

P8744 21

26214

**COMMISSION
APPROVED**

STATEMENT OF
THE FEDERAL TRADE COMMISSION STAFF
BEFORE THE
SAN FRANCISCO POLICE COMMISSION
IN CONNECTION WITH
TAXICAB HEARINGS HELD IN SAN FRANCISCO
ON
DECEMBER 11, 1986

We welcome this opportunity to comment on the issuance of additional taxicab medallions in the City of San Francisco.¹ Taxicab regulation is often viewed as a matter of state or local concern. However, taxi services are frequently used by travelers from out of state, whether traveling for business or pleasure, and the operation of the industry is therefore a proper matter for federal concern as well. The Federal Trade Commission staff has long had an interest in the effects of taxicab regulation upon competition and consumers. We have come to the conclusion that regulating the taxicab industry to restrict the number of cabs generally hurts rather than helps consumers and competition, and especially harms certain disadvantaged groups that rely on taxicab service.

In 1984, the Commission's Bureau of Economics published a study of the problem entitled "An Economic Analysis of Taxicab Regulations." Based on careful study of regulations throughout the country, the report concludes that there is no economic rationale for the strict entry restraints and prohibitions of fare competition that are common in many communities. On the other hand, the report does not challenge state and local regulations that deal with safety and vehicle quality requirements, fare posting, and other similar matters.

These findings are not unique. Researchers working for the

¹ This statement represents the views of the San Francisco Regional Office and the Bureaus of Competition, Economics, and Consumer Protection of the Federal Trade Commission. Although the Commission has authorized the presentation of this statement, the views expressed are not necessarily those of the Commission or of any individual Commissioner.

U. S. Department of Transportation concluded that consumers lose nearly \$800 million annually from regulations restricting entry of new cabs and preventing fare discounting. Moreover, removal of these laws would create, according to the study, 38,000 new jobs for small business.

We understand that the Police Commission is only authorized to consider changes in the number of medallions issued. It is our view, however, that completely open entry (subject to reasonable safety standards) is in the best interest of consumers. The principal losers from excessive taxicab regulation are consumers who pay higher fares. With excessive regulation, consumers also wait longer for cabs or do without service altogether. Studies show that the groups most affected are the poor, minorities, and the elderly, who spend a larger proportion of their income on taxi rides than do other segments of the population.

In contrast, the principal beneficiaries of maintaining the system of restricted entry are the current holders of taxicab permits. Limitations on the number of permits enable medallion owners as a group to provide less service or charge higher prices than those that would exist under open entry.

Proponents of restricted entry typically argue that if additional medallions are issued there will be "too many" taxis. What this contention reflects is a desire to be exempt from competition. Open entry does not mean that all or even most taxicab operators will go bankrupt. As with most businesses, those operators offering higher quality service at lower prices

will prosper while less competitive operators will not. The Police Commission should consider the likely benefits to the public of freer, less restricted entry: lower prices and better service.

Are there insoluble problems that occur when entry restrictions are removed in the taxicab business? Not if it's done correctly. Deregulation need not result in unsafe taxicabs. San Francisco can continue to maintain reasonable levels of safety and quality in the city's taxicab fleet with open entry.² Open entry means merely giving qualified licensees the chance to compete and giving consumers the full value of their fares.

Will open entry mean that new taxi cabs will simply charge the maximum fares now imposed by San Francisco? Not necessarily. Charlotte, North Carolina, opened entry in 1982 and allowed taxi companies to set their own fares. No taxi firm increased fares for two years and discounts have been prevalent. Similar reports come from Jacksonville, Florida and Madison and Milwaukee, Wisconsin. Moreover, special senior citizen discounts became available in Madison and Sacramento following deregulation.

Will open entry diminish service? Many cities report that service has improved under deregulation. In Jacksonville and Oakland, open entry led to an increase in fleet maintenance and a

² If the minimum levels for quality and safety are set arbitrarily high, they could act as de facto restrictions on entry. However, reasonable standards should not have any significant anticompetitive effect.

reduction in vehicle age as new taxicabs entered. In Milwaukee, Santa Barbara, and Seattle, taxi competition reduced the waiting time for a cab. In addition, Milwaukee obtained better control over the qualifications of cabs and drivers. Unsafe, uninsured, unregistered drivers are disappearing from the streets.

The Police Commission took a position in favor of freer entry when it increased the number of medallions in 1984. Based on the economic evidence and recent experience throughout the country, we strongly support issuance of additional medallions in San Francisco. New entry into the taxicab business, consistent with maintenance of safe and competent service, will benefit San Francisco residents and visitors by reducing waiting time for taxis, fostering fare discounting, and creating employment opportunities.

Thank you for this opportunity to present the views of the Federal Trade Commission staff.

UNITED STATES COURT OF INTERNATIONAL TRADE

4620
874

OKI ELECTRIC INDUSTRY COMPANY,
LIMITED,

Plaintiff,

v.

UNITED STATES OF AMERICA,

Defendant.

Court No. 86-C7-00833
(Judge Carmar)

FEDERAL TRADE COMMISSION'S
MOTION TO APPEAR AND FILE BRIEFS
AMICUS CURIAE

Pursuant to Rule 76 of the Rules of this Court, the Federal Trade Commission ("Commission"), an agency of the United States government, moves this Court for an order granting the Commission permission to file briefs in these proceedings amicus curiae, to make such other appearances as are necessary and appropriate to present its amicus curiae position, and to participate in oral argument. The Commission also moves this Court for an order that it be served with all papers filed in connection with these actions. The grounds for this motion are set forth in detail below.

Commission Interest and Reasons for Amicus Appearance

The Commission enforces Section 5 of the Federal Trade Commission Act, 15 U.S.C. §45, to protect the American economy and the American consumer from unfair methods of competition, a concept that incorporates antitrust principles. The Commission

is concerned to ensure that sound and consistent economic principles are considered in applying the laws dealing with unfair competition, both by the Commission and by the agencies that enforce the trade laws. Moreover, the Commission is concerned that trade law decisions affecting competition in the United States may impair the Commission's ability to enforce the antitrust laws effectively. Participation by the Commission as an amicus here may assist the Court by providing a broader competition-policy context needed to arrive at decisions that harmonize the enforcement of the trade laws with the antitrust laws.¹

This appeal concerns the final determination by the Department of Commerce ("the Department") on the methodology for computing the size of the dumping margin for 64K dynamic random access memory components ("64K DRAMs") imported from Japan. 51 Fed. Reg. 15943 (April 29, 1986). One of the issues presented in this appeal -- whether to use "constructed value" -- is similar, if not identical, to one of the issues presented in the Department's investigation of alleged dumping of 256K and above dynamic random access memory components ("256K DRAMs") imported from Japan. Prior to the Department's final determination in 64K

1 This case illustrates the need to harmonize the two statutes. Micron Technology, Inc. ("Micron") alleged in its June 1985 antidumping petition (at 24) that Japanese firms are selling 64K DRAMs below cost in order to destroy United States producers and that the Japanese firms would subsequently raise prices to recoup their losses. Micron made a similar allegation of predatory pricing in an antitrust complaint. Micron Technology Inc. v. Hitachi Ltd. et al., Civ. No. 85-1329 (D. Idaho, filed September 1985) at ¶47.

DRAMs, the Commission's staff filed with the Department a prehearing brief concerning this issue in 256K DRAMs, and the Commission's staff also participated in the Department's public hearing on 256K DRAMs.² Moreover, in connection with the final determination by the International Trade Commission ("ITC") of injury in 64K DRAMs, the Commission filed prehearing and posthearing briefs and participated in the ITC's public hearing. The Commission is, therefore, familiar with the facts and issues presented in this appeal.

Respectfully submitted,

Robert D. Paul
General Counsel

Jeffrey I. Zuckerman
Director
Bureau of Competition

Edward F. Glynn, Jr.
Assistant Director for
International Antitrust
Bureau of Competition

Benjamin Cohen
Attorney
Bureau of Competition

Attorneys for
Federal Trade Commission
6th & Pennsylvania Ave., N.W.
Washington, D.C. 20580
(202) 634-4784
October __, 1986

2 Although the 256K DRAMs investigation has been suspended, 51 Fed. Reg. 28396 (August 7, 1986), the principles articulated by this Court in this appeal will presumably have precedential value for the Department in its determinations of the foreign market value and the United States price that are called for in section C of the suspension agreement.

UNITED STATES COURT OF INTERNATIONAL TRADE

OKI ELECTRIC INDUSTRY COMPANY, LIMITED,)	
Plaintiff,)	
v.)	Court No. 86-07-00833
UNITED STATES OF AMERICA,)	(Judge Carman)
Defendant.)	

ORDER

Upon reading and filing the Federal Trade Commission's Motion To Appear and File Briefs Amicus Curiae, and upon all other papers and proceedings herein, it is hereby

ORDERED that the Federal Trade Commission's motion is granted; and further

ORDERED that the Federal Trade Commission be permitted to file briefs amicus curiae, to make such other appearances before this Court as are necessary and appropriate to present its amicus curiae position, and to participate in oral arguments; and further

ORDERED that the Federal Trade Commission be served with all papers filed in connection with this action.

Judge

Dated _____ 1986
New York, New York