Increases in taxi fares have been capitalized into license values at a staggering rate. According to analysis by two University of Manitoba professors, increases in cab rates by the Manitoba Taxicab Board have caused license values to increase by over 40% in a decade. This rise in license value has created a barrier to entry for would-be drivers, who are required to pay a fee beyond their expected fares to acquire a license.

In theory, the Board should be ensuring a balance between the competing desires of the public (who want low fares) and the industry (who want higher revenues). If they were to achieve this balance, the last potential driver should be ambivalent about entering the industry, being a taxi driver should be no more or less attractive than his or her other opportunities. In this case, we would not expect a potential driver to pay any fee beyond normal start-up costs to enter the taxi industry.

However, the current value of taxi licenses suggests that being a taxi driver is much better than the next best option of many other opportunities. The price of a license ranges from approximately $100,000 to over $300,000, depending on the date of transfer and the type of license (full or half share). In this case, a potential driver would have to pay a fee beyond their expected fares to acquire a license, which is significantly higher than normal start-up costs.

The price of a license appears to be creating the equilibrium between would-be drivers and the industry. This price represents the capitalization of surplus profits allowed under the current regulatory regime. If they were to achieve this balance, the last potential driver should be ambivalent about entering the industry, being a taxi driver should be no more or less attractive than his or her other opportunities. In this case, we would not expect a potential driver to pay any fee beyond normal start-up costs to enter the taxi industry.

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