COUNCIL AGENDA: 11-16-04
ITEM: 6.2

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: James R. Helmer
Robert L. Davis
Ralph G. Tonseth

SUBJECT: **TAXICAB SERVICE MODEL**

DATE: 11-12-04

Approved

Date 11/12/04

Council District: Citywide

SUPPLEMENTAL

BACKGROUND

On May 18, 2004, the City Council approved a new Taxicab Service Model and directed that staff initiate implementation and report back to the Building Better Transportation Committee (BBT) in October 2004 with a status report. At the November 1, 2004 BBT Committee meeting, Council members Cortese and LeZotte submitted a memorandum that recommended the continued implementation of the new Taxicab Service Model, and a temporary limit on the number of Citywide taxicab permits. The recommendations were approved by the BBT Committee and are cross-referenced on the Council Agenda under item 6.2.

During the BBT Committee discussion on November 1, specific questions were raised regarding how quality taxicab service will be ensured at the Airport under the new service model given the expansion in the number of taxicab companies that will have the opportunity to operate at the Airport. Questions were also raised about compliance with City insurance requirements and the process that staff uses to uses to gain compliance by taxicab companies with the requirements. It is important to note that the insurance requirements will remain the same under the new Taxicab Service Model as they exist under the current service model.

ANALYSIS

1. Quality Assurance for Airport Taxicab Service

The implementation of the new Taxicab Service Model will require all taxicab companies desiring to serve the Airport to enter into binding agreements with the Airport that include explicit service requirements for the company, drivers, and vehicles. The agreements will require that each company meet certain requirements in advance of receiving a distribution of individual Airport access contracts. Some of the advance requirements include: being in

compliance with all existing City requirements; developing specific offers to drivers in terms of their business and marketing plans, and driver fees; and the implementation of driver training programs. Companies that are unable to meet the requirements will not receive their distribution of contracts, which would then result in redistribution to companies that meet the advance requirements. All drivers authorized to access the Airport will be required to affiliate with a company that has a signed agreement with the Airport. Companies, along with the drivers themselves, will be responsible for drivers' actions. Failure to maintain compliance with the requirements will initially result in the assessment of liquidated damages to immediately demonstrate that non-compliance with service standards is not acceptable. Further breaches will result in the suspension and/or termination of the agreement and access to the Airport.

In addition to existing company requirements, the Airport agreements will require the following:

- ✓ Provide a 24/7 computer aided dispatch system approved by the City.
- ✓ Provide Airport service (drivers) a minimum of 70% of the assigned days to ensure the availability of taxicabs for customers.
- ✓ Ensure drivers meet or exceed customer service standards which include the following:
  - Courteous greeting and interaction with passengers, luggage and door assistance
  - Ability to provide direct and efficient transit to locations in the San Jose Metro Area.
  - Speak and understand English, allow passenger choice of music or silence
  - Provide air conditioning or heat at the request of the passenger
  - Follow dress code and good personal hygiene
- ✓ Provide driver training as required by the new City training requirements.
- ✓ Immediately respond to all customer complaints and lost item reports.
- ✓ Initially provide a minimum of one large capacity vehicle (e.g. minivan). Companies with 10 or more vehicles, must provide 20% of Airport trips with large capacity vehicles.
- ✓ Initially provide a minimum of one alternative fuel vehicle, with 25% of Airport trips with alternate fuel vehicles by 12/31/05.
- ✓ Maintain vehicle condition, appearance and cleanliness as required by the current City rules and regulations.

The new Taxicab Service Model is designed to extend the benefits of the current Airport concession agreements (in terms of contractual service standards) and apply those standards to the entire San Jose taxicab industry. Currently, only the two Airport concession companies are subject to contractual service requirements. Under the new Taxicab Service Model, all companies that want to serve the Airport must meet certain advance requirements and then will be required to maintain service standards over the life of the agreement. Each company's performance will be reviewed on a monthly basis to ensure they are meeting standards and any corrective action will be taken as necessary.

2. Taxicab Vehicle Insurance Compliance

As part of the process of issuing new taxicab vehicle licenses and renewing licenses, companies are required to provide the Finance Department's Risk Management Unit with proof of insurance for their vehicles that meets the minimum requirements of state financial responsibility laws.

Additionally, all policies and coverages are subject to approval by the Risk Manager as to content and form. As part of the approval procedure, the Risk Manager requires that the City be named as an additional insured on each licensee's policy. This requirement not only provides coverage for the City, but also assists the Risk Manager in obtaining notice of changes in the insurance policies. Taxicab company licenses are renewed annually and proof of insurance is required for renewal.

If, at any time in the judgment of the Risk Manager, the licensee's insurance policies or coverages are not sufficient, the Risk Manager may require the licensee to replace the policies or coverages within ten days with other policies or coverages acceptable to the Risk Manager. If the licensee fails to comply within the ten-day period, the license is automatically suspended at the end of the ten-day period until such time as the policies or coverages are properly replaced.

Alternatively, for minor insurance requirements violations, the Police Department Permits Unit issues either administrative citations or notices of violation with a ten-day opportunity to correct the violation. These two enforcement methods have proved effective in obtaining prompt corrective action from the taxicab company licensees.

In the event that the City received a notice that a taxicab company has allowed its entire policy to expire, the Risk Manager notifies the Police Department's Permit Division. The Permits Unit is authorized to issue an emergency suspension order, which includes notice of a hearing within ten (10) days of the effective date of the order. The license holder has the opportunity to provide proof or insurance prior to or at the hearing, which would result in reinstatement of the license.

In the past 18 months, six companies have received either administrative citations or notices of violation for failure to meet insurance requirements. In each case, the company took prompt corrective action to come into compliance after receiving the notice or administrative citation. Currently, all licensed taxicab companies in the City have insurance policies in place. However, one company's policy does not meet all City requirements. The Police Department is taking action to obtain compliance from the company and, should the company fail to comply, the Department will take action to suspend the company's permit. If this company, or any other licensed company fails to maintain compliance with insurance requirements or any other license requirements the company will not be eligible to participate in the distribution of Airport access contracts.

The challenge the City faces in monitoring insurance compliance is that, in some instances, insurance companies may not be notifying the City when there are changes to individual vehicles covered under the policy. An example would be when a vehicle is removed from service for major repairs. The taxicab company may remove the vehicle from the insurance policy while the vehicle is under repair and then fail to reinstate the vehicle when it goes back into service.

The Police Department's Permit Division is conducting an audit of all the licensed companies to verify that each of their vehicles is correctly listed on the company's insurance policy. Once the vehicle audit is completed, any insurance company that fails to provide current vehicle coverage information will be contacted, along with the affected taxicab company. If necessary, the Police

Department will take appropriate enforcement action to obtain compliance should any company fail to comply after receiving reasonable notice of the violation.

PUBLIC OUTREACH

The questions and issues raised were discussed at the November BBT meeting. Many members of the Taxicab Advisory Team were present at the meeting.

COORDINATION

This report has been coordinated with the Finance Department - Risk Management Unit and the City Attorney's Office.

CEQA

Not a project.

for James H Ortal
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Director of Transportation

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for Frank Kirkland
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