

Private Carriers and Urban Transportation

Workshop 3 Resource Paper

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It is evident to those of us in the industry that change in the method of providing transportation to the public has been needed for many years. If the need was evident, why did change fail to occur? Now, as mass transit declines, the change is an absolute necessity if urban communities are to survive. Paratransit seems to be the best available mechanism toward which to direct that change.

CURRENT ROLE OF PRIVATE CARRIERS

Paratransit and Mass Transit

Public transportation is now divided into 2 modes: mass transit and demand-responsive transit. In the past, virtually all forms of public transportation were privately owned and operated. Mass transit provided transportation along fixed routes, had regulated rates, and was required to provide service wherever needed, whether profitable or not. Demand-responsive transportation operated as a private corporation. The requirement that rates be set at a profitable level made public financing attractive, while franchise arrangements made public financing possible. From the middle of the nineteenth century to the present, mass transportation has gradually become publicly owned through public subsidy, and demand-responsive transportation has remained privately owned and operated.

The demise of mass transit was largely brought on by political forces (low rates of fare were attractive to the riders who were also the voters) and uneconomic labor rules, both of which made a profitable operation impossible. The result was a default in public obligations that made further public financing of equipment impossible. Demand-responsive transportation providers managed to delay the onset of the effects of the same conditions that destroyed mass transit.

Perhaps it would be fruitful to consider the possibility of halting this change of direction by combining the dissimilar conditions noted above: requiring demand-responsive transportation providers to carry passengers who need the service, even though the trip may not be financially profitable, and subsidizing either the rider or the carrier to the extent that individual and public need requires.

The role of providers of mass transit public passenger transportation in the past was greater than that of carrying passengers from one point to another. Thus, with no public subsidy even considered, service sufficient to meet the requirements of public convenience and necessity was expected and, in capital-intensive forms of trans-

portation, the quid pro quo for unprofitable forms of service was the franchise. Demand-responsive forms of transportation were not so regulated, and otherwise unprofitable service was rendered profitable by increased charges.

In the past, the definition of the role of each form of transportation was simplistic to say the least. But as mass transit became publicly owned and fell into economic bad times in which service has been reduced in some places and has totally disappeared in others, demand-responsive transportation provided all other service. Private owners and operators have continued to provide all other service during this period, but they are now in imminent danger of financial trouble.

If we are at a turning point, that fact should be noted. Is private ownership in the public interest? If so, shall it be assured by subsidy to the carrier, to the passengers, or to both? The last transit disaster came at the same time that a revolution occurred in vehicles. We are surely coming to another crossroads in vehicles. Will that cause another financial disaster? The awkward, and indeed dangerous, use of vans for lack of a better vehicle presages the arrival of something new in the foreseeable future.

Private Carriers

The operators of non-mass-transit public transportation provide all forms of transportation service: taxicab, limousine and livery, jitney, non-fixed-route bus (school bus, sightseeing bus, airport bus, charter bus), dial-a-ride vehicle, and demand jitney. Few provide more than one type of service, and, although their methods of operations are quite similar, their fleets range from 1 to several thousand vehicles.

Services Provided

Variations in the kind of service provided by private carriers turn largely on the degree of privacy desired by the passenger first hiring the vehicle, the capacity of the vehicle, and the control over the points of origin and destination of the trip and the route traveled.

Private, demand-responsive transportation consists of a trip in a vehicle responding to the demand of the passenger, who has sole control over the number and identity of other passengers, the points of origin and destination, and the route to be traversed. The service is usually, but not necessarily, rendered by taxicabs, limousines, and liveries.

Group, shared, or multiple rides in pure demand-responsive transportation lack the privacy and control over the number and identity of other passengers and, to a limited degree, the route. Generally, a group ride consists of a number of passengers who enter the vehicle at one origin point, disembark at one destination point, and together pay a single fare. A shared ride consists of a trip in which passengers enter at one or more origin points, disembark at one or more destination points, and pay separate fares. A multiple ride consists of a trip in which passengers enter at a single origin point, disembark at one or more destination points, and pay separate fares. The service is usually, but not necessarily, rendered by taxicabs, limousines and liveries, and demand jitneys.

Group, shared, or multiple rides in limited demand-responsive transportation consist of a trip in a vehicle that is usually (but not necessarily) larger than a taxicab or limousine and that (depending on the type of service) may or may not (but usually does) come to the origin point of the trip of each passenger in response to his or her demand and goes to each passenger's destination point, which may or may not be (but usually is) his or her choice. The passengers share the use of the vehicle with other passengers not of their choice. The service is usually, but not necessarily, rendered by sightseeing bus, airport bus, charter bus, dial-a-ride vehicle, and demand jitney.

Vehicles Employed

Obviously there are many practical, but few intrinsic, limitations in the type of vehicle that can be used to render any type of demand-responsive transportation. Local regulations, however, often make many and varied distinctions. The spectrum of possibility extends from vehicles with seating capacity for 3 passengers and the chauffeur to large buses. Generally, the services employ the following vehicles.

1. Taxicab service is usually provided in a vehicle that has seating capacity for no more than 6 (sometimes 5) passengers and the chauffeur and is equipped (in most instances) with a taximeter. Depending on local regulations, the service can be rendered by the same vehicle used for limousine and livery service. Most relevant is the requirement for taxicabs to have a taximeter, which is forbidden to limousines and liveries.

2. Limousine and livery service is usually provided in a vehicle that has seating capacity for no more than 7 passengers plus the chauffeur. A taximeter is forbidden, but some jurisdictions permit limousine or livery service to be rendered in a taxicab with the taximeter covered or rendered inoperative. Depending on regulations, the service can be rendered by the same type of vehicle as is used for jitney service. (Few jurisdictions authorize jitney service.)

3. Jitney service is not strictly a demand-responsive transportation service because it normally operates along fixed routes; but, unlike a mass transit bus, it can deviate from the route to deliver passengers to their destinations. The service can be rendered by a taxicab, a limousine, a livery, a van, or a "stretchout" (an 11- to 15-passenger vehicle with automobile rather than bus characteristics).

4. Non-fixed-route service consists of a wide variety of transportation services for groups larger than those normally transported by demand-responsive transportation. It is usually rendered by school buses, sightseeing buses, airport buses, and charter buses. Regulations ordinarily relate to seating capacity, such as 12 to 25, 26 to 30, or more than 30 passengers.

5. Dial-a-ride transportation is a new concept in demand-responsive transportation service and is still in experimental stages. The service can be provided with any of the vehicles mentioned and has no existing regulation.

6. Demand-jitney service can be rendered by any vehicle that is ideally larger than a taxicab (depending on the load demand) and smaller than a bus and is equipped with a radio so that it can respond to orders for service by picking up passengers not along its fixed route. Vans and buses load at a slow rate and thus are not practical, and larger buses encounter traffic difficulties on most urban side streets. There are no regulations concerning demand jitney.

Passengers

To adequately consider transportation service requirements and their relation to existing and nonexistent but needed public and private transportation facilities, we must have a far clearer picture of the prospective passengers than we now have. Who are they? How many are there? Where are they? Where must they travel to? Where do they want to travel to? What can they afford to pay? What are they willing to pay? Passengers can be divided into these groups:

1. Business passengers, including residents, commuters, and visitors;
2. Nonbusiness passengers, including those going to and from employment, making personal business trips, and going to and from special events; and
3. Passengers on special trips, including elderly and handicapped, children, and special groups.

Within each of these groups are potential passengers that can be characterized as follows in relation to demand-responsive transportation:

1. Those who can and are willing to pay for the desired transportation;
2. Those who, because of need and inability to use alternative modes, must pay;
3. Those who are unable to pay and thus may never become passengers;
4. Those who are able to pay but are unwilling to do so at current prices and who have been diverted to less desirable alternative modes such as mass transit or private automobile; and
5. Those who are able to pay current prices but are unwilling to do so and thus may never become passengers.

Financial Potential of Demand-Responsive Transportation

Most mass transit is publicly owned and financed; most demand-responsive transportation is privately owned and financed. Presumably the latter will provide paratransit service. Research is needed on each of the various types of passengers, discussed earlier, in the area under study. First, we must ascertain the number of passengers on a daily basis, the origin and destination of each trip, the length of each trip, the purpose of each trip, the time of day of each trip, the method of transportation used, the operating cost of each trip, the operating cost for each passenger, the fare charged for each trip, and the source of the funds that paid for each trip. Second, we must ascertain the market potential for both conventional demand-responsive and paratransit modes. This will require an analysis of the various groups of potential passengers: Where are they? Where do they want to go? What can they afford to pay? What new revenues can paratransit develop? Third, we must ascertain the shifts that would occur in the identity of the passenger groups with the introduction of a new mode of transportation such as paratransit, in whatever form it may take in the particular community. Fourth, we must ascertain the shifts that would occur in the identity of the passenger groups with the introduction of a new mode of transportation that would charge less than the full cost and perhaps charge nothing. In summary, we must produce an estimate of

1. The nature and amount of paratransit facilities required,
2. The nature and amount of paratransit facilities desirable,
3. The cost of rendering paratransit service,
4. The extent to which the service can be expected to be self-sustaining,
5. The extent to which the service must be subsidized,
6. The extent to which the service should be subsidized, and
7. The nature and extent of the charges (if any) that should be paid by all or some of the passengers.

CURRENT ISSUES FACING PRIVATE CARRIERS

Virtually all current issues began at the end of World War II. Conditions existing at that time that contributed to changes in the industry and its regulation include the following.

1. Vehicles operated by fleets were in poor condition because of shortages in vehicles and parts;
2. New vehicles became available to returning veterans on a priority basis, and a black market sprang up in new vehicles, which the fleets could not enter;
3. Reluctance on the part of public officials to enforce regulations against the veterans spawned thousands of illegal taxicab and livery operations, many of which were not operated by veterans;
4. These illegal operations soon banded together into fleets that were also immune;
5. Two-way radio became available;
6. Substandard insurance companies sprang up to insure the new operations; and
7. The fleets did not or could not compete for the market and the status quo became a fait accompli.

The ensuing 30 years saw the steady decline of mass transit and the growing responsibility of demand-responsive transportation to provide for the public's transportation requirements. The last few years brought the availability of the computer, which may turn out to be paratransit's *sine qua non*.

Local Regulation

Regulation of demand-responsive transportation service has historically revolved around the concept of one type of service to be rendered by one type of vehicle. The reasoning behind this regulatory philosophy is based purely on public demand: Those who used demand-responsive service were able and willing to pay for the cost of privacy; the rest of the public used mass transit. There was no reason or pressure to regulate change. Recent years, however, have brought a new concept of the nature of the market:

1. The demise (or severe illness) of mass transit has brought a larger segment of the population into the market, sometimes against its will;
2. Another segment of the population has enjoyed an increase in its financial resources and has likewise entered the market;
3. Great increases in operating costs have rendered the future of demand-responsive transportation in its traditional form perilous; and
4. A public recognition has arisen that transportation is a public service to which everyone is entitled and which is necessary for the well-being of the community.

Many needed improvements in practice would long since have been implemented if they were not inhibited by local regulations, some of which (unless modified) may also inhibit the development of paratransit.

1. Various types of operations are restricted. Group or shared rides, since they provide more revenue per trip with only slight increase in cost, would appear to be an obvious method of providing more transportation facilities and producing greater income. These are almost universally forbidden for many reasons other than historical usage: ease of imposition on the riders, possibility of molestation of passengers, increase of service refusals, impossibility of revenue accounting and tax collection, difficulty of radio dispatching. Multiuse of vehicles has the same economic advantages, and in addition greater use of the vehicle becomes possible. Multiuse of vehicles is commonly forbidden but not so universally as group riding. The reasons, other than historical usage, are, for example, that regulation becomes virtually impossible because the regulators cannot easily determine the mode in which the vehicle is operating at any particular time, that compelling the provision of service at undesirable times is impossible, and that equipment is downgraded to a least desirable common denominator. Pools, a recent concept, are forbidden by exception rather than intent; but they probably will, in time, become acceptable. Consider, however, the difficulty of obtaining public liability insurance for car pools. Are the riders passengers? Are they passengers for hire? Are the cooperators public carriers? What are the legal responsibilities from one to another? These problems, and others, must be considered.

2. Restrictions result from rate regulations. This inhibition is entirely historical: Wider use of demand-responsive vehicles is inhibited by the fact that rate structures do not permit greater charges for the more expensive operations involved in the various proposed forms of paratransit. Presumably, this is from ignorance rather than intent and rates will change when new forms of transit emerge.

3. Public liability insurance regulation, unlike the inhibitory aspects discussed above, has lagged. Undesirable transportation operations are now permitted to continue in business far beyond the point of bankruptcy. Required limits are low in the light of verdicts currently being rendered in personal injury cases. And, since it seems evident that the public will be subsidizing paratransit, to some extent at least, consideration should be given to the extent to which insurance should be required or recoveries limited.

4. The free entry theory postulates that anyone should have the right to enter the industry without limitation on the number of licenses; this is another topic that is so complicated that limited time does not allow its discussion. All but 3 cities (and one of these is on the verge of changing its regulation) limit the numbers of licenses of demand-responsive vehicles; but the limitation of numbers is not deemed to be a factor that should inhibit the implementation of paratransit.

5. Oddly enough, at the head of the list of omissions in local regulation is the mere authorization of paratransit concepts such as demand jitney and dial-a-ride. Aside from the concept of providing this service with some other type of vehicle, which often is prohibited, the fact is that in most cases the proposed paratransit operations are not even mentioned in local regulations. It would seem that these changes should not be difficult to implement.

Legislative Unprofitability

Demand-responsive transportation is unprofitable. Presumably, as in any business, increases in costs of labor and materials can be met by increases in fare rates. But this industry is faced with cost increases that result from legislative acts and that go far beyond ability of the industry to recoup by greater fares. This situation creates financial problems for paratransit that in all likelihood must be met by subsidy. These problems include

1. Constantly rising minimum wages (this problem lies in the future when chauffeurs lost their exemptions from overtime provisions);
2. Skyrocketing costs of workmen's compensation, unemployment insurance, pensions, and taxes;
3. Doubling of gasoline costs;
4. Imposition of regressive taxes such as gross receipts taxes and head taxes; and
5. Increasing public liability claims at astonishing rates.

Relations With Federal Government

Demand-responsive transportation generally is regulated locally and should have little, if any, relation with the federal government; however, that is not true in practice. These relations are varied and constantly shifting and involve fuel (price, allocation, and tax); vehicles; minimum wage laws; equal employment opportunity laws, safety laws, and reporting requirements of various departments of the federal government. Demand-responsive transportation operators have little, if any, direct relation with the federal government concerning the vehicles they operate. Indirectly, of course, they are greatly affected by cost as a function of the manufacturer's underlying costs of labor, materials, and taxes; standards; and vehicle design.

NEEDED RESEARCH

A major research need for the industry is the implications and problems underlying the exposure of all public carriers to liability arising from the operation of the various vehicles discussed. Many practical questions need to be answered by means of research.

1. Is public liability insurance in high limits available at any cost? If so, at what cost?
2. Is public liability insurance in high limits available for comparatively small or new transportation providers? If so, at what cost?
3. Is public liability insurance available in reliable companies? If so, is it available in high limits? Is it available from reliable companies for new or small transportation providers?

4. Would passengers willingly give up the opportunity to recover damages from paratransit carriers?

5. Would the public be willing to give up the opportunity to recover damages from paratransit carriers?

The results of this research are, of course, going to have impact on the financial considerations of paratransit; but they will also be a key to the solution of the problem of free entry because much of the opposition to that theory turns on the availability of public liability insurance, and particularly its high limits.