

## *One Woman Is Fighting Back Against Bloomington's Taxi Cartels*

**Julie Crowe's dream of starting her own business was stifled when a group of potential competitors pressured City Hall not to give her a taxi license.**

**Scott Reeder | March 18, 2012**

BLOOMINGTON, ILL – Julie Crowe's dream of starting her own business was stifled when a group of potential competitors pressured City Hall not to give her a taxi license.

In this small central-Illinois college town, Crowe perceived there is a need for the services she could provide driving drunken college students from downtown bars to dormitories, fraternities and sororities.

She had been doing this as an employee for an existing shuttle bus service but wanted to start her own business.

"These girls come out of the bars inebriated in these skimpy little outfits and the last thing they want is to get in a van with some guy who they don't know," she said. "I want to make sure they get home safe and take them right to their doors."



Last year, Bloomington rejected Crowe's request to add a 15-seat van to the city's mix of cabs and buses after competitors

said the market was saturated. While Crowe's situation may seem unique, it's a common predicament faced by folks wanting to enter the heavily regulated taxicab industry.

"The regulations exist to protect people already in the industry—not consumers. The people who generally use taxis are out-of-towners who aren't organized and don't have much political clout in a given community where a service is offered, Walter Olson, a senior fellow at the Cato Institute, said. "The taxicab owners, on the other hand, are a concentrated industry in most communities with just a few owners who have political influence."

The economic barriers to starting a taxi business vary depending on the city.

"In New York a taxi medallion costs hundreds of thousands of dollars. In a town like Bloomington, the upfront fee may be \$20 but if you are looking at a hearing where your competitors are going to testify against you—you are going to feel you are going to have to hire an attorney—and suddenly the cost of entry becomes quite a bit higher," Olson said.

Last year, Crowe didn't hire a lawyer when her hearing was held. Her efforts to start her own business began unraveling then.

"I had a hearing before the city manager and all of my potential competitors showed up to testify against me or wrote letters against my application," Crowe said.

Crowe's application was denied on the grounds that her business was "not in the public interest."

A later appeal to the full Bloomington City Council was also rejected on the grounds that the community didn't need another shuttle service.

But not all of those using the shuttles see it that way.

"These buses provide a valuable service because the alternative is some college students will drive drunk," said ISU student Michael Kasper, a business administration major. "And there aren't enough buses out there. I've left bars at closing time and there wasn't a bus available to take me home. Then you end up calling friends and try to find someone who is sober and willing to get out of bed at 2 a.m. to give you a ride. That's not easy"

With students like Kasper expressing a desire for more buses, Crowe is perplexed by her denial.

"You want competition. Competition raises the standards. You want someone there engaging the kids, providing a friendly ride home because the others will have to do that—because they are competing with me," Crowe said.

In February, she filed a lawsuit against the city of Bloomington.

“Why they would want to limit people’s ability to earn in favor of other people’s ability to earn is I don’t know. It doesn’t make a whole lot of sense,” she said.

Crowe will be represented at no cost by the Liberty Justice Center, a new law firm funded by the Illinois Policy Institute, a free-market think tank based in Chicago. Her case is the organization’s first.

The Liberty Justice Center hopes the case can establish a legal precedent that can be used in similar cases throughout Illinois.

Jacob Huebert, a lawyer for Liberty Justice Center, said the only way to know if the market is saturated is to “let the market work.”

“City planners have no way to know what the ‘right number’ of taxis in a community are any more than they have an idea on the ‘right number’ of restaurants or grocery stores,” Huebert said. “Obviously, food and gasoline are critical services to be offered in a community but you don’t have any cities saying how many grocery stores or gas stations are needed. And yet with taxis they handle things differently. That’s not right.”

The lawsuit filed by Huebert said the city’s ordinance restricting competition violates the Illinois Constitution’s guarantee of due process of law.

The situation in Bloomington is hardly unique.

“What we are dealing with are controlled monopolies. The focus shifts away from consumers and is all about protecting the economic interests of those in the industry. The fares are set by the city so there is no negotiating for a better rate. And the number of taxi licenses is restricted so there is absolutely no incentive to offer better service,” said Sam Staley, a researcher at the Reason Foundation.

But many of those already in the industry see things differently. Alfred Lagasse, CEO of the Taxicab, Limousine & Paratransit Association, said restricted entry into the marketplace actually benefits the consumer.

“Service suffers when you open up a city to more taxi competition. You have more drivers chasing the same number of fares, so they avoid the runs that take the most time—like helping an elderly person get in to a car,” he said. “If an industry is perceived as unstable, it is harder for cab owners to get financing to buy newer vehicles, purchase a dispatching system or make other improvements that also benefit the consumer. Deregulation is bad for the owners, it’s bad for the drivers and its bad for the consumer.”

George Lutfallah, publisher of the *Taxicab Times*, added the public views cabs as a commodity.

“It’s not like when someone flags down a cab, they pick one because they think it is better than another,” he said.

But that's not always the case, said Julie Crowe, the would-be Bloomington shuttle bus owner.

“Right now, the bars are served by these ‘party buses’ which are just old school buses. The women on there are drunk, guys, who also drunk, are hitting on them. Fights are breaking out. People are vomiting on the bus and drivers don't even drop the girls off at their front door. They drop them off at drop off point and make them walk.

“I think I can compete by driving a smaller shuttle where I have better control and can keep a fight from breaking out. Women will feel more comfortable riding with me because I'm a woman who will take them right to their front door and make sure they get home safely. “

Kiley Beck, an ISU nursing major, said she doesn't mind the raucous behavior on the party buses but added, “If this woman would drive me my front door that would be awesome. It would be a great service. That's just sweet.”

*Scott Reeder is National Investigative Reporter for the Franklin Center.*