



**House
Legislative
Analysis
Section**

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REGULATE LIMOUSINE SERVICE PROVIDERS

**House Bill 4661 as enrolled
Third Analysis (12-10-90)**

**Sponsor: Rep. Curtis Hertel
House Committee: Transportation
Senate Committee: State Affairs, Tourism &
Transportation**

THE APPARENT PROBLEM:

The Motor Bus Transportation Act, which regulates those who operate motor vehicles used to transport more than ten passengers for hire within the state, generally applies to persons who operate charter buses for hire, but also applies to limousine service providers whose vehicles can carry more than ten passengers. Many limousine operators, however, use vehicles that hold fewer than ten passengers and, thus, are not regulated under the act. According to some estimates, there currently are over 200 limousine service companies doing business in the state, which together operate over 800 vehicles in livery service. Some people feel that because limousines apparently are being used more and more by the general public, some regulation of the industry is needed to ensure public safety. To address these concerns, legislation has been introduced that would require, among other things, the licensing of limousine carriers, that limousines pass annual safety inspections, and that limousine operators meet minimum liability insurance requirements before they could operate their vehicles in the state.

THE CONTENT OF THE BILL:

House Bill 4661 would create the Limousine Transportation Act to regulate persons who transport passengers by limousine and would prohibit the operation of a limousine unless the vehicle was operated in accordance with the bill. A "limousine" would be defined as a self-propelled motor vehicle for carrying passengers and their baggage for hire over a public highway with a seating capacity of fifteen passengers or less, including the driver. The definition would not include vehicles with a passenger capacity of 15 or less used to transport an employer's workers to and from their place of employment.

Applications for Certificates of Authority. With certain exceptions, the bill would prohibit limo carriers from operating a limousine for the transportation of persons for hire without first obtaining a certificate of authority from the Department of Transportation. Persons that leased a limousine to any other person for the transportation of passengers for hire would be required to inform any person leasing the vehicle of the requirements of the bill on the motor vehicle lease agreement.

The department, without a hearing, would have to issue the certificate authorizing a person to transport passengers by limousine subject to departmental jurisdiction, if the department found the applicant was fit, willing, and able to provide services authorized by, and to comply with, the bill; also, the applicant would have to show evidence that he or she had acquired the insurance coverage required by the bill. The department could attach terms or conditions to the privilege granted by the certificate of authority as it considered appropriate. An applicant for an original certificate would have to pay the department a filing fee of \$300 and a fee of \$50 for each limousine that would be used by the carrier to provide transportation for hire.

All revenues collected pursuant to the bill would have to be deposited into the Comprehensive Transportation Fund.

In determining the fitness, willingness, and ability of an applicant, the department would have to consider all of the following before issuing a certificate:

- the applicant's safety record;
- whether the character and condition of each limousine was such that it could be operated upon public roadways, based on a safety inspection required by the bill. The safety inspection would have to be conducted by a certified mechanic at a registered motor vehicle repair facility that was designated by the department as an inspection station, or by a county, city, village, or township according to the bill's provisions. Any limousine that could not pass the required departmental safety inspection could not be operated on public roadways; and
- the applicant's financial ability to provide continuous insurance coverage and to have adequate financial resources in order to pay for damage claims against the applicant.

A county, city, village, or township that had adopted a local ordinance to regulate limousines or a limo carrier within its corporate limits could perform the safety inspection required by the bill upon the request of the limo carrier. This inspection would have to meet or exceed the requirements and standards of the department safety inspection. A limo carrier who had a safety inspection performed by a municipality could receive a certificate by providing the department with a copy of the safety inspection report, meeting the insurance and "fitness and ability" requirements of the bill, and paying a fee of \$5 times the number of limousines inspected.

The department would have to approve or deny an application for a certificate within 90 days after the complete application was filed with the department. If the department denied an application, it would notify the applicant in writing of the reason or reasons for the denial, and the applicant would have 30 days from the date of the denial to correct any deficiency and reapply without payment of an additional fee.

Liability Insurance. An applicant would have to acquire the following insurance coverage for acts or omissions of the applicant as a limo carrier of passengers, and would have to maintain this coverage as a condition of maintaining a certificate of authority:

- for limousines with seating capacity of one to nine passengers including the driver, bodily injury and property damage liability insurance with a minimum combined single limit of \$1 million for all persons injured or for property damaged;
- for limousines seating 10 to 15 passengers including the driver, a minimum combined single limit of \$2 million liability insurance (for all persons and their property); and

- personal protection insurance and property protection insurance as required by the Insurance Code.

An applicant who did not satisfy both requirements for liability insurance coverage for passengers and the fitness and ability criteria could not be issued a certificate of authority to provide limousine transportation service. Also, if a certificate holder's insurance were canceled for any reason the carrier's certificate would be considered revoked without any further departmental action.

Certificate Renewal. All certificates allowing their holders to provide limousine transportation service granted by the department would terminate annually on the last day of February unless renewed on or before that date with payment of the proper fees. The renewal fee would be \$50 times the number of limousines used exclusively by the carrier to provide transportation of passengers for hire. An annual renewal fee of \$500 would have to be paid for any limousine that did not meet the annual renewal inspection requirement. Also, a maximum fee of \$50 would be charged to obtain a current-year certification for each newly acquired limousine.

A certificate holder that was delinquent in paying fees would have its certificate canceled and revoked on or after March 1 of the year for which renewal should have been made, and would be prohibited from operating any of its vehicles in the state. Further, all privileges that had been granted the carrier under the certificate would cease.

Safety Inspection. The bill would require each certificate holder to have each of its limousines inspected annually by a mechanic certified under the Motor Vehicle Service and Repair Act at a motor vehicle repair facility (registered under the same act) that was designated by the department as an inspection station. Each limousine would be required to pass a safety inspection that met the department's specifications for safe operating character and condition for certification renewal. A limousine that failed to pass a required safety inspection could not be operated in the state.

Enforcement Provisions. The department could use all available legal and equitable remedies of a civil nature to enforce provisions of the bill, or of rules promulgated pursuant to the bill. The department could employ experts, assistants, inspectors, and other personnel as were necessary, subject to civil service rules, to permit it to administer and enforce the bill. A department employee could not ask or receive any fee from a person for taking acknowledgments or any other service. State and local police officers would be required to enforce the bill, and peace officers would have to arrest, on sight or upon warrant, any person found violating or having violated a provision of, or a rule promulgated under, the bill. The bill would require the attorney general's office and county prosecuting attorneys to prosecute all violations of the bill. Further, a violation could be prosecuted in any jurisdiction in or through which a limousine implicated in a violation was present at the time of violation.

Penalties, Fines. Under the bill, a certificate holder, or an officer or agent of the holder, who required or permitted a person to operate a limousine in violation of the bill would be guilty of a misdemeanor and could be punished by a fine of not more than \$500 or by imprisonment for up to 90 days, or both. Each person subject to the bill who operated a limousine service without first having obtained a certificate of authority or having met the bill's insurance requirements would be subject to a fine of up to \$500, and each violation would constitute a separate offense. A person who committed fraud, misrepresentation, trickery, or deceit in connection with inspections conducted under the bill would be

subject to a fine of up to \$500, and each violation would constitute a separate offense.

The department could alter, suspend, or revoke a certificate issued under the bill if it determined in a contested case hearing held pursuant to the Administrative Procedures Act that a person to whom a certificate had been issued had willfully violated or refused to comply with the bill. A person could not violate or evade the provisions of the bill through any device or arrangement. The department would have to promulgate rules to implement the bill pursuant to the Administrative Procedures Act, and the rules would have to include standardized forms to be used by all certified mechanics performing inspections as required by the bill. Further, the department would have to include criteria for the designation of registered motor vehicle repair facilities as inspection stations for limousine inspections.

Exemptions. The bill would exempt limo carriers that were any of the following:

- A county, city, township, or village as provided by law, or another authority incorporated under Public Act 55 of 1963, which provides for mass transportation system authorities;
- An authority that was incorporated under the Metropolitan Transportation Authorities Act or that operated a transportation service pursuant to an interlocal agreement under the Urban Cooperation Act;
- An authority incorporated under the Public Transportation Authority Act or a nonprofit corporation organized under the Nonprofit Corporation Act that provided transportation services; or
- An authority financing public improvements to transportation systems under the Revenue Bond Act.

Also exempt from the bill would be limo carriers that operated under a contract entered into pursuant to Public Act 8 of 1967, which provides for intergovernmental transfers of functions and responsibilities, or pursuant to Public Act 35 of 1951, which authorizes intergovernmental contracts between municipalities if they only operated limousines to transport passengers for funerals and only operated wholly within the boundaries of a local governmental unit if the local unit had its own safety inspection and insurance requirements. Further, the bill would not apply to limo carriers that only provided transportation "using metered vehicles identified as a taxi or taxicab with a maximum seating capacity of three to nine passengers or less, including the driver." Limo carriers of passengers that were exempt under the bill would be required to operate under the bill's requirements when they operated outside of the political subdivisions permitted by the authorizing statute or the contract required by the authorizing statute.

FISCAL IMPLICATIONS:

According to the Senate Fiscal Agency, the bill would increase revenues to the state by about \$120,000 during the first year after its effective date. This amount is based on Department of Transportation estimates of 200 limo companies, 1,200 limousines, and the fees specified in the bill (\$300 for a certificate of authority and \$50 per limousine). In subsequent years, revenues to the state would depend on the number of limousines used for hire in the state, where certificate holders would have to pay a \$50 renewal fee per limousine. Additional revenues would be generated from newly acquired limousines. Further, the department would collect a \$5 fee per limousine to review a non-departmental inspection report. All revenues collected pursuant to the bill would be deposited into the Comprehensive Transportation Fund. (11-6-90)

ARGUMENTS:

For:

The growth of the limousine service industry in Michigan over the last five years necessitates that the state provide guidelines for limousine carriers and their vehicles. While the Motor Bus Transportation Act covers larger limousines, smaller vehicles that are capable of holding only nine passengers or less are not regulated at the state level. Some municipalities, such as the city of Detroit, do regulate limousine carriers that operate within the municipality, and provide guidelines relative to minimum insurance requirements and vehicle safety inspections. The bill would set minimum licensing and insurance requirements that would have to be met by all limousine operators and, perhaps most importantly, would require annual safety inspections for limousines. Limousine carriers could have their vehicles inspected either by a mechanic designated by the Department of Transportation or by the local governmental unit in which they operate, and all inspections would have to meet minimum state standards. Further, the department could use all available legal and equitable civil remedies to ensure that limousine carriers operate in a safe and responsible manner.

Against:

While most agree with the general thrust of the bill, some people feel there are questions within the limousine industry that should be answered before legislation is adopted. For instance, under the bill a limousine would have to be insured for \$1 million or \$2 million based on its seating capacity. Some people believe the determination should, instead, be based on a vehicle's gross vehicle weight capacity. In fact, according to data from the National Highway Traffic Safety Administration, the longer "stretch" limousines are potentially more dangerous than shorter ones as a larger amount of weight rests between a longer wheel base. A spokesperson from one limousine manufacturer says it no longer builds the longer vehicles for this very reason. More data should be reviewed relative to limousine safety before the state adopts laws it may have to change later.

Response: Whether the required amount of insurance coverage is based on a vehicle's seating capacity or its gross weight capacity matters little, as a vehicle that carries more passengers will not only be longer but also heavier. In any case, the state should provide at least some regulation of a rapidly growing segment of the commercial transportation industry — limousine service providers — as more and more people are entrusting their safety to limousine drivers. If necessary, the bill's provisions could be altered later to reflect changes in the industry itself or action taken at the federal level to evaluate or regulate the industry.