

Not Calling the Police (First)

A market for response would lower the public cost of false alarms.

BY ERWIN A. BLACKSTONE,
SIMON HAKIM,

TEMPLE UNIVERSITY
AND URIEL SPIEGEL
BAR-ILAN UNIVERSITY

COMMUNITIES ACROSS THE UNITED States created and operate 911 emergency communication systems to provide prompt response for medical, fire, and law enforcement emergencies. Many of those systems have carried heavy call loads for years, but they have become even more burdened after September 11, as callers report suspicious activities that they fear might be linked to terrorism.

The burden on the nation's 911 systems would be lessened significantly if there were a decrease in the number of incoming non-emergency calls and false fire and burglar alarms. For example, 53 percent of 911 calls in Atlanta during 1997 were of a non-emergency nature. In 2000, Philadelphia police reported that 96 percent of fire alarms, 97 percent of burglar alarms, and 75 percent of medical alarms turned out to be of a non-event nature. Those false alarms and non-emergency calls place an enormous burden on emergency services providers and the public; each response consumes valuable resources and subtracts from the manpower that could be mustered for real emergencies.

Erwin A. Blackstone is a professor of economics at Temple University and a member of Temple's Center for Competitive Government. He has written on a number of topics, including antitrust and the removal of market barriers. Blackstone can be contacted by e-mail at eablacks@sbm.temple.edu.

Simon Hakim is a professor of economics at Temple University and the co-director of Temple's Center for Competitive Government. He has written on crime and deterrence, and police expenditures and organization. He can be contacted by e-mail at shakim@sbm.temple.edu.

Uriel Spiegel is an associate professor of economics at Bar-Ilan University in Ramat-Gan, Israel. He has written on public finance, microeconomics, privatization, and industrial organization.

One especially costly form of non-emergency call is police response to activated home and business burglar alarms. Police response to burglar alarms constitutes 10 to 20 percent of all police calls, but 94 to 99 percent of those alarms turn out to be false. For example, in DeKalb, Ga., in 2000, only 39 out of over 144,000 alarm calls were actual or attempted burglaries. That same year, 97.5 percent of 30,000 police responses to burglar alarms in Seattle were false, and only 40 burglars were actually apprehended. Chicago police annually respond to over 300,000 alarms, 98 percent of which are false.

Those false activations involve significant cost. In 2000, total national cost for responding to 36 million false burglar alarms was \$1.8 billion. If the alarm problem did not exist, at least 35,000 officers could be shifted to other duties. Those financial and manpower costs prove especially burdensome for police departments in large cities. For example, the Seattle Police Department calculated that, on average, it cost the department \$52 to respond to each false alarm in 2000. And the police were not the only emergency service providers affected by the alarms; the city's 911 center spent \$303,237 processing alarm calls in 2000, most of which were false.

Under current conditions, police response to false alarms yields no benefits to the community. Instead, response is an earmarked service to the alarm owner that slows overall police response because of the large number of false alarms. Accordingly, few burglars "on the job" are apprehended. Thus, the effectiveness of burglar alarms in capturing or deterring burglars is modest, and the cost per arrested burglar is high. In Seattle, the cost per burglar for the 40 who were apprehended during alarm calls in 2000 was \$38,500.

POLICY RESPONSES

Local governments have attempted many "solutions" to the false alarm problem. Those include fines for false alarms, education programs for alarm owners, a cessation of response services for repeat false activators, the imposition of regis-

tration fees on alarm ownership, and even mandates that calls for alarm response come over “900” phone lines. None of those “solutions” has achieved more than short-term success.

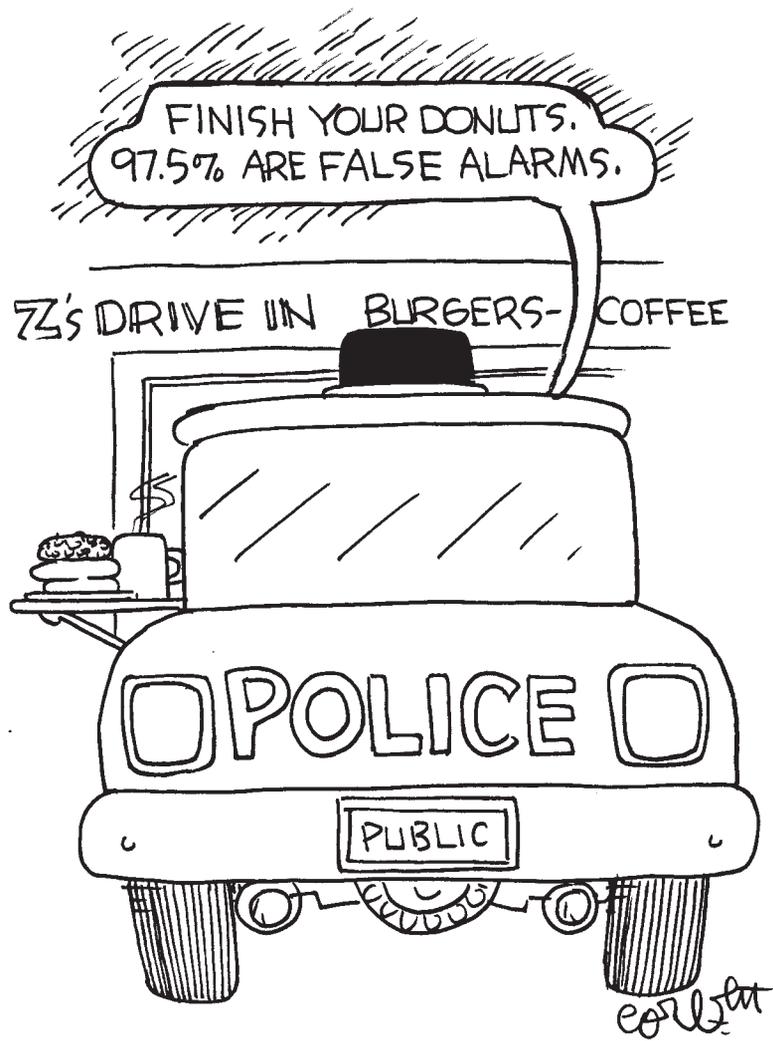
Fines Local governments that implement false alarm fines typically allow an alarm owner three “free passes” per year. (Public and religious institutions often enjoy unlimited free response.) Additional false activations result in a fine of either a standard amount or at an escalating rate. New Orleans, for example, provides five responses per year at no charge, but then assesses a fine of \$25 for false alarms six to 14, and \$75 for 15 to 20 in a year. The city ceases response after 20 false alarms.

Punitive policies range from simply refusing to respond after a certain number of false activations in a year to possible arrest of the alarm owner. Pennsylvania state law makes more than three false alarms a summary criminal offense, punishable by a fine of \$300. What is more, in accordance with last year’s much publicized U.S. Supreme Court decision, someone charged with even a minor summary offense punishable by no more than a small fine can be arrested. Hence, by law, the owner of an alarm that is inadvertently activated could be taken to jail in some communities.

The false activator should not be viewed as a criminal. Fines are aimed at punishing offenders and/or deterring particular behavior. Responding to an alarm should be viewed as a market transaction where a service is rendered. Fines should reflect the probability of an event multiplied by the social cost of the adverse behavior. In the case of alarms, the only damage is the opportunity cost of the resources that can be simply priced. Punitive action is inappropriate.

Education In most cases, a small group of alarm owners is responsible for most false activations. User error accounts for 76 percent of all false alarms, and 20 percent of users account for 80 percent of false alarms. In an effort to curtail the number of “repeat offenders,” some police departments conduct seminars and visit with repeat activators to suggest how to curb false activations. For example, West Palm Beach, Fla., will forego assessing a \$250 false alarm fine if the alarm owner chooses to attend a one-hour class.

Unfortunately, those education programs appear to have little, if any, positive effects. In cities such as Ft. Lauderdale, Fla., Portland, Ore., Philadelphia, and Elgin, Ill., police education programs met with no long-term success, even though the police expended considerable resources that could have been better used in other activities.



Registration fees Some communities require home- and business owners who purchase alarms to pay “registration fees” that are intended to defray the cost of monitoring and response. As a result of those policies, police departments and alarm companies expend enormous effort on registration records and the handling of fees. What is more, the fees are collected from all alarm owners – both the cautious and the negligent – so they do not provide a disincentive for repeat false activators. Instead, careful owners subsidize alarm activators.

Price and cost The fundamental problem with all of those strategies is that the pricing of the service is divorced from the cost of production that would prevail under competitive market conditions. Most communities price response below cost. That, of course, discourages caution in the use of alarms. In communities where there is no express fee for response, all taxpayers — including those who do not have alarms — subsidize the false activators. And, in communities where there are fees, careful alarm owners subsidize false activators.

There are also problems for communities that price alarm response above cost. Such pricing is a disincentive to potential alarm purchasers and, thus, unnecessarily restricts the

use of alarm systems and sacrifices security. What is more, the overpricing means that alarm activators subsidize other activities of the municipality.

In order to address the false alarm problem, communities must price response correctly. There should be no unfair subsidizing of repeat false activators by others (or vice versa), and repeat false alarm activators should pay the price for the many responses that they produce. The most efficient way to accomplish that pricing is to establish a market of private alarm response providers.

AN ALARM RESPONSE MARKET

Even though police currently provide alarm response services at taxpayer expense, that service could be provided privately. That way, consumption of the alarm response private goods would be restricted to those who pay, and service providers would adjust their pricing to adequately cover the service.

Critics of such a move to markets would argue that response to an alarm is a public good and, therefore, properly an obligation of the police. The actual capture of a suspect by police reduces the pool of active burglars and provides spillover benefits to the entire community, and thus is properly thought of as a public good. Thus, the police should not charge for response to an actual or attempted burglary. But 94 to 99 percent of all alarm activations are false; hence, response to those activations should not be the responsibility of the public. When police respond to false activations, the community at large subsidizes a private service provided solely to the activator. Clearly, such cross subsidies are unwarranted; if police divest the service, alarm owners will contract private guard companies to respond.

Under a market approach, police would only respond to a request from someone on site who has verified that an actual or attempted burglary probably occurred or is occurring. When a real burglary occurs (remember that no more than six percent of alarm activations are for a real event), the police respond. That likely would improve the arrest rate for burglars (and thus provide a public benefit) because police would be relieved of the duty to respond to all alarm activations, and instead would respond more quickly to confirmed burglary attempts.

Case study Salt Lake City implemented such a policy in December of 2000, after years of mounting costs and lost man-hours from false alarms. In the preceding year, Salt Lake police responded to 8,213 false alarms, at a direct cost of \$492,780. The average response time was 40 minutes and occasionally took as long as 2.5 hours. Further, only 12 percent of the city's residences and businesses had alarm systems; hence, 88 percent of the population subsidized a private service to a small, well-defined group of people. The large number of false alarms had more than just a financial cost for Salt Lake residents; because police were kept busy with false alarm calls, the department was forced to downgrade response to other public services, such as response to domestic disturbance calls.

Those public costs dissipated significantly following the December 2000 ordinance. Police were no longer the primary responders to burglar alarms; instead, seven guard companies began offering initial response services for fees ranging from \$15 to \$35 an incident – rates that were substantially less than the \$60 average cost to the police. (One company offered a monthly contract for \$30 that included unlimited response.) Security company response time ranged from six to 15 minutes, with most responses under 10 minutes. One company even offered a guarantee that response would occur within 20 minutes or there would be no charge for the service.

In the first seven months following implementation of the new policy, police response to false alarms dropped a remarkable 90 percent. That decline translated to a direct savings to police of about \$400,000. The reduction in false alarms enabled the Salt Lake police to respond more quickly to other emergencies, resulting in an overall decrease in average police response times from five minutes to three.

Importantly, the number of burglaries did not increase under the new policy; in fact, there was a 24-percent decline from 1998. Also, during those first seven months of the new policy, police arrested six burglars while responding to only 720 calls; that compares favorably to the five burglars whom police arrested in all of 1999 when they responded to 10,200 calls.

Market potential There is no reason to think that the Salt Lake City results could not be replicated elsewhere. If other areas were to adopt similar policies, many private security firms would enter the market to provide services. Such a market would prove very inviting because alarm response involves modest skills, is labor intensive, the extent of economies of scale is limited, and entry barriers are modest. Thus, in large urban areas, many alarm response companies would offer various products if the police response were no longer subsidized.

Guard firms, in particular, are strong potential entrants. For example, in Philadelphia in 1995, there were 54 establishments providing detective and armored car services, all of which employed guards who could double as alarm responders. The market for alarm response would enjoy economies of scope; the lowered costs arise from the provision of bundles of services that include response, patrol, vacation services, and stationary guards. Alarm companies that offer installation, monitoring, and physical response to alarms probably would also enjoy such economies.

Public-private competition Another approach to reducing the public cost of false alarms would be for police departments and private firms to compete in the same marketplace over the provision of initial response services. Some police departments that want to accrue additional revenue and have sufficient resources to provide response could offer the service to customers at a price. It is even possible that some police departments would provide service outside of their jurisdiction lines. Economies of scale and scope, even

if modest in extent, may prompt police to compete in response, and bid for service in adjacent communities. Potential customers, in turn, may be willing to pay for the premium service provided by police, or may opt for service from a private firm that likely would have lower rates.

To foster competition, police departments would have to remove entry barriers such as free responses and pricing below cost. Cost-based pricing by police would enable entry by private security companies and eliminate cross subsidies that unfairly harm taxpayers who do not have alarm systems or who do not trigger false alarms regularly. Such a marketplace of police and private services would offer consumers a variety of choices in quality of service and price.

OTHER NON-PUBLIC GOODS

A private market for initial alarm response reduces the number of false activations, reduces taxpayer costs, and allows police to concentrate on the apprehension of criminals. Could those benefits be brought to other services provided by police departments?

Police departments provide many services that are not true public goods, such as escorting funerals, conducting investigations for insurance purposes, and opening locked cars. Those services could also be turned over to private service providers. Perhaps private competitors could even handle such traditional police services as crime investigation, traffic control, parking violations, and management of 911 systems. Relieved of those duties, the police could better focus on the true law enforcement duties of apprehending perpetrators and protecting the peace. **R**

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