BOARD REPORT
CITY OF LOS ANGELES
DEPARTMENT OF TRANSPORTATION

Date: April 18, 2019

To: Seleta J. Reynolds General Manager
Jarvis Murray, Taxicab Administrator
Board of Taxicab Commissioners

From: Patricia A. Barker, Senior Transportation Investigator

Subject: ADDITIONAL REPORT AND RECOMMENDATION TO REVOKE TWO HUNDRED SIXTY-NINE TAXICAB SLOTS HELD BY L. A. CHECKER COOPERATIVE, INC. AS GRANTED BY FRANCHISE ORDINANCE 181423

INITIATED BY

The Department initiated this report after an administrative hearing review related to illegal transportation operations by L.A. Checker Cab Cooperative, Inc., d.b.a. Checker Cab and the company’s failure to abide by the rules of Franchise Ordinance #181423, the rules and regulations of the Los Angeles Department of Transportation, Business & Professions Code Section 12510 and the laws of the State of California.

Background

On June 18, 2018, after conducting an investigation, the Department submitted a report to the Board of Taxicab Commissioners (Board) (Attachment 1) recommending the revocation of Checker Cab’s Franchise Ordinance No. 181423 for multiple violations of several sections of that franchise, violation of Section 12510(a)(5) of the Business and Professions Code and Taxicab Rule 429 pertaining to the operation of permitted taxicabs equipped with tampered meters (Attachment 1). The Board requested to first conduct a series of Administrative Hearings with the principals involved prior to the Department presenting its case to better give Checker Cab an opportunity to respond to the allegations. This report documents the results of those hearings along with further investigation into the matter of operating a permitted taxicab equipped with inaccurate or tampered meters. The principals involved are: L. A. Checker Cab Cooperative, Inc., as grantee of the franchise and Investor Shareholders Marat Khavkin, Maria Gevorkian, Simon Gevorkian and Suren Gevorkian.

The hearings, conducted by Senior Transportation Investigator Patricia Barker, were scheduled as follows:

August 21, 2018: Marat Khavkin and Simon Gevorkian
August 23, 2018: Checker Cab, Suren Gevorkian and Maria Gevorkian
Hearings:

August 21, 2018, 1:00 p.m. – Marat Khavkin (Investor/Shareholder):

Present at the hearing were Marat Khavkin (Khavkin), Khavkin’s legal representative Rostislav Kaykov, Administrative Hearing Examiner Cynthia Duenas and Senior Investigator Patricia Barker (Barker).

Khavkin indicated that prior to January 3, 2018, he was the owner of thirteen taxicab slots, one of which was Unit #3406. On January 3, 2018, Authorized Taxicab Supervision (A.T.S), conducted a hearing regarding an alleged overcharge by taxi Unit #3406 that occurred on December 14, 2017. The taxicab in question was Unit #3406. During the ATS hearing, the taxi was taken to “Taxi Masters,” a mechanical shop that installs taximeters, where the technician found an electronic pulse device* connected to the taximeter. The adulterated meter was subsequently removed.

Upon removal, Khavkin stated that Checker Cab advised him to replace the meter so that the taxi could continue operation. He did this on January 4, 2018. However, neither he nor Checker Cab advised LADOT that the taxicab was operating with an unapproved meter. Unit #3406 was then returned to the driver. Unit #3406 continued to operate with a new but unapproved meter until March 28, 2018, when LADOT discovered the occurrence of this conduct, the decals were removed from the vehicle and it was decommissioned as a permitted taxicab. Khavkin stated that the driver who attended the hearing at ATS on January 3, 2018 was not the driver who allegedly committed the overcharge. That driver was terminated by Khavkin in late December for non-payment of his lease fees. (Note: Khavkin charges a lease fee of about $300 - $400 weekly, and will adjust the fee down somewhat for part-time drivers).

Khavkin states that this is his first violation for a tampered meter involving taxicabs that he owns.

Khavkin stated that since the incidents, he has instituted new policies or procedures to avoid a repeat of this incident. He stated that he now sends all of his taxicabs to Taxi Masters to be calibrated and sealed. He uses Pinto’s Meter Shop if repairs or programing needs to be done. He stated that he now conducts random inspections of his taxis and a more in-depth inspection prior to giving it to a new driver. However, when asked to provide proof, he stated that just recently someone had broken into his vehicle and stolen all the paperwork, including his inspection paperwork. He would try to submit a written process to the Department by September 7, 2018.

On September 7, 2018, Sr. Investigator Barker received an email. The cover page simply listed the name “RETRO”, a fax and telephone number, and the comment “RETRO.” Attached to the cover page were copies of nine meter certifications from Pinto’s Meter Shop (Attachment 2). The certificates were for the following vehicles and dates:

<table>
<thead>
<tr>
<th>L.A. Checker Cab #</th>
<th>Meter #</th>
<th>Test Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>3411</td>
<td>30982</td>
<td>08/28/18</td>
</tr>
<tr>
<td>3515</td>
<td>28280</td>
<td>08/27/18</td>
</tr>
<tr>
<td>3463</td>
<td>27216</td>
<td>08/27/18</td>
</tr>
<tr>
<td>3514</td>
<td>26533</td>
<td>08/30/18</td>
</tr>
</tbody>
</table>

* A pulse device is a small modified “circuit chip” which is inserted into the wiring of a garage door transceiver or other small device and the wired to the meter wiring harness. The chip overrides the car’s odometer so that the car registers that it has
Additional Report: L. A. Checker Cab

travelled farther than it has and allows for the adjustment of the fare. As used here it allowed the driver to manually modify
the fare to register more than was legally mandated.

<table>
<thead>
<tr>
<th>L.A. Checker Cab #</th>
<th>Meter #</th>
<th>Test Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>3441</td>
<td>26239</td>
<td>8/31/18(^1)</td>
</tr>
<tr>
<td>3479</td>
<td>30983</td>
<td>09/01/18</td>
</tr>
<tr>
<td>3735</td>
<td>26853</td>
<td>08/22/18</td>
</tr>
<tr>
<td>3531</td>
<td>45092</td>
<td>08/23/18</td>
</tr>
<tr>
<td>3437</td>
<td>32069</td>
<td>08/24/18</td>
</tr>
</tbody>
</table>

\(^1\)This certificate is different from the others in that it doesn’t have the meter shop’s name banner at the top. However, the
tester’s license number listed at the bottom of the certificate is the same as the others.

These units are “owned” by Marat Khavkin. The certificates do not include Unit #3406 because
ownership of that vehicle was terminated on 4/5/2018. Also not included were Units #3512, 3531, 3582
and 3732, which are also owned by Khavkin.

It must be noted that, at first glance, these certificates provide proof that Khavkin does, indeed, have
the meters tested, as he stated during his hearing. However, the dates listed on all of these certificates
indicate testing that occurred after Khavkin’s administrative hearing, not before, and are questionable
as proof that Khavkin has been testing these meters since the LADOT inspection occurred in March of
2018. Other than these certificates, the LADOT received no other information related to Mr. Khavkin’s
inspection process.

**August 21, 2108, 2:00 p.m. – Simon Gevorkian (Investor/Shareholder):**

Present at the hearing were Simon Gevorkian, Administrative Hearing Examiner Cynthia Duenas, Phillip
Wong, Sr. Management Analyst for the Parking Enforcement’s Administrative Hearing Examiners, and
Senior Investigator Barker.

Simon Gevorkian has owned or currently owns 11 taxicab slots operated under the Checker Cab
franchise and three slots for L. A. Taxi Cooperative (d.b.a. Yellow Cab Co). He is also a member of
Checker’s Board. When, during the hearing, he was asked how many cabs he owns, he stated that he
couldn’t remember the exact number and that he has a large, extended family who all own taxicabs, so
it is difficult for him to remember.

On September 10, 2017, Unit #3536 was examined by LADOT at the meter shop located at 2129 W.
Rosecrans, Gardena, California 90249.

During the LADOT inspection, an electronic pulse device was found connected to Unit #3536 in such a
manner as to allow manipulation of the meter’s determination of the distance the meter traveled and
causing it to register a higher charge than allowed by the Department. LADOT removed the pulse device
and the seals were removed from the cab. Simon Gevorkian stated in the hearing that he has been
permanently banned from owning that specific taxicab slot. Additionally, on March 28, 2018, a second
cab owned by Simon Gevorkian, Unit #3485 was, upon LADOT inspection, found to have two snipped
and hanging wires behind the glove compartment that would be consistent with the positioning of an
electronic pulse device. Unit #3485 is still operating as a permitted taxicab.

During the hearing, Simon Gevorkian originally stated that he does not inspect his taxicabs himself, but
that his father Suren Gevorkian does that. He does not know the last date that his father inspected the
cabs. He stated that up until March 28, 2018, he was unaware that there was anything wrong with #3485, but now says he has been inspecting his taxicabs since the March incident, and all of his taxicabs now go to his body shop (possibly Straight Auto Body, 425 W. Cypress St., Glendale, California 91204 or Prime Auto Body Collision, Inc. 11734 Wilshire Blvd, Los Angeles, CA 90025 which is owned by Maria Gevorkian) whenever anything goes wrong with them. Simon Gevorkian stated that since he’s a member of Checker’s Board he has recommended a zero tolerance policy toward drivers who have these devices installed and that Checker needs to monitor the meters. He did not indicate any such recommendation or monitoring for the owners/shareholders or the company. He believes that it is ludicrous and unreasonable for the Department to allow the drivers to walk away without consequences and drive for another company or for a Transportation Network Company such as Uber or Lyft, but doesn’t feel that the owners should have a stake in the disciplinary process or be held responsible. He feels that the Department over regulates and does not allow the taxicab owners or companies any leeway in the operation of their industry. He gave an example that the LADOT does not allow taxicabs to operate within certain areas of Los Angeles County. He stated that installation of a “soft meter” would avoid future tampering. He did not submit any proof that he’s increased monitoring his taxicabs.

August 23, 2018, 11:00 a.m. – L. A. Checker Cab:

Present at the hearing were Michael Giler, Driver Manager of United Independent Taxi Unit #73, Checker Cab’s legal representative Neil Evans, Yevgeny (Eugene) Smolyar, President and Investor Shareholder for Checker Cab, Administrative Hearing Examiners Karen Barnett and Marcos Hernandez, and Senior Investigator Barker.

Smolyar stated that contrary to what has been stated the company did notify Senior Investigator Teena Arnold (Arnold) approximately one week before the September 10, 2017 inspection of Unit #3536 in regards to an alleged overcharge. Arnold was present during the inspection which was conducted at Yellow Cab Company in Gardena. Immediately after finding the electronic pulse device, Arnold had the LADOT decals removed from the cab. The driver involved was suspended pending revocation. Senior Investigator Arnold retired from the Department at the end of 2017 and left no records of this incident that could be found. Department records show that Unit #3536 was placed Out Of Service when Simon Gevorkian was removed as investor/Shareholder on March 20, 2018. The vehicle was re-inspected on March 22, 2018, and placed back into service under a new Investor/Shareholder. Simon Gevorkian has been banned from ownership of that slot.

After ATS removed and confiscated the meter of Unit #3406, Checker allowed the owner to replace the meter. Checker did not advise the owner to notify the Department of the change. Smolyar did not deny that Checker Cab failed to notify the Department, allowing the cab to operate with an unapproved meter for 84 days. Smolyar said that Checker Cab did conduct an inspection of Unit #3406 right after the installation, however, but did not submit proof.

Smolyar also stated that Checker Cab took steps to try to avoid future overcharging and meter tampering after the 2007-2008 Joel Grover investigation which aired on NBC News, he stated that Checker had installed a computer program called “Curb” from a company he identified as “DDS”. Unfortunately, the software may have been defective because it did not detect the “zapper” in Unit #3536. The problem or glitch went undetected until recently. Checker has recently installed a new “anti-zapping” program that originates from the computers in the office and is not installed in the cabs. The program is designed to prevent “zapping” by a pulse device by comparing the mileage reported by the taxicab with mileage from Google Maps to confirm the mileage. He also stated that the company
now conducts random vehicle checks several times a week, and that he is in charge of the random selection. He also says he has submitted documentation and specifications for a “soft meter” that would use Bluetooth technology and eliminate the ability to tamper with the meter. The specifications for a soft meter were sent to the Taxicab Administrator for consideration. Coincidently, the model specifications sent are for a device marketed by "Curb."

Smolyar stated that he fired the dispatcher when he found out about the cautionary message sent to all of the drivers, as alleged in the revocation report, however, he does not believe the dispatcher sent that message as a warning for the drivers to avoid the airport.

August 23, 2018, 1:00 p.m. – Suren Gevorkian (Investor/Shareholder)

Suren Gevorkian (Gevorkian) attended the hearing by himself without any other representative. Also in attendance were Administrative Hearing Examiners Karen Barnett and Marcos Hernandez, and Senior Investigator Barker.

He owns seven taxicab slots with Checker Cab. He stated that the cabs he operates are owned by him, but at the suggestion of Checker Cab, they are registered to the company. During the March 28, 2018, inspection sweep, one of Suren Gevorkian’s vehicles, Unit #3707 was found to have a pulse device attached to the meter’s wiring harness. The device was removed as were the LADOT decals. The vehicle was decommissioned and has not been placed back into service.

He states that Checker Cab advised him on January 3, 2018, about the meter confiscated from Unit #3536 by ATS. Checker Cab also advised him to replace the meter so the taxicab could go back into service, which he did on January 4, 2018. He did not report the replacement of the meter to the Department and wasn’t sure if the company did.

Suren Gevorkian has not attempted to put Unit #3707 back into service, but instead uses it for parts because he “knows how to fix Priuses.” He also stated that he manages and inspects the taxis operated by himself and his wife (Maria Gevorkian) but not his sons. This statement is in direct contradiction to Simon Gevorkian who stated that he has his father, Suren, inspect his taxis. Suren Gevorkian states that he now inspects each taxi before assigning it to a new driver. He also sends his taxis to Taxi Master’s for certification and “Gabriel’s” for any computer work. Whenever a driver comes in to pay their lease fee, he inspects the meter.

August 23, 2018, 2:00 p.m. – Maria Gevorkian (Investor/Shareholder):

Present at the hearing were Maria Gevorkian and her son Simon Gevorkian, Administrative Hearing Examiners Karen Barnett and Marcos Hernandez, and Senior Investigator Barker.

Ms. Gevorkian owns six taxicab slots with Checker Cab. On March 28, 2018, one of the taxis she operates, Unit #3507 was found to have a pulse device attached to the meter’s wiring harness. The device was removed from the taxi as were the LADOT decals. The vehicle has been decommissioned and is not operating.

Her son, Simon Gevorkian stated that he needed to be included in the hearing, ostensibly to assist his mother in translation. During the questioning, Maria Gevorkian did not appear to require such services, but was definitely the focus of her son’s attention. Maria Gevorkian states that she is not actually
involved in management of the taxicabs under her name, but allows her son and husband to do that. When asked if she knew where Unit #3507 was parked, she had to ask her son for information. He told her it was parked “at the company.” She insisted that she had nothing to do with any of the operations of the taxicabs and was unaware of why Unit #3507 was removed from service and had no knowledge of the inspection procedures for those taxis.

Maria Gevorkian was the last person interviewed because the drivers and dispatcher involved have all been terminated.

Further information

Taxicab Ownership

Franchise 181423 grants the Grantee or Franchisee authorization to operate 269 taxicabs in order to provide the primary service in three specific Service Zones (B, C & D), which are the central parts of Los Angeles including South L.A.. L. A. Checker Cab Co., Cooperative is the recognized Grantee or Franchisee for the length of this Ordinance.

Of the 269 vehicles operated by Checker Cab, the ownership breakdown is as follows:

216 of them are registered to L. A. Checker Cab Cooperative, Inc. (or a close derivative of those words) 14943 Califa St., Van Nuys, California, 91411.

All of the vehicles involved in this investigation that are managed or operated by Khavkin, and the Gevorkians are solely registered to Checker Cab. This means that Checker Cab is solely and legally responsible for the legal operation of those vehicles.

Unit #3455 is registered to Higher Doctor’s Inc. 19231 Sherman Way, Unit 23 Reseda, California, 91335-3537. Staff was able to ascertain that the Executive Officer of this company, Boris Arutyunov, the CEO of Higher Doctors, Inc. is a Sub Chapter S. Corporation Member. Unit #3455 is in service.

Six are owned by Lauren Transportation, Inc. 809 N. West Knoll Dr. West Hollywood, California 90069. This address comes back to a multi-family dwelling. This company does have a listing as a corporation (#C2384120) with the California Secretary of State office. The Statement of Information lists the company as providing taxi services. The vehicle is now listed under another Investor/Shareholder name as of March 20, 2018, however, the registration still shows Lauren Transportation.

42 are privately owned by various individuals, none of which appears to have more than two vehicles registered in their name, and three are registered under dual names, with Checker Cab being one of the names listed.

Section 4.3 (c) of the Franchise states that all vehicles must be registered to either the Grantee, or to a Member of the Grantee and may be owned by the Member, the Grantee, or a commercial lending agency. The registration of the eight taxicabs that occupy slots for L. A. Checker Cab Cooperative, Inc. appear to be registered and/or owned by entities other than what is allowed in Franchise Ordinance 181423. Additionally, Board Order 471, Rule 512 states that the Grantee and vehicle permittee shall not allow a taxicab to be placed in service unless the Grantee or the vehicle permittee is the registered owner of the taxicab.
Section 1.0 Franchise 181423 – Definitions clearly states that Investor/Shareholders do not manage or control taxicabs. Khavkin, Simon Gevorkian, Suren Gevorkian and possibly Maria Gevorkian are listed as Investor/Shareholders. Khavkin, Simon and Suren clearly have control over the operation of the taxicabs operated in their assigned slots.

Franchise Ordinance 181423, Section 6.2(a) and Board Order 471, Rule 514 states that only 5% of the membership may be owned by a vehicle permittee in any individual franchise. Board Order 471 defines a Vehicle Permittee as an individual person or Subchapter S corporation who has been granted a Taxicab Vehicle Permit in accordance with §71.02(b) of the Los Angeles Municipal Code. Khavkin manages or controls 13 taxicabs; 4.83% of Checker’s allotted slots. Simon Gevorkian manages or controls 5.2% of the franchise, while Suren controls 2.6% and Maria 2.23% for a total of 10.78% percent of the franchise, giving the Gevorkians significant leverage within the company. Combined with Khavkin, these individuals control 14.87% of Checker’s fleet.

At 9:51 a.m., on March 28, 2018, a message was sent out from a Checker Cab dispatcher named Denny, advising that “LA DOT IS CHECKING TAXI AT LAX HOLDING LOT. PLEASE MAKE SURE YOUR CARS ARE IN COMPLIANCE.” This message was sent out to all drivers and shareholders. LADOT investigators were able to inspect two additional Checker Cabs (Units #3605 and 3485) Both of these units were found to have snipped and dangling wires. These were the last Checker cabs that came to the LAX holding lot after that message was received. No other Checker Cabs came to the airport after receiving this message. Smolyar states that he terminated the dispatcher even though he didn’t think there was anything intentionally devious regarding the message. Even if the message itself was not specifically intended as a warning, its effect was immediate. The rest of Checker’s fleet avoided the airport, and due to termination, the dispatcher was unable to be interviewed.

It should be noted that the pulse device attached to the meters in Units #3536, 3406, 3507, 3707 and possibly attached to Units #3485 & 3605 do not operate automatically. The driver must activate the pulse device to get the benefit of the overcharge. The devices are installed in areas not open to casual visual inspection, such as a small space located behind the glove compartment, which must be removed to reveal the device. Simply checking the meter for rates will not indicate that a pulse device has been fitted to the meter’s wiring harness.

Smolyar stated that the company is monitoring those drivers who use the “Square” Credit Card reader as a method of payment, because by circumventing the use of the meter to collect payment, the opportunity for overcharging is greater because the mileage and rate on the meter don’t have to be reconciled. Board Order 471, Rule 459 states that each taxicab must be capable of digitally transmitting credit/debit card authorizations and payment information through the taximeter, which means the LADOT does not allow the use of Square for payments because these payments do not go through the meter.

In 2003 the Department instituted a complaint system that could be used by the public to record complaints against a taxicab company. From this time through August of 2018, the Department has received over 8,477 complaints. Staff conducted an investigation related to this meter incident and administrative hearings to ascertain what type of complaints were being registered by the public and if those complaints included complaints of overcharging, possibly adulterated or hot meters, and the use of the Square device instead of the meter as a method of payment. It is important to note that these are complaints only. In the interest of time, staff did not track down each and every complainant to
determine if these violations could be verified. Complaints received by the Department often represent what the complaining party considers to be a final effort to right an actual or perceived wrong. Such complaints are generally received by the Department because the complaining party(s) were unsuccessful at resolving the issue at the taxi company level.

What staff discovered was that there is a high trend among all of the taxicab companies relating to violations of rude and aggressive behavior, unsafe driving, taking circuitous routes in order to increase the fare, use of profanity against passengers, refusal to activate the meter, refusal to accept credit card payments, refusal to accept CityRide cards, threatening and verbally abusing senior citizens dependent on the use of the CityRide program, complaints of/or flatly refusing short trips, demands for tips, refusing to pick up wheelchair bound passengers, demanding cash only, forcing passengers to withdraw money from ATMs in order to pay in cash, transporting a passenger to any area other than the one requested, locking and refusing to unlock car doors, abandoning passengers in unsafe or unknown locations or area not requested, requiring payment to return items left in taxicabs, refusing to load or unload luggage, holding luggage hostage for payment, fraud or attempted fraud by circumventing flat rates or trying to add a 10% surcharge that does not exist, charging a non-existent fee for luggage or multiple passengers, arriving to pick up passengers with the meter already running, service refusals and no-shows.

Many of the complaining parties state that they were unable to get any form of satisfaction when they registered their complaints at the company level.

Staff is aware that there is a segment of the public that no driver can satisfy, and that there are those who report drivers for imagined slights or non-existent faults for a variety of reasons. However, the record of complaints on file with the Department shows an unacceptable number of complaints that all follow the same threads listed above. It is obvious that for as long as these complaints have been recorded, the companies have done little to nothing to correct the problems.

Staff’s goal was to see if the problems of overcharging, use of tampered or hot meters and use of payment methods other than those approved by the City occurred across all of the taxicab companies, and to determine if this issue was limited to Checker Cab.

The table below reflect staffs findings*:

<table>
<thead>
<tr>
<th>Taxicab Company</th>
<th># of Complaints</th>
<th>Overcharging</th>
<th>% of Total</th>
<th>Tampered/Hot Meter</th>
<th>Use of Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bell Cab</td>
<td>293</td>
<td>70</td>
<td>24</td>
<td>6</td>
<td>0</td>
</tr>
<tr>
<td>Beverly Hills Cab Co</td>
<td>232</td>
<td>56</td>
<td>24</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>City Cab</td>
<td>221</td>
<td>57</td>
<td>26</td>
<td>8</td>
<td>0</td>
</tr>
<tr>
<td>L. A. Checker Cab</td>
<td>463</td>
<td>178</td>
<td>38</td>
<td>40</td>
<td>9</td>
</tr>
<tr>
<td>Independent Taxi (ITOA)</td>
<td>406</td>
<td>112</td>
<td>28</td>
<td>19</td>
<td>0</td>
</tr>
<tr>
<td>United Checker Cab</td>
<td>69</td>
<td>19</td>
<td>28</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>United Independent Taxi Drivers</td>
<td>358</td>
<td>67</td>
<td>19</td>
<td>8</td>
<td>0</td>
</tr>
<tr>
<td>(UITD)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>United Taxi of San Fernando</td>
<td>59</td>
<td>10</td>
<td>17</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>(UTSVF)</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Yellow Cab Co.</td>
<td>928</td>
<td>235</td>
<td>25</td>
<td>14</td>
<td>0</td>
</tr>
</tbody>
</table>

*Note: Complaint timeline: 01-2003 through 08-2018
Based upon these raw numbers, Checker Cab had the highest percentage of overcharging complaints as well as the largest number of complaints related to Tampered/Hot Meters. It should also be noted that absent one incident at United Checker Cab (UCC), it is the only company where usage of the Square payment device is common enough to have received multiple complaints, which aligns with Mr. Smolyar’s statements about the common usage of Square in Checker Cab's fleet.

**Violations Found Based on Administrative Hearing**

1. Checker Cab failed to maintain control over the taxicabs to the extent that vehicles were fitted or had been fitted with pulse devices which allowed the public to be defrauded by drivers, a violation of Board Order 471, Rules 201, 402, 420, 429, 514 and 725; Franchise 181423, Sections 2.2 (c) (ii), 2.2(d) (ii), 4.2(a) 4.3(b) and Section 12510(a) (5) of the Business and Professions Code. All of the vehicles known to be involved in the fraud are registered to L. A. Checker Cab, 14943 Calif St., Van Nuys, California. Apart from the requirements of Franchise Ordinance 181423, this fact, Checker Cab is the Registered Owner of these vehicles which under the ordinance, and the CA Vehicle Code, makes the company legally responsible for all aspects of the operations of those vehicles. [Six Violations]

2. Section 4.3 (c) of Franchise Ordinance 181423 require all taxicabs operated by Checker Cab to be registered either to the Grantee or a Member of Grantee and must be owned by the Member, the Grantee, a commercial lending agency, or leased from a licensed leasing agency. Seven of Checker Cabs vehicles are not in compliance: Unit #3455 is registered to a medical office, and Units #3417, 3458, 3491, 3614, 3623 & 3740 are registered to a company that provides taxicab service that is not Checker Cab. This is a violation of the Franchise Ordinance because neither company conforms to section 4.3 (c). [Seven Violations]

3. Section 4.2 (a) of the Ordinance states that the Grantee shall be responsible for the compliance of its Members and drivers with all such laws, ordinances, rules and orders. Between September 2017 and March 2018, four Checker Cabs managed by four different individuals operated with taximeters that had illegal pulse devices installed. Checker Cab failed to take steps to remedy the fraud, even when complaints of overcharging were received by the company, a violation of Board Order 471, Rule 429, and Section 202.[ 1 Violation]

4. Checker Cab failed to notify the Department that Unit 3406 had a meter installed that had not been inspected by the Department and allowed that vehicle to operate for a total of 84 days, a violation of Board Order 402. [ 1 Violation]

5. Section 4.2 (h) of the Ordinance required Checker Cab to submit annually, a Management/Business Plan. The last such plan that was filed with the Department was dated April 20, 2005, and was an update of a Management/Business Plan that was filed with the Department on January 26, 2005.

**REVIEW AND CONCLUSION**

On December 8, 2010, the Department sent Checker Cab notification of the replacement of Taxicab Franchise Ordinance 181423 with Taxicab Franchise Ordinance 181423. On December 13, 2010, Checker Cab submitted a letter of acceptance signed by Smolyar wherein, Checker Cab agreed to accept and
comply with all terms and conditions of the replacement Taxicab Franchise Ordinance (Attachment 3). Ordinance 181423 was set to expire on December 31, 2017, but has been extended through December 31, 2019 pending an independent consultant study being conducted regarding for-hire vehicle regulations.

**Taxicab Franchise Ordinance 181423:**

Section 4.2(a) of Franchise Ordinance 181423 states that the Grantee, in this case, Checker Cab, is responsible for the compliance of its Members and drivers with all such laws, ordinances, rules and orders. Checker Cab was aware of the overcharges and aware that at least one of their taxicabs had been found by ATS with an illegal pulse device attached to the meter. There is no documented proof that Checker Cab did anything to remedy or prevent future tampering, until the Department conducted the March 28, 2018 inspection at the LAX Taxi Holding Lot. It must be noted that all of the vehicles found to be operating with fraudulent meters are registered to Checker Cab. The California Vehicle Code defines the registered owner of a vehicle as the actual owner of the vehicle.

Additional problems appeared when it was discovered that Checker Cab has submitted seven vehicles as part of their fleet that were not registered to either the Grantee, or Members of the Grantee, but were instead registered to entities that are not eligible under Section 4.3 (c) for the Franchise Ordinance. As of the date of this report, it appears that those vehicles are still registered under ineligible entities. It can be argued that the Department appears to have allowed these vehicles to be included into the Checker Cab fleet without any disciplinary action being taken, however, it is staffs’ recommendation that oversight and procedures be implemented by the Department with regard to accepting taxicabs with registered owner information that does not comply with the Franchise Ordinance or that staff simply exclude vehicles that do not comply with the Franchise Ordinance. However, the overwhelming onus for compliance with the Franchise still lies with Checker Cab.

There also appears to be a lack of clarity as to who is claiming to have actual authority over the vehicles that are registered to Checker Cab itself. All of the vehicles involved in this matter are vehicles registered to Checker Cab, yet when questioned in the hearings, Khavkin and the Gevorkians indicated that they are the owners, with both Suren and Simon indicating they have complete control over the fate of these vehicles. (Simon: “… whenever there is something wrong with any of my taxis I send them to my body shop”), and Suren stating “I am using it (Unit #3707) for parts” while Maria Gevorkian appeared to be unaware of anything of substance related to Unit #3507. (Emphasis added.)

All of the Investor/Shareholders, except Maria Gevorkian and Smolyar stated that they now conduct some form of inspection of the taxicabs they operate. However, no written plans or policies, and more importantly no proof had been submitted to the Department to support this assertion other than documentation provided by Khavkin of inspections that occurred after the administrative hearing date. The standard inspection of a taximeter that has a pulse device installed will not reveal the fault since the device is secreted in a small depression behind the vehicles glove box and is not visible unless the glove box is removed from the dashboard assembly. The device must be installed by someone familiar with the electrical systems in these vehicles, such as a mechanic or a body shop repair person, or someone who has knowledge to conduct self-repairs. Operation of the pulse device is not automatic and merely turning on the meter and scanning the rates will not reveal the device, since it has to be manually operated by the driver. The lack of corrective measures by both Checker Cab and the Membership in light of this ongoing issue remains problematic.
There is also a note of caution. During the hearing with Smolyar, he stated that the company has begun monitoring drivers who use the “Square” device for accepting payments because it can be a way for the driver to avoid use of the meter to print out a receipt. This is a violation of Board Order 471, Rules 773 and 799 which requires the receipt to be printed through the meter.

RECOMMENDATIONS

Ultimately Franchise Ordinance 181423 is a contract between Checker Cab and the City of Los Angeles duly agreed upon by both the Department and the company. As stated in the Ordinance and Board Order 471, Rule 201, Checker Cab, as the Registered Owner of the taxicabs involved is legally responsible for the operation of the taxicabs, it is responsible for the actions of its Members and Drivers as it relates to the operation of taxicabs, and maintaining compliance with the requirements of the Ordinance and all City and State rules, regulations and laws. Checker Cab appears to be in violation of many sections of this Ordinance, from failing to take measures to control meter tampering; failure to provide proof of the required minimum inspections to failure to ensure the proper ownership and registration of the taxicabs in the fleet and failing to prevent drivers from using payment methods that are not in compliance with the City’s rules and regulations.

It is incumbent that Checker Cab be cognizant and intimately familiar with all rules, regulations and requirements contained in this Ordinance. Therefore, Checker Cab is legally required to abide by all requirements listed in the Ordinance. It is apparent from this investigation that Checker Cab is not in compliance with the Ordinance in many areas by allowing the use of taxicabs with tampered meters, and furthermore, upon becoming aware of this problem, not taking serious proactive measures to insure that the problem has been eliminated and or reduced. This could have been accomplished by having the entire fleet examined by a certified meter shop, frequent, randomly selected, in-depth inspections and installation of good anti-tampering software. After discovery of the tampered meter in Unit #3536 in September of 2017, Checker Cab did not have its fleet inspected by a certified meter shop, and only installed such software after Unit #3406 was discovered to have a pulse device installed. Checker Cab also allows Investor/Shareholders to take their vehicles to any shop for maintenance and repairs which may actually be helping to perpetuate the installation of these pulse devices.

Upon presenting this report to the Taxicab Commissioners as an Information Item on October 18, 2018, the Commissioners expressed a desire to have multiple options presented to them when the finished report is brought before them.

Staff presents the following potential options, as requested:

SUGGESTED OPTION #1

L. A. Checker Cab Cooperative, Inc.

1. Find that due to the number of violations (14) associated with the tampering incident and Checker Cabs’ failure to effect the necessary remedies, even when given ample opportunity to do so necessitates the assessment of a monetary penalty of $335,000 absent any monetary penalty assessed to the principals involved in the fraud. Checker Cab must render full payment within 30 calendar days of the Board’s decision.
2. Find that Sections 2.3(c) (i) and (iv) of Franchise #181423 necessitates the revocation of L. A. Checker's franchise.

3. Direct the Department that it may not accept any application(s) for any form of passenger transportation from L. A. Checker, L. A. Checker Cab Cooperative, Inc., or its principals operating under any other company name for a period of five years.

SUGGESTED OPTION #2

1. Find that due to the number of violations (14) associated with the tampering incident and L. A. Checker Cab Cooperative, Inc.'s (Checker) failure to effect the necessary remedies, even when given ample opportunity to do so necessitates the assessment of a monetary penalty of $335,000. Checker Cab must render full payment within 30 calendar days of the Board’s decision.

2. Place Checker on a probationary period of not less than two years where any violation of the Board’s rules and regulations, City Ordinances, requirements of their Franchise, if any, or any State, County or City law, regulation, Codes or laws shall result in the immediate permanent revocation of Checkers authority to operate an form of passenger service within the City of Los Angeles.

3. Direct Checker Cab that it shall, no later than July 1, 2019, submit, to the Department, a real-time computer program that includes Mobility Data Specifications and API Language accessible by the Department 24/7, with the capability of tracking all taxicabs operated by Checker Cab, whether under the Checker Franchise, company name, or other means. Such program shall be accessible directly by the Department at all times. The Department would require that a system be developed that includes Mobility Data Specifications with API Access to the trip data that is accessible on Department computers in real time so that the Department may compare actual data to that reported by the meter, and monitor these conditions in real time using direct access to company dispatch, vehicle trip data, and meter usage among other things.

4. Require Checker Cab to submit, to the Department a record of all complaints received, the name of the individual who was assigned the complaint, the resolution, if any, what, if any penalty was assessed, and the date of resolution. The company shall also provide, upon demand by the Department, a copy of all documentation, including any investigative reports.

5. Require all Checker management, investor/shareholders, Grantees, drivers and members to undergo Customer Service Training from an accredited course approved of by the Department. Said training shall be kept current and ongoing.

6. Remove the Investor/Shareholder classification from the operation of Checker Cab and make Checker Cab and its management solely responsible for the operation of their taxicabs.

7. Require Checker to submit to the Department a detailed and concise management business plan, including disciplinary actions for violations of Los Angeles City rules and regulations, programs for the education of the drivers and prevention of fraud to be approved by the Department prior
to acceptance by the Department.

8. Require Checker to ensure that all taxicabs operated within the City of Los Angeles shall be registered to Checker.

9. Require that Checker, shall at no time, enter into, engage in, encourage or condone any form of penalizing drivers for monetary penalties assessed to the company by the Department.

SUGGESTED OPTION #3

1. Find that due to the number of violations (14) associated with the tampering incident and L. A. Checker Cab Cooperative, Inc.’s (Checker) failure to effect the necessary remedies, even when given ample opportunity to do so necessitates the assessment of a monetary penalty of $335,000. Checker Cab must render full payment within 30 calendar days of the Board’s decision.

2. Require an independent third-party management company, which may be interviewed by the Department and the Commission and must be acceptable to the Department, be installed as new management for Checker Cab.

3. Direct Checker Cab that it shall, no later than July 1, 2019, submit, to the Department, a real-time computer program that includes Mobility Data Specifications and API Language accessible by the Department 24/7, with the capability of tracking all taxicabs operated by Checker Cab, whether under the Checker Franchise, company name, or other means. Such program shall be accessible directly by the Department at all times. The Department would require that a system be developed that includes Mobility Data Specifications with API Access to the trip data that is accessible on Department computers in real time so that the Department may compare actual data to that reported by the meter, and monitor these conditions in real time using direct access to company dispatch, vehicle trip data, and meter usage among other things.

4. Require Checker Cab to submit, to the Department a record of all complaints received, the name of the individual who was assigned the complaint, the resolution, if any, what, if any penalty was assessed, and the date of resolution. The company shall also provide, upon demand by the Department, a copy of all documentation, including any investigative reports.

5. Require Checker to submit to the Department a detailed and concise management business plan, including disciplinary actions for violations of Los Angeles City rules and regulations, programs for the education of the drivers and prevention of fraud to be approved by the Department prior to acceptance by the Department.
Applicable Regulations

Board Order 471, Rule 201 states:

“Each taxicab operator and its management, employees, lease drivers, each vehicle permittee, each driver, and each member’s lease drivers and employees are individually and jointly responsible for complying with rules and regulations of the Board; all sections of the LAMC, the Los Angeles Administrative Code and other ordinances or the City; any rule or regulation of the Department of Airports; and any section of a State Statute or Administrative Code relating to the operation of a taxicab or a vehicle for hire. Through adjudication, only one taxicab rule shall be applied for a specific infraction when Rule 201 is cited in addition to another taxicab rule for the same offense.”

Board Order 471, Rule 402 states that each taxicab operator or vehicle permittee shall equip each taxicab with:

“A State approved taximeter, currently certified for the specific vehicle in which it is installed and with unbroken State inspection seals affixed. All replacement meters shall be certified by a State sealer, registered with the Los Angeles County Department of Weights and Measures, and inspected by the Department within seven calendar days after the vehicle is placed into service with a new or replacement meter.”

Board Order 471, Rule 420 states:

“Each taxicab operator and vehicle permittee shall maintain the taximeter in good working condition at all times.”

Board Order 471, Rule 429 states:

“The taxicab is found to contain a rate other than authorized. The meter shall have installed only the approved rates and extra charges. All mechanisms, devices and/or electronic programs attached, installed or used in connection with the meter shall not facilitate the perpetration of fraud. No schedule of rates contained in the taximeter may be higher than those authorized for the City of Los Angeles unless authorized by the Board of Taxicab Commissioners.”

Board Order 471, Rule 514 states:

“A vehicle permittee shall not own or control more than the number of taxicabs in the City provided for in the franchise ordinance for Grantee. Unless modified by the Board, only 3 Driver/Manager Memberships maximum may be held by an individual within a single corporate entity (authorized for one or more franchises), and a total of five percent (5%) of the membership may be owned by a vehicle permittee in any individual franchise, as rounded to the nearest whole number.”

Board Order 471, Rule 725 states:
“A driver shall not operate a taxicab that contains a taximeter which is not properly sealed, accurate and in good working condition. The taximeter shall not be removable; it shall not be installed in a way that makes it possible to tamper with the rate setting mechanisms; and it shall not be equipped with unapproved devices attached to any part of the wiring harness. The taximeter’s installation and operation shall be in compliance with all laws and statutes of the City and State. Note: Possession of a fraudulent or false taximeter is prima facie evidence of the intention to violate the law pursuant to California Business and Professions Code §1250.”

a. Installation or operation of defective taximeter equipment that does not adhere to Rule 725 standards but was not deemed to provide for willful and intentional tampering, overcharging or fraud activity.

b. Installation or operation of taximeter equipment that does not adhere to Rule 725 standards, and is deemed to provide for willful and intentional tampering overcharging or fraud activity. Taxicab operator penalty point assessment may be reduced or waived dependent upon an operator’s cooperation and assistance provided in detecting and notifying the City of potential tampering and fraudulent activities.”

California Business and Professions Code §12510(a) (5) states:

“Any person who by himself or herself, or through or for another, does any of the following is guilty of a misdemeanor:

(1) Sells or uses any device or instrument to be used or calculated to falsify any weight or measure.”

Board Order 471, Rule 728 states:

“A driver shall assure that the approved meter rate is set at all times. The meter shall not contain any unauthorized rate or extra charges which can facilitate the perpetration of a fraud. Taxicab operator penalty point assessment may be reduced or waived dependent upon an operator’s cooperation and assistance provided in detecting and notifying the City of potential tampering and fraudulent activities.”

Board Order 471, Rule 773 states:

“A driver shall, unless otherwise directed by the Department, give the passenger making payment an accurate and legible (not fraudulent) receipt printed by the taximeter for each taxicab trip provided. The printed receipt shall display trip information as designated by the Department, including, but not limited to, company name, vehicle number, date and time the trip began, date and time the trip ended, trip number, distance traveled, fare amount, any extra charge applied, and company phone number.”

Board Order 471, Rule 799 states:

“... Credit/debit card authorization and payment information shall be digitally relayed through the taximeter or mobile data device operating in concert with the taximeter.”
Franchise Ordinance #181423, Section 1.0 DEFINITIONS:

CO-OPERATIVE, ASSOCIATION or MEMBERSHIP: “An independent taxicab enterprise or organization owned and operated by its Members for the financial benefit of its Members. Each authorized taxicab fleet slot correlates to a share and/or ownership in the Membership.

INVESTOR/SHAREHOLDER: A Member of Grantee who does not manage or control taxicabs in Grantee.

MEMBER: An individual person or Subchapter S corporation, as defined in the United States Internal Revenue Code Section 1361, who owns one or more taxicabs and/or shares, but not more than the maximum number allowed by this ordinance, in Grantee. Only those individuals applying for Investor/Shareholder membership status may apply as a Subchapter S corporation.