



Memorandum

TO: BUILDING BETTER
TRANSPORTATION COMMITTEE

FROM: James R. Helmer
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SUBJECT: TAXICAB SERVICE MODEL
IMPLEMENTATION STATUS REPORT

DATE: 10-25-04

Approved

Date

Council District: Citywide

RECOMMENDATION

Accept this Taxicab Service Model Implementation Status Report and the responses to questions raised at the Building Better Transportation Committee (BBT) on October 4th, 2004.

BACKGROUND

On May 18th, 2004, the City Council approved the implementation of a new Taxicab Service Model. The service model that was approved, was developed as part of the most comprehensive taxicab study the City has ever undertaken, and was the result of detailed negotiations among all taxicab industry stakeholders including: drivers, large company owners who have Airport concessions, small company owners without Airport concessions, City commissions, the convention and visitors bureau, and City staff. The goal of the service model was to balance the benefits and costs among all the stakeholders, to provide drivers with greater flexibility in terms of the company they wished to contract in an effort to improve their economic performance, and to maintain or enhance customer service at the Airport and in the City.

On October 4th, 2004, the BBT Committee received an implementation status report on the new taxicab service model. During the meeting, a series of questions were posed and staff was requested to return at the November BBT meeting with responses to the questions. The questions covered a wide range of taxicab industry topics including: information on licensed San Jose taxicab companies; reasons for the change in the distribution of Airport access contracts; a review of taxicab driver permits, vehicle license data, and company data; research on Airport taxi starter service alternatives; Airport access contract provisions and legal coordination with representatives of the taxicab industry; review of the driver proposed block rotation system; distribution of Airport access contracts for new companies and for those that are acquired by other companies; enforcement and compliance of the taxicab code and licensing requirements; an explanation as to why the new service model does not limit the formation of a drivers association or company; and confirmation that the shared economics of the new service model remain valid.

ANALYSIS**A. Review of Licensed San Jose Taxicab Companies**

Table 1 provides information on companies that appear to be fully independent in terms of ownership, facilities, phone dispatching, and business licenses. Table 2 provides information on companies that have some level of shared ownership, facilities, and/or operations.

1. Taxicab Companies with No Apparent Sharing of Ownership/Operations/Facilities

Company Name	Owner(s)	Address	Dispatch Phone #	Business License #	Licensing Date of Co
United	Terese Maloney	1300 Old Oakland, San Jose	971-1111	134148	1984
Rainbow	Dimtriy Vorik	946 Lincoln, San Jose	271-9900	094254	1997
Net	Gurbinder Singh, Rajbir Singh	1764 Houret, Milpitas	941-9900	148162	2001
USA Express	Kulwant Lasher	495 E. Brokaw, San Jose	441-6300	148522	1992
Santa Clara	Phil Marciel, Denise Jan	729 N. 10 th , San Jose	773-1900	133914	1999
Computer	Bill Schweitzer	1771 East Bayshore, Redwood City	1-650- 737-1234	149078	1997

2. Taxicab Companies with Some Level of Shared Ownership/Operations/Facilities

Company Name	Owner(s)	Address	Dispatch Phone #	Business License #	Licensing Date of Co
Yellow	Larry Silva	1880 S. 7 th Street, San Jose	286-3400	125507	1938
S.V. Checker	Donald Silva Anna M Silva			125507	1998
Milpitas	Balhar Singh, Lakhbir S Pooni	1000 Ames Ave, Milpitas	945-8500	097208	1996
City	Balhar Singh			177238	2003
Alpha	Bikram, Baljit & Zora Singh	505 Ashbury, San Jose	295-9500	127346	1979
California	Bikram, Zora Singh			1-800- 631-1555	166172
Golden Star	Mola Gegeye	90 East Gish Rd. San Jose	573-7777	038456	1987
National	M Woldegebrial			436-0999	149187

The four pairs of licensed San Jose taxicab companies in the Table 2 have varying degrees of shared ownership, operations, and facilities as described below:

- ❑ Yellow and Silicon Valley Checker have identical ownership and business licenses, and shared business locations and dispatch phone numbers. The variance occurs with each having separate taxicab company licenses.
- ❑ Milpitas and City Cab have some common ownership, and shared business locations and dispatch phone numbers. The variance occurs with each having separate taxicab company licenses and business licenses.
- ❑ Alpha and California Cab have some common ownership, and shared business locations and dispatching. The variance occurs with each having separate taxicab company licenses and business licenses.
- ❑ Golden Star and National Cab have shared business locations. The variance occurs on ownership, dispatch phone numbers, taxicab company licenses and business licenses.

B. Reasons for Change in the Distribution of Airport Access Contracts

The Committee requested that staff provide background information on the difference between the original staff recommended distribution of Airport access contracts and the current recommended distribution. It is relevant to note that before staff made a recommendation on this issue, the study consultant suggested that all 300 contracts be distributed to companies.

The largest change resulted from City Council direction on May 18, 2004 to amend the proposed distribution between drivers and companies from the 167/133 ratio to the 195/105 ratio. The City Council direction resulted in a reduction of 28 Airport access contracts to companies. The second change resulted in the re-distribution of 21 of the remaining 105 Airport access contracts among companies. Staff originally proposed that three pairs of companies (a total of six companies) with apparent ownership ties receive only one minimum distribution of 7 contracts. Subsequently, staff received a request by those companies impacted to receive two distributions (of 7) based on their legal standing as separate licensed San Jose taxicab companies.

The Taxicab Advisory Team debated the merits of whether companies that have separate taxicab company licenses, but varying degrees of shared ownership, facilities, and operations should receive separate Airport contract distributions. There was a clear difference of opinion and no consensus on whether each licensed taxicab company should receive a separate distribution, regardless of whether shared ownership and operations were occurring. From a City policy perspective, staff could not determine whether either method of distribution would further advance the City's policy goal of having a more competitive and customer service oriented taxicab industry. The primary reason that staff suggested that each licensed company receive a minimum distribution for the two-year transition period was to provide each company with an opportunity to grow and succeed during the two-year transition to the new taxicab service model. The following table presents information that relates to the original staff proposed distribution of

the 300 alternate day Airport access contracts, and the amended distribution after receiving City Council direction. In the original proposal, 167 Airport access contracts would have been distributed directly to the drivers of the current concession companies with the highest number of Airport trips (includes drivers that own and lease taxicab vehicles). The contracts are to be offered to and executed with the actual permitted driver (not the vehicle), because the City cannot legally execute a contract with a vehicle. 133 contracts would have gone directly to companies. With the approval of the new service model, the City Council directed that the driver's distribution be increased to 195, thus reducing the company distribution to 105, a reduction of 28. As can be seen from the table below, it also increased the number of drivers currently working for Yellow and United Cab that would directly receive contracts.

Taxicab Company	Original Distribution		Amended Distribution	
	Drivers*	Companies	Drivers*	Companies
Yellow	98	45	123	11
United	69	19	72	9
Rainbow	n/a	13	n/a	8
Golden Star	n/a	7	n/a	7
Alpha	n/a	7	n/a	7
Net Cab	n/a	7	n/a	7
USA Express Cab	n/a	7	n/a	7
Milpitas	n/a	7	n/a	7
Santa Clara Cab	n/a	7	n/a	7
National	n/a	7	n/a	7
Computer	n/a	7	n/a	7
Silicon Valley Checker	n/a	n/a	n/a	7
California	n/a	n/a	n/a	7
City Cab	n/a	n/a	n/a	7
TOTAL	167	133	195	105

* Note: In future, drivers may choose to affiliate with any licensed San Jose taxicab company.

C. Review of Taxicab Driver Permit, Vehicle License Data, and Company Data

The table below documents the number of City-wide driver permits and vehicle licenses at the high water mark in 2001, the level as of March 1, 2004 (date listed in Councilmembers memo), and the level as of the mid October 2004 (Note: data changes regularly due to driver and vehicle fluctuations). The Police Department researched their records back to the beginning of 2000 to assemble this data.

Date	Taxicab Driver Permits	Taxicab Vehicle Licenses
2001 (High Water Mark)	571	572
March 1, 2004	480	457
October 2004	483	431

The table below documents, as of mid October 2004, the number of permitted drivers, the number of owner drivers (operators), the number of lease drivers, and the number of licensed vehicles. (Note: data changes regularly due to driver and vehicle fluctuations).

Company	Permitted Drivers	Owner Drivers	Lease Drivers	Licensed Vehicles
Yellow	292	163	129	276
United	73	56	17	71
Rainbow	30	15	15	19
Golden Star	11	2	9	5
Alpha	5	5	0	5
Net	13	2	11	9
USA Express	12	2	10	9
Milpitas	5	0	5	5
Santa Clara	12	5	7	7
National	8	0	8	5
Computer*	3	1	2	2*
S.V. Checker	13	4	9	11
California	4	0	4	5
City*	2	0	2	2*
Total	483	255	228	431

* Companies have been notified by the Police Department they are not in compliance with their taxicab license requirements to have a minimum of 5 licensed vehicles as specified in the Municipal Code. Each company has been provided 60 days to come into compliance, or they will have their license revoked.

D. Airport Taxicab Starter Service Research and Alternatives

To research best practices and compensation models from other Airports regarding the handling of their taxi starter systems, staff contacted several airports, Bruce Schaller - the consultant that developed the taxicab service model study for the City, and Ray Mundy, the Executive Director of the Airport Ground Transportation Association. There is no one single predominant method. However, in all but a few cases, the costs of the Airport taxi starter service were fully absorbed by the taxi industry, whether through a trip fee charged by the Airport to cover the costs or through a method where the industry paid for the services directly, without Airport involvement.

The current Airport concession companies charge the drivers \$1.13 or \$1.30 per trip, depending on the company, to cover their starter and Airport expenses. The two proposals submitted for the RFP proposed \$2.06 to \$2.86 per trip with total annual costs of up to \$915,000 per year. However, neither proposal seemed to fully staff the services required, which could further increase the costs of the services. Staffing costs are the largest element in the total cost figure, and while technology can reduce some of the staffing needs, there is a up front cost associated with acquiring the technology. Staff estimates that fees could possibly go as high as \$4.00 to \$5.00 per trip, if alternative means of structuring the RFP and service are not put in place. Staff believes that the current trip fee rate under the two company concession system is lower because

of two reasons: (1) each Airport terminal has only one company's drivers and vehicles to be dispatched, which enables economies of scale to be achieved through the use of the company's main dispatch system; and (2) that some of the concession dispatch system is subsidized in the weekly gate fees that are charged to drivers to be able to drive for the concession company.

The costs of an independent taxicab starter service will be required for any model that varies from the current two terminal concession model because the number of companies and independent contract holders working at the Airport will increase. The costs can be redistributed in terms of how they are paid, however without subsidy from the City or other outside sources, the taxi industry will be responsible for the essentially the same total annual cost.

Four alternative methods to redistribute the cost of the taxi starter service include:

1. Charge costs of taxi starter service to Airport access contract holders per trip fee (current RFP model)
 - Highest per trip costs
 - Collected by taxi starter company
 - No City/Airport involvement with money collection, disbursement
2. Charge annual cost to each Airport access contract holders, reduce trip fees commensurately
 - Reduces per trip fees towards current levels, depending on annual amounts
 - Large outlay per contract annually paid to Airport
 - City/Airport involvement in monetary transfer, collections for 300 contracts
3. Charge taxi companies monthly or annual per permit fee for taxi starter service, expenses based on contracts distributed to company and all affiliated drivers
 - Reduces or eliminates taxi starter service per trip fees
 - Large outlay each month or year by taxi companies to Airport
 - Taxi companies pass on charge to drivers for monthly or annual fee
 - Taxi fees prorated between taxi companies if driver switches companies
 - May allow for permits and eliminates need for driver Airport access contracts with Airport as drivers will be responsible through companies for service levels. Companies would sign Airport Contracts and accept responsibility to service levels and include responsibilities in their contracts with drivers.
 - City/Airport involvement in monetary transfer, collections for up to 14 companies, not 300 Contracts
4. Taxi companies form a consortium to manage the dispatch system at the Airport
 - Similar to LAX model
 - Companies can hire a company or run the system themselves through an agreement with the Airport that specifies service requirements
 - Companies may be able to provide less costly dispatch services than an independent company
 - Costs passed on to drivers through company fee structures, a per trip fee, or coupon
 - Little involvement with Airport/City beyond maintenance of service standards

E. Airport Access Contract Provisions and Coordination with Stakeholder Attorney's

The City Attorney's Office has set up a meeting with the UFCW attorney that represents the drivers for October 29th, 2004. The Taxicab Advisory Team (drivers and owners) had numerous opportunities to review the draft contracts and provide input. During the last BBT meeting, members of the BBT inquired about the need for a 1-year probation period for the initial distribution of contracts. Staff believes that to be a good idea and will modify the contracts to have a 1-year probation period. As discussed at the Committee meeting, staff intends to review the performance of the contract holders on a quarterly basis well in advance of a 1-year probation period to ensure compliance with the contract and to properly deal with contract breaches.

The number of drivers that would be needed to serve the Airport on any given day was reviewed in detail by the City Council in May 2004 when it approved the new taxicab service model. 300 alternate day drivers (150 per day) were determined to be the appropriate number given the current demand at the Airport. 60 of the 300 contracts would be the first to be revoked in the event there was a drop in demand, or an increase in driver wait times. The drivers have raised questions about the specific definition of these 60 contracts (e.g. conditional or provisional). Staff's intent has always been that 300 alternate day drivers (150 per day) are needed to serve the Airport currently. All 300 drivers, whether their contracts had stipulations on them related to reductions in service demand, would be needed and eligible to work the Airport when the new system began. These 60 contracts though, would be the first subject to revocation in the event a reduction in demand necessitated it.

F. Review Proposed Block Rotation System

The block rotation plan submitted by the drivers is an alternative method for reallocating the use of Airport access contracts rather than adding additional contracts as customer service needs increase. Their plan is based on 240 contracts divided into six blocks, with five of the six blocks working each day of the week on a rotating basis. Saturdays and the peak periods on Sunday evenings are not specifically addressed by the block rotation plan.

The block rotation plan radically changes the new service model, as there would no longer be requirements for drivers to serve city (non-Airport) business on alternate days. This will reduce the ability to improve the City's overall taxi services and focuses these drivers on becoming Airport-only drivers. The plan eliminates the 60 conditional contract drivers, yet allows access to the Airport for up to 200 drivers per day. Currently, there are an average of 200 to 225 drivers working each day at the Airport, so the block rotation plan would only marginally increase the number of trips generated by each driver per day from their current situation. In comparison, the approved taxicab service model caps the number of drivers per day at 150 to increase the per day trip volume per driver. Bruce Schaller, the service model study consultant, indicated that adoption of this type plan would negate many of the advantages of the study recommendations, and has little or no advantages over the current system.

G. Distribution of Airport Contracts to New Companies or with Ownership Transfer

New licensed taxicab companies could acquire access to the Airport in two ways. Immediately, a new company could have individual drivers that have Airport access affiliate with them, enabling that company to gain a presence at the Airport. After the two-year transition period, all licensed San Jose companies would be eligible to receive a distribution of Airport access contracts proportional to the number of trips that they have serviced in the City, outside of the Airport. This methodology was designed to create an incentive for companies to build their business throughout San Jose.

When a taxicab company is purchased by one of its competitors, the Airport access contracts would be distributed via a lottery system to all eligible companies in a manner similar to what is specified in Section 7 of the “Methodology for Adjusting Airport Contracts” attached the last Taxicab Status report sent to the BBT Committee on September 22, 2004.

H. Enforcement and Compliance of Taxicab Code and License Provisions

The new taxicab service model is designed to improve the competitiveness of the taxicab industry, create incentives to serve customers, and hold companies and drivers accountable through contractual requirements. The goal is to not rely that much more heavily on regulatory requirements, but to create system incentives for the industry to perform.

More specifically, the Police Department will respond to reported complaints and conduct random audits or inspections at taxicab staging areas relating to specific concerns.

I. New Service Model Does Not Limit Drivers Ability to Form Drivers Association

The new taxicab service model has not in any way limited the ability of drivers or their representatives to form an association or a new taxicab company owned by drivers. Staff has encouraged drivers and their representatives to pursue those avenues throughout the process.

J. Shared Economics of the New Taxicab Service Model

The goal of the new taxicab service model is to balance the benefits and costs among all the stakeholders, to provide drivers with greater flexibility in terms of the company they desire to contract with, and to maintain or enhance customer service at the Airport and in the City. The current service model effectively and efficiently regulates service provision at the Airport and benefits the two current concession companies. It does not benefit the other 12 licensed San Jose companies, it limits the driver’s real choice of companies to two if they desire to work the Airport, and it creates little incentive to serve all of San Jose.

The new Taxicab Service Model is not calling for any additional subsidy from the City. The fees associated with the Taxicab Starter Service at the Airport are proposed to be paid through the trip

fees assigned to each driver/company when they pick up a fare at the Airport (or through some other alternate method as identified on page 6 of this report).

PUBLIC OUTREACH

The questions and issues raised in this report were discussed at the BBT October meeting with many members of the Taxicab Advisory Team present.

COORDINATION

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

CEQA

Not a project.

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