



The Research Bureau

**Testimony on Livery Regulations
Worcester City Council
December 4, 2012
Roberta R. Schaefer
President**

Based on our research, The Research Bureau believes it would be unwise to implement the proposed regulations for the following reasons:

- There is widespread consensus among economists that restricting the number of medallions is detrimental to the public interest.
- Restrictions reduce the incentives for providers to offer the best or most reliable service.
- They cause prices to be higher than they otherwise would be- one study showed that Boston's fares averaged 11% higher than Indianapolis which eliminated its medallion system.
- By restricting the number of livery medallions, government has created a monopoly to comply with taxi medallion holders who claim they are facing "unfair" competition. Would you restrict the number of supermarkets that could be opened in a given area to protect existing supermarket owners against what they perceived as unfair competition? Such restrictions would hardly be beneficial to shoppers in the same way that limiting medallions is not beneficial to passengers.
- Conversely, deregulation benefits the consumer. When airline fares were deregulated during the 1970's, the result was a lowering of fares that opened air flight to millions of new customers-even though companies that were unable to keep up with the competition were bought out or went out of business. Why shouldn't Worcester residents, particularly those with limited means who may lack automobiles and thus are most dependent on taxis or liveries, similarly be offered the opportunity to obtain the most economical service?
- Since driving a taxi or livery is a relatively unskilled type of labor that does not require particular educational qualifications, limiting the number of taxis and liveries restricts opportunities available to poor people, including immigrants. A study by the US DOT back in 1975 found that if restrictions on the number of taxis were lifted, 38,000 new jobs would have been created in the taxi industry nationwide. Given population growth especially in urban areas, the number of new jobs that could be created today would probably be triple that number.
- Restrictions on the number of taxis are probably what caused the rise of the livery industry in Worcester. By restricting the number of liveries, the City Council is repeating the same mistake. If there are not enough taxis or liveries, and the restrictions are too onerous to comply, gypsy cabs will find a way into the market and evade city safety regulations.
- The sale of a medallion amounts to a windfall profit; it does not result from any service to the public, but are monopoly profits conferred by the government on some lucky individuals who obtained the initial medallions. In most private enterprises, it is expected that business owners will recoup their costs and be rewarded for their labor simply by earning profits from

their business operations that cover their costs and reward their labor-without the need for a governmentally imposed monopoly to provide additional gains. It is not like a physician selling his practice which includes his patients and his reputation for having treated their illnesses, and hopefully, having cured them.

- Finally, these regulations, along with the limits on the number of liveries will be even less enforceable as a consequence of new technology. There are now several companies operating in about 20 cities in the US and abroad using a smartphone app with GPS technology to make it easier for consumers to hail taxis or livery vehicles on demand. There is no need for a central dispatch system. Even though taxi companies are objecting to the use of this technology and government is trying to maintain the status quo, the technology will spread, even to Worcester, making it increasingly difficult to preserve the conventional taxi business through enforcement of municipal ordinances. The Council is engaged in the defense of an outmoded business model, and the City has no obligation to protect existing commercial enterprises against newer and potentially more efficient competitors.
- As forward-thinking legislators, it is our hope that you will embrace the new technology. While major cities are tied up in legal battles over these apps, we encourage you to ask the City's Law Department to figure out how to license these companies to operate here. Worcester could become the first medium-size city to have this new technology operational. About two decades ago, the Worcester City Council had the foresight to enact ordinances that would attract biotech companies. We need to be attuned to the latest possibilities and figure out how Worcester can benefit if we are to live up to our motto of "a city on the move."