



Memorandum

TO: BUILDING BETTER
TRANSPORTATION COMMITTEE

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

SUBJECT: TAXICAB SERVICE MODEL
STATUS REPORT

DATE: 11-27-06

Approved

Date

RECOMMENDATION

Accept status report on the Taxicab Service Model and accept staff recommendation to City Council that the second year cost increase to the On-Demand Dispatch Service Contract for Taxi San José not occur.

BACKGROUND

On September 7, 2005, the new Taxicab Service Model was initiated and Taxi San José (TSJ) began providing On-Demand Ground Transportation Dispatch Services at Mineta San José International Airport (Airport) to all 14 San José taxicab companies and the individual drivers with Airport-issued permits affiliated with those companies. Various other service model elements, including customer service training for drivers, were also initiated.

On September 14, 2006, City staff provided the Building Better Transportation (BBT) Committee, with an update regarding the above Taxicab Service Model. At that time, staff suggested a follow up report to the BBT on the One-Year Review of the Taxicab Service Model. This report, and an additional follow up report in the Spring of 2007, will complete the One-Year Review.

ANALYSIS

First Year Review – Taxicab Service Model

As with any new service model, the first year of operation under the new Taxicab Service Model has provided successes and challenges. The first step into the new model was the implementation of an on-Airport program that changed from a two-company concession system to one which issued 300 individual alternate day Airport Access Permits (195 to taxicab drivers and 105 to taxicab companies) and allowed all 14 taxicab companies permitted by the City to operate at the Airport under the management of a new On-Demand Dispatch Services contractor. This model change resulted in administrative, financial and organizational changes at the Airport and in the taxicab industry. The industry handled 354,219 taxicab trips from the Airport, carrying 465,437

passengers in the twelve months from September 2005 through August 2006. Data collected from taxicab companies for the first time showed 624,644 non-Airport originating trips, making up 63.8% of the total Citywide trips reported during the year. Trip activity has increased from an estimate of 3.5 Airport trips per day per driver during the service model study to 7.6 in October 2006, and non-Airport trips have increased to 7.3 trips per day per driver in October 2006.

The new service model changed the make-up of taxicab companies in San José. Many drivers changed companies and three companies changed ownership, including one that is now owned and managed by a group of drivers. In addition, there has been an ebb and flow of drivers moving between companies and of those accepting or returning their Airport Access Permits. To date, 33 drivers have returned or declined their Permits allowing a like number from the waiting list to accept an Airport Access Permit (Permit) of their own. From the standpoint of creating a more dynamic and balanced taxicab industry (e.g. providing opportunity and better sharing financial benefits), the new service model has been effective.

The administration of 57 new company contracts (14 taxicab and 43 door-to-door shuttle companies) and 300 taxicab Permits, the monitoring of service obligations and vacation leasing of Permits, and the regular oversight of TSJ have greatly increased the workload on the administrative staff of the Airport's Landside Operations Division. City DOT and SJPD staff has also seen increased responsibilities due to the new elements of the service model (e.g. trip data collection, issuance and monitoring of driver permits). City DOT, Airport and SJPD staff (Staff) will continue to evaluate the resources required to manage and support the new service model and report back on the regulatory costs and industry fees necessary to achieve the City's goal of cost recovery on fee based programs.

Alternative Fuel Vehicles

The alternative fuel incentive program for taxis at the Airport has generated an increase in the number of compressed natural gas (CNG) and hybrid vehicles in use for Airport trips. As has been previously reported to the BBT, the Alternative Fuel Program has set a 25 percent target for alternative fuel trips at San José Mineta International Airport. There are now 113 approved vehicles in the incentive program and they have made 37.4% of the trips in October 2006 from the Airport. While the incentive allows them to work on days other than their assigned days, only 21% of the total alternative fuel trips (2,912 trips in October) were made on their non-assigned days. Staff will continue to monitor alternative fuel trip levels and support the incentive program as an integral part of the Taxicab Service Model.

Taxi San José Dispatch Operations

TSJ has also evolved through the implementation and adaptation process into the new model. Since inception of the program, in an effort to improve their reliability and effectiveness, TSJ has changed their on-site general manager and removed their sub-contractor from their management structure. Consequently concerns regarding conflict of interest within the management structure of TSJ have been raised by members of the taxicab industry, especially related to TSJ's use of California Airport Services as a sub-contractor. TSJ has indicated that the day-to-day relationship with this company has been dissolved, removing any perception of a conflict. TSJ

has been asked to properly inform the taxicab industry of these changes to ensure that the conflict issues are fully resolved.

TSJ has struggled with balancing the dispatching functions at the curbs and the reporting processes, but have recently increased staffing coverage during peak customer periods. TSJ's reporting has also improved since the implementation of their automated dispatching software. The key focus is on consistent performance on a long-term basis.

Weekly meetings are being held with TSJ, the Airport's Landside Operations Division and DOT staff to address operational issues, service incidents and complaints. A TSJ Board member and the on-site manager discuss their operations and work with City staff to provide solutions to the issues.

Current operational issues related to the taxi program include the following:

- Lack of dispatched taxis to the Terminals, especially during peak periods
- Customers waiting over five minutes for a taxi trip
- Enforcement of driver standards
- Lack of taxicabs on Airport property, especially during late night periods

TSJ has previously committed to address the first three issues through adjustments in their dispatching process, additional staffing during peak periods and improved training of their staff. The first two items have continued to occur during periods where taxis are in the Airport staging lot, but are not dispatched in a timely manner to the Terminals. TSJ is also working with the Airport on improving the staging areas to ensure that a proper flow can be maintained.

Both TSJ, and the TAT are working to address the lack of taxicabs. TSJ has implemented a radio system to assist in notification to the individual taxis of the need for them at the Airport. The Airport's Landside Operations Division is researching the status of Permit service obligations to ensure that the proper number of drivers are working at the Airport each day. Many of the issues, however, occur on Sunday evenings when all 300 Permit holders are able to work and the heaviest hourly peak volumes occur. Enforcement of these obligations could result in liquidated damages, suspensions or revocations of the Permits. In addition, the TAT has initiated discussions with taxicab companies and drivers on the value and method by which the Airport could be opened up late night to all City permitted taxicabs as a possible way to resolve the late night shortage.

TSJ has shown improvement in its dispatching management role and has shown day-to-day operational improvements since the beginning of the program. Additional improvement in their management processes and communication has been even more evident since the BBT update in September 2006. Staff will provide additional evaluation of the progress of service improvements committed to by TSJ in the Spring of 2007. Specific measurements to be assessed will include:

- Dispatch Service Staffing
- Taxi San José/Industry Reporting and Communications

- Consistent Supply and Dispatching of Industry Resources
- Customer Service Performance
- Consistent Enforcement of Airport Policies

The evaluation will guide determination on future providers of dispatch services.

In light of the on-going nature of service improvements, TSJ and the Airport agree that at this time, it would not be appropriate to implement the annual increase in compensation to TSJ provided for in the Agreement between the City of San Jose and TSJ, for TSJ's second year of operation. TSJ is seeking an opportunity to improve the On-Demand Dispatch Service at the Airport and is proposing staffing changes to better meet the necessary service levels required by the Taxicab Service Model. TSJ is working with Staff to determine the order of magnitude of these service levels and the costs associated with them.

TSJ continues to review their staffing needs and has preliminarily proposed an additional senior on-site manager to assist in the direct management of the program to ensure that long term challenges described in this report are permanently resolved. While total costs have not been specified, they are expected to be in the \$100,000 per year range, to be proposed in an action prior to September 2007. City staff will require specific documentation regarding the request and the funding required, which will then be translated into the costs to the industry (the taxi companies and drivers) and presented to City Council.

Accordingly, this memo requests the BBT Committee adopt staff's recommendation not to implement the annual increase in compensation to TSJ and carry that recommendation forward to the City Council. By doing so, there would be no increase in monthly fees to the Permit holders (drivers and companies) unless City Council action is taken prior to the September 2007 potential option extension of the TSJ contract.

Customer Service Surveys

City staff has been working with the TAT to distribute a customer service survey, in an effort to determine the more practical effects of the Taxicab Service Model on travelers to and from the Airport, as well as other origins and destinations throughout San José. The TAT has worked with staff to create a survey document that also includes the "Customer Bill of Rights" as well as a complete listing of taxicab services in San José.

TSJ has distributed customer service comment surveys to taxi customers since early October 2006. Over 4,000 have been distributed, however a very low response (Five percent) has been received to date. The survey results will be used to compare customer responses with the original model study. Small sample results show a greatly improved view of driver courtesy (70% excellent vs. 48% excellent in the model study) and help with luggage (90% excellent vs. 52% excellent in the model study); and, a decline in driver knowledge of route and direction (60% excellent or good vs. 94% excellent or good in the model study) and driving ability and safety (80% excellent or good vs. 97% excellent or good in the model study). As more responses are received, staff will summarize the responses and in March 2007, staff will provide a more

comprehensive analysis to the BBT Committee. It is important to note that the results will be used to guide future training directions for the industry.

Leasability/Transferability of Taxicab Airport Access Permits

TAT has established a series of working groups to discuss and consider the feasibility and methodology of accommodating the lease and potential transfer of Permits. The Leaseability working group, which is looking at the extent to which Permits can be "leased", has held two meetings and anticipates presenting ideas and possible approaches to the TAT at its December 2006 meeting.

In addition, staff, with the cooperation of the Transferability working group, is developing a potential methodology and strategy for the Transferability of Airport Access Permits, in response to City Council direction set forth during the initial adoption of the Taxicab Service Model. This issue and resulting methodology have far reaching implications on the industry and its regulation that will be considered before the full TAT at their December 2006 meeting.

Supply Controls and Demand Management (CAPS)

A TAT working group has also been established to consider the necessity, value, and potential impact of placing a numerical limit or "cap" on the number of taxicabs drivers and vehicles that operate in San José, beyond the current City Council recommended cap of 571 taxicabs and 572 drivers. Actual taxicab driver and vehicle numbers have consistently remained in the 480 to 490 ranges. Under the current Taxicab Service Model, the industry seems to have stabilized the number of taxicabs and drivers. At the same time, there has been a consistent increase in trip numbers per driver. The working group will continue to evaluate the relevant issues and work with TAT on this item and staff will provide a more comprehensive report on taxicab and driver levels in the Spring.

Taxicab Advisory Team Workplan

The TAT continues to update its workplan. Future topics include:

- Industry Advertising and Alternative Revenue Sources
- Installation of Informational Pouches in Taxicab Vehicles
- City of San José Regulatory Costs and Taxicab Industry Fees

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

PUBLIC OUTREACH

Staff has presented to and sought feedback regarding major elements of this report from Taxi San Jose and 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.

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