



Memorandum

TO: BUILDING BETTER
TRANSPORTATION COMMITTEE

FROM: James R. Helmer
William F. Sherry
Robert L. Davis

SUBJECT: TAXICAB SERVICE MODEL
STATUS REPORT

DATE: 05-25-06

Approved

Date

RECOMMENDATION

1. Accept the Taxicab Service Model Status Report.
2. That the Committee recommend approval by the City Council of the Methodology for Taxicab Rate Adjustments.

BACKGROUND

In May 2004, the City Council approved the implementation of a new Taxicab Service Model for the City of San José. On June 28, 2005, the City Council approved an agreement with Taxi San José to provide On-Demand Ground Transportation Dispatch Services at San José Mineta International Airport, a key service element of the new Taxicab Service Model. On September 7, 2005, the new Taxicab Service Model was initiated. Taxi San José (TSJ) began providing dispatch services for all 14 San José taxicab companies operating at the Airport, and individual drivers began operating with Airport-issued permits. On December 5, 2005, City staff provided the Building Better Transportation Committee (BBT) with an update on the Service Model and an update regarding the operation of Taxi San José's Ground Transportation Dispatch Services.

Staff was directed report back to the Building Better Transportation Committee as part of the Spring Workplan on status of the Taxicab Service Model. This report meets that direction.

ANALYSIS

Airport Activities and Taxi San José Update

The most immediate activities and benefits of the new Taxicab Service Model consisted of Airport related service changes. Since implementation of the Taxicab Service Model on September 7, 2005, staff, along with Taxi San José, and the taxicab companies and drivers, has continued to work diligently on the many implementation issues associated with the new service model. The new dispatch service has provided a coordinated, more professional presence at the curbsides that is

providing a more informed choice to the passengers, while maintaining the peace between the involved industries more effectively. Reporting of data by TSJ and the taxi companies has resulted in an improved amount of information on taxi and door-to-door shuttle trips provided to the City and the drivers.

Airport staff has met regularly with TSJ to oversee service provisions and address performance issues. As a result of the discussions and ongoing issues, TSJ has made changes in their structure and terminated their relationship with their sub-contractor, Bauer's Limousine Services. These changes were set forth in the City Council Information Memorandum of May 12, 2006.

TSJ now maintains a direct role in the employment and management of all employees and has taken responsibility for the contractual requirements of employee retention and living wages. TSJ is holding meetings with the employees involved, the taxi drivers and owners, and the door-to-door shuttle industry to address any concerns arising from the changes in Airport Dispatch Service operations. TSJ is required to fully communicate the new structure to the industries involved and to address any concerns or issues resulting from the transition. City staff, including Airport, DOT and Attorney's Office staff, will continue to monitor service levels.

Staff will conduct an assessment of the TSJ operations in September 2006 to determine if the changes have adequately addressed the concerns, improved performance and delivered the service levels required through the contract and to TSJ's standards for service. Current rate structures will remain in place, including the scheduled increase of \$18,312 annually to TSJ for the second year of the two-year contract. However, should the desired service levels and performance be attained, as shown by the September assessment, TSJ may propose a revised rate structure to further enhance their long-term service quality and stability. At a minimum, staff will require TSJ to provide a detailed description and verification of need, as well as verification of a completed communication plan and broad support of both Taxi Cab and Shuttle drivers as well as the companies involved to Airport Staff. City Council approval would be required for any TSJ rate structure change from the original contract.

On a monthly basis, Taxi San José staff will continue to present activity and service information to the Taxicab Advisory Team (TAT) to ensure a broad understanding of overall operation and activity. City staff and Taxi San José staff continue to work on items that have been identified as part of the improvement process that include on and off airport service, marketing and advertising, and permitting modifications.

Customer Service Training

One of the goals of the new Taxicab Service Model is to improve service by requiring all taxicab drivers to complete a customer service training program that focuses on important service elements of the taxicab industry. City staff has worked diligently with Taxicab Companies and San José Evergreen College to ensure curriculums met or exceeded the format approved by the City.

All but United and Yellow Cab Companies chose to use the Customer Service Training Program provided by San José Evergreen College. United Cab developed their own training curriculum that

exceeded the City requirements. The United Trainer provided training to both United and Yellow Cab Company drivers. There are a total of 285 permitted drivers who have completed the customer service-training curriculum, leaving 69 Airport-permitted drivers and 145 Off-Airport-permitted drivers who have yet to complete the training. Airport staff will be issuing letters of non-compliance that may include liquidated damages to the Airport-permitted drivers who have not yet completed the training.

Policy on Clean Fuel Vehicles – Goals and Incentives

The Airport established an incentive program for taxicab drivers that allowed those drivers with Clean Fuel Vehicles to operate at the airport on their alternate off-airport days, provided the drivers still met their off-airport requirements. The goal of the incentive program, based on a mitigation measure from the California Air Resources Board approval of the Airport's Master Plan, was that Clean Fuel Vehicles would supply 25% of the trips at the airport.

On November 8, 2005, Airport staff identified the vehicles that qualify for the incentive program and would result in the greatest reduction of emissions by the on-demand taxi and door-to-door shuttle industries. The Airport's Policy allows all vehicles certified as a Super Ultra Low Emission Vehicle (SULEV), whether alternate fuel, hybrid or gasoline fueled, to obtain the incentives. It also allows dedicated alternative fueled vehicles that met the previous policy, such as the Compressed Natural Gas (CNG) vehicles that are certified as Ultra Low Emission Vehicles (ULEV) Level II to qualify under the incentive program. The Policy changes provide taxi drivers and company owners the opportunity to select from a larger variety of vehicles to obtain the incentives.

In evaluating the current incentive program, the City's new service model goals include the following:

- Balance levels of taxicab service between airport (on) and city (off-airport) service areas;
- Positively impact and balance the economic benefits of the industry between drivers and companies;
- Maintain a goal of 25% of the trips from the Airport being made by clean fuel vehicles.

Prior to the implementation of the Taxicab Service Model less than 10% of the airport trips were supplied by clean fuel vehicles. As companies and drivers increased their fleet of clean fuel vehicles to obtain the incentive, clean fuel trips have moved beyond the 25% goal. Recent analysis shows daily trip volumes of clean fuel vehicles are fluctuating between 25% and 43%.

Individual taxicab drivers have voiced their concern over clean fuel trip volumes exceeding the 25% goal. The expressed concern is that clean fuel vehicles working daily at the airport are reducing trips to those drivers without clean fuel vehicles. The incentive program, which currently allows for airport access both days of the alternate day system, has a clause that provides for revision based on the number of trips conducted by the clean fuel vehicles, or based on new technologies or other requirements by the City or other regulators.

Staff has found that additional factors affect the trips made by the drivers, including the number of drivers who are properly meeting their Airport Access Permit required obligations to both the on-Airport and off-Airport customers. Data collected indicates that about 70% of Airport Access Permit holders are not fully meeting their off-airport trip obligations. Airport staff is working with the industry to resolve these issues. Remedies being implemented include the following:

- 1) Stricter enforcement of the Airport and City trip requirements. Drivers are being held more accountable for their trip requirements through notification of non-compliance, liquidated damages, and potential suspension or revocation of their Permits.
- 2) Since clean vehicle trips continue to exceed the 25% goal, the Airport has modified the Clean Fuel incentive plan. Therefore, effective May 22, 2006, the Airport reduced the hours that the Airport would be accessible to drivers with approved clean fuel vehicles on their assigned City (off-Airport) days. The accessible hours will be limited to morning and evening (5 to 9 AM and 8 PM to Midnight) on non-assigned days where it is most difficult to meet customer demand due to smaller supplies of drivers.
- 3) The Airport is holding information and education meetings on Clean Fuel goals, incentives and funding opportunities for drivers and companies that are being provided by the Airport Environmental Manager.

Taxicab Service Model Data Collection

The Taxicab Service Model includes a requirement for airport permit holders to provide alternate day service on and off airport. Permit holders are required to provide a minimum of four off-airport trips on their designated off-airport days and four on-airport trips on their on-airport designated days. To track this and other data elements, a consolidated taxicab database has been developed by the City's Information Technology Department. The data system analyzes information submitted by the taxicab companies, the Airport and the Police Department. As a result, beginning in November 2005, staff has begun to track a whole spectrum of information including, compliance with off-airport and on-airport trip requirements, data associated with trip origination, destination, time of trip, number of passengers and alternate fuel vehicle use. The database is also intended to support and integrate the Police Department's current database by providing reports that detail companies, drivers and vehicles permitted in San José.

Methodology to Adjust Taxicab Rates

When the City Council approved the last Taxicab Rate of Fare increase in December 2002, staff was directed that any future fare increases must use a predetermined analytical methodology approved by City Council. City staff has worked with the TAT to develop a methodology that considers the appropriate factors that financially impact the taxicab industry and the community.

On February 17, 2006, after many months of work, City staff presented a final draft of the Methodology for Taxicab Rate of Fare Adjustments to the Taxicab Advisory Team (TAT). The TAT approved the methodology and was satisfied that it set forth appropriate criteria to be

considered when assessing the need for a rate adjustment or surcharge. The final draft Methodology is depicted in Attachment A. City staff is seeking approval of the recommended Methodology, but is not seeking a rate adjustment at this time. The possibility of a rate adjustment was discussed at the May TAT meeting. Airport and DOT staff is surveying drivers and companies in an effort to come to a consensus on both the need and mechanism to be implemented for any future rate adjustments. The TAT will have a full discussion of a potential adjustment at their June meeting.

Taxicab Advisory Team Workplan

The Taxicab Advisory Team has updated its ongoing workplan for 2006 and future topics include the following:

- Industry Advertising and Alternative Revenue Sources
- Installation of Customer Bill of Rights
- Leaseability/Transferability of Taxicab Airport Access Permits
- Supply Controls and Demand Management (CAPS)
- City of San José Regulatory Costs and Taxicab Industry Fees
- Customer Surveys

Staff will report on TAT Workplan progress at subsequent BBT Committee meetings.

PUBLIC OUTREACH

The major elements of this report have been discussed with the Taxicab Advisory Team.

COORDINATION

This report has been developed by the Departments of Transportation, Airport, and Police, and coordinated with the City Attorney's Office.

CEQA

Not a project.

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William F. Sherry, A.A.E.
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Chief of Police

Attachment

Methodology for Taxicab Rate of Fare Adjustments

The purpose of this document is to set forth the methodology to be used when considering a rate of fare adjustment for the taxicab industry. The goals of the process are to ensure that the rate of fare:

- Is understandable to the public and easy to administer by companies and drivers
- Does not discourage Taxicab use and;
- Enables both companies and drivers to re-coup costs and make a reasonable profit

There are various factors that can trigger the need for an adjustment in the taxicab rate of fare. In the past, either an increase in the Consumer Price Index (CPI), or an increase in major taxicab industry related expense categories such as fuel or comparable taxicab rates locally, regionally, or nationally, have resulted in a rate adjustment.

The City acts as an economic regulator for the taxicab industry by setting rates to ensure fair treatment of customers and fair rates of return by the taxicab industry. It is important that the City respond appropriately to factors that increase the expenses that impact taxicab companies and/or drivers. It is important that the City ensure the rate of fare does not exceed what the local market can bear to avoid negative impacts on taxicab business.

Some factors to consider when reviewing the taxicab rate of fare include:

- Changes in CPI-All Items or CPI-Transportation for San Francisco-Oakland-San José, CA
- Increase in major taxi industry expense categories (e.g. fuel, insurance, etc.)
- Comparable Rates (Local, Regional, National)
- Stakeholder rationale and support for a fare increase

The proposed process to follow when considering a rate of fare adjustment is as follows:

1. Evaluate the following indexes, and determine if increase since last fare adjustment is over 10%.
 - CPI (All Items for San Francisco-Oakland-San José, CA) or
 - CPI (Transportation for San Francisco-Oakland-San José, CA) or
 - Extraordinary and ongoing increases in major industry related expense categories.
2. Evaluate survey of other city and area taxi rates
 - Is San José competitive?
 - Is the rate of fare at the high end or in mid range?
3. Obtain feedback from Stakeholders (Drivers, Taxicab Companies, Customers)
 - Is there a consensus of stakeholders indicating a rate adjustment is justified?
4. Determine appropriate adjustment (e.g. \$0.25, \$0.50) and determine if price adjustment appropriately responds to increases in industry related expenses and what might the appropriate category(s) be to apply the adjustment to (e.g. flag drop, mileage, wait time, etc).
5. Make recommendations to City Council for review and approval.