



Office of The Attorney General
State of Connecticut

*TESTIMONY OF
ATTORNEY GENERAL RICHARD BLUMENTHAL
BEFORE THE PROGRAM REVIEW AND INVESTIGATIONS COMMITTEE
FEBRUARY 20, 2009*

I appreciate the opportunity to comment on Senate Bill 903, An Act Implementing the Recommendations of the Legislative Program Review and Investigations Committee Concerning the Economic Regulation of Taxicabs and Livery Services.

Taxicabs are a critical means of transportation for many people -- especially seniors in cities -- but are plagued by continuing complaints about the quality and reliability. The state agency charged with taxi industry oversight has inadequate staff to effectively determine the appropriate number of taxis in each market area and ensure quality of service and motor vehicle safety.

Bills before the legislature would make several important changes to the current regulatory system but fail to eliminate state responsibility for determining the 'appropriate' number of taxis in each market area. Declining state revenues require each state agency to do more with less. I urge the committee to favorably consider concentrating scarce state regulatory resources on safety and rates and permit the free market to decide the appropriate number of taxi cabs in each geographic area. There are few markets where government sets the number of market participants and there is nothing unique about the taxi market to make such significant state intervention necessary or even desirable.

The current process is broken.

The Connecticut Department of Transportation (ConnDOT) licenses taxicab certificates, conducting a review of such applicants and ensuring that the certificate holder is a reputable person who will efficiently operate taxi service within the geographic area described in the certificate. ConnDOT also regulates the number of certificates that are allowed in any one area so as to avoid a surplus of taxis. Connecticut law also requires a taxicab certificate holder to obtain ConnDOT's approval to sell or transfer such certificate.

Certificate holders do not generally operate or even own taxicabs within the authority of their certificates. The taxicab operator must either lease a taxicab from the certificate holder or lease the right to operate his own vehicle under the authority of the certificate holder in amounts ranging from \$300 to \$700 per week! This amount constitutes revenues for the certificate holder exceeding \$25,000 per year for each taxicab authorized under the certificate, compared to an application fee of only \$88 and no annual fee.

Taxicab operators are often told by the certificate holder that they must buy their equipment or automobile insurance from this holder or his friends. The operators also are at the mercy of the certificate holder for business because the holder usually controls the dispatch center for the taxi cab operation. The existence of this secondary market for taxicab certificates -- enriching the certificate holder at the expense of low-paid taxi operators -- dramatically highlights the need for reform. Quality taxi service depends on quality, well-paid taxicab operators.

ConnDOT should establish fair rates for taxi service – as contemplated in Senate Bill 903, but the number of taxis should be set by market demand. If each taxi maintains its vehicles in accordance with strict state quality standards and each taxi charges only the rates sets by ConnDOT, the market will decide the appropriate number of taxis, enhancing competition based on quality of service.

I urge the committee's favorable consideration of an amendment to Senate Bill 903 to eliminate the certificate of need requirement in the taxi industry.