

# **Minneapolis Taxicab Vehicle Licenses Convenience and Necessity**

## **Department of Regulatory Services, Division of Licenses & Consumer Services**

### **SUMMARY June 21, 2006**

The purpose of the Convenience and Necessity requirement is to evaluate whether additional vehicle licenses in the taxicab industry would improve the level and quality of service to the City's citizens.

This summary sets out some of the key testimony and documents relating to these convenience and necessity requirements (Ord. 341.270). These hearings took place in the City of Minneapolis, City Hall on May 17<sup>th</sup> and June 7<sup>th</sup>, 2006. In determining whether public convenience and necessity warrant additional licenses, the Department of Regulatory Services, specifically the Division of Licenses and Consumer Services, examined and will examine the different petitions that proponents and opponents have submitted in writing and public testimony. The City Council will be able to review these documents and determine whether there is a need for additional licenses in the City of Minneapolis. In addition, we have included the names of the companies who are proponents and those who are opponents of additional vehicle licenses. During the review of these statements and documents, the following criteria are taken into consideration:

- 1) The level and quality of service being provided by existing taxicab operators;
- 2) Whether additional competition would improve the level and quality of service or the degree of innovation in delivery of services;
- 3) The impact upon the safety of vehicular and pedestrian traffic;
- 4) The impact upon traffic congestion and pollution;
- 5) The available taxicab stand capacity;
- 6) The public need and demand for service;
- 7) The impact on existing taxicab operators;
- 8) And such other factors as the City Council may deem relevant.

#### **Public Comments**

At the May 17<sup>th</sup>, 2006 hearing 9 people testified in front of the PS&RS Committee. At the June 7<sup>th</sup>, 2006 hearings 40 people testified. A total of 22 people made statements in favor of more licenses. The remaining 27 people were opposed to additional licenses.

#### **Comments Divided by Criteria**

The following breakdown is based on the testimony heard on May 3<sup>rd</sup> and June 7<sup>th</sup> of 2006 at the PS&RS hearings.

##### **1. The level and quality of service being provided by existing taxicab operators.**

Most of the favorable comments on the current industries service were from the owners and operators of licensed taxicabs. For example, Samuel Zach Williams stated based on reports there are very few complaints about the service relative to how many individuals are being transported. Another taxicab driver stated that very few people during the hearing were addressing how good the service is in the city.

The proponents of additional taxi cab vehicle licenses have said that there is an untapped niche in the market for their service especially in communities where English maybe their customers

second language. The general concept was the current industry is not addressing the needs of the Hispanic community.

**2. Whether additional competition would improve the level and quality of service or the degree of innovation in delivery of services.**

Dr. Fruin, a Professor of Applied Economics at the University of Minnesota, stated that in case studies he found that fares and service would improve in a free market industry. One example of a city deregulating their taxicab vehicle cap is Indianapolis. In Professor Fruin's submitted statement he listed a couple of improvements when it came to service when the Indianapolis market was deregulated. The improvements include: the total number of taxis increased; there was a large increase in new companies; service complaints decreased; and the average waiting time was cut by 50%.

Generally, taxicab owners and operators believe that there is not enough business as stated by Bari Niaz, Owner of AYS and President of the Organization of Taxi Owners and Drivers. The industry firmly believes that more licenses are not needed given the current business demand and their willingness to hire any qualified candidate regardless of their ethnic background.

**3. The impact upon the safety of vehicular and pedestrian traffic.**

Very few people addressed this specific criterion in their statements. Those in favor of additional taxicab vehicle licenses stated they will result in more safety and comfort of people they are serving.

One individual said with additional taxicabs, drivers would be closer to customers which would reduce traffic congestion.

**4. The impact upon traffic congestion and pollution.**

A taxicab driver stated that he worried about pollution and the future of his children. He believed additional taxicabs would have a negative impact on our environment. Those who want to enter the market believe additional cars would actually reduce traffic and pollution. The Deputy Director of Licenses and Consumer Services, Ricardo Cervantes, reported in his presentation the available federal incentives for new fuel efficient vehicles but there was no substantial discussion during the public comment period.

**5. The available taxi stand capacity.**

A few comments were made by the industry in regards to there being a lack of space for additional companies. Luis Caire-Tonarelli, a proponent of more licenses, stated he believed that the taxi stands that were shut down in the neighborhoods of South Minneapolis should be reopened because of the loss in business.

**6. The public demand for service.**

The industry was adamant that there is barely enough business for current companies to stay open. Bari Niaz stated that business was slow and there is a lot of turnover because the market is not large enough. Numerous drivers reiterated business was slow.

The proponents argue that there is an undeveloped niche in the market for bilingual drivers, specifically the Hispanic community, because of the growing Hispanic population. Luis Caire-Tonarelli reflected this in his statements made before the committee on May 17<sup>th</sup>, 2006.

Nabi Ali, Gold Star Taxi, presented 44 letters from hotels in the suburbs to the counsel. Since the close of the hearing, he stated he would submit 9 more letters. In the letters received from the hotel industry, they have been suggesting to their residents that they stay within the suburb boundaries because taxi drivers take a long time to pickup people; sometimes the taxis never show up; or the taxis from Minneapolis get lost in the suburbs because they are only familiar with Minneapolis. Currently, suburban based taxi companies can drop people off within the city but cannot pick-up individuals unless it is setup as a limo type service. Mr. Ali estimates he loses at \$8,000 a day because he cannot pickup customers.

## **7. The effect on current taxi cab operators.**

Samuel Zach Williams stated that currently taxi jobs provide for livable wages and more licenses would jeopardize taxicab drivers' livelihood. In addition, Bari Niaz, said that taxi license holders have worked 10-15 years to raise approximately \$25,000 to purchase their own taxi vehicle and license.

Many owner/operators have said they are counting on the money they earned to subsidize their retirement. A taxicab driver stated that cab drivers do not have medical, a 401k, or pensions. These licenses are their livelihoods.

Current taxicab owners have invested a lot of money for the privilege of operating a taxicab in the current system created by the City of Minneapolis. There is a substantial risk to current owners if additional licenses are issued because of the money they have invested in their business.

## **8. Additional factors the city counsel may deem relevant:**

- Many of the proponents of additional taxicab vehicle licenses have stated they just want the opportunity to conduct business in the City and the current structure does not allow them to.
- Dr. Fruin, Professor of Applied Economics at the University of Minnesota-Twin Cities, stated and submitted in writing that he believes the current system is flawed because it creates a monopoly on taxicab vehicular licenses. In his submission he writes, *"A public convenience and necessity standard or any other artificial restriction on taxi vehicle licenses is detrimental in that they allow and encourage monopoly-seeking that leads to economic inefficiencies, the misallocation of resources, restricted service and the stifling of innovation."*
- Low Emissions, Alternative Fuels, Fuel Efficient, and Hybrid Taxicab Vehicles  
Ricardo Cervantes, Deputy Director of Licenses and Consumer Services, included the use of hybrids as taxicabs in his presentation on June 7, 2006. El Toro Taxicab Company is considering the use of hybrid vehicles in their fleet. With quality of life being so intertwined in our environment and economy, many believe it is important we address this issue.
- Wheelchair Accessible Taxicab Vehicles  
There have been complaints that wheelchair accessible vehicles used by current taxicab businesses do not have enough vehicles to meet the current demand. In addition, when

wheelchair clients make calls to taxicab companies that have wheelchair accessible vehicles, the vehicles can take hours to arrive, or do not show up. Even when wheelchair clients have called 4 – 5 hours in advance to arrange a scheduled pickup time, the current businesses with wheelchair accessible vehicles have failed to pick them up, leaving individuals stranded. Imagine buying a plane ticket and a taxicab never arriving to pick you up to transport you to your flights. Some companies have contracted out but these fees are often many times more expensive than the service provided by a taxicab.

**May 17<sup>th</sup>, 2006 – Taxicab Public Hearing Comments**

	<b>Speaker</b>	<b>Proponent of Licenses</b>	<b>Opponent of More Licenses</b>	<b>Council Considerations Addressed by Speaker</b>	<b>Speaker's Profession</b>
1.	Solomon Charans		X	5, 6	Airport Connect
2.	Luis Caire-Tonarelli	X		1, 2, 6, 8A, 8B	Business Consultant
3.	Dan Kennedy	X		6, 8A	Attorney – A New Star Taxi
4.	Gidion Adeda		X	6, 7	Taxi driver/ operator
5.	Nabi & Sam Ali	X		1, 2, 6, 7	Owners – Gold Star Taxi
6.	Raymundo Hernandez	X		3, 6, 8A	Citizen
7.	Paul Morocho	X		2, 8A	Applied for License
8.	Patricio Cojomoera	X		8A	Citizen
9.	Abolisalom Hoshim	X		2, 6, 8A	Bloomington City Taxi

**June 7<sup>th</sup>, 2006 – Taxicab Public Hearing Comments**

10.	Fr. Lorenz Hubbard	X		2, 6, 8A	Priest
11.	Monica Romero	X		3, 6, 8A	Latino Economic Dev. Center
12.	Ismail Abdi	X		8A	Not identified
13.	Bari Niaz		X	6, 7, 8C	Pres., Org. of Taxi Owners & Drivers Owner AYS
14.	Nick Ronyes	X		2, 8B	Staff Attorney Institute for Justice
15.	Nicoli Gonzalez	X		2, 3, 6, 8A	Baker
16.	Samuel Zach Williams		X	1, 2, 6, 7, 8B	Rainbow Taxi
17.	Levan Belya		X	8A	Not identified
18.	Abdi		X	7, 8A	Taxi Driver

19.	Lebon Ali		X	6, 7, 8A, 8C	Taxi Driver
20	Gilatow Bashaa		X	1, 7, 8A	Taxi Driver
21.	Tesama		X	7, 8A	Taxi Driver
22.	Daniel Tokka		X	8A	Taxi Driver
23.	Rafael		X	4, 6, 7	Owner of Moralis Taxicab
24.	Fasad Guangi		X	4, 5, 6	Owner/Operator
25.	Jerry Fruin	X		1, 2, 3, 4, 8B	Professor, UofM
26.	Mohamad Ishmoui		X	2, 8C	Taxicab Owner
27.	Bacibal Aiona		X	1, 8A	Taxi Driver
28.	Mike Seafet		X	7	Not Identified
29.	Saleam Saleem		X	1, 7, 8C	Taxi Driver/Owner
30.	Waleed Sonbol		X	7, 8B	Blue & White Taxi
31.	Darui Fuidi		X	1	Taxi Driver
32.	Tony Ounya		X	7	Taxi Driver
33.	Manuael Nanal	X		1, 2	New Star Taxi
34.	Mark Shields		X	7, 8A, 8B	Manager, Rainbow Taxi
35.	Fred Niaz		X	5, 7	Skybird Taxi
36.	Absher Ali		X	7, 8A	Taxi Driver
37.	Saddad Hussein		X	7	Taxi Driver
38.	Luis Garcia	X		1, 2, 8A	Taxi Driver
39.	Sahhad Gulistani		X	4, 7, 8A	Owner/Operation/Driver
40.	Yahnos Gistani		X	3, 7	Not Identified
41.	Pat White		X	1, 2, 7	Red & White Taxi
42.	Carlos Ellesaka	X		8A	Ecuadorian Limo Service
43.	Paulina	X		2, 8A	New Star Limo
44.	Nabi Ali	X		1, 7	Gold Star Taxi
45.	Not Identified	X		1, 2	Co-Owner Gold Star
46.	Berry Niaz (spoke twice)		X	8	Pres., Org. of Taxi Owners & Drivers Owner AYS
47.	Schwebi Yusef	X		1	Blue & White Taxi
48.	Luis Polkar	X		1, 2, 8A	Taxi Driver
49.	Alberto	X		8	Alberto's Taxi

<u>Category Number</u>	<u>Council Considerations</u>
1	The level and quality of service being provided by existing taxicab operators;
2	whether additional competition would improve the level and quality of service or the degree of innovation in delivery service;
3	the impact upon the safety of vehicular and pedestrian traffic;
4	the impact upon traffic congestion and pollution;
5	the available taxicab stand capacity;
6	the public need and demand for service;
7	the impact on existing taxicab operators;
8	and such other factors as the city council may deem relevant. a) Language/Cultural b) Monopoly on the Business c) Illegal Cabs

**Written Affidavits/Comments Submitted:**

<b>Company</b>	<b>Address</b>	<b>Phone</b>	<b>Proponent of Adding Licenses</b>	<b>Opponent of Adding Licenses</b>
<b>Gold Star</b>	1027 west 80 <sup>th</sup> St Bloomington, MN, 55420	952-881-4444	Yes	No
<b>New Star Limousine and Taxi Services</b>	2400 Minnehaha Ave s APT 204, MPLS, MN, 55404	612- 772-4449	Yes	No
<b>East African Cabdrivers Association</b>			Yes	No
<b>Bloomington City Taxi LLC</b>	2838 Stevens Ave, MPLS, MN, 55408	612-333-3311	Yes	No
<b>Ecuadorian Express, Limo and Taxi service</b>	2851 Central Ave, NE, MPLS	612-788-0607	Yes	No
<b>Toro Taxi</b>			Yes	No
<b>Marellos Taxi</b>			Yes	No
<b>Blue &amp; White Taxi</b>	800 Washington Ave. # 650, MPLS, 55401	612 333-333	No	Yes

Listed below are the names of people who submitted written statements or Affidavits supporting additional vehicle licenses.

1. Nabil Ali and Sam Ali
2. Professor Jeremiah Edward Fruin, PhD
3. East African Cabdrivers Association
4. Bloomington City Taxi
5. Luis Paucar
6. Aaron NGO
7. Paulina Espinoza
8. Maria Cumbe
9. Jose Paucar
10. Iliana Lopez
11. Alfanso Paucar
12. Paulina Espinaza
13. Roben Dario
14. Ruben Alvarado
15. Rosa Comoz
16. Jose Gomaz
17. Aida Luceio
18. Jose Puna
19. Daniel Chiqvi
20. Manuel Naula
21. Luis Humberto Caire-Tonarelli, Consultant/J.D.

Following is a summary of the documents submitted by those listed above:

1. **Gold Star Taxi** Company is owned by Nabil and Sam Ali.  
This company would like to expand their taxi services in the City of Minneapolis. They state that demand for service in Minneapolis has been increasing and at the same time complaints from suburban hotels and tourists about Minneapolis taxicabs have been increasing. According to Gold Star Taxi, major complaints about taxicab companies are as follows:
  - Excessive waiting time for pick up
  - Drivers lack of knowledge of the suburbs, for example, they get lost on the return
  - Overcharging occurs as a result of the driver getting lost

Gold Star has submitted letters of support from 53 hotels which are located in the surrounding Metropolitan areas. Gold Star Taxi concludes its statement saying they strongly support the City of Minneapolis deregulating taxi licenses due to their findings.

2. Dr. Fruin supports deregulation of the taxi licenses.

He is an associate professor of Applied Economics at the University of Minnesota; Center of Transportation Studies. The professor has been at the University of Minnesota since 1975 doing research and teaching about transportation. Dr. Fruin mentioned in his statement three types of transportation regulation: economic regulation, safety regulation, and customer fraud regulation. He focused on the first point regulation to entry. The professor's argument is to eliminate the taxicab vehicle license cap or restriction on the number of taxi licenses. He believes such a restriction is called "rent seeking", which is when established firms seek to reduce competition and protect monopoly profits. He argues deregulating taxi services will bring more benefits and will

increase the quality of the taxi industry. According to the professor, in “cities that have deregulated taxi services, quality has not suffered, but has improved.” He believes more taxi licenses mean more jobs. According to the Dr. Fruin, the Federal Trade Commission conducted an economic analysis of taxicab regulation. The FTC report concluded at most no persuasive economic rational is available to support important regulations. “Restrictions on the total number of firms and vehicles and on minimum fares waste resources and impose a disproportionate burden on low income people. A number of cities have achieved favorable results by deregulating entry to the market, which typically accounts for a round 75% of all cab trips, similarly, there is no economic justification for regulations that restrict shared ride, dial-a-ride, and jitney services.” Also, he mentioned in his statement in the same case study of three cities: City of Indianapolis, New York City, and New Zealand. He concluded that as a result of taxi reforms, Indianapolis, the number of taxis working on the street increased from 225 to 500, the number of taxi companies increased from 26 to 70 - 40 of which were owned by minorities or women. Some of the other benefits of deregulation that the professor mentions were fares decreased, service complaints declined, and the average waiting time for arranged services had dropped by more than 50%. There are other similar findings on the other city’s case study. Dr. Fruin concluded his statement saying that there is no reason for a permanent cap on taxi licenses, much less the public convenience and necessity. He also believes an increase in the number of cabs will increase the number of jobs in the industry and increase total employment. And finally he adds “Increasing the number of cabs will decrease the need for autos or additional autos in some households with a resulting small reduction in pollution and congestion.”

3. **New Star** is also another taxi company who are trying to obtain Taxi Vehicle Licenses from the City of Minneapolis. New Star has submitted a document which includes an eight step approach on obtaining new licenses. Also, New Star submitted more than 15 personal affidavits of support. Some of their approach steps are the financial capability and responsibility. According to the New Star, their profitable business is an estimated net worth of \$219,770.00. They are stating that the New Star’s financial capability and responsibility, sufficiently can justify the issuance of a least 15 new regular taxicab vehicle licenses. Their other argument is that they have prior experience in the taxicab business. They stated their company has more than 10 years of experience in the taxi industry. They state that New Star has a level of quality of taxicab services provided by the applicant in the past, in areas such as Richfield and also maintains State of Minnesota Department of Transportation Limousine Licenses. New Star concluded their statement that the applicants prior experience in providing neighborhood services. Their business plan is to expanding neighborhood services throughout the city, based on their success in the Latino market within the limitations imposed by current licensing regulation.
4. The fourth company that is seeking taxi licenses from the City of Minneapolis is **Bloomington City Taxi LLC**. This company states that they get 25-30 calls per month from the Somali community living in Minneapolis. They argue that the Somali community does not get quality service from Minneapolis taxicabs.
5. The final company is **East African Cabdrivers Association** who are also seeking taxi licenses. This association mentioned in their letter that they have been serving the Minneapolis community for many years, and have been waiting for this opportunity for a long time. Therefore, they are asking the City of Minneapolis to include them if there is are any additional licenses issued. This association includes, Ethiopian, Somalian, and Eritrean.



6. This is a summary of a written statement to Ricardo Cervantes, Deputy Director, Licenses & Consumer Services, by **Mr. Luis Humberto Caire-Tonarelli's**.

In the introduction of Mr. Luis Humberto Caire-Tonarelli's submitted statement, he wrote how he was disappointed with the two minute time limit on testimony because it did not give speakers the ability to articulate their views. Following the introduction, Mr. Luis Humberto Caire-Tonarelli wrote why he believes there is a need for additional taxicab vehicle licenses in the City of Minneapolis. He broke it down by the use of criteria stated in ordinance 341.270. The following is a summary of his major points.

- 1. The level and quality of service being provided by existing taxicab operators.**

Forty-four hotels have complained about some of their guests calling for taxicab service and the taxicab never arriving. This may result in a bad tourist experience for people coming to Minneapolis. In addition, he states, imagine if the industry does not respond to phone calls during a convention.

The statement also makes reference to poor service in which taxicabs are untidy or trips are unnecessarily long. He pointed out the current drivers' appearance at the hearing as an example of his perception of drivers' untidiness.

He also reiterates his displeasure in the current system, which licenses are sold at a price that the market will bare, roughly \$25,000, with the City of Minneapolis knowing about it and allowing it to continue.

- 2. Whether additional competition would improve the level and quality of service or the degree of innovation in the delivery of services.**

He believes that it is important to realize if there was innovation in the current industry they would be catering to the Hispanic community already. Currently, he writes, the industry lacks vision and hard work. He cites the underutilized wheelchair accessible vehicles as an example of a lack of vision.

- 3. The Impact upon safety of vehicular pedestrian traffic.**

Existing taxicab vehicles have passed DOT inspections and carry Form E vehicle insurance.

- 4. The impact of traffic congestion and pollution.**

New companies may offer car pool rates to make service more affordable. Car pooling will reduce congestion on busy roads and highways. El Toro Taxi is exploring the use of hybrids vehicles in its fleet to reduce emissions.

- 5. The availability taxicab stands capacity.**

Many Hispanic businesses are letting limousines park in their lots to serve their customers. This service provides convenience to its business patrons.

- 6. The public need and demand for service.**

Mr. Caire-Tonarelli's statement refers to Father Lorenzo Hubbard's congregation that uses taxis and has had a great experience with Morelos Taxi. Many people in the Hispanic community are underserved by the current industry especially those customers that have no drivers licenses, and the elderly.

He states, “The fact that these companies have not conducted any outreach to the Hispanic community has created this need and demonstrates a lack of poor business judgment and innovation.”

**7. The impact on existing taxicab operators.**

- i. Poor business judgment by not serving the Hispanic Community.
- ii. Outrageous prices some immigrant drivers paid for taxicab vehicles.
- iii. Originally, did not need the Hispanic market to survive.
- iv. The ordinance states that the city counsel is the only entity that can issue licenses.