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BILL



ANALYSIS

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Senate Bill 561 (as passed by the Senate)
Sponsor: Senator Jack Brandenburg
Committee: Transportation

Date Completed: 2-2-12

RATIONALE

The Limousine Transportation Act, enacted in 1990, regulates the operation of limousines by "limo carriers of passengers". The Act requires a limo carrier to obtain a certificate of authority from the Michigan Department of Transportation, pay a filing fee of \$300 plus \$50 for each limousine to be used, pay an annual renewal fee of \$50 per limo, have each limo inspected annually, and maintain liability insurance at specified minimum levels. In addition to meeting these requirements, if a carrier operates a Class B limousine (a vehicle with a seating capacity of fewer than seven passengers including the driver) for the purpose of picking up passengers in a city with a population of 750,000 or more, the Act requires the carrier to comply with that city's limo ordinance. Detroit was the only city in the State that met that threshold; however, its population has fallen below 750,000 in recent years.

The Detroit ordinance regulates vehicles for hire, including luxury sedans (chauffeur-driven full-size sedans with a maximum seating capacity of six people including the driver). The ordinance requires operators to obtain a vehicle-for-hire license, called a bond plate in the case of a luxury sedan. A bond plate may be purchased from the city or, with the city's approval, from another owner. The price charged by the city fluctuates according to the market price for a bond plate, but was \$2,000 most recently. A bond plate must be renewed annually for \$432. Operators also must meet liability insurance requirements, drivers have to obtain a public driver license through the city's police department, and vehicles are subject to safety inspections.

Many people believe that the city ordinance unnecessarily duplicates the State law, and they find that complying with the ordinance is expensive and difficult. Multiple city departments are involved and the process of meeting all of the city's requirements reportedly can take months. Also, there have been reports of incidents in which drivers were improperly stopped and arrested for alleged bond plate violations.

Although the Limousine Transportation Act requires limo carriers to comply with local ordinances only in a city with a population of 750,000 or more, and Detroit no longer meets this criterion, it is reported that other cities in southeastern Michigan are considering enacting vehicle-for-hire ordinances. To prevent this from occurring, it has been suggested that only the State should have the authority to regulate limousines.

CONTENT

The bill would amend the Limousine Transportation Act to do all of the following:

- **Provide that the Michigan Department of Transportation (MDOT) and the Department of State would have exclusive authority to license limousines, limo carriers of passengers, and limo operators.**
- **Prohibit local units of government from licensing limousines, limo carriers of passengers, or chauffeurs, or adopting ordinances to do so.**

- **Eliminate a provision exempting from regulation a limo carrier of passengers operating only within the boundaries of a local unit that has its own safety inspection and insurance requirements.**
- **Delete a provision under which a limo carrier that operates Class B limousines within a city with a population of 750,000 or more, also must comply with that city's vehicle-for-hire ordinance.**

The bill also would repeal sections allowing a local unit that has an ordinance regulating limousines to perform required annual safety inspections, and requiring a limo carrier of passengers who has the inspections done by a local unit to pay MDOT a fee for each limousine inspected.

Local Regulation

The Act does not apply to a limo carrier of passengers that operates only within the boundaries of a local unit of government that has its own safety inspection and insurance requirements. The bill would delete this provision.

A limo carrier of passengers may not operate a limousine for the transportation of people for hire on a public highway in Michigan, except in accordance with the Act. The Act requires MDOT to issue a certificate of authority to a limo carrier of passengers if it finds the carrier to be fit, willing, and able to provide the transportation services authorized by the certificate and to comply with the Act, including its insurance requirements.

In addition to complying with the Act, a limo carrier of passengers that operates Class B limousines for the purpose of picking up passengers in a city with a population of 750,000 or more must comply with that city's vehicle-for-hire ordinance but may remain in the city during a given trip for the sole purpose of picking up the same passengers whom it originally brought into the city on that trip. The bill would delete that provision.

The bill specifies that MDOT and the Department of State would have exclusive authority to license limousines and limo carriers of passengers and to license

operators, drivers, and chauffeurs of limousines and limo carriers of passengers.

A county, regional authority, city, township, or village or any other local unit of government would be prohibited from licensing limousines, limo carriers of passengers, or chauffeurs of limousines or limo carriers of passengers. A county, city, village, or township could not adopt a local ordinance to license limousine drivers or limo carriers of passengers within the limits of the county, city, village, or township.

Repeal of Local Safety Inspections

Section 19 of the Act requires each limo carrier of passengers holding a certificate of authority issued under the Act to have each limousine inspected annually by a mechanic certified under the Motor Vehicle Service and Repair Act, at a motor vehicle repair facility registered under that Act that is designated by MDOT as an inspection station. Each limousine operated by a limo carrier of passengers under its certificate must pass a safety inspection meeting the Department's specifications for safe operating character and condition for the certificate's renewal. A limousine that does not pass a required inspection may not be operated over the State's public highways.

Under Section 14 of the Limousine Transportation Act, a county, city, village, or township that has adopted a local ordinance to regulate limousines or a limo carrier of passengers within its corporate limits may perform the safety inspection required by Section 19 upon request of the limo carrier of passengers. A safety inspection performed by a local unit must meet or exceed the requirements and standards of an MDOT safety inspection. The bill would repeal Section 14, and delete several references to an inspection performed by a local unit under this section elsewhere in the Act.

Under Section 23, each certified limo carrier of passengers who has the required annual inspection done by a local unit must submit to MDOT a copy of the safety inspection report and pay the Department a fee equal to \$5 for each limousine inspected. The bill would repeal Section 23.

MCL 257.1905 et al.

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

Detroit's vehicle-for-hire ordinance is onerous and unnecessary. Although a local vehicle inspection may satisfy the State requirement for an inspection, the remainder of the city's requirements either duplicate the State requirements or add another layer of unneeded regulation. In particular, Detroit's bond plate requirement serves no apparent purpose other than to generate revenue for the city. Complying with the ordinance costs limo operators money, time, and business. Because various city departments handle different aspects of the process, and city personnel are available for this purpose only during limited hours and on particular days, a limo operator or chauffeur must make repeated visits to multiple offices to obtain the necessary bond plate, license, and inspection—an ordeal that evidently can last for months.

In addition, according to testimony on behalf of limo operators, Detroit police officers have at times wrongly stopped limousines and arrested the drivers, leaving their passengers to find other means of transportation. This not only costs operators in terms of legal fees and lost business, but also gives visitors a very poor image of Detroit. A chauffeur might be someone's first and last contact in the State, and Detroit often is out-of-State travelers' only exposure to Michigan. The experiences they have during their ride between the airport and the city, and as they are driven within the city, can color their view of the entire State—as well as their desire to invest here.

Limo carriers who comply with the Limousine Transportation Act are considered qualified to operate anywhere in the State. There is no need for additional regulation at the local level by the City of Detroit or another municipality that might want to enact a vehicle-for-hire ordinance. Many limo operators are struggling in today's economy, and they simply cannot afford to comply with duplicative licensing requirements.

Supporting Argument

Because Detroit's population has fallen below 750,000, some people have said that the city's vehicle-for-hire ordinance is no longer enforceable, but it is not clear whether that is the case. The Limousine Transportation Act does not expressly *authorize* a city with a population of 750,000 or more to enact a vehicle-for-hire ordinance. Instead, the Act states, "A limo carrier of passengers that operates class B limousines in a city with a population of 750,000 or more *shall also comply* with the vehicle for hire ordinance of that city..." (emphasis added). Since Detroit no longer meets that population threshold, limo carriers are not required by State law to comply with the city's ordinance, but that does not necessarily make the ordinance unenforceable by the city.

In addition to deleting the requirement that limo carriers comply with a city's vehicle-for-hire ordinance in a city with a population of at least 750,000, the bill would give MDOT and the Department of State the *exclusive* authority to license limousines, limo carriers, and limo operators, and would prohibit local units of government from adopting ordinances on this subject. Thus, if Detroit is continuing to enforce its vehicle-for-hire ordinance or other municipalities are planning to enact such an ordinance, they would no longer be able to do so under the bill.

Opposing Argument

The bill would impede local control and inhibit a municipality's ability to take measures it determined were necessary to protect the safety of residents and visitors. Under Detroit's limo ordinance, the amount of revenue generated from the bond plates was nominal in terms of the city's entire budget, and that money was used to fund city inspections of Class B vehicles. A local unit might be concerned about the State's ability to conduct sufficient safety inspections, and should have the authority to establish its own regulation of industries operating within its boundaries.

Response: Reportedly, the State's limo inspection process is more rigorous than the process under the Detroit ordinance, and the insurance requirement under State law is significantly higher.

Legislative Analyst: Julie Cassidy
Suzanne Lowe

FISCAL IMPACT

The bill would have an unknown and likely minimal impact on revenue and expenditure for both the State and local units. Most limousine carriers are already licensed by the State and inspected under State provisions. The bill would eliminate local licensing authority, potentially reducing both license revenue and enforcement expenses for local units while increasing revenue and expenses for the State. The specific impact would depend upon relevant fee schedules and the number of violations.

Fiscal Analyst: David Zin

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.