

It's Time to Deregulate Taxi Service at Piedmont Triad Airport

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Article:

The pricing and selection of airline routes have been deregulated since 1978, resulting in lower airfares and more accessible air travel. To be sure, there have been problems with the way the federal government has implemented airline deregulation, but by and large the process has been a success story.

Therefore, travelers flying into and out of Piedmont Triad International Airport benefit from deregulation, right? Not entirely, if they take taxi cabs from the airport. For years, a company called Airport Express has had an exclusive franchise to provide rides from the airport.

“Exclusive franchise” is a polite way to say “monopoly.”

Taxi companies other than Airport Express may pick up fares at the airport only if travelers call them specifically, or if one of their drivers is already at the airport after dropping someone off.

But in Greensboro relatively few people take taxis to the airport. Residents tend to drive themselves or are driven there by friends or family, while visitors tend to catch rides provided by the growing fleet of hotel vans and limousines. So Airport Express has virtually the entire market for taxi rides from PTI.

A common denominator of monopolies is their tendency to charge higher prices than would prevail under competition. State ABC stores charge more than privately owned liquor stores in other states. State lotteries (a kind of monopoly) pay out less in winnings than private casinos. And sure enough, taxi fares from PTI are high.

Let's make a few comparisons. Airport Express's fare to downtown Greensboro is about \$19, regardless of the time of day. Over the last couple of months, I've paid between \$10.50 and \$13 to get from Reagan National Airport to downtown Washington, D.C.

The cost of living is nearly 20 percent higher in D.C. than in Greensboro, so correcting for that deflates the range of fares I've paid in D.C. to between \$9 and \$11 in “Greensboro money.” That's quite a bit less than \$19. And my rides from National to downtown D.C. have been around rush hour, so the traffic has ensured they've taken longer than the trip from PTI to downtown Greensboro.

The drive from Charlotte's airport into its downtown takes about as long as it does here, sometimes longer. Taxi fares average about \$15, actually slightly less when deflated for Charlotte's slightly higher cost of living. A downtown taxi from Chicago's O'Hare Airport costs around \$35, or about \$31 in “Greensboro money.” That's more than \$19, of course, but then the ride into Chicago takes about 40 minutes.

Even with the above, there's nothing inherently wrong with a monopoly, even a government-created one like the PTI taxi monopoly. But consumers must get something in return for forgoing the choices provided by competition.

For example, it makes sense for local telephone service and local electric-power transmission to be monopolies because both require substantial infrastructures. Parallel infrastructures owned by competing companies would be redundant, and consumers would have to bear the excess costs. (Wireless technologies are changing this equation in the telephone industry.) Industries like these are known to economists as “natural monopolies,” for which the best option is to maintain the monopoly by law but regulate its pricing.

But sometimes monopolies don’t deliver. Exclusive franchises for cable television have been questioned because localities that allow competition among multiple cable companies have tended to see lower prices and more numerous channels. Competition in electric-power generation (as opposed to transmission) may be in North Carolina’s future due to the view that monopoly generation provides too little choice and charges too much.

So what do we get in return for the PTI taxi monopoly? The primary argument made by its supporters, which include PTI, is that Airport Express is contractually obligated to stand ready to provide transportation from the airport at all times. In slow times and rush hours, they’re there. A competitive taxi market would ignore PTI during the slow times, they claim.

As a consequence, Airport Express must maintain at least a skeleton crew whenever the airport is open, even if it wouldn’t be economically feasible for competitive taxi companies to do so. The cost of round-the-clock coverage is factored in to its fares. Do we really want to pay for that?

Say what you will about competitive markets, but they tend to be good at connecting profit-seeking companies and profit opportunities. If there are people needing rides from the airport, fare-seeking cabbies will be there. At many airports, there is a taxi dispatcher to match up riders with cabs, and to alert cabs in the area that fares are available.

At worst, a late-arriving traveler might have to phone for a taxi. For those few people, the cost of relaxing the monopoly might seem great. But the rest of us might ask what the harm is in waiting a few more minutes.

Another feature of protected industries is excess capacity. Many of Airport Express’s cabs are vans and minivans. When I rode with Airport Express on a recent evening, it was me and the driver, alone in a van. Competition tends to do a better job of matching up capacity with the demand for it.

So what makes more sense, a system in which round-the-clock coverage and overly spacious taxis raise everyone’s fares? Or one in which consumer choices lower everyone’s fares, but a few late-arriving air travelers occasionally have to wait a few extra minutes for a cab?