

Taxi Cab Rates: What Fare Is Fair?

City government officials who want to cut down on cheating by taxi cab drivers might try revamping fare structures rather than passing punitive measures against drivers who cheat, according to a study co-written by a UCI researcher.

Dr. Amihai Glazer, assistant professor of economics, and Dr. Refael Hasin of Tel Aviv University, Israel, suggest that raising the initial or "flag-drop" rate of taxi fares relative to the per-mile rate could cut down on the incentive for the most common form of taxi cheating: taking the customer for a longer ride than is necessary.

The researchers' paper, "The Economics of Cheating in the Taxi Market," published in the journal *Transportation Research*, is a mathematical analysis of the incentives to cheat among cab drivers and companies. The authors did not do research on particular companies or drivers but looked at the problem theoretically.

Nevertheless, they note there is abundant evidence that taxi drivers frequently do cheat customers. In 1979, for example, a Los Angeles Times reporter investigating taxi cab operations was cheated seven times in 12 trips between L.A. International Air-



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port and downtown.

In Los Angeles, as in most major cities, fare rates are set by city government. In addition, laws usually exist which dictate that drivers "shall use the most direct available route," as Los Angeles has worded its ordinance.

"When you read most newspapers, cheating is viewed chiefly as a moral problem, so the idea becomes to pass a

new law against it, find better people and so forth, but then these things don't work," says Glazer. "The fact that these people are cheating because it's profitable to do so. What you have to do is find a way to make fares reasonable to reduce the incentive to cheat."

The basic imbalance in most fare structures today, Glazer says, is that the per-mile fare is too high in relation to the flag-drop rate. Proportionately more money comes from long trips than from short ones. Thus, drivers lose money, in effect, by taking customers for shorter rides. In addition, giving drivers incentive to take illegal long routes, this fact has another effect—drivers sometimes refuse to take passengers on short-hops.

The authors argue that fare structures must reflect both the cost of transporting a passenger and the cost of waiting for and finding a new passenger. When the income derived from getting new passengers is increased relative to the per-mile income, a driver will have less incentive to take passengers on "an unwanted tour of the city," as Glazer puts it, and more incentive to pick up passengers for shorter rides.

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