

**CITY OF LOS ANGELES**  
**INTER-DEPARTMENTAL MEMORANDUM**

Date: February 20, 2020

To: Honorable City Council  
c/o City Clerk, Room 395  
Attention: Honorable Mike Bonin, Chair, Transportation Committee

From: Seleta J. Reynolds, General Manager  
Department of Transportation

Subject: **APPEAL OF L.A. CHECKER CAB COMPANY**

**SUMMARY**

From September 2017 through March 2018, the Department discovered taximeter tampering devices which are used to overcharge passengers, on four L.A. Checker Cab vehicles. On June 21, 2018, the Los Angeles Department of Transportation (LADOT) submitted a recommendation to revoke L.A. Checker Cab Cooperative Inc.'s (L.A. Checker) Franchise Operating permit for violations of the Franchise Ordinance to the Board of Taxicab Commissioners (Taxi Commission). The Department also asked for a penalty assessment of \$335,000. The Commission informed LADOT that it did not have authority to revoke a Franchise, nor would it make such a recommendation. However, the Commission did impose a \$200,000 penalty and a list of conditions for L.A. Checker to meet based upon the violations. L.A. Checker is appealing the Commission's June 20, 2019 decision, approximately one year after the initial recommendation.

**RECOMMENDATION**

That City Council, subject to the approval of the Mayor, deny L.A. Checker's appeal and impose the assessed penalty issued by the Commission at the June 20, 2019 meeting.

**BACKGROUND**

Following a complaint, LADOT discovered meter tampering devices called "pulse devices" on taxicab vehicles, used to artificially inflate taxi fares. The "pulse device" is a modified circuit chip wired into the taximeter that is connected to the taxicab vehicle's mileage sensor and allows the driver/user to engage a remote receiver that overrides the regular mileage sensor. This adds additional mileage to the meter. LADOT first discovered these devices in September of 2017 during an inspection of the vehicle named in the complaint. Because LADOT believed these devices may exist in other taxicabs, it conducted a sweep of vehicle inspections in the LAX parking in March of 2018 with the purpose of locating "pulse devices". Fourteen total vehicles were inspected, six of which were L.A. Checker vehicles. Of the six L.A. Checker vehicles inspected, two had operational "pulse devices" inside.

During this sweep, LADOT was also notified by Authorized Taxicab Supervision (ATS), the agency that manages taxicabs at LAX, that they too had found a "pulse device" on an L.A. Checker vehicle in January of 2018, but had failed to notify the Department. Because this seemed to be a systemic issue at L.A. Checker, LADOT determined it was appropriate to revoke the L.A. Checker Franchise.

Despite finding evidence of tampering on other L.A. Checker vehicles (i.e loose wires where the device would be located inside the vehicle), LADOT chose to only pursue action against the four vehicles where an actual device was found.

#### Administrative Action Timeline

**June 21, 2018:** The Taxicab Commission (Commission) heard the item for the first time. LADOT recommended revocation of the Franchise and a fine of \$335,000. The Commission determined that it did not have authority to revoke a Franchise and that LADOT staff did not properly conduct an administrative hearing prior to bringing the action. The Commission voted that LADOT must pursue an administrative hearing first and remove the revocation recommendation pending an administrative hearing.

**August 23, 2018:** LADOT conducted an administrative hearing. To the extent that vehicles were fitted or had been fitted with pulse devices that drivers to defraud the public, L.A. Checker was found to have failed to maintain control over their taxicabs.

**April 18, 2019:** Commissioners heard results from the hearing and considered three penalty options presented by LADOT. The Department recommended complete revocation of the Franchise and a fine of \$335,000. Owners of the tampered vehicles were heard on appeal as to whether they could retain an ownership interest in the company. (LADOT also took disciplinary action against the individual owners of the vehicles where "pulse devices" were found.) Due to lack of time, the item related to the company, L.A. Checker, was tabled until the next meeting.

**May 16, 2019:** Commissioners removed the options to revoke the franchise, replace L.A. Checker management with a third party, and issue a fine of \$335,000, and the item was continued until the next meeting and directed LADOT to assess penalty offsets.

**June 20, 2019:** Commission heard the item for the final time. Based on Commission direction, LADOT presented the only remaining penalty option - a fine of \$335,000, a probationary period of two years, and some technological requirements. LADOT further reviewed the costs of quarterly inspections of L.A. Checker's 264 vehicles and determined that the costs associated would be \$105,600. LADOT recommended that if reduced, the penalty should be no lower than \$105,600. Starting July 1, 2020, taxicab permits will require integration and compliance with LADOT's Mobility Data Specification (MDS). This will allow LADOT to begin real-time collection of trip data from the industry and ensure better compliance of unlawful pricing practices. Recognizing additional potential costs for L.A. Checker to integrate MDS, LADOT offered to accept a reduced penalty based upon proven costs to integrate onto the platform. After discussion, the Commission lowered the penalty to \$200,000 with the potential additional reductions based upon the cost of MDS compliance, provided the penalty not go below \$105,600.

#### **DISCUSSION**

Los Angeles Municipal Code Section 71.02.2 (b) allows a taxicab operator the ability to appeal to Council any single penalty assessment that exceeds \$30,000.

L.A. Checker is appealing the \$200,000 penalty issued by the Commission at the June 20, 2019 meeting.

The conditions of the entire penalty assessment are listed below;

1. A monetary penalty of \$200,000, which is reducible by the cost of MDS compliance to a floor of \$105,600 with a 10-month time frame for payment.
2. L.A. Checker shall be placed on probation for a 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 Checker's authority to operate any form of passenger service within the City of Los Angeles.
3. L.A. Checker, whether under the Checker Franchise, company name, or any other means shall enable all licensed Checker vehicles to communicate with the Department in accordance with the Agency APIs defined in the LADOT Mobility Data Specification ("MDS"). Compliance with such APIs requires Checker-operated vehicles to notify the Department with temporal and geo-located information before, during, and after every metered trip ("MDS Data").<sup>1</sup> The Department will compare MDS Data to the licensed meter data reported by Checker to the Department to determine whether Checker is operating in accordance with the requirements set forth in the permit granted to Checker by the Department. At its sole discretion, Department authorized personnel may conduct random audits of Checker without warning.
4. L.A. Checker shall submit to the Department a complete record of all complaints received; the name of the individual or individuals assigned to the complaint; the resolution, if any, including any penalty 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. L.A. Checker management, investor/shareholders, Grantees, drivers and members shall be required to undergo Customer Service Training from an accredited course approved by the Department and submit certification of each individual's attendance. Said training shall repeat on an annual basis.
6. L.A. Checker shall remove the Investor/Shareholder classification from the operation of Checker Cab and require Checker Cab and its management to be solely responsible for the operation of their taxicabs.
7. L.A. Checker shall submit to the Department a detailed and concise management business plan, including disciplinary actions for all violations of Los Angeles City rules and regulations. The approved program shall include education of the drivers regarding the rules and regulations of the Department and prevention of fraud to be approved by the Department.

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<sup>1</sup> In consideration of this demand, Department will offer technical support to Checker to assist in their compliance with this requirement. The Department technical support will be equivalent to the support Department provided to Mobility Service Providers for the Dockless Mobility one-year permit.

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

**FINANCIAL IMPACT**

The fines collected from this penalty would go into the LADOT's enforcement fund.

SJR:JM