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Opening the Taxi Market by Jordan Cash

The high regulatory burden for taxi permits set by Nebraska's Public Service Commission (PSC) has distorted the market and allowed for the creation of veritable monopolies. LB889, introduced by Sen. Bill Avery of Lincoln, would reduce regulation and make it easier for taxi companies operating in Omaha and Lincoln to receive permits from the PSC.[\[1\]](#)

Companies seeking permits to operate taxis must prove that their services "[are] or will be required by the present or future public convenience and necessity."[\[2\]](#) Complying with this legal provision gives companies who already have permits an opportunity to monopolize the market since new companies have to first prove that their services are currently or will be "required" for public convenience. On the other hand, existing companies can point to their existing taxi services and insist that more competition could drive them out of business and result in fewer taxis overall, a dubious claim that demonstrates a lack of appreciation for how the free market works.[\[3\]](#)

Setting such a high bar for taxi permits and allowing existing companies to have a say in the process has restricted the taxi business in Nebraska. The issue is especially prevalent in Lincoln, where a single company, Servant Cab, operates the only two services in town.[\[4\]](#) LB889 specifically targets the permit process for companies in larger cities by allowing businesses applying for permits in "cities of the metropolitan or primary class,"[\[5\]](#)-i.e. Omaha and Lincoln-to be exempt from the public convenience and necessity standard, making approval of permits in those cities much more likely.

More competition for taxis will have several positive effects for consumers. More cabs means more choice for people determining what services they want to call. Competition will force companies to improve their overall customer service, getting to customers faster and offering lower fares.[\[6\]](#)

The abundance of taxis would not only help local bar patrons unable to drive home safely-the group originally targeted by this bill-but also allow visitors and other people without regular transportation to traverse Lincoln and Omaha in a cheap, safe, and fast way.

More companies also means more job opportunities, and some of these jobs would be taken by those who are poor and disadvantaged, giving them a steady income to support

themselves and their families. Opening up the market by easing the permit process would bring these opportunities.

Competition is the cornerstone of free enterprise, and it is important for entrepreneurs to enter the market, create jobs, and be allowed to compete with existing companies. The market will determine if additional taxis are needed in Lincoln, and will reward those companies that provide fast, safe service at reasonable prices.

In addition to taxis, the PSC overregulates many of the industries under its purview. Movers of household goods have permit restrictions similar to those placed on taxis, closing the market and fostering little competition, as well as having their rates, fares, and charges set by the commission, an activity which would be better handled by the movers and their customers.^[7] Other regulations on telecommunications, grain warehouses, housing and recreational vehicles, and other areas are generally superfluous and could be addressed in the marketplace. In the case of telecommunications, all the PSC regulations have done is given Nebraska the highest cell phone taxes in the nation.^[8]

LB889 is an excellent example of government getting out of the way and allowing the market to regulate itself. The Unicameral should pass this bill and continue to address regulations which obstruct the free-market process.

^[1] Jordan Pascale, "Mayor's office calls for more cabs," *Lincoln Journal Star*, January 14, 2012. Accessed January 19, 2012: http://journalstar.com/news/local/govt-and-politics/mayor-s-office-calls-for-more-cabs/article_f6056a84-7fbc-520c-a666-bed91275adbe.html.

^[2] Nebraska Revised Statute 75-311, Section 1. Accessed January 19, 2012: <http://nebraskalegislature.gov/laws/statutes.php?statute=75-311>.

^[3] JoAnne Young, "Lincoln senator will introduce bill to encourage competition for taxi service," *Lincoln Journal Star*, December 30, 2011. Accessed January 19, 2012: http://journalstar.com/news/local/lincoln-senator-will-introduce-bill-to-encourage-competition-for-taxi/article_64841cc8-6551-5e68-91db-0f25df31c9e6.html.

^[4] Ibid.

^[5] Nebraska Legislative Bill 889, Introduced Copy, January 9, 2012. Accessed January 19, 2012: <http://nebraskalegislature.gov/FloorDocs/Current/PDF/Intro/LB889.pdf>.

^[6] Ibid.

^[7] Nebraska Revised Statute 75-304.01. Accessed January 24, 2012: <http://nebraskalegislature.gov/laws/statutes.php?statute=75-304.01&print=true>.

[8] Kay Bell, "10 states with astronomical cell phone taxes: Nebraska tops the list, with total taxes of 23.69%. Oregon has the lowest rate, 1.81%," February 23, 2011. Accessed January 24, 2012: <http://money.msn.com/tax-tips/post.aspx?post=35783e46-3f18-4676-a6fc-b81f55b113ea>.



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