

LIMOUSINE & LUXURY CAR REGULATION

House Bill 5812 (Substitute H-2) First Analysis (11-29-00)

Sponsor: Rep. Rick Johnson
Committee: Transportation

THE APPARENT PROBLEM:

The Consumer Affairs Department of the City of Detroit has regulated cars for hire since 1930--including taxi cabs, luxury sedans, limousines, and vans with fewer than 15 seats--under its own local ordinance. Under that ordinance, taxi cabs are required to carry a Detroit bond plate. Until the early 1990s, the city also regulated limousines (sometimes called luxury cars, or 'black cars'), and required that they also carry a bond plate. According to committee testimony, the bond plate system was established in 1946, after World War II, in order to offer returning servicemen business opportunities. The number of bond plates--1,310--was set at that time. Today the bond plates are bought and sold on the open market and their cost ranges from \$10,000 to \$20,000.

A 'bond', or operating right, is a legal property right, and is readily transferable, subject to the city ordinance. Often the bond plates are sold in a 'package' together with cab fittings that enable an owner to retrofit an automobile and open a car for hire business. Every year for the past 25 years, about 20 percent of the 1,310 bond plates have changed ownership. The market transactions are done without brokers, and the city is not involved in the sale or resale of the bond plates. However, if a driver wants to purchase a bond plate, he or she can inquire about their availability in two city departments, the Consumer Affairs Department and the Public Vehicle Bureau. Although these departments do not sell bonds, they often know of potential sellers since they regulate operators.

Although taxi cabs are regulated by city ordinance, limousines are not. Instead, since 1990 the luxury sedan business has been regulated by the state under Public Act 271 of 1990, the Limousine Transportation Act. (See *BACKGROUND INFORMATION* below.) The state law does not require limousines to carry the bond plate that is required by the city ordinance in Detroit. Nonetheless, the city has attempted to enforce the bond plate requirement whenever luxury cars pick up fares within the city limits. However, some judges

in the 36th District Court have dismissed tickets for luxury car operators, citing the superceding state law which seems, by their interpretation, to preclude city regulation of the luxury sedan business. One judge has suggested that a change in the state statute be sought in the legislature, in order to clarify the ability of the city to license luxury car operators.

Since luxury sedans need not purchase a bond plate, limousine operators in the city have lower business costs than cab companies, and the cab companies argue this gives the luxury car businesses an unfair advantage as the two kinds of cars-for-hire compete for riders who pay their fares. There have also been reports that the number of luxury car operators has increased since the casinos have opened in Detroit, causing taxi cab companies to lose fares.

In order to ensure that both kinds of cars-for-hire incur similar business costs, some have proposed legislation that would require regulation of limousine carriers by both state statute and local ordinance, in large cities where such a local ordinance is in place.

THE CONTENT OF THE BILL:

House Bill 5812 would amend the Limousine Transportation Act to require a limo carrier of passengers that operates class B class limousines for the purpose of picking up passengers within a city with a population of 750,000 or more to comply with the vehicle for hire ordinance of that city, with respect to those limousines. However, a limo carrier of passengers could remain in the city during a given trip for the sole purpose of picking up the same passengers that the limo carrier originally brought into the city on that trip.

Currently the law requires a limo carrier to obtain a certificate of authority from the Department of Transportation. Under the bill, that certificate of

authority could be obtained for operation of either class A limousines or class B limousines, or both.

Finally, the bill would define "class A limousine" to mean a limousine with a seating capacity of not less than seven passengers but not more than 15 passengers including the driver. Further, it would define "class B limousine" to mean a limousine with a seating capacity of less than seven passengers including the driver.

MCL 257.1907

BACKGROUND INFORMATION:

Public Act 271 of 1990. Before the legislature passed the Limousine Transportation Act in 1990, there were an estimated 200 limousine service companies doing business in the state, which together operated over 800 vehicles. If the vehicles were used to transport more than 10 passengers for hire, they fell within the regulatory purview of the Motor Bus Transportation Act. However, limousines equipped to carry nine or fewer passengers were not regulated at the state level. According to the legislative analysis of House Bill 4661 as enrolled, published on 12-10-90 by the House Legislative Analysis Section, some municipalities including the city of Detroit did regulate limousine carriers within the municipality, and in doing so provided guidelines to ensure minimum insurance requirements and vehicle safety inspections. When adopted the state law superceded the local ordinance. In order to maintain their certificates of authority, the state law requires limo carriers of one- to nine-passenger vehicles to purchase bodily injury and property damage liability insurance with a minimum combined single limit of \$1 million, and for limousines seating 10 to 15 passengers, \$2 million liability insurance.

FISCAL IMPLICATIONS:

According to the House Fiscal Agency, the bill has no apparent fiscal impact. (11-29-00)

ARGUMENTS:

For:

In order to treat cars-for-hire fairly whether they be limousines or taxi cabs, all for-hire vehicles doing business in Detroit should be regulated in the same manner by the local ordinance. For more than fifty years before the state regulatory act for limousines went into effect, luxury cars were regulated by the city, and beginning in 1946 all luxury cars and taxi cabs were required to purchase a city bond plate. Since the

state Limousine Transportation Act passed in 1990 and enforcement of that statute went into effect in 1996, luxury car operators in Detroit have not been required to purchase the bond plate. In contrast, cab companies in the city must purchase the bond plate on the open market and pay between \$8,000 and \$20,000, depending on the supply of plates. Taxi cab companies point out that this expense is an unfair business disadvantage. This bill would enable the City of Detroit to regulate cab companies and luxury car operators uniformly.

For:

This legislation would give consumer protection to travelers in the city who purchase transportation services. Thousands of cars-for-hire operate in Detroit to ferry citizens about the city, and they are regulated by the City of Detroit Office of Consumer Affairs. Indeed, according to committee testimony, 1,310 bond plates have been issued by the city to taxi cabs and luxury sedans since 1946, and a representative from one cab company that holds 580 of the bonds testified that the single company ferries 17,000 passengers daily, and employs 1,800 drivers and 400 support staff. (A second large cab company holds 460 bond plates; together, then, the two companies account for 79 percent of the bond plates issued.) In addition and according to committee testimony, hundreds of luxury car operators without bond plates sell transportation services in the metropolitan area. In both instances--whether in a cab and a luxury car--citizens who purchase transportation services should do so with the assurance that they will travel in a safe vehicle with a reputable driver. Regulation by the Consumer Affairs Division within the City of Detroit government can afford the assurance to those who pay to ride in cabs and luxury cars.

Against:

When the legislature passed the Limousine Transportation Act, it set reasonable standards for safety to protect the traveling public who utilized transportation other than metered taxi cabs or buses. Further, the act allowed companies to be licensed under one authority--the state Department of Transportation--and to meet one set of standards. Prior to the implementation of the act, limo carriers were required to be licensed in every city in which a company did business. The welter of local ordinances was confusing, since each of the cities had different regulations, different insurance requirements, and different licensing techniques with different rates. The state act imposed some thoughtful uniformity in the unruly regulatory environment in a way that protects consumers. The provisions of the state act were timely

when they were passed in 1990, and they remain timely today. This bill would jeopardize uniform standards and equal enforcement, since limousine service operators in the City of Detroit would be subjected to regulation by two levels of government, state and local. The state law already requires insurance coverage to protect those who ride in limousines. To require a city bond is to impose an unnecessary and excessive expense upon limousine carriers.

Against:

Limousine businesses do not compete with taxi cab companies for the same clientele. Unlike taxis, limousines are not metered, they do not cruise for fares, and they are not organized in taxi lines. Instead, limousines respond to direct calls from a particular point of origin to a specified destination, since a limousine service's clients want a higher level of transportation service. Since limousine and taxi companies do not compete for the same clients, they need not be regulated in identical ways. Indeed, because they serve different clients, limos do not enjoy an unfair business advantage. Their costs of doing business cannot and should not be compared with taxi services.

Response:

Luxury cars do cruise for fares, and are not prohibited from doing so under the state statute. Indeed, luxury car operators are also allowed to solicit fares, and sometimes do inquire whether patrons leaving hotels or casinos need transportation. Taxi cab drivers in Detroit are prohibited from soliciting fares. Although taxis can respond when hailed, taxi cab companies, like luxury car services, generally respond to prearranged calls.

Against:

The problem of luxury car regulation is a matter of inadequate police enforcement within the City of Detroit. It is not a problem that requires intervention by the legislature to change a state statute.

Response:

The Office of Consumer Affairs in the City of Detroit testified that uncertainty about the city's ability to regulate luxury car operators has been expressed by judges in the 36th District Court. Some have dismissed tickets issued by the city when luxury car operators pick up fares inside the city limits, without having the bond plate required by city ordinance. In order to clarify the regulatory authority of the city in light of the state Limousine Transportation Act and its apparent conflict with the city ordinance, changes in the statute are necessary.

POSITIONS:

The Detroit City Council has passed a resolution in support of the bill. (5-24-00)

A representative of the City of Detroit Consumer Affairs Department testified in support of the bill. (11-28-00)

A representative of Checker Cab and Soave Enterprises testified in support of the bill. (11-28-00)

Detroit Cab Company expressed support for the bill. (11-28-00)

Twenty-six taxi drivers expressed support for the bill. (11-28-00)

A representative of Metro Cars testified in opposition to the bill. (11-28-00)

The Great Lakes Limo Association expressed opposition to the bill. (11-28-00)

Tecumseh Trolley and Limousine expressed opposition to the bill. (11-28-00)

Perfection Limousine expressed opposition to the bill. (11-28-00)

Analyst: J. Hunault

#This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.