



# MADISON OP-ED SERIES

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## Private Automobile License Tags

by Randall G. Holcombe

One of the risks Florida drivers face is the possibility of being involved in an automobile accident with an uninsured motorist. Although state law requires auto insurance, perhaps as many as one third of Florida's automobiles are uninsured. The problem of uninsured motorists could be significantly reduced by privatizing the issuance of automobile license tags.

Here's how the system would work. Insurance companies would issue license tags with their logos affixed, but would issue them only to automobiles they insured. If an automobile was involved in an accident, the insurance company that issued the car's tag would be liable. Thus, police could tell at a glance if a car was uninsured because it would have no tag, and it would be easy for police to keep uninsured motorists off the road. Indeed, one can envision motorists with both insurance and cellular phones

indignantly calling police to report sightings of cars without tags.

Insurance companies would issue tags to their customers, and the insurance contract would be valid as long as the car had the company's tag. The company could, if it wanted, extend credit to an auto owner by allowing the owner to keep the tag despite falling behind on premium payments. To cancel the policy, the company would have to reclaim the tag.

Car owners who refused to return their tags when asked would be guilty of theft, and obviously so would people who stole tags from someone else to put on their cars. This potential problem would be minimized, however, because a stolen tag would only be useful if it were displayed in plain view on the thief's car, and stolen property in plain view would be relatively easy to recover.

The revenues that car tag fees provide

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to government could be retained by applying a tax on the tags insurance companies issue. Of course, the tax could be much smaller than it is currently, because counties would no longer have the expenses associated with collecting the tax and issuing the tags themselves. Governments would have smaller expenses, but insurance companies would have little, if any, additional expense, reducing total costs for auto owners. Insurance companies already send proof of insurance documents to their customers, and their only extra burden would be to send license plates at the same time.

In general, privatization has the advantage that private firms tend to operate more efficiently than government bureaucracies, and no doubt this would be true in auto licensing. But the saving in cost would be only a secondary benefit when compared to the advantage of greatly reducing the number of uninsured motorists on the road.

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