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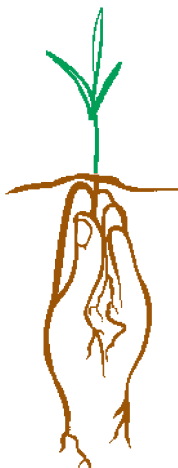
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- ◆ Publication of quarterly newsletter (only one so far due to lack of funds) = \$500 per month.
- ◆ Luncheon briefing for legislators, about \$1,000 each time.
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...an Equitable Honolulu Airport Taxi Dispatch System

BY MALIA ZIMMERMAN

Honolulu's airport taxi system, the largest single source of revenue for cab companies in the state, has been void of competition for more than 30 years because the contract to operate the airport cab service has gone almost exclusively to one company – SIDA of Hawaii. Other cab drivers and cab company owners seeking work at the Honolulu International Airport say the system has not been operated fairly, legally or ethically by SIDA, which has hurt their businesses and hurt customers seeking immediate and affordable transportation. Now Hawaii's new Republican Governor, Linda Lingle, is faced with the opportunity to change that system – or leave it as is. What her administration decides will affect more than 2,000 cab drivers, several private cab and transportation companies and thousands of visitors and residents who take cabs each day from the Honolulu International Airport.

HISTORY: ONE CAB COMPANY DOMINATES AIRPORT BUSINESS, KEEPS OUT COMPETITION

SIDA of Hawaii retained the right to manage the state's cab business at the Honolulu International Airport for more than 30 years, despite complaints by competitors of anti-competitive and illegal acts by its company owners and managers. (1)

Competitors say SIDA, which was awarded the contract for more than three decades under several consecutive Democrat-controlled state administrations, favored its own drivers and discouraged attempts by outside companies to pick up passenger from the Honolulu International Airport. (6, 7)

In 1999, some of the competitors aligned to counter what they saw as injustice and sued SIDA for a variety of alleged improprieties and illegal acts. Hawaii's First Circuit Court found in favor of the plaintiffs and ruled against SIDA in case No. 98-1581-01 SSM, *Harris vs. SIDA of Hawaii et al* on three claims, saying SIDA had violated the terms of its contract to the detriment of its competitors. Specifically the court found SIDA's double fee system violated the

state contract; SIDA allowed its drivers to cut in front of other non-SIDA drivers to give them longer fares; SIDA's use of pre-arranged pick-up procedures violated the contract with the state. However the lawsuit ultimately had little effect on the way SIDA managed the airport taxi system. (4)

There were numerous problems under SIDA's management, some of which were demonstrated in 1994 when another company, OTM, took over management of the airport taxi contract for a two-year period. The way SIDA operators conducted themselves during the management transition from SIDA to OTM showed how ruthless the SIDA company operators could be.

According to cab drivers and company operators working at the Honolulu International Airport during the transition, SIDA left the cab dispatch office, which was on state property, in chaotic and unusable condition. OTM operators walked into the dispatch office expecting to go to work immediately, only to find toilet facilities ripped from the wall, communication equipment cut preventing them from dispatching cabs to customers, and the electrical supply turned off. OTM operators had to scramble to find new ways to communicate with drivers from all cab companies until the communication

system could be fixed, but in the meantime, the customers suffered. Taxpayers and OTM also were hurt because SIDA personnel were never charged or fined for the vandalism, rather OTM and the state picked up the expense of the repairs. However, the state took almost two years to correct the problem and to provide OTM with proper electrical and telephone utilities. (6,7)

The situation did get better during OTM's operations, according to those in the cab industry. As evidence they offer at least one telling statistic: the number of cabs picking up passengers from the airport went from 400 under SIDA to 1,200 under OTM out of 1,400 licensed drivers. That is because OTM opened the taxi airport business to any qualified licensed taxi driver and put all drivers on a level playing field, whether employed by OTM or not. OTM never employed the taxi drivers, rather acted simply as an unaffiliated, impartial and non-discriminatory management company. SIDA had not operated this way, forcing non-SIDA drivers to drive more than a mile out of the way to pick up a limited number of trip tickets, which expired in a short time period. SIDA drivers also were allowed to cut in front of non-SIDA drivers to get more lucrative fares. (6,7)

In 1996, the state Department of Transportation re-opened the airport taxi contract bid and OTM lost the contract and SIDA won it back. From 1996 to 2002, SIDA once again controlled the airport business, leading to numerous complaints from non-SIDA drivers that they were treated unfairly and with hostility. The 1999 lawsuit mentioned earlier, *Harris vs. SIDA of Hawaii* et al, proved some of the non-SIDA drivers' claims, but little was done by the state or SIDA to correct the wrongs the court had found. (6,7)

Then in 2001, SIDA fell behind on its rent payments to the state Department of Transportation, paying less than half of the required \$37,000 per month, or around \$15,000, with no explanation or plan for repayment. SIDA never did pay the state Department of Transportation the \$37,000 per month that it guaranteed in its contract with the state over the next year and a half. Today, SIDA is nearly \$700,000 in debt, according to state Department of Transportation public records, and at this time, none of that debt has been repaid. (1,7)

TAXI AIRPORT CONTRACT BID OPENS IN 2002

The state Department of Transportation airport division announced in November 2002 its intention to put the taxi contract up for bid in January 2003, and in fact, issued procurement guidelines and requirements and solicited intent to bid notifications from local transportation companies. (2)

SIDA's contract to operate the Honolulu International Airport taxi system expired in the end of 2002, but because SIDA was nearly \$700,000 behind in payments and had not met its contract obligations to the state, the company was prevented from bidding on the state contract. (1,7)

Three of Hawaii's transportation companies did submit an Intent to Bid notice in late 2002, but the bidding process was halted following a mediation session with taxi company owners and operators at the Mediation Center of the Pacific. In this 3-hour meeting, taxi company owners and operators talked about the past injustices by SIDA and the state and offered suggestions on how the system should be changed to allow for more competition and better service. (7)

It was at this meeting that state Department of Transportation officials, who were appointed by the previous Democrat administration, admitted they did not know how much money SIDA made per month or annually over the 40 years.

Neither Davis Yogi, the airports administrator, nor his assistant overseeing procurement, could answer any other questions that might assist a competitor in bidding successfully on the contract, such as the number of trips drivers make from the airport and how many drivers are employed by SIDA versus other cab companies. (7)

These airport administrators also revealed at this meeting that the state doesn't have a system in place to independently verify the income made by SIDA or the number of trips made by taxi from the Honolulu International Airport. Rather the state has relied on the taxi concessionaire to document the information on an "honors" system. (7)

The cab company owners at this mediation session also took their complaints to Hawaii's new governor, Linda Lingle, holding her to her promise for more open government, more honesty in procurement of government contracts and better treatment of business. (6, 9,10)

State Attorney General Mark Bennett, at the governor's request, halted the taxi procurement process in January 2003. Mr. Bennett promised to look into past problems with SIDA and new complaints that the 2002 procurement guidelines were written so a second company, Roberts Hawaii, already operating the bus transportation at the Honolulu International Airport, could win the taxi

contract and the soon to be re-bid bus contracts. (9,10)

Roberts Hawaii already is one of the three major players in Hawaii's transportation industry, according to a 1996 report by the State Department of Business Economic Development and Tourism entitled "Regulation of Motor Carriers in Hawaii: Is There a Need for Reforms?" The report says there is evidence of market collusion among these top carriers, and combined with substantial state-imposed regulations and monopolistic conditions, a less competitive transportation industry and an oligopoly for the big bus category (26 passengers and up) exists. (5)

Cab company operators feel strongly that Roberts Hawaii and other big bus operators without a taxi division should be disqualified from bidding on the Honolulu International Airport taxi contract, and that smaller cab companies are unfairly being disqualified from the state bidding process because of their size and income levels. (6,7)

Besides halting the bidding process, Gov. Lingle formed a Taxicab Task Force charged with determining what kind of system should be developed at the Honolulu International Airport: an open system, a permit system or an exclusive contract. Those on the task force include: Director of Budget and Finance Georgina Kawamura; Director of the Department of Accounting and General Services Russ Saito; Attorney General Mark Bennett; Department of Transportation Rod Haraga; Dale Evans, chair of the Hawaii Activities and Tours Association Airport Committee and Katsumi Tanaka, chair of the Hawaii Activities and Tours Association Government Affairs Committee. The task force meets regularly to study the options for a new system and Gov. Lingle's Chief of Staff Bob Awana says the administration hopes to resolve the issue by the Spring of 2003. (9,10)

In the meantime, because SIDA was no longer allowed to operate the taxi system at the airport because of the debt owed to the state, the Department of Transportation temporarily assigned the taxi contract to The Cab company. The Cab was one of the three companies to file an Intent to Bid notice in November 2002. After the governor's taskforce has its recommendations in place, the procurement process will be re-opened to all interested parties and the contract will again be put out for bid. (1,2,9,10)

LEARNING FROM OTHER CITIES

There is a great deal of evidence that more open and competitive taxi markets are more valuable to the community, according to Adrian Moore, vice president of research for the Reason Foundation, who compiled information from more than 33 economists and a variety of other sources worldwide. (11,12,13, 15)

In general, Moore points out that more open and competitive taxi services tend to mean higher service levels, less waiting time for a taxi, a greater variety of services, lower operating costs in the industry, and higher quality service, than is found with monopoly taxi service. And the "net result" is increased usage, with more people using taxis for more trips and having greater mobility. In addition, the government benefits from having a larger and more vital taxi industry, which leads to greater employment and income opportunities for residents and greater tax revenues for the government.

Reason's research points to the city of Indianapolis as a prime example successful deregulation. In 1994, the city undertook a sweeping deregulation — removing limits on licenses, setting only a maximum fare and new stringent safety requirements. Specifically, deregulation achieved the following:

- ◆ The number of licensed taxi companies tripled from 26 to 75;
- ◆ Before deregulation there were 392 licensed cabs, but only about 200 operated on a given day. Now roughly 500 cabs operate each day.
- ◆ Of the 49 new companies, 40 are owned by minorities or women;
- ◆ Average fares have dropped 7 percent;
- ◆ The number of customer complaints has declined;
- ◆ Waiting times dropped.

There were some problems at the airport, so in 1999, the city government passed an ordinance to give the airport authority more power to oversee and control access as well as the conduct of cab drivers on airport property.

HOW THE AIRPORT TAXI SYSTEM HAS BEEN OPERATED IN HAWAII

To determine the best system for Hawaii, it is important to understand how the system has been run for the last three decades, what hasn't worked as well as what has worked, and how other states are making progress in this area.

According to the state's own written documents, the taxi operation at the Honolulu International Airport operates in the following manner: the contract to manage the airport taxi system is either assigned to a company or put out for competitive bid. If the bidding process is used, the company offering to provide the highest rent per month to the state wins the contract. Then the company with the rights to operate the airport taxi system sells tickets to licensed taxi drivers at \$4 per trip or \$400 per month. The per trip ticket is color coded for drivers who are not working for the company with the contract, and those tickets have to be obtained over a mile away from the airport through an archaic system and the tickets expire in a 48 hour time period. 1,2,3

Those wanting to pay a flat monthly fee were charged \$400 for unlimited runs from the airport. The \$400 monthly only caps the fees payable to the State or operator and allows an unlimited number of trips per month, whether the month is slow or not, and does not provide the State or operator any minimum guaranteed revenue. In slow months, the drivers revert to the \$4 trip fee when they are likely to make less than 100 trips. Those who have closely observed the taxi system operations at the airport say there are problems with the monthly passes, mainly the fraudulent use of the passes by taxi drivers who share their passes, rather than buy their own pass as is required.

All drivers are supposed to be treated equally in the system. However, in the past, SIDA drivers would go to a convenient location at the airport to buy their trip tickets, whereas non-SIDA drivers were sent to a station over a mile away to purchase their tickets. That meant SIDA drivers took on more business because they didn't waste time in line over a mile away. (4,6,7)

Also non-SIDA drivers were treated unequally by SIDA dispatchers as SIDA drivers were frequently told to cut in front of non-SIDA drivers waiting in line for passenger pick-ups, so SIDA drivers could accommodate passengers going further distances and bring in bigger fares. (4,6,7)

Eventually the bias led to many non-SIDA drivers refusing to pick up passengers from the Honolulu International Airport because it was not cost-effective and profitable for them, and that meant fewer cabs at the airport, and a lower level of service and availability for customers seeking cab rides. (6,7)

DETERMINING THE BEST SYSTEM FOR HAWAII

In the 1992 Logistics and Transportation Review: Evaluation of Alternative Arrangements for the Provisions of Airport Taxi Service by Sumner LaCroix, James Mak, Walter Miklius, the authors argue there is no perfect fit for any system a city may choose – whether open, exclusive or permitted. They also point out that whether any one of the given systems works or fails is determined by the political culture of the city, how politically powerful the cab companies are, and what the government's primary goal is – quality of service verses making a profit. (14)

There is a fourth strategy for airports - a modified open and deregulated system – supported by Moore and other local transportation experts. They say all licensed cab companies and cab drivers should be authorized to pick up passengers at the airport as an open system would allow, unless they prove themselves to be undeserving by offering poor service. However, the airport authority or an independent entity not affiliated with any cab or transportation company should monitor the quality of the service, act as the dispatcher, and be responsible for following up on any complaints by passengers or cab drivers. He added in most cities, cab drivers do not pay a fee to the airport authority for passenger pick-up, rather the government collects taxes on the fare. (11,12,13)

Local transportation experts agree the \$4 per trip fee paid to the state is exorbitant and bars entry for many cab drivers into the airport marketplace not affiliated with the cab company in charge of dispatching cabs at the airport. They believe \$2 is a fair commission for the state to charge, while allowing the small operators to make a profit. They also offer a solution for collection of those fees that would make the fee collection system less time consuming and costly for drivers. One idea is a debit card distributed to each cab driver picking up passengers at the airport. The card would be paid up front and debited by the dispatcher as the passenger is picked up. (6,7,11,12,13)

Local transportation experts also agree with Moore that the airport personnel or an independent company not affiliated with transportation companies in Hawaii should be in charge of dispatch, collection of fees, following up on complaints and security for drivers and passengers. An independent entity would help to keep favoritism and politics out of the taxi business. (6,7,11,12,13)

Moore and other experts documented below say taxi regulatory policy should focus on learning from the successes of deregulation and avoiding the mistakes of the failures — aiming at a policy that maximizes opportunity and customer choice. The likely results are higher service levels, less waiting time for

a taxi, greater variety of services, lower operating costs in the industry, increased usage, and higher quality service than is found with monopoly taxi service. Of course the government will benefit too, because of happier customers, many on their first visit to the state, a larger and more vital taxi industry, which leads to greater employment and income opportunities for residents, and greater tax revenues.

SPECIFIC RECOMMENDATIONS

◆ The governor should have the state Department of Transportation, an airport authority or an independent, non-transportation-related company, take over the duty of taxi dispatch, monitoring the quality of service, collection of fees from taxi drivers, and customer service.

◆ That authority should issue debit cards or barcodes to all licensed taxi drivers who want to pick up passengers at the airport, rather than using the ticket system that expires in 48 hours and is sold a mile away from the airport. That way these cab drivers can prepay the amount they choose so they can simply pick up passengers, help them avoid the hassle of standing in line for every ticket, and make the process of passenger pick-up easier to monitor and more efficient. The credit they pay for into their account should not expire.

◆ All licensed cab drivers, regardless of their company affiliation, should be treated equally by the authority, and be allowed to pick up passengers from the airport on a first-come, first-served basis, unless they prove themselves unworthy by offering poor customer service.

◆ The authority should lower the cost to taxi drivers to pick up passengers at the airport. Currently drivers pay \$4 and a commission to their company affiliation (unless they are independent). The \$4 charge is too high, and causes drivers to want to refuse service to passengers going shorter distances. The fee should be dropped to \$2 and the state should consider lowering the fee further in off peak hours to give cab drivers an incentive to provide service during the late nights and in between flights.

◆ The authority should monitor the services offered by the various taxi drivers and cab companies and the rates being charged to customers through the use of undercover agents who take taxis from the Honolulu International Airport. Any cab drivers found to be cheating customers or offering poor service should be banned from picking up passengers at the airport in the future. Drivers should be able to appeal such rulings to the Department of Transportation which would be tasked with monitoring the contract and related activities.

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