

LOS ANGELES TAXI WORKERS ALLIANCE

... Fighting for the Dignity, Respect, and Rights of Taxi Workers

PROPOSED 12-MONTH TIMELINE FOR TAXI PUBLIC UTILITY STUDY THAT WILL CREATE JOBS, ENSURE LIVING WAGES FOR TAXI WORKERS, PROTECT THE ENVIRONMENT, AND IMPROVE PUBLIC TRANSPORTATION

September 2010

January 2011	Draft Request for Proposal (RFP) presented to Taxicab Commission
February 2011	RFP approved by City Council
March 2011	RFP Released
May 2011	Selection and approval of consultant by Taxicab Commission, City Council, and Mayor
June 2011	Study commences
Early September 2011	Study completed and recommendations submitted to Taxicab Commission
September - October 2011	Recommendations presented to City Council and policies approved by City Council and Mayor
November - December 2011	Planning for implementation of policies
January 2012	Begin implementation of policies

Corruption in Taxi Industry

- Death threat
- Misappropriation of traveling public's funds
- Illegal campaign contributions
- Shredding of financial documents
- \$2 million in checks made payable to cash
- No-bid awards of multimillion dollar contracts
- Opportunities for self dealing, kickbacks, and insurance fraud
- Violations of federal laws re extortion, mail fraud, racketeering
- Violations of tax reporting laws
- Hundreds of thousands of dollars paid to politicians and lobbyists
- Violations of state laws requiring disclosure of financial information
- Board election irregularities
- Conflicts of Interest
- Failure to report work-related injuries
- Retaliation against workers

- **Death threat** – See “L.A. Taxi Business Hits Bumpy Stretch of Road,” Los Angeles Times, July 13, 2006, A1.
- **Misappropriation of traveling public’s funds** – Los Angeles City Controller Laura Chick’s “Audit of the City’s Contract with Authorized Taxicab Supervision, Inc” (2007) at 18-21.
- **Illegal campaign contributions** - See, e.g., “In the Matter of Bell Cab Company, Inc.,” City of Los Angeles Ethics Commission, Stipulation, Decision and Order, CEC, No. 92-103/5 (Oct. 26, 1994); see also “Driving Poor: Taxi Drivers and the Regulation of the Taxi Industry in Los Angeles,” Gary Blasi and Jacqueline Leavitt (2006) at 47.
- **Destruction of financial documents** – Deloitte & Touche Audit of UITD (2001).
- **\$2 million in checks made payable to cash** - Deloitte & Touche Audit of UITD (2001).
- **No-bid awards of multimillion dollar contracts** – See Van Ness correspondence.
- **Opportunities for self dealing, kickbacks, and insurance fraud** – See “Driving Poor” (2006) at 73 et seq.
- **Violations of federal laws re extortion, mail fraud, and racketeering** – See, e.g., ASC/Van Ness correspondence regarding ACCESS contract, no-bid renewal of Van Ness Management contract, and Yellow Cab board election slate.
- **Violations of tax reporting laws** – See Controller Chick Audit of City’s Contract with ATS (2007) at 20-21.
- **Hundreds of thousands of dollars paid to politicians and lobbyists** – See “Driving Poor” (2006) at 47-48.
- **Violations of state laws requiring disclosure of financial information** – See, e.g., Yellow Cab shareholder correspondence with management re: no-bid renewal of Van Ness contract (2006-2007); correspondence re: Yellow Cab/ASC document demand of Zahid Butt and Sentayehu Silassie (2006); L.A. Yellow Cab Owners Drivers Association document demand (Aug. 19, 2002).
- **Board election irregularities** – See, e.g., LAFLA submission to Taxicab Commission on behalf of Lazaro Chavarria and Eyob Desta re: Yellow Cab election irregularities (June 5, 2007).
- **Conflicts of Interest** – See, e.g., Van Ness correspondence; ASC-Rouse chart of interlocking relationships.
- **Failure to report work-related injuries** – See Controller Chick Audit of City’s Contract with ATS (2007) at 19-20.
- **Retaliation against workers** – See, e.g., “Sweatshops on Wheels,” Los Angeles Taxi Workers Alliance (2006) at 319.

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September 21, 2010

Via electronic mail (councilman.rosendahl@lacity.org and paul.backstrom@lacity.org) and facsimile (213) 473-6926

City Council Transportation Committee
Councilmember Bill Rosendahl, Chair
City of Los Angeles
200 N. Spring Street, Room 415
Los Angeles, CA 90012

Re: Opposition to Council Motion 10-0996 to Extend (or Renew) Taxi Company Franchises by Five (5) Years

Dear Honorable Councilmembers:

We the Los Angeles Taxi Workers Alliance (“LATWA”) write to express strong opposition to the City Council motion (10-0996) proposing to extend the taxi company franchises for five (5) years beyond the current expiration date of December 31, 2010. Preservation of the taxi industry status quo through such a multi-year franchise extension or renewal would harm taxi workers, the traveling public, and the City of Los Angeles (“City”).

I. Five-Year Taxi Franchise Renewals Would Further Impoverish Taxi Workers and Waste a Golden Opportunity to Create Jobs and Truly Green the Taxi Public Utility.

The taxi industry – regulated by the City as a public utility – currently is characterized by taxi workers toiling approximately 70 hours a week for less than the living wage, underutilization of taxis in city and regional transportation planning, and questionable taxi company management practices as documented in a 2007 city controller audit. Especially given that the taxi industry is a City public utility, this status quo must not continue.

The Mayor’s 30/10 initiative presents golden opportunities for job creation, lifting taxi workers out of poverty, and greening of the taxi industry as part of a regional, integrated, multimodal transportation system. The point-to-point transit capabilities of taxis will be critical in enabling the traveling public to get to and from transit stops. “Green” vehicles are but one component of what should be a comprehensive “green taxi system” that would link taxicabs with other modes of public transit such as buses, rail, bicycle lanes, and pedestrian pathways. Los Angeles could truly be a national leader in green job creation and urban sustainability by utilizing taxicabs to promote the environment, enhance the use of public transportation, and improve the quality of life for Angelenos through the reduction of traffic congestion. In the process, taxi drivers’ working conditions could be improved through the overall professionalization and economic development of the taxicab public utility.

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This opportunity would be lost if the existing taxi company franchises are extended or renewed for five years. With the scheduled expiration of the taxi company franchises at the end of 2010, the City can create a new 21st century taxi public utility by exercising its plenary power to mandate that taxi companies implement an array of green environmental strategies in order to have the privilege of operating in Los Angeles – and simultaneously promote workforce development and job creation amongst the taxi workforce while advancing sustainable public transportation strategies. Furthermore, the statement in the council motion that the franchises are providing excellent service to the traveling public neglects to mention that it is hardworking taxi workers who provide the service to the public.

In addition, the quid pro quo proposal to extend the taxi company franchises by five years while “greening” 80% of the taxi fleet would further impoverish working poor taxi drivers who are predominantly immigrants and people of color. Similar to the situation of truck drivers at the Port of Los Angeles, it is not the taxi companies, but rather individual taxi driver/owner operators who for the most part are responsible for the purchase and maintenance of taxicabs. The reality is that these taxi workers – who already are required by taxi company management to each pay approximately \$15,000 a year in company fees – cannot afford the costs of purchasing “green” taxicabs. Workers would be driven further into debt and dependency under the current proposal, creating problems from the start that would hinder a true and sustainable greening of the taxi public utility.

This misguided and inherently flawed proposal to renew the taxi franchises by five years constitutes “greenwashing” that would further impoverish taxi workers and cause the City to lose an opportunity to create a real 21st century green taxi public utility that integrates taxicabs into a regional multimodal public transportation system. If the City is to advance its sustainability, environmental, and economic equity goals, council motion 10-0996 must be rejected.

II. The Public Trust Would be Violated if the City Grants Five-Year Franchise Renewals to Taxi Company Management Found By a City Controller Audit to Have Pocketed Undocumented Cash Payments from Taxi Fees Paid by Taxi Passengers at LAX.

It is extremely concerning that the City is contemplating granting new multi-year franchises to taxi company management who have a track record of violating the public interest and public trust. For example, former City Controller Laura Chick found in a 2007 audit that Authorized Taxicab Supervision, a nonprofit created and controlled by the management of the City-franchised taxi companies, misappropriated monies paid by the traveling public. **The ATS board of directors – composed of the very City-franchised taxi company management individuals who would benefit from a five-year franchise renewal – were found by the controller to have pocketed undocumented cash payments that came from taxi fees paid by taxi passengers at LAX.** ATS also paid its accountants and lawyers more money than was justified by the work actually performed – again with monies originating from the traveling public – and failed to report workers compensation injuries and to file necessary 1099 forms.

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Moreover, LATWA has over the past several years submitted to the City Council and other City officials documentation of financial irregularities and corrupt practices on the part of taxi company management, including:

- Death threat against a taxi worker by a taxi company president (who still leads a City-franchised taxi company) for asking about company fees taxi workers were forced to pay.¹ This was documented in the *Los Angeles Times*.
- Deloitte and Touche audit of a City-franchised taxi company that included findings such as \$2 million dollars in checks made payable to cash, shredding of financial documents, and misclassification of political contributions.²
- Self dealing and sham cooperatives controlled by the Mitchell Rouse family.³
- Yellow Cab Company board election irregularities.⁴

To date the City has not taken action to address any of these troubling taxi company management practices – despite the City having the legal authority pursuant to its franchise ordinances to inspect and audit the franchised taxi companies.

The public trust would be breached yet again if the City were to grant multi-year renewals of the existing taxi company franchises that would primarily benefit taxi company management who were found by a city controller audit to have misappropriated monies collected from the traveling public.

III. A 12-to-18 Month Extension of the Taxi Company Franchises Is Appropriate to Conduct a Critical Big Picture Review of the Taxi Public Utility to Advance the City's Vision of Urban Sustainability and Clean Government In a Timely, Effective Way.

A 12-to-18 month renewal of the franchises is an appropriate and reasonable period of time for the City to move forward – as promised a year ago – with a big picture review of the taxi public utility to look at alternate structures that would improve taxi workers' dismal working conditions and create a state-of-the-art green taxi system that would be a national model. The Taxicab Commission many months ago adopted a motion to hire a consultant for the City who would do a top-down evaluation of our current taxi industry and look at alternative models, some of which other cities have adopted with excellent results: improvements in customer service, maintaining meter rates, greening the taxi industry, and alleviating low earnings and harsh conditions for drivers.

Taxi workers and the traveling public should not have to pay for the mistakes of the LADOT.

¹ See letter from counsel for Gurmeet Singh to City of Los Angeles Board of Taxicab Commissioners, Sept. 7, 2006 (attached).

² See submission from Los Angeles Taxi Workers Alliance to City Council Transportation Committee, April 11, 2007 (attached).

³ *Id.*

⁴ *Id.*

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The LADOT is now saying they have no money to conduct a taxi study because they already spent half the allocated money. The LADOT's chosen consultant, who was the main architect of the current system and had a conflict of interest with taxi company management, *spent \$124,000 of the public's money to offer recommendations such as the City should help taxi workers apply for government programs like Medi-Cal.*⁵ The LADOT should be directed to identify other sources of additional funding for the taxi study, including Workforce Investment Board, Measure R and airport funds.

Thus, LATWA respectfully urges that the Transportation Committee reject council motion 10-0996 to extend or renew the taxi franchises for five years and instead renew the franchises for 12-to-18 months in order to move forward with a RFP that contains a scope of work to create a 21st century green taxi public utility.

In so doing, the City can maximize this golden opportunity for job creation, ensuring living wages for taxi workers, and greening of the taxi industry as part of a regional, integrated, multimodal transportation system. In its review of the taxi public utility, we also urge the City to consider LATWA's proposal for a 21st century green taxi system, including:

- medallions (*i.e.*, permit to operate a taxicab in the City) issued to active, full-time drivers;
- freedom of mobility for taxi workers between the taxi companies;
- safeguards to ensure true, democratic worker cooperatives; and
- Driver's bill of rights including freedom of association without retaliation, living wages, including lease caps, and just cause termination provision in all company agreements with lease drivers or owner operators.

Thank you for your leadership and commitment.

Sincerely yours,

Los Angeles Taxi Workers Alliance

cc: Mayor Antonio Villaraigosa

⁵ See Nelson/Nygaard Consulting Associates, LADOT Taxicab Refranchising Plan: Health Care Options Discussion, pp. 4-5 (Dec 2009).