

**TAXICAB FRANCHISE HISTORY AND
RENEWAL OPTION DISCUSSION**



HISTORY

CURRENT ADVANCEMENTS

FUTURE POSSIBILITIES

10-0996

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FRANCHISE HISTORY

- **Taxicab Franchises were typically renewed (extended) in the past by establishment of replacement franchise ordinances containing the same terms and conditions as original ordinances. Such “as is” renewals occurred most recently in 1989 and 1994.**
- **In 1998, as we neared the end of another franchise term, the City Council and the Department requested authority to conduct a comprehensive review of current taxicab regulations in order to ensure that service standards provided for the most responsive, safe and reliable taxicab service for the public.**

FRANCHISE HISTORY

- **Beginning July 1998, a consultant provided assistance to the Department in reviewing all aspects of the current franchising system and the potential for changes.**
- **Nearly two years of public meetings were held with stakeholders including drivers, owners, franchise companies, user groups, disabled community, Taxi Commission and City Committees/Council in order to review all regulatory conditions.**
- **In April 2000, based on the consultant findings, stakeholder and public input, Taxi Commission and Department recommendations, and additional vehicle “greening” requirements set by the City Council, a Request For Proposals/Notice of Sale was issued for the competitive bidding of new taxicab franchises.**
- **On January 1, 2001, nine new taxicab franchises were awarded in the City of Los Angeles with requirements for computerized dispatch, performance standards, operating statistic data collection, improved vehicle emission ratings, wheelchair accessible vehicle requirements, and more.**

WHAT ADVANCEMENTS HAVE OCCURRED

Based on the technological advances required in the current franchises along with a comprehensive performance based evaluation system for all operators, the City of Los Angeles has become a premier regulation system when it comes to customer service. Many advancements have been made in the past 10 years to improve service and safeguard both the passenger and the driver.

- **Annual Performance Review** - All taxicab franchise holders are subject to an annual performance review and evaluation by the Department and Taxicab Commission. More than 12 categories of service response and performance areas are monitored and graded. All current taxi operators have passed the comprehensive review in recent years, each achieving the maximum 10 year franchise authorization period. Staff has provided you with the most recent performance evaluation report covering 2007 to 2008. The report for 2009 will be available shortly. The current report is posted on the Taxi Commission website.
- **Computerized Dispatch** - Operators are required to have a computer dispatch system that collects all trip records and automates the dispatch process. 100% of the data is provided to the Department and analyzed as part of the operator's performance review. Minimum service performance standards must be met in all areas of the City. Based on such a system review, the City has been able to improve some typically under-served areas from as low as 33% of trips serviced on-time, to nearly 70% on-time performance using operator provided financial bonuses and other incentives. Overall City service responsiveness has climbed to more than 80% of all trips responded to within 15 minutes of the service request.

WHAT ADVANCEMENTS HAVE OCCURRED

- **GPS Vehicle Location Systems** – In 2008, as authorized in the franchise ordinances, all taxicabs operators were required to install Global Positioning Systems in each taxicab that work in concert with the taximeter and mobile data terminal. Vehicle location and arrival time stamping records are kept for each metered trip along with a complete tracking record of the trip path. The GPS signal can be initiated by a driver when an emergency occurs, improving driver safety.
- **Smart Meters** – By 2009, as authorized in the franchise ordinances, all taxicabs were required to change to taximeters that could provide more information with regard to each trip and be able to send information regarding the trip to the company dispatch and computer systems. Such meters were necessary for fraud detection.

WHAT ADVANCEMENTS HAVE OCCURRED

- **Meter Fraud Detection** – In 2009, with the additional requirements for smart meters and GPS systems, the Taxi Commission was able to mandate that each taxicab operator provide a meter fraud detection program that compared actual distance traveled (GPS) to the meter distance charged to the customer. If the two values are too far apart, the trip is automatically flagged for review for possible meter fraud.
- **Printed Meter Receipts** – As authorized in the franchise ordinances, the Board was also able to mandate that drivers provide a printed receipt (from the taximeter) to customers for each trip. The receipt documents the vehicle and trip designation for any complaint or overcharge investigation.

WHAT ADVANCEMENTS HAVE OCCURRED

- **City Ride Debit Cards** – In 2010, the City instituted a cashless, paperless Cityride payment program. With the use of the smart meters and GPS documentation, a customer uses a Cityride debit card to pay for taxi trips instead of paper vouchers. This new system removed the previous high burden of paperwork for each Cityride trip, voucher collections, submissions, and reimbursements. Now, a customer can see the amount of Cityride balance on their card, and the trip is well documented with quicker driver reimbursement. This technology will eliminate much of the Cityride fraud that occurred in the past, while making this service more convenient to the driver and the passenger.
- **Wheelchair Accessible Trip Response** – With the aid of the computerized dispatch systems, a separate analysis of wheelchair accessible vehicle service and customer needs is completed on a regular basis. By having actual on-site arrival service response data (from GPS records), the Board can mandate minimum service performance standards.
- **Customer Complaint Review** – The City has administered a complaint processing system where anyone can phone, email or use the website to register a complaint. City Investigators review these complaints and work with each taxicab company to resolve issues and determine actual trip information. The number of complaints received by the Department has been reduced from 300 to 400 per year prior to 2006, down to less than 200 in recent years.

WHERE ARE WE NOW

- In 2008, the City again requested a full review of all regulatory processes and potential permitting program changes that may be available.
- In October 2008, a Request For Proposal for consulting services was approved by the Board of Taxicab Commissioners and City Council to review all aspects of the taxicab regulatory program.
- The contract included the requirement to review all types of permitting schemes from franchises, to medallions to combined medallion/operating permit regulatory systems. The consultant was also to review the working conditions of taxicab drivers, company and driver transparency issues, and potential improvements in social benefits for drivers.
- In July 2009, the contract was approved and the consultant began work.
- In October 2009, at the request of the Transportation Committee and the City Council, the consultant was provided a termination notice.

WHERE ARE WE NOW

- Various reports were provided by the consultant documenting information on tasks completed (or portions thereof).
- Of the total \$250,000 approved for the consulting contract, \$124,000 was expended, leaving \$126,000 now available.
- The Taxi Commission and other stakeholders have provided an in-depth list of items to be included in any new consulting contract. The new contract is estimated to cost approximately \$400,000. (\$300,000 without a multi-modal transportation study). Such a contract would again include the review of all potential regulatory schemes and driver working conditions.
- Current franchises are set to expire at midnight December 31, 2010.
- The Department's Vehicle-For-Hire staffing levels have been reduced by 29% in recent years. With the current financial crisis in the City, it is doubtful that these personnel levels will improve.
- With time running out, some type of renewal of the franchises must be issued in order to have legal authorized taxicab transportation services in place effective Jan 1, 2011. Authorization for replacement ordinances must be approved and published no later than November 30, 2010.

GREEN TAXIS

- As part of the current franchise ordinances, the Board can mandate additional “green” vehicle requirements.
- This type of a “green” taxi mandate would also require a deployment time frame that would allow vehicle owners to recoup the added purchase and maintenance expenses of the vehicles. A minimum five year renewal period would be required in order to provide for a comprehensive “green” taxi program in the City.
- New and used hybrid and CNG fueled vehicles are becoming more available and cost effective.
- In late 2008, the Department and Taxi Commission began public discussions on potential vehicle options and availability for future improvements in smog pollution and green house gas emissions.
- It was determined that the review of “green” vehicle options and potential mandates or incentives should be included in the consultant contract. Due to the contract cancellation, the City and the Taxi Commission were not afforded the opportunity to further discuss a “green” taxi program with all stakeholders.
- Based on the initial franchise “green” taxi requirements established in 2000, all current operators have exceeded minimum requirements. Although smog pollution levels improve over time with the purchase of newer vehicles, green house gas emission can be reduced by half with the operation of alternative fueled and high mile-per-gallon (MPG) vehicles such as hybrids.
- Should a minimum five year renewal period be approved for taxicab franchisees, the Department would recommend the Board establish a new “green” taxi mandate that would require up to 75% of the taxi fleet to become alternative fueled or high MPG vehicles, with a SULEV pollution rating. This would equate to 14% of the 2,303 current taxicabs to become approved “green” vehicles each year.
- The current City taxicab fleet includes a total of 56 CNG fueled sedans, 21 Hybrid Toyota Prius sedans and 4 Hybrid Ford Escapes (SUV). There is much room for improvement.

WHEELCHAIR ACCESSIBLE VEHICLE GRANT

- Based on discussions with the disabled community, the Commission on Disability and review of customer complaints, the City aggressively pursued a Grant to purchase additional wheelchair accessible taxicabs.
- The City has been awarded a \$2.5 million federal grant for the purchase and deployment of 50 additional wheelchair accessible vehicles. 80% of the grant (\$2,000,000) will be provided through the MTA, and the remaining 20% will be paid for by the taxicab owners. Such a grant would increase the percentage of wheelchair accessible vehicles from 7.4% to 9.6% for the total taxicab fleet. This would rank Los Angeles among the top in this area.
- In order to meet the assurances of the grant, there must be a guaranteed deployment period whereby all operators will increase marketing and usage of the vehicles, and the Department will be able to receive, review and verify the required service response improvements.
- A minimum five year franchise renewal period is required in order to satisfy the usage conditions and continued monitoring requirements of the grant.
- Each operator must be able to hold accountable the drivers of these vehicles to the improved service standards, vehicle usage and trip monitoring data for this vehicle deployment life. The current ability to monitor all trips and performance are part of the grant conditions.
- Should a vehicle be destroyed prior to the full five year period, the operator would be required to provide a new wheelchair accessible vehicle at their own cost.

FUTURE TECH ADVANCES FOR IMPROVED DRIVER SAFETY AND CUSTOMER SERVICE

- **The Board has recently approved the installation of security camera systems in taxicabs. The new camera systems provide picture and video records to safeguard taxi drivers. Such systems can also be used to record accident information, potentially reducing insurance costs.**
- **E-Commerce payment systems for credit cards will undoubtedly be the next technological advancement. Machines that allow the customer to swipe or enter credit card information should provide an improved customer service payment system, and the possibility to place the card usage fees to the customer (rather than the driver) should be a benefit to drivers (who often refuse to accept such payment).**
- **Electronic waybills are now possible with the current vehicle technology. Programming chip upgrades and computer program changes should allow for such trip documentation in the future.**
- **Trip tagging or tracking records can now be maintained by taxicab operators and made available to police for investigation of crimes and driver endangerment.**

RENEWAL OPTIONS

- **As is allowed per the City Charter Section 390, the City may authorize the renewal of a franchise that is about to expire by the issuance of replacement ordinance meeting the same terms and conditions as the original ordinance. Such a renewal process has been completed many times in the history of the franchise system (since the early 1920's).**
- **The City must direct the Department as to which time frame for renewal it desires. Based on that decision, the Department would return with the renewal report and City Attorney approved replacement ordinances.**
- **Renewal ordinances must be approved and published no later than November 30, 2010 in order to have legal authorized taxicab transportation service effective January 1, 2011.**
- **As part of this report, the Department is suggesting three different renewal periods (3 years, 5 years and 2 years). Greening the fleets, adding additional wheelchair accessible vehicles, and the ability to review regulations or provide further contracting possibilities is discussed for each renewal option.**

OPTION 1 - 3 YEAR RENEWAL

- The first option includes a 3 year renewal period to December 31, 2013. Should the City find and allocate the full \$174,000 to \$274,000 in additional funding to the Department, it would endeavor to again provide consulting services for a full review of taxicab regulatory approaches.
- The timeframe necessary to vet and approve a consultant, review all aspects of regulatory approaches and driver working conditions, discuss all possible findings and recommendations, approve a future regulatory program, and competitively bid new operating permits, medallions, or franchises would require no less than a three year franchise renewal period. Timely funding is required.
- With the shortened franchise term, the City would not be afforded a substantial green taxicab vehicle program at this time, nor would the City be able to accept the wheelchair accessible vehicle grant due to deployment/monitoring conditions required in the grant.

OPTION 2 - 5 YEAR RENEWAL

- **The second option includes a 5 year renewal period to December 31, 2015. With this option, it is recommended that the \$126,000 funding currently available be used to provide a separate consulting contract during that time period to review driver working conditions, transparency issues, and potential driver social benefits. Should additional funds be made available at a later date, a second RFP could be issued to review all other regulatory aspects and potential permitting changes.**
- **The existing taxicab performance monitoring programs and technological advances would continue, with operators required to maintain acceptable service conditions in order to maintain franchise authorization.**
- **With the five year franchise renewal option, the City would be able to mandate a comprehensive green taxi program and continue its efforts to purchase and deploy the grant funded wheelchair accessible vehicles.**
- **This option also entertains the potential for two one-year extensions based on performance review (as was used in the current franchise ordinances). The Board and the City would not approve any franchise extensions if it had a documented plan for regulatory changes that could not be achieved with the existing system.**

OPTION 3 - 2 YEAR RENEWAL

- **The third option includes a 2 year renewal period to December 31, 2012. It would only provide time for a review and tweaking of the existing franchise system, and would not include an RFP for consultant services to review other permitting possibilities.**
- **The Department, Taxi Commission, Taxicab Industry, User Groups and the Public would review all aspects of the franchising system to determine where changes are needed.**
- **Within an 18 month period, the changes in franchising would be provided to the City Council with a possible recommendation to complete a competitive bidding process for new franchises.**
- **With the two year franchise term, the City would not be able to mandate an extensive green taxi program, nor continue its efforts to purchase and deploy the grant funded wheelchair accessible vehicles.**