may opt into county-wide program.</td>
</tr>
<tr>
<td></td>
<td>Montgomery County, MD</td>
<td>The Department of Public Works and Transportation (Division of Transit Services, Taxicab Office) conducts taxicab licensing.</td>
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<td></td>
<td>Dade County, FL</td>
<td></td>
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<tr>
<td>State/Province</td>
<td>Nevada</td>
<td>A single set of regional taxicab regulations is administered by the State of Nevada, Commission on Economic Development, Department of Business &amp; Industry; cities may choose to be covered by this authority.</td>
</tr>
<tr>
<td></td>
<td>British Columbia</td>
<td>The province sets minimum standards that local jurisdictions may supersede.</td>
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<td></td>
<td>Colorado</td>
<td>State Public Utilities Commission regulates the taxicab industry of Colorado’s major cities.</td>
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<tr>
<td></td>
<td>Kentucky</td>
<td>Shares taxicab regulation with local governments</td>
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<tr>
<td></td>
<td>Maryland</td>
<td>Shares taxicab regulation with local governments</td>
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<tr>
<td></td>
<td>Pennsylvania</td>
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<td></td>
<td>Rhode Island</td>
<td>Shares taxicab regulation with local governments</td>
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In a study of taxicab participation in regional transportation planning, Guensler (2001) finds the taxicab industry in the Atlanta area to be “severely fragmented” since “…40 of the 80 cities and counties in the Atlanta region have adopted regulations that specifically govern the operation of taxicabs” (p 1). The result, he finds, is that “companies that choose to operate in the Atlanta region must be familiar with the requirements of any regulations that apply in the 40 areas where they may choose to operate” (p 1).

Shaw et al. (1983 p 1) elaborate on the negative aspects of duplicative municipal regulations:

For most cities that regulate taxi service, the administration and enforcement of these regulations is at least a minor burden. Like other municipal regulatory functions… taxi regulation taxes city council and staff time. However, taxi service poses unique administrative city-regulated functions. Taxi drivers experience a high turn-over rate, meaning added burdens on city staff in processing driver permits. Taxis serve a wide variety of people, including some who are unfamiliar with the city and hence subject to overcharging. Taxi regulation is a non-stop activity, in that complaints regarding service may be received by a city virtually any day of the year. Also, taxis ply the streets of a city, and, as a result, enforcement procedures directed toward a particular driver may require substantial time by city staff members just to locate the driver.

Shaw et al. identify several specific administrative or enforcement burdens related to the taxicab industry. First, they find that both setting fares and establishing the cap on the number of taxis are difficult, given the dearth of information and lack of expertise on the topics. They also find it difficult to accomplish specific goals for taxi service, given different, potentially conflicting goals. For example, regulators might create different standards for taxi service depending on whether their goal is for the taxi to be part of improving the city image for tourism purposes versus a goal of including taxis in public transportation programs, or a goal of encouraging innovation in taxi service. Shaw et al. also note, “cities have not had an effective
mechanism to share information regarding taxi regulations. Although cities share information about many issues, there is no organization of municipal taxi regulators\(^9\) (p 3).

**Additional benefits of coordinated regulations**

In addition to avoiding fragmentation, ambiguity, and extra work for overburdened governmental agencies, several authors have speculated on further benefits of coordinated regulations. Guensler (2001) find that “It may be coincidence, but it seems on the surface that uniform regional regulations may correlate with a higher degree of taxi industry participation in the planning process” (p 5). Although he was not writing about taxicab regulatory structure specifically, Wohl (1982) speculates that changes in regulation would play a role in a more macro-level shift in transportation mode share towards public transportation. Studying annexation by Ontario and Toronto of previously independent neighboring municipalities, Evans and Webb (2001) find that “both cities were…faced with rationalizing a multiplicity of taxi bylaws already in place before amalgamation in the previously independent municipalities” (p 38). By streamlining regulations today, governments may lay groundwork for future efficiencies.

**Calls for coordinated regulations**

Several authors have made explicit calls for more streamlined regulation of taxicabs. In his best practices for improving taxi service, Littman (2004) recommends minimizing unnecessary taxi service regulations and costs; if it were determined that regulations in neighboring cities were duplicative, they would be called “unnecessary.” In a report on the taxi industry in British Columbia, Lanyon (1999) recommends a separate Taxi Division within the provincial Motor Carrier Commission that would be “responsible for establishing minimum standards and the licensing of all taxis in British Columbia” (p 54). In Lanyon’s model for taxicab regulation, the

\(^9\) The International Association of Transportation Regulators (IATR) was incorporated as a non-profit in March 1989 and provides this forum that Shaw et al. argue that the industry lacked.
provincial Motor Carrier Commission would “have ultimate authority over licensing and therefore over the imposition of minimum standards on the industry”\(^\text{10}\) (p 56).

**Cons of regional regulation / Strength of municipal regulation**

Dempsey (1996) notes that the passenger market for taxicabs has three distinct segments: the transportation disadvantaged (including the poor, the elderly, the handicapped, or those who simply choose not to own a car); the visitor from out-of-town; and the affluent resident. The case could be made that a municipality, and not a regional body, knows its local market best, and should be the one to set taxi standards and other regulations. Evans and Webb (2001) make similar points about municipal control over taxi supply. First, municipal officials are more knowledgeable about local conditions, and are therefore likely to provide a more accurate picture of the need for taxicab service. Second, local control promotes local accountability because it “allows local government to accept responsibility for their own transportation issues” (p 53). In his article arguing for regulation of taxicabs, Dempsey (1996) states, “the suitability of taxicab service and pricing is a peculiarly local issue, best tailored by local governments based on their unique [situations]… In this area, the state and local governments should be left alone to foster the unique local public and private transportation system that suits them best” (p 21). Although Dempsey’s argument is directed against a national movement promoting complete deregulation of taxicabs, his words can be used to sum up why a local level of control over taxicabs might better serve the goal of improved taxicab service.

**Gaps in the literature**

The literature on the structure of taxicab regulation makes it clear that the fragmented regulatory situation in Los Angeles County is not unique; other areas have faced – and continue

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\(^{10}\) This model is similar to the Orange County Taxi Administration Program, which I describe in Chapter 4.
to face – similar fragmentation. Some have shifted their regulatory structure towards a more regional approach, but most have not.

While there have been a few assessments of the potential for region-wide taxi regulations to improve taxi service, like Guensler (2001) for Atlanta, no one has systematically assessed the need for a coordinated system of regulations in the nation’s second largest metropolitan area. The literature about Los Angeles has tended to focus only on the City of Los Angeles, and not the county as a whole, or the many other cities in the county (Eckert 1970, Gilbert 1992, Blasi and Leavitt 2006). This is understandable, because the City of Los Angeles is by far the largest, physically and in population, in Los Angeles County and its taxicabs are under the control of a single entity (the Los Angeles Department of Transportation (LADOT). But such an LA City focus ignores that the majority (over 60% in 2010) of Los Angeles County’s population – and taxicab service – exists outside of the City of Los Angeles, and that jurisdictional boundaries do not necessarily reflect market boundaries. Thus, the Los Angeles-focused literature ignores the multitude of regulatory structures that create a duplicative and sometimes conflicting regulatory environment in the county. The regulation-deregulation debate has included general discussion of costs imposed by regulation, but has ignored how – regardless of what regulations are imposed – a fractured regional regulatory environment imposes costs.

The literature examines the pros and cons of both local and regional approaches, summarized in Table 2. Theoretically, there are advantages to both regional and local-level regulation of taxicabs. Ideally, local control would respond better to the local market, providing the type of taxicab service best suited to citizens’ lives. Additionally, local regulations – in the ideal situation – would promote local accountability. In the ideal regional scenario, regulations and
fees would be streamlined, minimizing costs and procedures for participating in the taxicab market and enforcing administrative rules.

There are also theoretical disadvantages to local regulation of taxicabs. Regulation at the local level can result in duplicative regulations and compliance obligations, resulting in excess burdens on both the regulators and regulated. Regulations may even conflict between neighboring jurisdictions, creating situations where crossing jurisdictional boundaries changes

<table>
<thead>
<tr>
<th>Advantage</th>
<th>Disadvantage</th>
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<tbody>
<tr>
<td>More responsive to citizens’ lives</td>
<td>Possibility of duplicative regulations</td>
</tr>
<tr>
<td>Locality knows market best</td>
<td>Regulatory burden for regulators and regulated</td>
</tr>
<tr>
<td>Regulations tailored to unique needs of locality</td>
<td>Different costs of doing business in one area vs. another</td>
</tr>
<tr>
<td>Promotes local accountability</td>
<td>Oversupply in one area</td>
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<tr>
<td></td>
<td>Conflicting regulations</td>
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<td></td>
<td>Decentralized regulation causes a lack of expertise about taxicab industry</td>
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<table>
<thead>
<tr>
<th>Advantage</th>
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<tbody>
<tr>
<td>Avoids staff duplication</td>
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<tr>
<td>Avoids redundant regulation in adjacent communities</td>
</tr>
<tr>
<td>Minimizes unnecessary costs to taxicab industry and to regulators</td>
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<tr>
<td>Higher degree of taxicab industry participation in planning process</td>
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<td>Macro-level shift towards public transportation</td>
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<tr>
<td>Lays groundwork for future efficiencies</td>
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<td>Economies of scale</td>
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Table 2 Summary of Pros and Cons of Local and Regional Regulations
the rules and the cost of doing business. Moreover, regional level regulation may simply not be feasible if cities are unwilling to give up control over taxicabs. It may also lead to a “one-size-fits-all” approach across a region, without recognizing that taxicab needs differ from place to place.

Given these theoretical pros and cons regarding the appropriate spatial scale of taxicab regulation, the three different approaches in Southern California provide an opportunity to consider how contextually-specific local and regional approaches play out in real life. The three counties – Los Angeles, Orange, and San Diego, which are collectively home to almost 16 million people – have developed three distinct approaches to taxicab regulation: strict local control, regional regulation and enforcement, and regional regulation with local enforcement control, respectively. Accordingly, this thesis will compare and contrast these three approaches to taxicab regulation. I now turn in Chapter 3 to the research questions and design that guide my research.
Chapter 3 – Questions, Hypotheses, and Methodologies

The complex nature of the taxicab operating environment and the many possible outcomes of any changes in regulatory structure require careful documentation and description. In this chapter, I first describe the questions that motivate my research; I then explain why a qualitative inquiry is best suited to exploring my research questions; following that I discuss the manner by which I identified and selected subjects to interview; and then finally I conclude by describing the interview questions I used to operationalize my research questions.

Questions and Hypotheses

Two sets of questions motivate my research. The first set of questions seeks to understand how things are done today in Los Angeles County:

1. *Do regulators and/or operators perceive any burden in time, cost, or general confusion resulting from a city-by-city approach?* I hypothesize that taxicab operators will be more sensitive to burdens that arise from complying with local regulatory requirements. However, if taxi code enforcement officers must operate in multiple jurisdictions, they may perceive the regulatory burden associated with complying with difference between codes in different cities.

2. *What sort of collaboration on taxicab regulation, if any, already happens across city lines?* Despite the fact that regulation is performed at the local level in Los Angeles County, I hypothesize that it is likely that some sort of cross-jurisdictional coordination occurs. At the very least, regions have had to develop Coordinated Human Services...
Transportation Plans,\textsuperscript{11} which nearly always include taxis as potential service providers. I suspect that the nature of this or other types of coordination would best be discovered via stakeholder interviews.

The second set of questions relate to what happens when a regional approach is enacted, and are primarily based on interviews with personnel in San Diego and Orange counties:

1. \textit{What is the history of the regional regulatory approaches in the two counties? What were the perceived problems or inefficiencies that led to a regional approach, and who instigated the approach?} While regulatory burdens from local regulation can be perceived as onerous by both the private and public stakeholders involved, I do not know whether taxicab operators or public agencies were the first to respond to the issue with a suggestion of creating a regional administrative body to deal with taxicab regulation.

2. \textit{What is the scope and responsibility of the regional agencies, including any involvement in policy decisions?} While it is possible to discern a basic understanding of the regional agencies’ responsibilities from their websites, these websites do not provide information on the scope of the various authorities’ involvement in policy decisions. The regional taxicab administrations in Orange and San Diego counties are part of larger regional transportation authorities (the Orange County Transportation Authority and San Diego County’s Metropolitan Transit System) but I do not know whether they are involved in regional\textsuperscript{12} transportation planning issues beyond taxi safety regulations.

\textsuperscript{11}“Through SAFETEA-LU, the federal government requires the establishment of a locally developed, coordinated public transit-human services transportation plan for all FTA human services transportation programs: Section 5310 Elderly Individuals and Individuals with Disabilities Program, Section 5316 Job Access and Reverse Commute Program (JARC) and Section 5317 New Freedom Program.” \url{http://www.atlantaregional.com/transportation/human-services-transportation/coordinated-hst-plan}

\textsuperscript{12}In this thesis, “regional” refers to crossing municipal boundaries.
3. What effect has the regional approach to taxicab regulation had on cities that previously managed their own regulations, and has this had an effect on the taxicab companies themselves? It will be interesting to discover through this and follow-up questions whether cities and taxicab companies perceive a cost savings or a change in service quality.

4. What is the perception of administrators and city and industry personnel about the successes and failures of a regional approach? I aim with this question to elicit subjective opinions from the public sector and private taxicab industry stakeholders on the issue of regional regulatory approaches. Whether they perceive the regional approach as a success or as a failure, their responses provide additional insight into the effects of regional regulatory approaches.

5. What regulations offer an opportunity for consolidation and standardization at a regional level? I suspect that cities may prefer a regional approach to vehicle safety inspections and driver drug testing, since these are fairly standardized matters that depend little on local context.

6. What taxicab regulations are best left up to cities? I hypothesize that cities will likely prefer to keep control over the number of taxis that operate within their borders. Taxicab company representatives may prefer that all regulations be left up to a central authority for ease of “one-stop shopping.”

Given these research questions and hypotheses, I turn now to consider the best way to answer them.
Themes of qualitative inquiry

Patton (1990) identifies ten themes of qualitative inquiry, and my thesis subject meshes well with several of these themes. The first of these themes, “naturalistic inquiry,” posits that the researcher’s inquiry setting is a “naturally occurring event, program, community, relationship, or interaction that has no predetermined course established by and for the researcher” (p 41). The theme of “inductive analysis” highlights the explorative and open-ended nature of qualitative inquiry. In addition to testing my hypotheses, I also seek to discover and describe the situation as stakeholders perceive it.

Qualitative inquiry is highlighted by personal contact with the subjects, and by a “holistic perspective” that seeks to understand a problem as part of a “complex system that is greater than the sum of its parts” (p 49). Patton (1990) also states “the mandate of qualitative methods is to go into the field and learn about the program firsthand” (p 47). Accordingly, “the holistic approach gathers data on multiple aspects of the setting under study in order to assemble a comprehensive and complete picture of the social dynamic of the particular situation…” (p 50). Given the multiple stakeholders involved in the taxicab regulatory environment, it is important to document the effects of the current regulatory structure and try to identify and recognize the multiple and differing effects that regulatory changes may have on the different stakeholders. In other words, a holistic approach will be important to my inquiry. Patton (1990) states that a holistic, qualitative approach allows the researcher to “[begin] with specific observations and [build] toward general patterns” (p 44), which in turn allow the researcher “to make sense of the situation without imposing preexisting expectations” (p 44). It is this holistic, qualitative research approach that I adopt in this thesis in considering the potential for advantages and disadvantages.
of any regional taxicab regulation system in order to achieve the empathic neutrality that Patton (1990) describes.

Since I use some quantitative data to illustrate points made in interviews, I employ a multi-method approach as described by Brewer (1989). In order to “triangulate” and validate findings from stakeholder interviews, I obtain information on requirements for taxicab vehicle, company, and driver certification, including the monetary costs of each, for a sample of cities in Los Angeles County. I obtained this information from the municipal codes of the largest cities in the County, in the South Bay area of Los Angeles County, and for the City of Los Angeles, and the jurisdictions adjacent to the city of Los Angeles (including unincorporated areas of Los Angeles county). In doing so, I sought to avoid the pitfall of relying on a single stakeholder point of view or on anecdotal evidence.

Given my research questions I conclude that the tools of qualitative research design are most appropriate for my research questions. Interviews with industry and regulatory stakeholders will provide the rich description necessary to understand the context of taxicab regulation and its effects. Some quantitative data, such as information on permit fees, will illustrate points from qualitative findings. I now turn to my approach to interviews.

*Selection of Interview Subjects*

While many people are involved in the taxicab system, three particular groups of people are most important to this study of regional regulation: city administration and/or enforcement personnel, regional planners and/or regulators (if present), and members of the private taxicab industry. I attempted to identify and interview members of each of these groups in each of the three counties I looked at.
All interviews except one were conducted by phone (the remaining one was performed in person). Notes from each interview were kept electronically. All interviewees were supplied with an interview guide/questionnaire (described below) before each interview so that they could prepare their answers or indicate if they were unable to answer particular questions. Interviewees are identified by code in this thesis in order to preserve confidentiality.

For all interviews, I first emailed or phoned the interviewees to provide them with a brief summary of my study, my purpose in interviewing them, and a request for an interview. (A copy of a sample letter of recruitment is included in the Appendix.) To those who responded, I emailed a copy of a consent form to participate in research. After they had reviewed the consent form (interviewees were not required consent in writing), we arranged a mutually convenient time for the interview. At the beginning of the interview, interviewees were asked whether they wished to remain anonymous (and were able to change their preference at any time).

Of all of the potential interviewees to whom I reached out, two people declined to be interviewed because they were too busy. (I reached out to five others and simply did not hear back.) The two who declined both represent smaller taxicab companies in Orange County; thus, my interviews form Orange County taxicab companies represent the points of view of only those in larger companies.

Los Angeles County

In Los Angeles County, I conducted a total of 13 interviews with city representatives, a representative of a regional planning agency, and private industry representatives.\textsuperscript{13} Interviews took place in person or over the phone during the months of May 2004, August 2004, May 2005,

\textsuperscript{13} Four of these interviews were more general in nature, to get background about taxicabs in LA County, while nine were directly related to my thesis questions.
June 2012, and August 2012.\textsuperscript{14} I selected several cities for interviews with the taxicab regulators and enforcement officers based on the following criteria:

1. Los Angeles, being the largest city in the County, by definition plays a large role in taxicab regulation, and I interviewed three people who played a role in taxicab regulation either currently or in the past.

2. The cities of West Hollywood, Beverly Hills, and Manhattan Beach are smaller cities in the County, and I interviewed representatives from each city. I was interested in whether their regulatory approach would be dominated by their large neighbor. In addition, West Hollywood in particular has an active commercial nightlife and is therefore a particularly desirable market for taxicab operators.

3. Taxi regulation in Santa Monica, which I described in the introduction as problematic, was recently overhauled to implement a franchise system. I interviewed a representative of the city to understand how the city decided to reform its system and the regulator’s own views on regulatory approaches.

I obtained names and contact information for taxicab regulators in each of these cities first by searching agency websites for initial contacts, and then by “snowball sampling,” whereby I requested interview referrals from regulatory personnel in other cities.

I also interviewed representatives from two taxicab companies (one large and one small) operating in Los Angeles County; these interview subjects were identified by requesting referrals from the cities’ regulatory personnel. Interviews took place in March 2005 and August 2012.

\textsuperscript{14} Given the interval between the interviews, I relied on the previous interviews for historical information and more recent interviews for information about the taxicab industry today.
San Diego County

In San Diego County, I conducted a total of five interviews: one with a representative of the regional agency in August 2012; two with city representatives (one in March 2005 and one in August 2012), and two with representatives of the taxicab industry (both in August 2012). Interviews began with the representative of MTS (the regional administrative body), and I asked the interviewee for referrals to representatives of cities that participate in the regional system and for those that do not as well as to taxi companies that operate in their jurisdiction. Where referrals could not be made, interviewees were identified by calling the cities’ taxicab enforcement or business licensing departments.

Orange County

For Orange County, I conducted a total of six interviews. I interviewed both former and current representatives of the Orange County Taxicab Administration Program (OCTAP), the regional taxicab regulatory body (in June 2006 and July 2012); representatives of two cities in July 2012; and two representatives of the taxicab industry in July 2012. Interviews began with the representatives of OCTAP (the regional administrative body), and I asked the interviewees for referrals to representatives of cities as well as to taxicab companies that operate in their jurisdiction.

Interviewee bias

A risk of obtaining referrals for interview subjects is the possibility of bias in being referred to someone who is known to agree with or have the same point of view as the initial interview subject. I attempted to overcome this bias by talking with a range of companies and cities and compiling an interview guide that will elicit evidence in support of a response, rather than just a
“gut feeling.” In addition, I obtained information from city municipal codes and regional agency regulations to verify information from interviews.

**Interview Guide**

This inquiry into the real-life effects of local vs. regional taxicab regulation in Southern California is qualitative, using in-depth interviews with the various stakeholders – regulators, enforcement officers, taxicab company owners, and drivers – to understand perceptions and outcomes of regulatory frameworks. To address my research questions outlined above through stakeholder interviews, I developed an interview guide for my interviews, which were approved by the UCLA Institutional Review Board. Interview guides are shown in the Appendix.

The interview guides provided a general framework for my discussions with stakeholders, and the interviews frequently diverged from the guide with additional detail or related examples. The interview guides were tailored for the specific audiences, but were identical in the final question, which listed eight qualities of a good taxicab system and asked interviewees to state whether or not they felt their region’s regulatory system reflected these qualities. In general, private industry representatives were less patient in walking through all eight points, preferring instead to provide an opinion about the system in general. Public industry representatives, in general, were willing to walk through all eight points, but also provided opinions as to whether the eight qualities were relevant and/or accurate in addition to stating whether their regulatory system promoted the eight qualities.

I did not audio record the interviews; rather, I took notes during the interviews (where necessary, I asked interviewees to repeat or confirm information if they spoke quickly). After the interviews, I coded the notes to identify common themes and/or responses.
In the next two chapters I present the results of interviews with taxicab industry stakeholders in Los Angeles, Orange, and San Diego Counties. In Chapter 6, I discuss the implications of the evidence gleaned from these interviews to evaluate how the advantages and disadvantages of regional and local regulation have borne out in practice in Southern California.
Chapter 4 – Enforcing the Rules and Battling the Bandits in Los Angeles County

This chapter provides general background on the structure and everyday working life of the taxicab industry in Los Angeles County, as well as an examination of how the city-by-city approach to regulation affects the industry players.

The taxicab market in LA County

There is no comprehensive portrait of the taxicab industry across the whole of Los Angeles County. This section uses existing reports from the City of Los Angeles and the City of Santa Monica, readily available information from city municipal codes, city websites, taxicab company websites, and information from personal communications with regulators and industry personnel to produce a snapshot of the taxicab industry in Los Angeles County.

Where does business come from?

As mentioned in the introduction, traditionally, the City of Los Angeles – and by extension, the County – has not been seen as a “taxicab town.” Unlike taxicab towns such as New York City, Chicago, Washington, DC, or San Francisco, Los Angeles was not seen to have the density to support a strong walk-up or street-hail market. The largest portion of drivers’ business – as much as one-third to one-half – in Los Angeles comes from the airport.\footnote{In the City of Los Angeles, vehicles (and their drivers) are authorized (but not required) “to operate at the Los Angeles International Airport (LAX) on set schedules (currently every five days based on the last digit of the taxicab identification number)” (LADOT 2011 p 55).} Taxicabs face competition for this business from airport shuttles and limousines and the Los Angeles World Airports’ (LAWA) FlyAway bus (Blasi and Leavitt 2006). Another large portion of their income comes from business at hotels, Union Station, and the Greyhound bus station. In past years, taxicab companies bid on the right to exclusive arrangements with these private entities. Bidding wars in the 1990s led the City of Los Angeles Taxicab Board of Commissioners to prohibit
taxicab companies from paying for exclusives. (A regulator in Los Angeles County said that payments continued under the table and estimated the payments for exclusivity amounted to $3 to $4 million annually in 2003 (Interview LA-1).)

The remaining amount of taxicab business comes from walk-up business at designated taxicab stands and some street hail, but overwhelmingly from telephone dispatch business. Because the street hail business was considered so miniscule, “for many years, taxis were forbidden from standing or stopping on Los Angeles streets due to concerns about traffic congestion and safety” (SCAG 2009 p 4-7). However, some researchers have started to question whether Los Angeles might actually be a taxicab town, at least in places. As Blasi and Leavitt (2006) explain, “Los Angeles is no longer the sprawl capital of the United States. Parts of the city – downtown, Hollywood, Ventura Boulevard – are among the densest in the country” (p 46). SCAG (2009) mentions that a recent “Hail-a-Taxi initiative allows passengers in [downtown Los Angeles] to hail a taxi from the street” instead of having to call ahead or use a designated taxicab stand (p 4-7).

Because taxicab companies are private, it is difficult to measure precisely how many passenger trips are taken by taxicabs on an annual basis county-wide. (In fact, a planner with the Southern California Association of Governments (SCAG) said he would love to know the exact figure (Interview LA-12).) However, a City of Los Angeles regulator estimated the total revenues of both legal and illegal taxicab businesses in the City at $80-$90 million annually in 2004 (Interview LA-1); recent figures suggest that the number of taxicab trips in the City of Los Angeles alone is roughly four million per year.16

16 See calculations in “Bandit Taxi” section later in chapter.
Composition of the industry

Los Angeles County is served by thousands of taxicabs and drivers working for many different companies. Although it is possible to glean from city websites and interviews with stakeholders the number of taxicabs operating in some cities, many of these taxicabs are also licensed to operate in neighboring cities, as Table 3 shows. Therefore, it is difficult to measure precisely the number of taxicabs that operate in Los Angeles County.

Table 3 Sample of Taxicab Companies and Some Cities in Which They Are Permitted to Operate

<table>
<thead>
<tr>
<th>Company</th>
<th>West Hollywood</th>
<th>Beverly Hills</th>
<th>City of LA (Area B - West Side)</th>
<th>City of LA (Area C - east of Beverly Hills)</th>
<th>Santa Monica</th>
<th>Culver City</th>
<th>Manhattan Beach</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Yellow</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>Bell Cab Company</td>
<td>x</td>
<td></td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>Beverly Hills Cab Company</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>Checker Cab Company</td>
<td>x</td>
<td></td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>City Cab</td>
<td></td>
<td></td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Culver City Yellow Cab</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Independent Cab Company</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>Independent Taxi Owners Association</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Metro Cab Company</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>South Bay Yellow</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>Taxi! Taxi!</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>United Independent Cab Company</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>United Taxi of the South-West</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>Yellow Cab</td>
<td>x</td>
<td></td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
<td>x</td>
</tr>
</tbody>
</table>

Sources: City and cab company websites

As Table 4 shows, the number of taxicabs varies greatly from city to city. Tiny West Hollywood, with its active entertainment center and nightlife, allows 530 taxicabs to operate in the city, which equates to 15.6 taxicabs for every 1,000 residents. Counting only the legally permitted taxicabs, Los Angeles City has the lowest number of taxicabs per capita, at 0.6; that rate is
increased to 1.1 taxicabs per 1,000 residents if a conservative estimate of the number of bandit taxis is included.\footnote{Bandit taxis are discussed in a later section.} If all cities in the table are combined, the coverage is 0.9 taxicabs per 1,000 residents, on par with Sacramento.

Table 4 Number of taxicabs operating in a sample of LA County and US cities

<table>
<thead>
<tr>
<th>City</th>
<th>Population (2010)</th>
<th># of taxicabs</th>
<th>Taxicabs per 1,000 residents</th>
</tr>
</thead>
<tbody>
<tr>
<td>West Hollywood</td>
<td>34,399</td>
<td>530</td>
<td>15.4</td>
</tr>
<tr>
<td>Hermosa Beach</td>
<td>19,506</td>
<td>140</td>
<td>7.2</td>
</tr>
<tr>
<td>Manhattan Beach</td>
<td>35,135</td>
<td>135</td>
<td>3.8</td>
</tr>
<tr>
<td>Santa Monica</td>
<td>89,736</td>
<td>330</td>
<td>3.7</td>
</tr>
<tr>
<td>Beverly Hills</td>
<td>34,109</td>
<td>120</td>
<td>3.5</td>
</tr>
<tr>
<td>Los Angeles City - legal</td>
<td>3,792,621</td>
<td>2,361</td>
<td>0.6</td>
</tr>
<tr>
<td>Los Angeles City - with 2,000 bandits</td>
<td>3,792,621</td>
<td>4,361</td>
<td>1.1</td>
</tr>
<tr>
<td>All LA cities listed above (legal)</td>
<td>4,005,506</td>
<td>3,616</td>
<td>0.9</td>
</tr>
<tr>
<td>Sacramento*</td>
<td>407,018</td>
<td>371</td>
<td>0.9</td>
</tr>
<tr>
<td>Arlington, VA*</td>
<td>199,776</td>
<td>666</td>
<td>3.3</td>
</tr>
</tbody>
</table>

Sources: US Census 2010, Author’s calculations, and *Nelson/Nygaard 2008

Table 5 shows estimates of the number of taxicabs that may be operating county-wide extrapolated from the per capita rates in Table 4. If the number of taxicabs county-wide is consistent with the rate of legal taxicabs per capita in the City of Los Angeles, then over 6,100 taxicabs may operate in the county. Less conservative estimates would peg the number of taxicabs county-wide at 8,862 (based on the average in all of the cities shown in Table 4) or 11,286 if bandit cabs are included in the estimate for City of Los Angeles. And if the county were served at the same rate as West Hollywood, there would be over 151,000 taxicabs!
In its 2010 Annual Report, the City of Los Angeles provides a quick profile of its 3,947 permitted drivers. Of the almost 4,000 drivers, only 5% list the United States as their country of origin. Those who originate from the United States have an average age of 53.8 years. The remaining 95% represent 73 different countries of origin and are slightly younger, with “an average age of 48.4” (LADOT 2010 p 56).

A survey of 302 taxicab drivers in the City of Los Angeles (Blasi and Leavitt 2006) finds that taxicab drivers work very long hours for very low wages. While the California Vehicle Code restricts drivers to no more than 10 straight hours of driving, and “no more than 10 hours over any 15 hour period” (LADOT 2011 p 55), Blasi and Leavitt (2006) find that “taxi drivers work an average 72 hours per week, sometimes putting in 18-20 hours per day” (p 5). Drivers earn a median $8.39 per hour, “far less than the ‘living wage’ adopted by the City in other contexts and less than the current California minimum wage with overtime protections” (Blasi and Leavitt 2006 p 5). A 2010 report for LADOT, which followed a rate increase and which relied on data reported by taxicab companies, found drivers’ earnings remained “relatively low” at $11.75 per hour (Nelson\Nygaard 2010 p 12). Drivers also fear for their safety (being subjected to “racial slurs, hostile comments about their national origin,” or “attacked or threatened with physical harm”) and experience “significant health problems associated with long hours behind the wheel. More than half have medically diagnosed back and leg problems” (Blasi and Leavitt 2006 p 5).

Few – if any – drivers in Los Angeles County work as employees for taxicab companies. In the City of Los Angeles, under the current franchising arrangements, “all drivers are currently considered as Independent Contractors, but they must be sponsored by, and permitted to drive

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18 Extrapolating the number of legal drivers in the City to the level of the Los Angeles County at the same rate per population results in an estimate of over 10,000 drivers county-wide. Since the City of Los Angeles includes only legal taxicab drivers in its 2010 Annual Report, this estimate is likely to be low.
for, a particular taxicab organization” (LADOT 2011 p 55). Blasi and Leavitt (2006) find that, in the City of Los Angeles, “43% of drivers lease from a company; 33 percent lease from another driver who owns more than one cab; and 24 percent from investors who do not drive” (p 26), with a median weekly lease payment of $500. Once he has leased a vehicle, “the taxicab operator’s dispatch system and cashiering functions are fully available to the individual driver, but the taxicab driver may also use their own source of trips, including personal clients, flag-downs or street-hails, hotel trips, etc” (LADOT 2011 p 55).

A city regulator likened the current ownership system in Los Angeles County to a multi-level marketing scheme not unlike Mary Kay or Amway, where benefits flow upward to the few (Interview LA-13). The current cooperative structure, where vehicle owners lease to the drivers, means that companies are really not in the business of meeting travel demand; instead, they are more like car rental companies. Once a vehicle is leased to a driver, it is up to the driver, not the vehicle owner, to find the business in order first to pay off his weekly lease before he starts to earn his take-home pay.

**Bandit cabs**

No description of Los Angeles County taxicab regulation can be complete without a discussion of the bandit cab issue. Bandit cabs, in black-and-white terms, are taxicabs that pick up passengers in jurisdictions where they are not permitted. In grayer terms, bandits can be one of three groups:

1. A taxicab that is licensed to provide service in one city but not in another. For example, Bell Cab is permitted to provide service in West Hollywood, but not in Beverly Hills. If a Bell Cab driver picks up a passenger in Beverly Hills, she would be considered a bandit.
2. A limousine driver licensed by the State of California Public Utilities Commission (PUC). (These are often referred to as “town cars” or “black cars.”) PUC licensing permits drivers to pick up passengers only through pre-arranged trips (Maddaus 2012). Limos that pick up walk-up passengers or passengers at a taxicab stand would be considered bandits.

3. A driver and vehicle that is not licensed by any jurisdiction. Some of these bandit cabs are independent operators with a suitable vehicle and others are part of a larger operation that provides dispatching services and advertising (Sutherland 2001). Many of the stakeholders that I interviewed referred to these types of bandits as “true bandits” because true bandits are not sanctioned by any jurisdiction. Given the lack of oversight from any jurisdiction, regulators are most concerned that they may not operate safe vehicles or have insurance.

Estimates of the number of bandits in the City of Los Angeles range from 2,000 to 3,000; a regulator I spoke with in 2004 estimated that bandits were doing $20 million worth of business annually, or as much as a quarter of the City’s total taxicab business (Interview LA-1). Concern over the safety of bandit taxis, the desire on the part of regulators to provide a level playing field for legitimate taxicab operators who take the time and expense to become certified in a given city, and pressure from existing operators to protect their business from poachers all put enormous pressure on the City to dedicate a great deal of time and money to enforcement activities against bandit taxis.

For those reasons, starting in October 2006, the Los Angeles City Council approved a $.20 addition to the flag drop rate, meaning that for every trip, 20 cents is collected toward a special bandit taxi enforcement fund (LADOT 2011). This fund, which generates about $800,000 per
year (Maddaus 2012), pays for Los Angeles Police Department (LAPD) bandit enforcement activities and additional overtime for LADOT transportation enforcement personnel (LADOT 2011).19 Error! Reference source not found. shows that arrests have more than tripled and vehicle seizures more than quadrupled since the bandit taxicab enforcement efforts were established in 2007. The City also sponsors awareness programs (see Error! Reference source not found.) to make the public aware of potentially unsafe bandit taxis (LADOT 2010).

It is not clear from interviews with stakeholders whether, left to their own devices, other cities would pursue bandit taxis as vehemently as the City of Los Angeles does. It is clear, however, that Los Angeles’ focus on bandit taxis had a direct effect on the City of Santa Monica’s regulatory approach. A stakeholder told me that Santa Monica’s decision to enact a franchising system20

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19 Based on this figure, the number of taxicab trips in City of Los Angeles is roughly 4 million annually ($800,000 ÷ $0.20 = 4 million).

20 A franchising system is a form of entry control in which cities award the right to provide taxicab service for a limited term. Franchises can be awarded to a single firm or to multiple firms. An alternate form of entry control is the medallion system; a medallion authorizes a single taxi vehicle to operate taxi service. Both franchising and medallion systems can have service standards attached (Nelson\Nygaard 2010).
was in direct response to contact from either the Mayor or a city council member from Los Angeles who proposed the franchising system to control Santa Monica’s spillover taxicabs (Interview LA-13).21

Whether the bandit taxi enforcement program is catching “true bandits” or just the bandits that are licensed in another jurisdiction is not at all clear. Maddaus (2012) estimated that 20 percent of the arrests each year were of PUC-licensed limo drivers.

*The taxi’s place in the County’s transportation mix*

As Blasi and Leavitt (2006) point out, “there is no regional planning or regulation of taxicabs, despite the fact that taxicabs obviously transit across many city boundaries in the course of their travels” (p. 46). A planner at the Southern California Association of Governments (SCAG)22 stated that the taxicab carries such a small number of passenger miles that, in a region of SCAG’s size, it is not a concern. Nonetheless, SCAG recently partnered with the City of Los Angeles on a study to “enhance overall mobility and solve…‘first mile/last mile’ barriers for commuters who could potentially take transit” but who cannot conveniently access a transit station from their starting point or destination (SCAG 2009 p 1-1). The study found that “taxis are an excellent first/last mile connector” (p 1-2) and identified several strategies to encourage mobility and connectivity by taxicab. These strategies included, among others, implementing dedicated taxi phones at rail stations and major bus stops, expanding the downtown Los Angeles “Hail-a-Taxi” program, restructuring fares to encourage shared use, and implementing a centralized dispatch system. The planner I spoke with was not aware of what progress had been made on implementing these strategies.

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21 The timing was good, because Santa Monica was also beginning to look how to address the environmental impacts of its oversupply of taxicabs (Interview LA-13).

22 SCAG is the metropolitan planning organization (MPO) for six southern California counties, including Los Angeles County and Orange County. See [http://www.scag.ca.gov/about.htm](http://www.scag.ca.gov/about.htm).
With this background on the Los Angeles County taxicab market in mind, I turn now to a look at how the County’s city-by-city approach to regulation plays out.

How does city-by-city regulation play out in Los Angeles County?

Because taxicabs are regulated at the local level, Los Angeles County cities have widely varying ways of managing their taxicabs. Looking at the regulatory requirements across cities reveals a confusing myriad of arrangements.

Comparison of regulations in different cities of LA County
In most cities, a company must prove that “public convenience and necessity” requires additional taxicab service. This type of permit is usually awarded after a hearing before the city council. This process is expensive, and, in some cities, the applicants bear the cost. (In Beverly Hills, for example, this hearing costs $4,100.) In the case of a positive finding for the applicant, the city will grant a certain number of permits to a company corresponding to the number of taxicabs that the company is allowed to operate.

Some cities award the right to provide taxicab service on a franchise basis in response to a competitive bidding process. Franchising is a popular way to “approve taxicab transportation services and companies” and has been used by the City of Los Angeles since the early 1900s (LADOT 2011 p 3). The City of Los Angeles re-bid all of its franchises in 2000 (LADOT 2011). Manhattan Beach began franchising service in 1999, and that city’s taxicab regulators report that they found it easier to coordinate and manage the taxicab service and deliver a higher quality of service through the franchising method (Interview LA-5). Its neighbor cities in the South Bay soon followed – now, Redondo Beach, Hermosa Beach, and Torrance franchise their taxicab service as well. (All three cities based their franchising regulations, practices, and agreements on those of Manhattan Beach (Interview LA-5).) West Hollywood issued its last franchising
Request for Proposals in 2004 (City of West Hollywood 2012) and Santa Monica in March 2011 (Interview LA-13). Beverly Hills, which has had the same three companies providing service under franchise agreements since the 1960s, is currently updating its franchising arrangements (Interview LA-10).

Many LA County cities have service requirements that result in only larger taxicab companies being able to serve the city. In some cities, this is an explicit rule: West Hollywood prohibits companies with fewer than 25 taxicabs from bidding on a franchise; Pasadena similarly requires a 20-taxicab fleet in order for a company to qualify for service. Torrance requires a 50-vehicle fleet. Los Angeles County requires only three vehicles in a fleet. In other cities, service requirements imply a large company is needed to satisfy the requirement: Long Beach requires that a taxicab company offer 24-hour radio dispatch by telephone.

Some cities have explicit limits on the number of taxicabs that they allow to operate. These limits are generally in place in cities with lucrative customer bases, such as West Hollywood, with its active nightlife. Still other cities have comparatively little explicit entry control, and simply allow any taxicab or taxicab company that meets requirements to operate within the city limits. Lawndale was pointed out to me as one such “no-scrutiny” city by an industry member (Interview LA-5). Prior to its decision to franchise out service, and thereby limit the number of taxicabs, Santa Monica was mentioned as a city with little entry control (Interview LA-1), but a stakeholder I interviewed pointed out that insurance requirements were high in Santa Monica.

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23 West Hollywood municipal code §5.108.040.
24 Pasadena municipal code §5.72.054.
25 Torrance municipal code §33.16.050.
26 Los Angeles County code §7.80.020
27 Long Beach municipal code §5.80.130
Thus, entry control in Los Angeles County may be explicit, implied, or non-existent.

Regulations on rates are also established at the municipal level, and the fare policies differ among cities, sometimes substantially. In Glendale, fares are deregulated (CUTR 1999); the city simply requires taxicab permit holders to file their proposed schedule of fares with their permit application. Norwalk similarly requires taxicab owners to file reasonable and uniform tariffs or schedule of fares with the City Clerk. In some cities (such as Beverly Hills, City of Los Angeles, and Long Beach), exact rate levels are established by the city. Other cities allow taxicabs to submit the rates they plan to charge as part of their response to the bidding process - Hermosa Beach is an example (City of Hermosa Beach 2002).

Fares are slightly higher in Los Angeles and West Hollywood than they are in Beverly Hills (Interview LA-10). Table 7 shows the rates in several cities. Rates consist of a drop charge (the

<table>
<thead>
<tr>
<th>City</th>
<th>Drop Charge</th>
<th>Distance charge</th>
<th>Cost of 5-mile trip</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beverly Hills</td>
<td>$2.45 for first 1/7 mile</td>
<td>$0.35 for each additional 1/7 mile ($2.45/mile)</td>
<td>$14.35</td>
</tr>
<tr>
<td>Norwalk</td>
<td>$2.65 for the first 1/7th mile</td>
<td>$0.35 for each additional 1/7 mile ($2.45/mile)</td>
<td>$14.55</td>
</tr>
<tr>
<td>Culver City</td>
<td>$2.65 for the first 1/9 of a mile</td>
<td>$0.30 for each additional 1/9th mile ($2.70 per mile).</td>
<td>$15.85</td>
</tr>
<tr>
<td>Los Angeles City, Manhattan Beach, West Hollywood, Santa Monica</td>
<td>$2.85 flag drop (first 1/9th mile).</td>
<td>$0.30 for each additional 1/9th mile ($2.70 per mile).</td>
<td>$16.05</td>
</tr>
</tbody>
</table>

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28 Glendale municipal code §5.84.180
29 Norwalk Municipal Code §5.56.040
30 Beverly Hills municipal code §7-4-215
31 Norwalk 2012
32 Culver City n.d.
charge incurred as soon as a trip begins and the meter flag is dropped) and a distance charge, generally set at a portion of a mile. Drop charges and distance charges are both lowest in Beverly Hills, where a 5-mile trip would cost a passenger $14.35. In Norwalk, a slightly higher drop charge but identical distance charge results in a $14.55 trip. Los Angeles City, West Hollywood, Manhattan Beach, and Santa Monica all have identical rates, which result in a $16.05 trip. Culver City has a slightly lower drop charge but an identical distance charge to Los Angeles City, resulting in a slightly lower total trip charge of $15.85. Taxicab meters are regulated and inspected on a city level although the Los Angeles County Department of Weights and Measures calibrates them.34

Examples of other standards show the minute level at which taxicabs are examined in some cities, and how arbitrary some of these minutiae can be:

- In Compton, the minimum driver age is 21 years35; Culver City, Torrance, and Long Beach specify 18 years.36
- Under safety requirements, Culver City specifies that each taxicab must have 12 flares on board, while Hermosa Beach requires four flares.37
- Beverly Hills forbids lighted signs on the top of the taxicab, effectively prohibiting taxicabtop advertising (a source of revenue) in that city.38
- Driver permit renewal dates differ from city to city. In Torrance, permits expire a year from the date of issue. In Long Beach, driver permits are valid for two years, and expire “one year from applicant’s next birthday.”39

34 Los Angeles County ordinance 2.40.060
35 Compton municipal code §9-21.2
36 Culver City municipal code §11.10.320; Torrance municipal code §33.16.110; Long Beach municipal code §5.80.310
37 Culver City municipal code §11.10.310; Hermosa Beach municipal code §5.72.110
38 Beverly Hills municipal code §7-4-214
• Redondo Beach requires drivers to wear a uniform and cap.40

• Redondo Beach forbids cruising for business, as does Long Beach, although street hail business is permitted in both cities.41

Does municipal regulation create a burden?

On a countywide basis, it is clear that there is no one set or even a similar regulation regime that all cities follow. But is this necessarily a problem? After all, whether a city mandates that its taxicab providers have four or 12 flares on hand at all times seems arbitrary at worst; a taxicab company that wishes to operate across municipal borders must simply meet the strictest regulation in that case, and in doing so will satisfy all cities’ regulations. But the collective finding of my taxicab stakeholder industry interviews suggests that the fractured regulatory environment does create a burden in the form of the redundant permitting and fees processes. In effect, taxicab drivers and companies must spend considerable time and money first becoming familiar with the differing regulations, then satisfying multiple cities’ many and often slightly different regulations. This regulation redundancy does create a burden on both taxicab drivers and taxicab companies in excess of what is required in meeting one set of regulations.

No matter their orientation – regulator, enforcement, or industry member – the personnel involved in the taxicab industry that I interviewed agree that the city-by-city approach imposes a burden. The burden could be on enforcement personnel, private industry members (be they owners or drivers), regulators, enforcement personnel, or even members of the general public (the customer).

39 Torrance municipal code §33.17.130; Long Beach municipal code §5.80.310
40 Redondo Beach municipal code §4-14.18
41 Redondo Beach municipal code §4-14.18; Long Beach municipal code §5.80.240
The burden of fees
To be able to provide taxicab service in a typical Los Angeles County city, there are three different types of permits that must be obtained: a business permit, a vehicle permit, and a driver permit. Each permit has its own set of requirements and fees. The number and type of departments that are involved in the issuing of permits differs from city to city, but usually involve a city licensing office and the city law enforcement division, unless the city has a separate taxicab division.

Three charts below show fees and permitting requirements for a selection of cities in Los Angeles County. The cities shown include the three largest cities, and a geographic variety of the remaining 85. The charts also show regulations for the unincorporated portions of Los Angeles County.

A business permit, as its name implies, allows a company to do business in a city. The requirements for a company to operate taxicab service in a given city vary, but generally involve providing evidence of sound financial background, a list of drivers employed by the company, and evidence of a drug testing program (mandated by the state of California), among other requirements. Such business fees may be called a business license tax, a business permit fee, or a franchise fee. Table 8 shows these business fees.

A vehicle permit is issued to signify that a particular vehicle may be operated in a city. A permit demonstrates that a vehicle has been inspected for safety requirements and that it is insured. Table 9 shows the vehicle permit fees in various LA County cities.
### Table 8 Company Permit Fees in LA County Cities

<table>
<thead>
<tr>
<th>City</th>
<th>Fee</th>
<th>Renewal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beverly Hills</td>
<td>$4,985</td>
<td>One-time hearing fee; franchise fees additional</td>
</tr>
<tr>
<td>Culver City</td>
<td>$1,000</td>
<td>One-time fee of $1,000 per company; annual business tax after that is $250 per company</td>
</tr>
<tr>
<td>Glendale</td>
<td>$475</td>
<td>One-time</td>
</tr>
<tr>
<td>Long Beach</td>
<td>$465.31</td>
<td>Per vehicle</td>
</tr>
<tr>
<td>Los Angeles City</td>
<td>$1,272</td>
<td>Comprises franchise fee of $106/month; no additional business tax.</td>
</tr>
<tr>
<td>Los Angeles County</td>
<td>$1,526</td>
<td>annual ($155)</td>
</tr>
<tr>
<td>Santa Monica</td>
<td>$5,000 (per company) + $1,000 (per vehicle)</td>
<td>Per-vehicle fee due annually on Jan. 1</td>
</tr>
</tbody>
</table>

### Table 9 Vehicle Permit Fees in LA County Cities

<table>
<thead>
<tr>
<th>City</th>
<th>Fee</th>
<th>Renewal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beverly Hills</td>
<td>$899</td>
<td>annual</td>
</tr>
<tr>
<td>Compton</td>
<td>$100</td>
<td>annual</td>
</tr>
<tr>
<td>Culver City</td>
<td>$400</td>
<td>annual (includes inspection)</td>
</tr>
<tr>
<td>Glendale</td>
<td>$75</td>
<td>Annual, inspection</td>
</tr>
<tr>
<td>Los Angeles City</td>
<td>$81</td>
<td>Annual</td>
</tr>
<tr>
<td>Los Angeles County</td>
<td>$168</td>
<td>Annual; $131 renewal</td>
</tr>
<tr>
<td>Norwalk</td>
<td>$37.50</td>
<td>Per vehicle</td>
</tr>
<tr>
<td>Santa Monica</td>
<td>$112</td>
<td>Annual; $51 renewal due Jan. 1</td>
</tr>
</tbody>
</table>

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42 Beverly Hills fees shown in Tables 8, 9, and 10 all from Beverly Hills (2011).
43 Culver City fees shown in Tables 8, 9, and 10 all from Culver City (2011).
44 Glendale fees shown in Tables 8, 9, and 10 all from Glendale (2011).
45 Long Beach 2012.
46 Los Angeles County code §7.14.010.
47 Santa Monica fees shown in Tables 8, 9, and 10 all from Santa Monica (2011).
48 City of Compton municipal code §9.2.1a
49 Los Angeles fees shown in Tables 9 and 10 from municipal code §76.01.
A driver permit certifies a driver to work in a given city. In addition to any local requirements, all drivers must be fingerprinted for a background check and pass a drug and alcohol test. Table 10 shows the driver permit fees in LA County.

Table 10 Driver Permit Fees in LA County Cities

<table>
<thead>
<tr>
<th>City</th>
<th>Fee</th>
<th>Renewal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beverly Hills</td>
<td>$160.50</td>
<td>Annual One-time fee of $267.50 for police background investigation</td>
</tr>
<tr>
<td>Culver City</td>
<td>$38.50</td>
<td>Annual (includes $8.50 for Department of Justice fingerprinting)</td>
</tr>
<tr>
<td>Glendale</td>
<td>$70</td>
<td></td>
</tr>
<tr>
<td>Los Angeles City</td>
<td>$106</td>
<td>Fingerprint processing $76; renewal permit $146.</td>
</tr>
<tr>
<td>Los Angeles County</td>
<td>$175</td>
<td>Annual renewal is $131</td>
</tr>
<tr>
<td>Santa Monica</td>
<td>$195</td>
<td>Annual; between Nov. 1 &amp; Dec. 31 One-time fee of $62.50 for police background investigation</td>
</tr>
</tbody>
</table>

As the three tables show, LA County cities require that a dizzying array of requirements be met and fees be paid in order to secure the two, and in most cases three, permits required to operate a taxicab. Few would question a city’s right, or even its duty, to certify who does business within its borders if not done so at a higher governmental level. But in the absence of such higher-level government regulation, the arguably needed local regulations come at very high transaction costs.

Burdens on drivers

Public agency personnel were surprisingly aware of and sympathetic about the burden that the regulations impose on the taxicab owners and drivers. As a West Hollywood regulator told me, “all of the cities want an original copy of DMV documents; all of them want a background check; all of them want a vehicle inspection certification; and they all want them at different
times” (Interview LA-4). A member of the private taxicab industry agreed, arguing in my interview with him that coordinating the system of driver background checks and licensing is desperately needed because drivers are not highly paid (Interview LA-7). In addition, he argued, the checks are almost identical from jurisdiction to jurisdiction, so they are a collective waste of Department of Justice, enforcement, and driver time and resources (Interview LA-7). This is illustrated to the extreme in Beverly Hills, which requires drivers to visit three different departments to obtain their driving permit: to the cashier’s office to pay for the permit; the police to obtain the background check; and the parking enforcement office to pick up the permit. (An enforcement officer in Beverly Hills is trying to streamline the city’s internal process (Interview LA-10).)

The Beverly Hills enforcement officer mentioned that taxicab drivers have to take the time to adjust and figure out how rules differ between cities. He often hears from drivers asking him “why don’t you let us do what Los Angeles does, since LA is such a bigger city?” The rules are confusing for the drivers and create somewhat of a burden on him as an enforcement officer in defending his city’s (somewhat arbitrary) rules (Interview LA-10).

_Wasted enforcement activity?

Another city regulator pointed out that the focus on enforcement of taxicabs that hold a legitimate permit in one jurisdiction but not in another seems to be disconnected from the purpose of regulating taxicabs in the first place, which is to ensure public safety (Interview LA-13). However, an enforcement officer in another small LA County city feels that his job is to make sure the drivers who go through the process of obtaining all of their paperwork for his city are able to benefit by collecting passengers’ money and not have those passengers skimmed away by bandits who are not permitted in his city (Interview LA-10).
Confusion for customers

A Santa Monica regulator mentioned the confusion to the consumer that results from the city-by-city approach. A customer who takes a cab from Santa Monica to Beverly Hills may not be able to take the same company when he or she is ready to return (Interview LA-13). This confusion is illustrated by a review from Yelp.com (Figure 4) – a customer gives Taxi! Taxi! a poor review based on the refusal to pick her up. Taxi! Taxi! is only doing what is legal, however: drivers are permitted to pick up people in Santa Monica, where Taxi! Taxi! won a franchise to provide service, but the company does not have a franchise in City of Los Angeles, and therefore may not pick up passengers. Frustration for the customer and a low rating on Yelp.com for Taxi! Taxi! are the unfair but inevitable results.

In addition to affecting passenger perceptions of taxicab companies, this city-by-city approach can also make it difficult for smaller taxicab companies to secure corporate accounts. As the owner of a small taxicab company that operates in Santa Monica, but not in Los Angeles, told me, corporate accounts would typically want to deal with fewer taxicab companies. If corporate travel needs take them across city lines, however, they would need accounts with more than one company.
Big taxicab companies that have permits in multiple cities therefore have an advantage over smaller companies that only operate in one or two cities (Interview LA-11).

**Collaboration between cities**

City personnel agreed that very little – if any – structured collaboration is occurring between cities, but several mentioned efforts that they are pursuing independently. A Santa Monica regulator has consulted the City of Los Angeles on the issue of flat fares to airport and with other smaller cities on the development of pedicab franchising. He mentioned that his city sets its taxicab fares based on what Los Angeles does, because Los Angeles has an established methodology for setting rates and his city does not (Interview LA-13). The same regulator mentioned a desire to establish a taxicab stakeholder group in his city, consisting of representatives from the city’s hoteliers, convention planning groups, the private taxicab industry, and city regulators. The value in creating such a stakeholder group would be to have everyone’s opinion heard by everyone else (Interview LA-13). He would also appreciate regional collaboration that would allow the county’s entire fleet of taxicabs to have a common livery (much like the familiar yellow taxicab in New York City) to better publicize taxicab presence to the general public. A small-city enforcement officer mentioned occasional contact between small cities about bandit cab activity. He also mentioned trying to make his city’s rules more consistent with those of his neighbors to make it easier for drivers to understand their obligations (Interview LA-10).

There is other evidence of city-to-city collaboration. Several cities’ municipal codes make allowances in their driver permitting process if a driver has been approved in a nearby city. For

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50 While the City of Los Angeles does use an established methodology to set fares, the current fare includes an additional $.20 in the drop rate to create a dedicated resource for bandit taxi enforcement. Regulators in neighboring cities may not have been aware of this when they correspondingly raised their drop rates to match LA’s. In addition, Blasi and Leavitt (2006) seriously criticized LA’s methodology for ignoring the greater share that fuel costs currently comprise of overall taxi operating costs.
example, the City of West Hollywood waives the driver background check requirement if a
driver has already has a permit from either the city of Los Angeles or from Beverly Hills.\textsuperscript{51} Similarly, the City of Inglewood allows the Chief of Police – at his discretion – to waive the
driver permit application process and fee if the driver already holds a valid permit from another jurisdiction.\textsuperscript{52} Los Angeles County offers a $7 discount on its driver permit fee if the driver
already has a permit from another city in the county.\textsuperscript{53} Beverly Hills also accepts a drug test
result from any other California jurisdiction to meet its drug test requirements.\textsuperscript{54}

Small-scale coordination extends to the vehicle permitting process as well: for example,
Hermosa Beach allows companies to submit the results of a vehicle inspection by taxicab
regulators from the City or County of Los Angeles in lieu of an inspection by Hermosa Beach
regulators.\textsuperscript{55} And, as previously mentioned, the taxicab sections of the Manhattan Beach and
Redondo Beach municipal codes are nearly identical, indicating at least some level of
consultation (even if that simply means copying one city’s code).

In addition to the city-to-city collaboration that does occur, there is evidence of at lease one
aspect where a county-wide approach applies: Los Angeles County Department of Weights and
Measures already calibrates all meters.\textsuperscript{56}

In dramatic contrast to the scattershot system of taxicab regulation in Los Angeles County,
two other Southern California counties – San Diego and Orange – employ slightly different ways

\textsuperscript{51} West Hollywood municipal code §5.108.110
\textsuperscript{52} Inglewood municipal code §8-49.
\textsuperscript{53} Los Angeles county code §7.14.010
\textsuperscript{54} Beverly Hills municipal code §7-4-302
\textsuperscript{55} City of Hermosa Beach municipal code §5.72.110
\textsuperscript{56} Although I hypothesized that cities might be collaborating on Coordinated Human Services Transportation (CHST) Plans, none of the city or industry stakeholders I interviewed mentioned this. However, a planner with the regional agency clarified for me that CHST Plans are performed by the designated Coordinated Human Service Transportation Agency (CHSTA). In Los Angeles County, the CHSTA is Access Services, not the cities themselves (Interview LA-12).
of regulating taxicabs at a regional level. In the next chapter, I will describe these two regulatory regimes, including their origins and their current operations.
Chapter 5 – Regional Approaches and Outcomes in San Diego and Orange Counties

This chapter provides general information about taxicabs in San Diego and Orange Counties as well as a look at how the regional approach has played out in each of the counties. I start with the history of the regional approaches to regulation in each county, including precipitating events – if any – that are perceived to have triggered the switch. I also describe the scope of each county’s taxicab administration. The perceived effect of regional approaches on both cities and the private industry are described, and finally, the perceived successes and failures of the regulatory approach in each county are summarized.

San Diego County’s Taxicab Administration

Today, regulation of taxicabs in San Diego County is performed by the Taxicab Administration, part of the Metropolitan Transit System, the regional operator of bus, light rail, and paratransit services.

History of the Regional Approach

Up until 1989, taxicab regulation in San Diego County was performed at the municipal level – as in Los Angeles County today, each city had its own regulations and enforcement procedures. Administration of regulations “bounced between different city departments” (Interview SD-5). Vehicle inspections were performed by the police department, but not very thoroughly because staff were not dedicated to taxicab oversight; “it was just something they did part of the time” (Interview SD-5).

The regional Metropolitan Transit Development Board (MTDB) administration in 1989 followed a rollicking couple of decades in taxicab regulation in San Diego. Before MTDB took over, permits were awarded by the City Council periodically by legislative action, which “led to complaints of monopolies and favoritism” (City of San Diego 2012 p 2). In 1970, the Mayor and
“most of the San Diego City Council was convicted of taking bribes” from the Yellow Cab Company (Blasi & Leavitt 2007 p 59). In 1979, the City of San Diego “adopted a free market philosophy and began to issue new permits on a walk-in basis” (City of San Diego 2012 p2), but after the number of permits “more than doubled,” driver income fell significantly, and passenger complaints increased, San Diego reinstated its cap on entry in 1983 (City of San Diego 2012 p2). In the late 1980s, San Diego city officials approached the county-wide MTDB and requested that the agency take over the regulation of private-for-hire transportation providers, including taxicabs. Some members of the San Diego City Council sat on the MTDB and argued for a regional system of private-hire transportation regulation (Interview SD-1). Since city council members from other cities also sat on the MTDB board, some chose to include their cities in the new program (Interview SD-1).

By 1989, MTDB had assumed responsibility for administering regulations for the City of San Diego’s taxicabs.57 The new MTDB Taxicab Administration inherited ordinances – with some modifications – from the City of San Diego. A City of San Diego transportation engineer added that having MTDB take over was controversial at the time, with some taxicab companies likely preferring the lax city administration that they were used to (Interview SD-5). Another interviewee with a public agency stated that some cities have chosen not to participate in the MTS58 system because “the MTS standards are too high and their city councils are lobbied by the industry to keep standards low” (Interview SD-1).

57 The MTS Taxicab Administration also oversees jitney, charter, sightseeing, and non-emergency medical vehicles (MTS 2003).
58 The MTS is a “federation” of public transit service providers in the San Diego metropolitan area. Until 2003, the MTDB served as the policy-setting and coordinating agency for public transportation service in this jurisdiction. Through a series of consolidation and changes in recent years, SANDAG (the San Diego Association of Governments) has assumed additional planning responsibilities, and MTDB has become MTS. (http://www.sdmts.com/MTS/About_MTS.asp)
The jurisdiction of the MTDB – now known as the MTS – comprises the urbanized southwestern portion of San Diego County, and includes ten cities and some unincorporated portions of the County. (See Figure 5.)

![Figure 5: Map of MTS jurisdiction](source: MTS)

Cities within the MTS jurisdiction choose whether they wish to participate in the MTS Taxicab Administration program, or regulate taxicabs on their own. If cities choose to opt into the MTS Taxicab Administration program, they create enabling ordinances to allow this (Interview SD-1). In addition, each city signs a contract with the Taxicab Administration (Interview SD-1). As of July 2012, seven cities – El Cajon, Imperial Beach, La Mesa, Lemon Grove, Poway, San Diego, and Santee – were participating in this regional scheme, and the remaining three cities in the MTS jurisdiction (Chula Vista, Coronado, and National City) were not (MTS 2011). National City had been part of the MTS system with a cap on the number of
taxicabs, but after a “political shift”, the City Council chose to opt out of MTS and administer its own policies (Interview SD-1). The seven MTS-regulated cities have a combined population of just over 1.6 million, which accounts for about 83 percent of the population of the MTS service area. (The Sheriff’s department issues permits for parts of the County that MTS or cities do not regulate directly. If the vehicle has been inspected and licensed by MTS, it is not re-inspected by the Sheriff’s department (Interview SD-1).)

MTS Scope and Responsibility

The delineation of taxicab regulation is clear in San Diego County: the cities establish their policies, and the MTS Taxicab Administration administers and enforces those policies. The MTS Taxicab Administration “sets taxicab fares and administers regulations such as vehicle safety standards, dispatch service, and liability insurance requirements” (City of San Diego 2012 p 1). Each permit that MTS issues “represents one authorized taxicab vehicle” (City of San Diego 2012 p 1). MTS issues two types of vehicle permits: city permits (allowing the vehicle to provide service within the City of San Diego) and suburban permits (allowing service to all other participating jurisdictions) (Interview SD-5). MTS requires that all companies subscribe to a dispatch service (Interview SD-4).

MTS’ jurisdiction extends only to the companies and the vehicles; drivers are licensed by the San Diego County Sheriff’s Licensing Division (City of San Diego 2012). In addition, each company must have a business license to operate in a given city (Interview SD-1).

59 The San Diego Airport issues its own separate taxicab permits to a sub-group of 300 taxicabs that already have a City of San Diego permit (Interview SD-5). As in most cities, the airport is a key source of business for taxicabs and the permit is therefore very valuable. Drivers transfer the permits back and forth for amounts ranging from $45,000 to $95,000 in a sort of gray market (Interview SD-4). The City realizes that the permit is a sort of long-term investment for the permit holder and therefore tolerates the transfers even if it does not, strictly speaking, approve of the transfers (Interview SD-5).
An important part of the Taxicab Administration is vehicle inspection. In order to qualify for a vehicle permit, the vehicle is put up on a hoist and its mechanical condition (“suspension, steering, shocks, exhaust, tires, brakes, and electrical items” (MTS 2011 p 1)) is inspected along with cosmetic items such as cleanliness and body condition. These inspections are performed by MTS staff who are certified mechanics (MTS 2011). MTS also monitors compliance with insurance requirements for companies and vehicles (MTS 2011, Interview SD-1).

Throughout the areas that MTS administers, taxicab companies may set their own rates up to a maximum established by MTS; the current maximum rates are shown in Table 11 (MTS 2012). The Taxicab Administration is currently studying the possibility of a single rate of fare county-wide (Interview SD-1). The MTS Taxicab Administration operates on a fee-for-service basis, meaning that it “charges fees to recover its regulatory and administrative costs” (City of San Diego 2012 p 1).

<table>
<thead>
<tr>
<th>Flag drop</th>
<th>Mileage</th>
<th>5-mile trip</th>
</tr>
</thead>
<tbody>
<tr>
<td>$3.10 for first 1/11th mile</td>
<td>$0.30 per 1/11th mile</td>
<td>$19.30</td>
</tr>
</tbody>
</table>

MTS is also responsible for enforcing the regulations that it administers. The Taxicab Administration has “strong enforcement capability [that it will be] enhancing” in the future (Interview SD-1). The four enforcement personnel on staff focus on field enforcement with such activities as acting as secret shoppers; while MTS enforcement personnel are not allowed to do “hot stops” in traffic, they can stop taxicabs at lights. The permit holder and the driver can be held responsible for infractions and there are strict penalty guidelines (Interview SD-1).
The Taxicab Administration does not actively market its services to potential municipal clients. All of the cities in the MTS jurisdiction have representation on the MTS board, and their representatives may learn of the Administration’s services in the course of their other duties (Interview SD-1).

State of the Taxicab Industry

The City of San Diego dominates the demand for taxicab service in the region. Currently, the MTS has an active vehicle fleet of 1,069 taxicabs (MTS 2011). Of these, 992 are city permits (TrueNorth 2011). Of the total 1,069 taxicabs in the MTS service area, it is not known now many have city and suburban permits and how many have only suburban permits, although the City of San Diego representative estimated that all of the other cities combined represented only a few hundred taxicabs (Interview SD-5). City permits have been issued through requests for proposals (RFPs) to taxicab companies and individual drivers, and lotteries for individual drivers (True North 2011). San Diego is the only city with a cap on permits currently; all other cities are open entry in terms of number of taxicabs permitted.

Although information is not available for the whole area that MTS administers, an estimated 3.69 million taxicab trips originate in the City of San Diego every year; 21 percent of these originate at the airport (True North 2011). By comparison, the MTS’ bus and light rail systems carried 79.3 million passenger trips in 2010.\(^{60}\)

San Diego County has a small problem with bandits but “not near the problem of LA County” (Interview SD-1). Generally, the problem is only with state-licensed limousines, although some taxicabs licensed in Chula Vista have also been caught trying to pick up passengers in MTS jurisdictions. A regulator ascribed San Diego’s success combating bandits to

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\(^{60}\) 2010 National Transit Database figures for San Diego Metropolitan Transit System
a combination of the effect of regional regulations, strong enforcement activities, and geography (because 60 percent of taxicab operations occur between the airport and downtown San Diego, they can focus enforcement on a specific area) (Interview SD-1).

Effects of the Regional Approach in San Diego on Cities and Companies

A representative of a small taxicab company stated that having MTS in charge of taxicabs was a “day and night” difference from when the cities were responsible for taxicabs (Interview SD-4). As he put it, the previous system was “not very effective. You went to the police department and a single grumpy police officer would look at the cab, kick the tires, and check for fire damage. People could even tow in a cab and have it inspected” (Interview SD-4). As a former driver (and current owner/driver), this representative appreciates that the MTS inspection not only keeps passengers safe, but it also keeps drivers safe from unscrupulous vehicle owners who might otherwise lease out unsafe vehicles. Another private industry representative, who owns eight vehicles that he leases to drivers, agreed that the thorough mechanical inspection performed by MTS is much better than the cosmetic inspection (just checking that lights and safety belts worked, but not checking the mechanical integrity of the vehicle) that the City of San Diego did before. As he said, “I really love it – it is the best for safety [which is] more important than anything else” (Interview SD-3). This, he states, put pressure on all vehicle owners to monitor the safety and cleanliness of their vehicles. He also appreciates the higher insurance requirements that are required because “it is much safer for our taxicabs to be on the road” (Interview SD-3). In other words, because MTS establishes a level playing field with high standards that all taxicab companies and drivers must follow (Interview SD-4), scrupulous owners can feel more protected against unscrupulous owners (Interview SD-3). The private industry representatives agreed that it was more convenient to have to go only to MTS to obtain
their vehicle permits rather than to each individual city, although the owner/driver downplayed that somewhat, stating that most business is within City of San Diego anyway (Interview SD-4).

A representative of the City of San Diego is very happy to have MTS in charge of taxicab administration, stating that it is far more efficient to have a specific group devoted to the industry: “MTS only performs transportation functions, so they are far better at staying focused on what needs to be done [and] giving the industry the attention they need. The City has too many responsibilities to have that focus.” The City can focus on policy and stay out of having to enforce regulations, monitor complaints, and get involved in taxicab rivalries (Interview SD-5).

Taxicab Administration personnel believe that the regional system saves money for cities and for the industry. Cities save money because they no longer have to spend time on enforcement activities. Taxicab owners pay a single fee that gives them access to more areas and the opportunity to work at the airport\footnote{In order to qualify for an airport permit, a taxicab must first have a City permit.} – MTS is a “one-stop shop” for a permit to access many cities. Finally, drivers get one ID card and only have to take a single test. Drivers also only have to understand one ordinance, which saves them time and confusion (Interview SD-1).

\textit{San Diego County Successes and Failures}  

All four of the city and industry representatives that I spoke with agree that the MTS Taxicab Administration is doing a good job. (Even the representative of National City, which no longer participates in the MTS Taxicab Administration, stated that the MTS does a good job with inspections and permitting (Interview SD-2).) However, each of them also had suggestions for further improvement.

The taxicab administration personnel I interviewed expressed the view that the program has helped the industry in two key ways. First, compared to a municipal-regulation system,
regulations are now streamlined, providing a single point for vehicle inspections, vehicle
permits, and company background checks. Second, the taxicab industry is able to participate
more productively in regional transportation planning than they were before the change since
they are represented within MTS by an Advisory Taxicab Committee (established in 1994). The
Committee comprises 17 members, including six representatives from business and tourism
groups, one MTS boardmember, eight taxicab owners (elected by taxicab owners), and three
member representing lease drivers (appointed by the Committee). The seven taxicab owner
boardmembers represent a range of company sizes, split between owners of small (three or fewer
vehicles) and larger (four or more vehicles) companies (MTS 2012).62 (In the MTS Taxicab
Administration service area, there are almost 500 companies represented (MTS 2011), and 30%
of them are single-vehicle companies, making a four-car company comparatively “large”
(Interview SD-1). Only a few companies have a fleet in the range of 30 to 40 vehicles and none
of the company fleets are larger than 40 (Interview SD-5).)

All of the interviewees from San Diego County agreed that the creation of a forum for
taxicab industry members to participate in was a valuable function of MTS Taxicab
Administration, even if everyone does not always agree. However, one taxicab company owner
expressed concern over the close relationship between MTS transit operations and Veolia, a
private contracting firm that operates all of MTS’s bus service (Interview SD-4). The owner sees
Veolia as competition, because it has begun purchasing taxicab companies in other parts of the

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62 Although the transit dependent (i.e. people unable to drive because of age, income, or disability) population is not
represented directly on the Advisory Taxicab Committee, the MTS structure does have a technical advisory
committee (TAC) devoted to the needs of the mobility-impaired. This TAC consults with the Taxicab Committee for
input on mobility issues that may involve or affect taxicabs. Regulatory personnel I interviewed expressed the view
that this was yet another value of inclusion in a regional planning group like MTS – the taxicab committee is able to
devote itself to the core of its business (the business and tourism trade) yet be included in discussions on the
mobility-impaired (Interview SD-1).
country; this interviewed taxicab company owner was concerned that Veolia’s close relationship with MTS may be a threat to the taxicab companies (Interview SD-4).

However, while they are generally happy with MTS, three of the four city and private industry-related interviewees do not think that everyone agrees. One of the private industry representatives said that some taxicab companies may feel that MTS is too strict (Interview SD-4), echoing the comments of the City of San Diego representative who speculated that some taxicab companies preferred lax city oversight (Interview SD-5).

None of the stakeholders that I interviewed mentioned any particular “failure” of MTS, but several had some areas for improvement.

In implementing this system of countywide taxi regulation, the MTS has run up against a common problem of lack of service to certain geographic areas, especially outlying and suburban areas. Table 12 shows that the MTS area as a whole is less densely served by taxicabs than the City of San Diego (which, in turn, is not as densely served as the City of Los Angeles). This is a long-running problem; even during the period of deregulation of entry controls in San Diego in the 1980s, when the number of cabs more than doubled, “there was little improvement in the geographic coverage of taxicab service” (TrueNorth 2011 p 15).

<table>
<thead>
<tr>
<th>Table 12 Ratio of Cabs to Residential Population</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Permits</td>
</tr>
<tr>
<td>---------</td>
</tr>
<tr>
<td>MTS Taxicab Administration area</td>
</tr>
<tr>
<td>1,069</td>
</tr>
<tr>
<td>City of San Diego only</td>
</tr>
<tr>
<td>992</td>
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Even though the Taxicab Administration personnel I interviewed report being satisfied with the quasi-regional regulatory arrangement, city regulators may not agree. For example, after
participating in the MTS framework for several years, the City of National City recently decided to opt out of the Taxicab Administration and return to municipal regulation. A National City official who worked on the transition back to municipal-level regulation explained to me that, while the city officials believed the MTS Taxicab Administration had been doing a good job with inspection and permitting, city council members expressed a desire to have more control over the number of taxicabs that operate within their city limits (Interview SD-2). Taxicab Administration personnel clarify that the City could have simply amended its contract with MTS with a cap on the number of permits (Interview SD-1) – since MTS does not make policy; rather, they enforce the policy set by a given city.

An owner/operator who has been in the taxicab business for over 30 years would like to see MTS more actively involved in driver education and training (Interview SD-4). While he does not think a London black cab-style hack license (which requires three years of training) could be justified in San Diego because the income potential is not as great, he would like to see more training than the current one-hour safety training class required each year, with a greater focus on customer service. Because MTS has access to all of the drivers, he would also like to see MTS provide some sort of online forum where drivers could share experiences and ideas as well as training (Interview SD-4).

A recent study identified several other areas of improvement for San Diego County taxicab service, including improving drivers’ rate of pay, examining the rate of fare, and requiring taxicabs to take credit cards (Interview SD-1).
Orange County Taxi Administration Program

In Orange County, taxicabs are regulated by the Orange County Taxi Administration Program (OCTAP). The regulatory scheme has some similarities to the San Diego County program, but some important differences as well.

History of the Regional Approach

OCTAP went into effect in January 1998. Before that, cities were in charge of taxicab regulations. All of the stakeholders I interviewed agreed that regulation under the city approach was very irregular. As a representative of California Yellow Cab stated, some cities (such as Fountain Valley) paid close attention to the industry and performed vehicle inspections. Other cities basically ignored the industry, collecting no revenue and performing no regulatory functions. Yet other cities (such as Costa Mesa) were somewhere in the middle – for months at a time, the city seemed to ignore the industry, then would suddenly start citing taxicabs for not having a city permit. As a result, for the industry, regulation was “very inconsistent and hard to get in step with” (Interview OC-5).

Different stakeholders presented different scenarios for how OCTAP came to oversee the taxicab industry, with some crediting the taxicab industry with the idea (Interview OC-2), and some crediting the cities of Orange County (Interview OC-1, Interview OC-5). A taxicab industry member who was part of a committee that gave input into the process of starting OCTAP mentioned the 1991 Rose Bowl as a precipitating factor in moving OCTAP forward. The story concerns a group of boosters from the University of Iowa who were staying in Costa Mesa. After a late night of partying the night before, about 120 of the Hawkeyes fans missed their bus to Pasadena in the morning, and turned to taxicabs to bring them to the game. However, also the previous night, the Costa Mesa Police Department had done a sting operation on
improperly permitted taxicabs resulting in a severe shortage of taxicabs available to serve the Costa Mesa hotels. As a result, about 40-50 Iowa boosters missed the game (Interview OC-5).

A former OCTAP taxicab administrator stated that another contributing factor toward forming OCTAP was concern over plans in the mid-1990s to develop an international airport at the El Toro Marine Corps base. Orange County officials were concerned about the potential impact the new airport might have on the taxicab business, with the expectation that the number of taxicabs might almost double. (Interview OC-1).63

Whatever the precise events that led to its creation, eventually the City Councils of Orange County agreed to create the agency and OCTAP began regulating taxicabs in January 1998. OCTAP is part of the Orange County Transportation Authority (OCTA), and has an office at one of OCTA’s bus yard facilities.64 While they are not required to participate in OCTAP, currently, all 34 cities and the County of Orange do. To participate, cities must sign an interagency agreement with OCTA, and then revise their municipal ordinances to delegate taxicab regulatory functions to OCTAP (Interview OC-2).

OCTAP Scope and Responsibility
OCTAP’s responsibilities include (among others) issuing company, vehicle, and driver permits;65 conducting vehicle inspections; monitoring insurance requirements; and reporting illegal taxicab activities (OCTAP 2009). OCTAP personnel stress that their duties are administrative only; the program does not perform any enforcement activities. Instead, the member cities are tasked with enforcing OCTAP regulations under the terms of their agreement.

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63 The airport plan eventually fell through when Orange County residents voted to have the El Toro site repurposed as a county park (http://www.ocregister.com/articles/airport-343108-county-measure.html).
64 OCTA is Orange County’s primary transportation agency, and plans, funds, and operates county transportation programs. (OCTA website: http://www.octa.net/about/about.asp)
65 As a civilian agency, OCTAP cannot run a background check, so drivers must visit the County Sheriff’s department for their background check (Interview OC-2).
with OCTAP. However, OCTAP actively performs outreach work to law enforcement agencies in the county to ensure that all are familiar with OCTAP and the taxicab requirements in Orange County (Interview OC-2, Interview OC-6).

OCTAP also reaches out to taxicab company owners, drivers, and to the public to educate all parties about taxicab service in Orange County. In addition, OCTAP investigates any public complaints and attempts to resolve issues by coordinating with taxicab companies, law enforcement, and city and county officials.

Like the MTS Taxicab Administration, OCTAP funds its programs on a fee-for-service basis; in other words, the Program is allowed to generate revenues to cover its costs, but not generate an additional profit.

Like MTS in San Diego, OCTAP is an administrative body for the cities and the county. Unlike the San Diego approach, however, policy is established within OCTAP by the Steering Committee. OCTAP has two policymaking committees. The OCTAP Steering Committee has one member from each participating city, a representative from the tourist industry, and two taxicab industry representatives. This committee guides OCTAP on policy issues, and every city (and the county) has to approve any “substantive changes” to policy (Interview OC-4). The OCTAP Public Safety Committee is composed of a law enforcement representative from each participating city. This committee guides OCTAP on issues relevant to public safety. The staff of OCTAP provide support and recommendations to the OCTAP Safety and Steering Committees (Interview OC-2).

State of the Industry in Orange County

OCTAP does not limit the number of taxicabs that operate in the County, and, as of 2009, there were 811 permitted vehicles in the County (OCTAP 2009). (An industry representative
puts that number at over 1,000 cabs today (Interview OC-5). However, Anaheim, being a tourism magnet with Disneyland, the Angels/Ducks sports arena, and a convention center, established a cap on the number of taxicabs and does so by awarding franchise agreements. As of 2012, the city limits the number of taxicabs at 250 and this is divided up among three companies (Interview OC-4). As shown in Table 13, this results in a density of 0.7 taxicabs per every 1,000 residents in Anaheim and 0.3 taxicabs per 1,000 residents in all of Orange County.

Table 13 Density of Cab Coverage in Orange County

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Orange county</td>
<td>3,010,232</td>
<td>811</td>
</tr>
<tr>
<td>Anaheim</td>
<td>336,265</td>
<td>230</td>
</tr>
</tbody>
</table>

Sources: OCTAP, US Census 2010, Author’s calculations

The City of Anaheim’s franchise agreement also establishes additional standards for taxicab companies to pick up passengers in Anaheim – for example, vehicles have to have hubcaps and be five or fewer years old (OCTAP allows vehicles to be up to ten years old), and drivers have to wear a tie (Interview OC-4). Anaheim is currently the only city in Orange County that has a franchise system, but the County also awards the right to pick up passengers from John Wayne Airport (Interview OC-4) and the Santa Ana Metrolink train station (Interview OC-3) through franchise agreements.

While numbers on the total number of passenger trips for the entire county are not available, the president of a large taxicab company estimated his annual passenger trips at about 688,000 with his fleet of 218 taxicabs. This business was split between dispatch trips (30%), airport trips (26%), and walk-up trips (44%) (Interview SD-4). If all taxicabs that operate in the county are similarly productive, this would result in an estimate of over 3.15 million passenger trips per
year by taxicab. By contrast, OCTA provided 55.7 million bus and paratransit passenger trips in 2010.\(^{66}\)

None of the interviewees mentioned a problem with bandit taxis, although the Taxicab Administrator mentioned that state-licensed limo drivers do poach some business from hotels. The Administrator is working with the state Public Utilities Commission to address the problem (Interview OC-2).

**Effects of the Regional Approach in San Diego on Cities and Companies**

When first created, a goal for a countywide program was to save money for the both public and private sectors (Interview OC-1). The OCTAP personnel I interviewed expressed the view that they have relieved regulatory time burdens for the industry and city employees alike. City agrees that having OCTAP relieves them of a regulatory burden, especially given than many of the companies are one to two vehicles (Interview OC-4). Cities reduce costs because OCTAP handles all the vehicle inspections and background checks (Interview OC-6). However, a representative one of the largest taxicab companies in the county believes that the OCTAP system actually costs him more money, simply because, prior to OCTAP, cities did not charge for inspections (if, in fact, they even did inspections) (Interview OC-3). OCTAP, however, charges $401 per vehicle for what he considers a “cosmetic” inspection (Interview OC-3).

A second goal was to provide consistent administration of taxicab regulations by establishing a consistent set of laws (Interview OC-1). In this, the OCTAP system seems to have succeeded. An enforcement officer with the City of Brea says that the OCTAP system facilitates enforcement for several reasons: all of the chiefs of police and the county Sheriff have signed a protocol allowing them to enforce laws relevant to commercial enforcement activities in each

\(^{66}\) National Transit Database 2010 data
others’ jurisdictions – this gives cities access to more personnel by borrowing from each other.

Having a consistent set of regulations makes such protocols more effective (Interview OC-6). An enforcement officer with City of Anaheim stated that having a uniform body for standardization ensures basic public safety (Interview OC-4). The representative of a large taxicab company stated that having a consistent set of standards levels the playing field for the industry so that everyone’s cost of operating legally is the same (Interview OC-5).

OCTAP Administrators also asserted that the centralized permitting process creates greater accountability for taxicab companies and drivers (Interview OC-1). A representative from a large taxicab company agrees, saying that OCTAP does a good job of drug testing, background testing, and monitoring compliance with insurance requirements, assuring a level of public safety for citizens of Orange County (Interview OC-5).

**Successes and Failures of the Orange County Regional Approach**

One area where OCTAP has experienced success is in the creation of a dialogue between regulators and the industry. OCTAP provides a transparent forum for creating new regulations, bringing different taxicab interest groups together on the Steering Committee so that stakeholders meet (Interview OC-6). This promotes a good dialogue between regulators and operators and centralizes communications – as a representative of the City of Brea said, “you know who to call if you have issues,” which is valuable (Interview OC-6). A representative of the City of Anaheim thinks that OCTAP “does a really admirable job in regulating a difficult-to-regulate industry” where things are dynamic and regulations always need to be reviewed and reexamined (Interview OC-4). Even a representative of a large taxicab company, who generally finds OCTAP “useless,” believes that the principles behind it are good (Interview OC-3).
Stakeholders see several areas for improvement, however; primary among those is the need to improve enforcement. While uniform standards make enforcement easier, actually ensuring that enforcement happens is a different story. Because OCTAP makes the rules, but cities enforce them, the representative of a large taxicab company stated there is a disconnect between regulations and their enforcement, which risks turning OCTAP into just an irrelevant “fee and penalty collection agency” (Interview OC-5). A City of Brea representative seemed to agree, saying that while efforts are being made to educate enforcement agencies about taxicabs, taxicabs are not a high priority for police departments (Interview OC-6). The representative of a large taxicab company expressed even stronger feelings, finding OCTAP useless in terms of enforcement. For his part, the OCTAP Taxicab Administrator recognizes that some cities are doing a better job than others at enforcing taxicab regulations, and is working to stay on top of cities to remind them of their obligation to enforce regulations under their agreement with OCTAP (Interview OC-2).

The OCTAP Administrator and the two private industry representatives I spoke with disagreed about OCTAP’s role in determining the size and number of companies that should be permitted to operate service. (It should be noted that both industry representatives were from larger companies; despite efforts to contact them, I was unable to speak with a representative of a smaller taxicab company. However, OCTAP’s Taxicab Administrator mentioned that even some of the small companies would like to temporarily suspend any new applications (Interview OC-2).) The OCTAP Administrator sees OCTAP’s role as balancing the needs of the many member cities; he says that some of the smaller cities like to support the smaller cab companies, and thus there is no OCTAP requirement for a minimum vehicle fleet size or strong dispatching requirements. Both large company representatives that I spoke with felt strongly that OCTAP
should play a stronger role in determining how many companies operate in Orange County. As the representative of a large taxicab company stated, there are over 1,000 taxicabs currently permitted in Orange County; three companies comprise 800 taxicabs, and the remaining 200 taxicabs are owned by 31 companies. From his point of view, this means that there are many one- or two-taxicab companies creating a lot of paperwork for OCTAP. Table 14 shows how the number of taxicabs and taxicab companies has grown from 2004 until today. Indeed, while the population of Orange County grew just over two percent and unemployment got worse, the number of taxicabs and taxicab companies almost doubled during this time. The representative of a large taxicab company would have OCTAP establish a minimum company size or a cap on the number of taxicabs (Interview OC-5), while a representative from a different large taxicab company would establish and enforce service requirements, such as computerized dispatching or having a maintenance facility; that would weed out smaller companies and raise overall service quality (Interview OC-3). Eliminating the smaller operators, the earlier representative says, would be fairer to larger operators because smaller operators skim the cream of easy walk-up business, taking good business from larger operators who do less lucrative dispatch business during the week (Interview OC-5).

Table 14 Number of Taxicabs and Number of Companies in Orange County over Time

<table>
<thead>
<tr>
<th>Year</th>
<th># of cabs</th>
<th># of companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>615</td>
<td>18</td>
</tr>
<tr>
<td>2009</td>
<td>811</td>
<td>25</td>
</tr>
<tr>
<td>2012</td>
<td>&gt;1,000</td>
<td>34</td>
</tr>
</tbody>
</table>


67 US Census population estimates
68 http://www.oceconomy.org/population/
The second representative of a large taxicab company resents the “two-tier system” that has resulted from the creation of OCTAP. In his point of view, he now has to pay OCTAP to issue permits for his company, vehicles, and drivers, but still cannot pick up passengers in the most valuable areas of the County – the Airport, the Metrolink station, and the City of Anaheim – because those areas franchise out the right to provide service (Interview OC-3).

Finally, there is disagreement between OCTAP and the private industry over what it means that the Taxicab Administration is part of OCTA, the larger transportation service provider. The OCTAP Taxicab Administrator thinks that this position within OCTA raises the profile of the taxicab industry within the agency overall, by having an Administrator-level position involved with the industry. He mentioned the opportunity to bring the taxicabs into the mix for OCTA’s paratransit operations as an example of a mutual benefit that results from proximity to OCTA: taxis now serve weekday overnight (6pm – 6am) and all-day Saturday paratransit operations (Interview OC-2). The taxicab industry thereby gets a new revenue stream and the agency gets an expanded fleet of accessible taxicabs. However, one representative from a large taxicab company thinks that the Taxicab Administrator, who is also in charge of several other OCTA programs (such as OCTA’s emergency roadside services) is too busy to really give the industry the attention it requires. While, overall, he thinks that OCTAP is headed in the right direction, he would like to see more attention on the industry’s pressing issues (particularly enforcement and the number of taxicabs) to be convinced that OCTAP is truly attuned to the industry’s needs (Interview SD-5).

As this short comparative discussion suggests, neither program has performed a thorough before-and-after study of taxicab regulation in their jurisdictions. What can Los Angeles County
learn from do these consolidated regulatory efforts in two neighboring counties? I consider this question in the next chapter.
Chapter 6 - What’s the Best Way?

My analysis of taxi cab regulation in three southern California counties shows that there are advantages to local control of taxi cab regulation, but these must be balanced against potential efficiencies of regional coordination. In this chapter, I examine lessons from the MTS and OCTAP case studies, and reflect on what the experiences in San Diego and Orange Counties indicate about the potential for a coordinated system of taxi cab regulation in Los Angeles County, and the potential for change.

As described in Chapter 2, the literature presents advantages and disadvantages of a local regulatory approach (see Table 2 in Chapter 2). The experience in Los Angeles County demonstrates some of these advantages of local control. Several cities have matched their taxi cab regulations to the local needs – for example, Santa Monica is trying to make its taxi cab fleets more environmentally friendly, reflecting that city’s green agenda (Interview LA-13); West Hollywood requires drivers to undergo sensitivity training to better serve the city’s gay, Russian, and senior populations (Interview LA-4). The City of Los Angeles has demonstrated that its policymakers understand the challenges of serving its many diverse markets by dividing the city up geographically and providing incentives to serve historically underserved areas. And the many regulators with whom I spoke were clearly knowledgeable about the industry, even if for most of them it is not their only duty.

However, the fragmented regulatory approach in Los Angeles County also presents evidence of many of the disadvantages identified in the literature. Duplicative and conflicting regulations are in abundance; the redundancy of background checks and vehicle inspections surely creates a regulatory burden on the industry. Differing fees and regulatory approaches change the cost of doing business (and the cost to customers) depending on the city. Until recently, the differing
regulatory approaches had resulted in a serious oversupply of taxicabs in Santa Monica and the western portion of Los Angeles.

Chapter 2 also described the advantages and disadvantages of the regional approach to regulation (again, refer to Table 2); both San Diego and Orange Counties reflect many of these advantages of the regional approach. Centralization of vehicle inspections and background checks helps avoid staff duplication, and a standardized set of regulations avoids redundancy in adjacent communities. While it is not certain from my investigation that regional regulations minimize costs to the industry in Orange County, it does appear clear that cities have been able to reduce personnel costs by having functions centralized. The regional systems have provided a forum for the taxicab industry to get more involved in planning for the taxicab regulatory system and perhaps to get more involved in paratransit operations; however, it is not clear that this has promoted any sort of macro-level shift toward public transportation. A theoretical disadvantage of regional regulation is that it is simply not implementable because cities prefer local control; clearly, San Diego and Orange counties have shown that a system can be implemented. However, as San Diego County’s experience shows, not all cities will necessarily join or stay involved. Finally, both systems do have a “one size fits all” approach to taxicab safety regulations.

In reality, the approaches in San Diego and Orange Counties reflect a blended approach. In both counties, cities have released control over the most basic of taxicab safety functions – vehicle inspection and background checks – and allowed the regional authority to take over. However, cities have retained control over policy issues where they have a strong interest to do so. Where the taxicab market is particularly valuable – such as in San Diego, Anaheim, and at airports and transportation centers – cities or airports have retained controls over entry and even
bid out the right to provide service there. Where tourism is a key industry – such as in Anaheim – the city has imposed higher standards for drivers and vehicles in order to promote the image of the city. A “one-size-fits-all” approach to all aspects of taxicab regulation would likely never work in such a diverse place as Los Angeles County, but the hybrid experiences of Orange and San Diego counties show that it does not have to. In the concluding chapter, I consider an approach for Los Angeles County and some additional areas of research.
Chapter 7 – Policy Implications and Suggestions for Further Research

The need for some sort of coordinated system of regulations in Los Angeles County is clear. The need is so obvious that one city regulator I interviewed was certain that “someone must have looked at this before.” (If anyone has, their report is well hidden!) A member of the taxicab industry stated flatly that countywide regulation in Los Angeles County is an idea whose time has come. Ultimately, bringing the taxicab industry into the regional transportation planning efforts of the County will have positive effects for the taxicab industry, for taxicab regulators and enforcement agencies, and for taxicab consumers.

Los Angeles County is in the enviable position of being able to benefit from the experience of its neighbor counties. By learning from the experiences of Orange County and San Diego County administrators, borrowing the best practices of each, and tailoring the practices to the special conditions of Los Angeles County, taxicab regulators have the opportunity to start a strong system of regional taxicab regulation.

A coordinated system of regulations could imply several different directions of coordination. At the extreme coordinated end of the spectrum, all municipalities and unincorporated areas of Los Angeles County could decide to have identical regulations, with a single regulatory board to certify and monitor all Los Angeles County taxicabs. A less drastic notion of coordination could simply identify where regulations are already identical – and therefore redundant – from jurisdiction to jurisdiction. Somewhere in the middle lies a solution in which a regional regulatory body sets minimum standards that individual cities can choose to follow or enhance with stricter regulations via franchising agreements.

A system of coordination that pairs county-wide regulation of standard items (such as driver background checks and taxicab vehicle inspection) with municipal-level oversight on the number
of taxicabs permitted in each city could allow some of the best of both local and regional approaches. Items that differ very little from city to city could be dealt with by specialists in those functions, instead of being a side-line job function for city employees who do not really know a lot about the service; items that differ greatly from city to city, such as the types and amounts of taxicab services needed, could be dealt with by those who know them best – the local officials and policymakers. To better integrate taxicabs in regional transportation planning, the Los Angeles County Metropolitan Transportation Authority (Metro) should be involved in the process, either as an eventual board / committee member, or as the actual regulatory body. (Metro operates transit and paratransit services; therefore, integrating taxicabs into fixed-route transit systems as part of “last-mile” solutions or to assist with paratransit operations would necessarily involve the agency.) A smaller regional body, such as a sub-county council of governments (COG), might make a good place to examine the issue on a sub-county basis because the COGs already have a working relationship and may face similar issues. The Westside Cities Counties COG or the South Bay Cities COG may be good places to start.

At the same time, there are several barriers to implementation of a county-wide approach to taxicab regulation in Los Angeles County. First, unlike in San Diego and Orange counties, where there were clear catalysts for a regional approach (the side-effects of deregulation and the El Toro Airport/Rose Bowl boosters, respectively), Los Angeles County cities do not appear to be pushing for a regional approach. An issue that might be a catalyst – the bandit cab issue – is being addressed by franchising (i.e., tighter local control), not regionalization. A related issue to lack of a catalyst is the lack of a champion for the effort to regionalize and lack of a clear body to assign the regulation to. Finally, as tables 8, 9, and 10 showed, cities currently charge many fees for the privilege of providing taxi services within municipal borders. With city budgets already
lean, sacrificing a revenue source is probably not a very attractive prospect; however, even under a regional system, cities can still charge lucrative franchise fees.

It is also clear that there are many potential areas for further research on the taxicab industry, both in Southern California and across the country:

1. Taxicab franchising is a burgeoning practice in Los Angeles County, and taxicab companies and regulators should know more about it. In particular, research could describe current practices and franchising rate levels, and examine the effects of franchising on different sized taxicab companies as well as on drivers.

2. Coordinated systems of regulation exist nationwide, but they are still the exception. Research on the costs of regional versus municipal regulation would be helpful in determining which system was most appropriate. In addition, research that helps develop criteria for success of regional regulation would also help evaluate the success of such programs. Contrasting the costs of administration and enforcement - as well as the revenues earned from various fees – at the city level versus the regional level would also be an interesting research opportunity.

3. No systematic evaluation of either the MTS or OCTAP Taxicab Administration program currently exists. Documenting the costs to and effects on quality would also help in the evaluation of regional taxicab regulation programs.

4. The issue of enforcement of taxicab regulations could be a thesis in itself, and research on successful enforcement programs would benefit regulators and the legitimate taxicab industry greatly. The issue of enforcement would go hand-in-hand with a study of bandit taxis, especially in the city of Los Angeles.
Los Angeles County should be doing everything it can to make use of existing transportation services. It is failing at this point to do so with the taxicab industry. The County enjoys an extensive taxicab network, but that network is fractured and over-burdened by duplicative regulations, and it is left out of the regional transportation planning network. Industry members are ready to make a coordinated system of regulations happen. Some coordination already exists between cities, and city regulators are sympathetic to the regulatory burdens that the taxicab industry must endure. Implementing a more coordinated system of taxicab regulation that involves a regional planning agency would do much to bring the taxicab network closer to its full potential as a transportation provider.
Interview guide for cities in Los Angeles County

Background questions:
1. What is your current position/agency?
2. How long have you been in your current position?
3. What is your total time working in the taxicab industry?

Questions on taxicab regulation:
1. As you may know, San Diego and Orange counties have a county-wide system of regulation (compared to the Los Angeles County approach of city-by-city regulation).
   a. What do you think about county-wide approaches to taxicab regulation?
2. What sorts of regulations (e.g., safety rules, inspection, licensing, permitting, etc.) do you think could lend themselves to county-wide or regional approaches?
   a. What issues do you feel are best left up to each city?
3. What sort of collaboration, if any, already happens today across city lines? Do you work with any of your neighboring cities on taxicab issues? If so, what sort?
4. What sort of collaboration happens with taxicab companies?

2. Researcher and industry expert Bruce Schaller has described eight elements of a well-functioning taxi system. (See below.)
   • Stakeholders recognize the importance of considering the needs and interests of other stakeholders
   • Operators and regulators focus on managing change rather than resisting it
   • The number of cabs is consistent with the demand for taxi service
   • There is reliable, prompt telephone dispatch service
   • Matching supply and demand of stand, hail, and airport trips and ensuring accountability of drivers
   • Identifying the right number of operators/operating companies and the role of competition in the area’s taxi industry
   • A good mix of people involved in industry and government: forward-looking cab company managers and adaptive and resourceful regulators
   • Respective and constructive relationship between the industry and the regulators

How do you think the current system of regulation in Los Angeles County contributes to reaching those goals? What would you change, if anything, to make those goals more achievable?
Interview guide for taxicab administrators in San Diego and Orange Counties

Background questions:
1. How long have you been in this current position?
2. How long with OCTA/MTS?
3. Have you worked in taxicab administration in other areas of California or the country?

Taxi regulation questions:
1. When, how, and why was the taxicab administration formed?
2. What is the scope of SDMTS’s/OCTAP’s responsibility in taxicab regulation?
3. Do you provide feedback to cities about overall taxicab policy, such as the number of taxis that should be licensed, or rates, etc.?
4. What feedback do you hear from cities, and from taxi operators, about the taxicab administration?
5. How do you collect this feedback?
6. Do you do customer satisfaction surveys for cities? For taxi operators?
7. Do you think/know that the current system saves money for the taxi industry? How about for cities?
8. How do you think the administrative structure in Orange County affects the end customer, if at all?
9. Do you have a sense of how many trips are made across city lines?
10. What works well about the current administrative structure?
11. What changes would you make if you could?
12. What sort of coordination does the Taxicab Administration do with the larger agency it works within (OCTA, MTS) on transportation planning issues?
13. What sort of coordination does the Taxicab Administration do with regional transportation planning agencies like SCAG/SANDAG?
14. Researcher and industry expert Bruce Schaller has described eight elements of a well-functioning taxi system. (See below.)
   • Stakeholders recognize the importance of considering the needs and interests of other stakeholders
   • Operators and regulators focus on managing change rather than resisting it
   • The number of cabs is consistent with the demand for taxi service
   • There is reliable, prompt telephone dispatch service
   • Matching supply and demand of stand, hail, and airport trips and ensuring accountability of drivers
   • Identifying the right number of operators/operating companies and the role of competition in the area’s taxi industry
   • A good mix of people involved in industry and government: forward-looking cab company managers and adaptive and resourceful regulators
   • Respective and constructive relationship between the industry and the regulators

How do you think the current system of regulation in SD/OC County contributes to reaching those goals? What would you change, if anything, to make those goals more achievable?

Other contact info:
1. Could you put me in touch with personnel in the cities who work on taxicab issues with you?
2. Could you put me in touch with any taxicab operators who work with the taxicab administration?
Interview guide for Taxi Owners/Operators in San Diego and Orange Counties

Background information:

1. What is your current position (title, job, etc.)?
2. How long have you been working in the taxicab industry in total (no matter the location)?
3. How long have you been working in the Orange County taxicab industry?

Questions about OCTAP and regional taxi regulations:

1. Tell me a little bit about your business (whatever you are willing to share).
   a. Where does most of your business come from? Do you serve mostly dispatch, street hail, airport pickup customers?
2. Explain the process you go through to in order to become a provider of taxicab services in Orange County. What sorts of licenses/permits do you need? Who issues those licenses/permits?
3. Do you (or your company) provide taxicab services in multiple cities in Orange County?
4. If you worked in the industry before OCTAP was in place, what has changed since it was established?
5. Do you now or have you ever provided taxicab services in other places besides Orange County? (Or, are you familiar with the Los Angeles County taxicab regulatory environment?) If so, what are your thoughts on the way Orange County regulates its taxicabs versus other places in Southern California?
6. Researcher and taxi industry expert Bruce Schaller has described eight elements of a well-functioning taxi system. (See below.)
   • Stakeholders recognize the importance of considering the needs and interests of other stakeholders
   • Operators and regulators focus on managing change rather than resisting it
   • The number of cabs is consistent with the demand for taxi service
   • There is reliable, prompt telephone dispatch service
   • Matching supply and demand of stand, hail, and airport trips and ensuring accountability of drivers
   • Identifying the right number of operators/operating companies and the role of competition in the area’s taxi industry
   • A good mix of people involved in industry and government: forward-looking cab company managers and adaptive and resourceful regulators
   • Respectful and constructive relationship between the industry and the regulators

How do you think OCTAP contributes to reaching those goals? What would you change in order to reach those goals?

7. Do you have any other thoughts about a regional approach (as compared to a city-by-city approach) to taxicab regulations?
Interview guide for Representatives of Cities in Orange County or San Diego County

Background questions:
1. What is your current position/agency?
2. How long have you been in your current position?
3. What is your total time working in the taxicab industry?

Questions on taxicab regulation:
1. Does your city participate in the regional system under OCTAP or MTS? When and how did your city decide to participate in the MTS/OCTAP taxicab administration program?
2. Were you involved in taxicab industry issues before the establishment of OCTAP/MTS Taxicab Administration? If so, what has changed since the regional approach has been in place?
3. What do you think about county-wide approaches to taxicab regulation?
4. What sorts of regulations (e.g., safety rules, inspection, licensing, permitting, etc.) do you think could lend themselves to county-wide or regional approaches?
5. What issues do you feel are best left up to each city?
6. Researcher and industry expert Bruce Schaller has described eight elements of a well-functioning taxi system. (See below.)
   • Stakeholders recognize the importance of considering the needs and interests of other stakeholders
   • Operators and regulators focus on managing change rather than resisting it
   • The number of cabs is consistent with the demand for taxi service
   • There is reliable, prompt telephone dispatch service
   • Matching supply and demand of stand, hail, and airport trips and ensuring accountability of drivers
   • Identifying the right number of operators/operating companies and the role of competition in the area’s taxi industry
   • A good mix of people involved in industry and government: forward-looking cab company managers and adaptive and resourceful regulators
   • Respective and constructive relationship between the industry and the regulators

How do you think the current system of regulation in San Diego or Orange County contributes to reaching those goals? What would you change, if anything, to make those goals more achievable?
SAMPLE LETTER OF RECRUITMENT

Dear Sir/Madam,

I am a graduate student in the Urban Planning program in the School of Public Affairs at UCLA. In my thesis, I am looking at taxicab regulation in Southern California, specifically looking at the regulatory systems in San Diego, Orange, and Los Angeles counties. I am interested in comparing the county-wide approaches taken in San Diego and Orange counties, and applying any lessons learned to the city-by-city approach in Los Angeles County.

I would like to understand the cities' points of view on how successful this approach is in achieving their goals for taxicab service and operations.

To that end, I would like to schedule a phone interview with you, in the next two weeks if possible. Would you be available for a short (30-45 min) interview by phone? I would send you the questions in advance, although I imagine we might diverge slightly from the questionnaire as we discuss things.

I hope I can have the opportunity to speak with you!

Thank you in advance for your assistance.

Sincerely,

Amy Ford(-Wagner)
University of California, Los Angeles

CONSENT TO PARTICIPATE IN RESEARCH

*Taxicab Regulation in Southern California: A Comparison of Orange and San Diego County Approaches and Their Applicability to Los Angeles County*

Amy Ford-Wagner from the Department of Urban Planning at the University of California, Los Angeles (UCLA) is conducting a research study.

You were selected as a possible participant in this study because you are involved in the taxicab industry, in a public administrative or enforcement role or in a private taxicab company. Your participation in this research study is voluntary.

**Why is this study being done?**
In Los Angeles County, regulation of taxicabs is done on a city-by-city basis. In San Diego County and Orange County, regulation is performed at the county level, but with different approaches taken. This study will compare the approaches taken in San Diego and Orange counties and analyze whether the approaches could be applicable to Los Angeles County.

**What will happen if I take part in this research study?**
If you volunteer to participate in this study, the researcher will ask you to do the following:

- Participate in a 30-45 minute phone interview at a date and time of your choosing
- You will be asked about your experience in the taxicab industry and your opinion of the regulatory approach taken in your county or city

**How long will I be in the research study?**
Participation will take a total of about 30-45 minutes for the phone interview, with possible follow-up questions by email in the week following your phone interview.

**Are there any potential risks or discomforts that I can expect from this study?**
- There are no anticipated risks or discomforts.

**Are there any potential benefits if I participate?**
The results of the research may contribute knowledge to our understanding of whether a regional approach to taxicab can relieve a regulatory burden on private taxicab owner/operators and an administrative burden on cities.

**Will information about me and my participation be kept confidential?**
Any information that is obtained in connection with this study and that can identify you will remain confidential. It will be disclosed only with your permission or as required by
law. Confidentiality will be maintained by keeping interview notes stored on researcher’s private laptop and on an external hard drive that is not connected to the internet.

What are my rights if I take part in this study?
• You can choose whether or not you want to be in this study, and you may withdraw your consent and discontinue participation at any time.
• Whatever decision you make, there will be no penalty to you, and no loss of benefits to which you were otherwise entitled.
• You may refuse to answer any questions that you do not want to answer and still remain in the study.

Who can I contact if I have questions about this study?

• The research team:
  If you have any questions, comments or concerns about the research, you can talk to the researcher or her faculty advisor. Please contact:

  Researcher:
  Amy Ford-Wagner
  Phone: [redacted]
  Email: [redacted]

  Faculty Advisor:
  Brian Taylor
  Phone: [redacted]
  Email: [redacted]

• UCLA Office of the Human Research Protection Program (OHRPP):
  If you have questions about your rights while taking part in this study, or you have concerns or suggestions and you want to talk to someone other than the researchers about the study, please call the OHRPP at (310) 825-7122 or write to:

  UCLA Office of the Human Research Protection Program
  11000 Kinross Avenue, Suite 211, Box 951694
  Los Angeles, CA 90095-1694

Please keep a copy of this document for your records.
REFERENCES


National Transit Database. 2011. “San Diego Metropolitan Transit System (MTS).”


