

21
5-12-04

City of Alexandria, Virginia

MEMORANDUM

DATE: MAY 10, 2004
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
FROM: PHILIP SUNDERLAND, CITY MANAGER *PS*
SUBJECT: TAXI INDUSTRY WORK GROUP RECOMMENDATIONS

ISSUE: City Council consideration of the Taxi Industry Work Group recommendations.

RECOMMENDATION: That City Council:

- (1) Receive the attached Taxi Industry Work Group Report (Attachment 1), which includes a recommended revised framework for the regulation of the Alexandria taxicab industry;
- (2) Instruct the City Manager to docket the Work Group Report for Council consideration at its second legislative meeting in May, which is scheduled for May 25;
- (3) At the May 25 meeting, consider the Work Group's proposed taxicab regulatory framework, as well as others that have been offered (e.g., see Appendix C to Work Group Report), endorse the specific regulatory framework it wishes staff to pursue, and instruct staff to proceed with the development of a detailed regulatory plan based on that endorsed framework and to present this detailed plan for Council consideration and action at its June 22 legislative meeting; and
- (4) At the June 22 meeting, approve a detailed regulatory plan that builds on the Council-endorsed regulatory framework, and instruct the City Attorney, with assistance from staff and input from companies, taxi owner-operators and drivers, to proceed with preparation of necessary revisions to the city code, and to introduce a proposed ordinance containing these revisions for first reading at Council's first legislative meeting in September.

BACKGROUND: Following its March 23, 2004, work session on taxicab issues, Council approved a motion directing the City Manager to establish a taxi industry work group to consider proposed changes in the industry, seek consensus and report its findings to Council at its legislative meeting on May 11 (subsequently changed to May 12), 2004. Council further indicated its desire to adopt such changes as it may approve not later than June 22, 2004.

The Taxi Industry Work Group was formed as directed by Council, consisting of five owner-operator/driver representatives and five company owner representatives, and chaired by the City's consultant, Mr. Bruce Schaller, with support from City staff. The Work Group met on four occasions, reviewed a range of issues, regulatory frameworks and proposals. Following the second meeting, the owner-operator/driver representatives, coordinated by Alexandria United Taxi-drivers Organization (AUTO), withdrew from the process and declined to further participate with the Work Group.¹ Nonetheless, the remaining participants (five representatives of the company owners) continued to meet with Mr. Schaller and discuss regulatory changes. They eventually reached consensus on a framework for taxi industry changes, and now provide the attached report and its recommendations to Council.

DISCUSSION: As a result of the Work Group process, the company owner representatives reached consensus on a regulatory framework that, they believe, achieves a fair balance of driver and company interests by increasing driver mobility, providing reasonable opportunity for continued company operations, preserving quality customer service (especially dispatch service) within the City, and bringing about reasonable, uniform regulatory enforcement. While the representatives did not believe the consensus proposal to be the "best solution" from their individual business perspectives, all felt that it was a balanced and workable plan that would address the key industry concerns and deliver quality customer service.

As described in the attached report, the proposed consensus framework has two core features: issuance of a portion of existing certificate cards to drivers, and retention of the current requirement for companies to provide 24/7 dispatch service. The former feature is designed to enable many owner-operator drivers to move from one to another company when and as they wish, subject only to the transferee company accepting them. The latter feature is designed to enhance customer service since quality taxi service depends in very significant part on quality 24/7 dispatch service, and quality dispatch service depends upon there being true competition among dispatch-providing companies.

The proposed regulatory framework is described in full in the attached report. In summary, the framework consists of these major components:

1. Issuing a portion of existing certificate cards to drivers: 100, or 15.5%, of the City's current 645 certificate cards are proposed to be issued directly to drivers,² thus enabling these drivers, at any time, to transfer from one to another company

¹ Unlike the other Work Group participants, AUTO also declined to participate in any of the breakout sessions that occurred following the first two Work Group meetings.

² In addition, the 29 "grandfathered" drivers would be issued certificate cards if they chose to receive and hold them. If all these drivers elected to receive cards, a total of 129 drivers would be certificate card-holders, or 20% of the total 645 certificate cards.

so long as the latter company accepts them and they have no outstanding financial obligations owed to the former company;

2. Establishing a uniform limit on the size of any company: no company, it is proposed, by virtue of the transfer of card-holder drivers or other means, may have more than 50% of the City's total certificate cards, whether driver-held or company-held, affiliated with it;³
3. Strengthening requirements for active use of all certificate cards: it is proposed that any certificate card, whether driver-held or company-held, that is not in active use for 90 consecutive days be returned to the City and that card-holding drivers must drive a certain minimum days a year; it is further proposed that card-holding drivers could rent their vehicle to other drivers, subject to reasonable limits, and could thereby satisfy these 90-day and minimum-usage requirements;
4. Maintaining a fair process to issue and reissue certificate cards: it is proposed that driver-held certificate cards that are returned to the City⁴ would be re-issued to drivers in the same company, and would therefore continue to be driver-held cards; it is also proposed that company-held cards that are returned to the City would be re-issued to companies only if warranted based on dispatch call volume and, then, to the company whose documented dispatch volume warrants an increase in its cards;
5. Continuing current requirements: it is proposed that the City's current requirements for dispatch service (i.e., all companies must operate dispatch service within the City 24 hours a day), for the creation of new companies, for the operation of companies, and for the non-transferability of certificate cards would continue in place;
6. Full and uniform enforcement of regulations by the City: it is proposed that all City regulations under the new framework would be fully and uniformly enforced.

If this proposed framework were put into effect, the Work Group believes that customer service, particularly within the City, can be improved, that drivers will gain greater independence and mobility, that healthy competition will exist among taxicab companies for both service and

³ Currently, 50% of all certificate cards is 322. Yellow Cab now holds 212 certificates. The two next largest companies are Diamond, with 156 certificates, White Top, with 116, and VIP, with 58.

⁴ Card-holding drivers who leave the industry would, under the proposed framework, be required to return their cards to the City.

drivers, and that the economic stability of the industry will be maintained. Mr. Schaller and staff concur in this belief.

The proposed framework consists of the basic building blocks for a more detailed regulatory plan that would serve as the basis for a revision of the city code's taxicab provisions and department-level taxicab regulations. This detailed plan has not been developed, pending Council direction as to the framework it wishes to implement. In staff's view, it is essential that a plan of this nature, which will add the many necessary details to the broad elements of the proposed framework, be reviewed and approved by Council before work on revising the city code begins.

In recognition of the need to resolve these matters quickly, and to formally implement the substantial associated regulatory changes, staff recommend that Council adopt the following steps and schedule, which reflects the recommendations given above.

1. At its May 25 legislative meeting, consider the attached proposed taxicab regulatory framework, and others as have been offered (e.g., those offered to the Work Group (see Appendix C to its report) and framework previously proposed by AUTO (Attachment 2)⁵);
2. Also at the May 25 legislative meeting, endorse a specific taxicab regulatory framework, and instruct staff to proceed with development of a detailed regulatory plan based on that endorsed framework, and to present this detailed plan for Council consideration and action at its June 22 legislative meeting;
3. At the June 22 legislative meeting, approve a detailed regulatory plan and instruct the City Attorney, with assistance from staff and input from companies, taxi owner-operators and drivers, to proceed with preparation of necessary revisions to the city code, and to introduce a proposed ordinance containing these revisions for first reading at Council's first legislative meeting in September.

FISCAL IMPACT: Undetermined at this time.

ATTACHMENT:

Attachment 1: Taxi Industry Work Group Report

Attachment 2: AUTO proposal

STAFF: Richard J. Baier, P.E., Director, Transportation & Environmental Services
Thomas H. Culpepper, P.E., Deputy Director, Transportation & Environmental Services

⁵ Attachment 2 contains the latest AUTO proposal that is known to staff.

DRAFT

**Alexandria Taxicab Issues
Report on Taxi Work Group**

Submitted to:
City of Alexandria
Transportation & Environmental Services

May 8, 2004

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Background

On March 23, 2004, following a work session on taxicab issues, the Alexandria City Council approved a resolution to create a taxicab work group comprised of five driver representatives and five company representatives. The Council found that “substantial change in the taxi industry in Alexandria is required to strike an appropriate balance between maintaining high standards of customer service, driver independence and opportunity for mobility, competition between cab companies, and economic stability within the industry.” The Council asked that Bruce Schaller, the City’s consultant, chair the work group, with staff support from City staff. The Council charged the work group with reporting back at its May 11 meeting (the date was later changed to May 12) “as to such proposed changes in the industry as to which the work group has reached consensus, and shall report as to proposed changes as to which there is no consensus.” The resolution is in Attachment A.

The work group focused on identifying and analyzing concept-level regulatory frameworks that address the issues posed in the Council resolution. Concurrently, I have been engaged in data collection that includes a web-based customer survey, analysis of company dispatch data and, with the assistance of City staff, taking counts of taxi activity at major cab stands and the airport. Results from this work will be important to developing a detailed regulatory plan once the regulatory framework (now under discussion) is chosen. Results from the data collection will be available for plan development.

This report (1) summarizes the work of the taxi work group; (2) presents the work group consensus regulatory framework; and (3) presents a comparison of the consensus plan with the current regulatory framework and the latest framework from discussions between the Alexandria United Taxi-Drivers Organization (AUTO) and Alexandria Yellow Cab.

Process

The work group consisted of one representative (owner or senior manager) from each of the six taxi companies, with the owner of Alexandria Yellow and Diamond representing both companies. Driver representatives were provided by AUTO, which initially included two non-driver and three driver representatives. One of the non-driver representatives was replaced by a driver at the second meeting.

The work group met four times in April and early May. I provided materials to the work group prior to the first and second meetings as a basis for discussion at each meeting. Those packages are in Attachment B.

To further the work of the group, I also met with work group members separately for in-depth discussion of the issues. I also met with users of the DOT paratransit program and senior citizen taxi program to gain insight on the experiences of these groups with taxi service. Finally, I met with several drivers who are not members of the AUTO group but who requested the opportunity to provide their views.

The five company representatives were present at each of the four meetings, as indicated in Table 1. All of the companies also participated in the break-out meetings (with one exception due to a previous commitment). Company representatives also responded to several telephone requests for information during the course of the project.

AUTO participated in the first two meetings, declined invitations to meet separately, and withdrew from the work group process after the second meeting. AUTO did not respond to questions emailed to them on April 7, and did not comment on the alternative regulatory models distributed prior to the April 23 work group meeting.

Table 1. Summary of participation in work group and related meetings

| Date | Meeting | AUTO | Yellow/ Diamond | White Top | VIP | King | Colum- bus |
|---------|------------|------|--------------------|--------------|-----|------|---------------|
| Apr. 14 | Work group | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Apr. 15 | Break out | | ✓ | ✓ | ✓ | ✓ | ✓ |
| Apr. 23 | Work group | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Apr. 29 | Break out | | ✓ | ✓ | | ✓ | ✓ |
| Apr. 30 | Work group | | ✓ | ✓ | ✓ | ✓ | ✓ |
| May 7 | Work group | | ✓ | ✓ | ✓ | ✓ | ✓ |

At the first meeting the work group agreed to several mutual expectations for work group members. These included attendance at the four scheduled meetings; members working together to find common ground on the issues; and staying within the process.

The work group also reviewed goals and principals for taxicab regulation in Alexandria, and reached a consensus on the following goals:

- Responsive and reliable taxicab service, courteous and knowledgeable drivers and clean and well-maintained vehicles.
- Equitable, respectful and professional relationship between drivers and cab companies.
- Opportunity for drivers and cab companies to thrive economically.
- Opportunity for new companies to enter the industry and compete with existing companies.
- Flexible regulatory system that is adaptable to changing circumstances.
- Economical regulatory apparatus that can effectively carry out its mission.
- Freedom of movement for drivers
- Freedom of choice for customers
- Quality dispatch service
- Improved driver/company relationship
- Resolution of stand dues
- Provide for new companies

The work group also agreed that consideration of regulatory frameworks must meet the needs and interests of taxi users (dispatch, taxi stand and airport), taxi drivers, cab companies, and the City (Hack Office, Police and T&ES).

At the first meeting there was also a constructive discussion of the key issues of driver movement and companies' ability to replace drivers who leave (the "backfill" issue).

Prior to the second meeting I drafted and sent to work group members five regulatory frameworks as a basis for further discussion. These frameworks spanned the range from the current system to the AUTO proposal and illustrated a range of possible approaches to regulating the taxicab business in the city. (See Appendix B.) These frameworks were discussed at the April 29 breakout meetings and the April 23 and 29 work group meetings.

In addition, several companies and a group of non-AUTO drivers provided their own draft regulatory frameworks for consideration. These alternatives, included as Attachment C, were discussed at the April 30 and May 7 work group sessions and the April 29 breakout meetings.

Based on feedback on the five frameworks, I drafted an additional framework for review and discussion at the final work group meeting on May 7. Based on this draft, the work group reached a consensus on the regulatory framework presented below. The consensus covered all major features of the regulatory framework. As noted above, AUTO representatives did not participate in any meetings after the second work group meeting, and thus the consensus framework is based on a consensus of company representatives.

Work group consensus regulatory framework

The regulatory framework adopted by the work group has two core features: issuing a portion of the current certificate cards to drivers, and maintaining the current requirement that all companies have 24/7 dispatch service. Other key provisions, described below, involve use requirements for certificate card holders; limiting the number of certificate cards that may be operated by any one company; and providing companies with the ability to apply for additional certificate cards based on growing their call volumes.

While company representatives did not individually feel that this framework was necessarily the “best” solution for their specific business situations, all strongly felt it is a fair and equitable way to balance driver mobility and the stability needed by companies in order to provide high-quality service to the public.

1. Portion of certificate cards issued to drivers.

- (a) A specified number of company-held certificate cards will be issued to drivers over a two year period. Work group consensus was for 100 certificate cards to be issued to drivers, in addition to existing grandfathered cards (see next bullet), for total of up to 129 certificate cards issued to drivers.
 - (1) Each company contributes 15.5% of its certificate (15.5% of 645 equals 100 certificate cards).
 - (2) Certificate cards are issued by seniority, lottery or other fair basis.
 - (3) Cards are issued on a company-by-company basis (e.g., if 20 certificate cards from company X are being issued to drivers, these 20 cards are issued to drivers in company X.)
 - (4) Drivers who hold a certificate card must affiliate with a cab company. Drivers may move freely between companies provided the “new” company accepts them.
 - (5) Drivers must clear accounts payable with current company before moving to another company.
- (b) The 29 grandfathered certificate cards will also be issued to the certificate card holder at his/her option.

2. Uniform ceiling for certificate cards per company.

- (a) Uniform ceiling for certificate cards per company: no company can go above 50% of the total number of certificate cards (e.g., 322 certificate cards with current 645 cabs).
- (b) The ceiling covers both certificate cards issued to the company and cards issued to drivers who are affiliated with the company.

3. Use requirements.

- (a) Certificate cards that are not used for 90 days must be returned to the City.
- (b) Drivers who hold a certificate card must drive a minimum number of days per year.
- (c) Drivers may also rent out their cab to other drivers subject to reasonable limits, contingent on reasonable company enforcement method.

4. Issuance and re-issuance of certificate cards.

- (a) Certificate cards returned to the City are reissued unless City has decided to reduce taxi industry size through attrition.
- (b) For re-issuance:
 - (1) Certificate cards held by drivers are reissued to another driver at the same company (based on seniority, lottery or other fair basis).
 - (2) Certificate cards held by companies are reissued based on increases in volume of dispatch trips (see below).
- (c) Companies that increase their number of dispatch calls may apply for an increase in certificate cards. Dispatch data must be audited.

5. Continuation of current rules.

- (a) No change to current company dispatch requirement, which includes radio dispatch service located within the boundaries of the city and operated 24 hours a day (Sec. 9-12-94 of the Code).
- (b) Same rules apply to new companies as to existing companies.
- (c) New companies go through the current procedures and requirements to obtain a certificate of public convenience and necessity,
- (d) All 645 certificate cards are non-transferable.

6. Enforcement

- (a) All regulations will be fully and uniformly enforced by the City.

The work group consensus regulatory framework addresses the issues listed in the March 23 Council resolution:

- (1) **Customer service.** The regulatory framework emphasizes good customer service by continuing to require that all companies have a dispatch service. Dispatch is the primary means by which Alexandria residents obtain cabs within the city, and thus it is critical that the regulatory framework promotes and supports the creation and maintenance of effective and competitive dispatch services. In addition, the consensus regulatory framework retains control of most certificate cards in the hands

of cab companies, thus emphasizing company accountability for service levels and service quality.

- (2) **Driver independence and opportunity for mobility.** The regulatory framework creates additional opportunity for driver movement by issuing a portion of the certificate cards to drivers. These drivers would be able to move freely between companies. Other drivers retain the opportunity to move when companies have “open” certificate cards, either due to another driver leaving the company or the City issuing additional certificate cards to the company based on rising call volumes. The free movement for drivers who hold a certificate card is expected to create a more competitive market for drivers that will benefit all drivers.
- (3) **Competition between cab companies.** The regulatory framework creates a level playing field for cab companies through uniform requirements for all companies, including the dispatch requirement. Moreover, the framework is designed to increase competition among cab companies for both drivers and customers by providing incentives for companies to build their call volumes. Companies that increase their call volumes would attract drivers who have their own certificate cards and would be able to obtain new certificate cards from the City based on increases in call volumes. It will thus be highly attractive to all companies, large and small, to market and develop their dispatch businesses and attract drivers who want to serve that business. Companies will also be in a position to incrementally develop their call volumes, since they will have the prerequisites for doing so – dispatch service and a substantial pool of drivers.
- (4) **Economic stability within the industry.** A major concern of the four smaller companies is the impact on their businesses if all the certificate cards are issued to drivers with free movement between existing companies and possibly new companies. The consensus regulatory framework provides for economic stability in the industry by creating a level playing field, by keeping most of the certificate cards under company control, and by phasing in the issuance of certificate cards to drivers.

Comparison with other regulatory frameworks

During the course of the work group process, AUTO and Alexandria Yellow Cab representatives met separately and drafted an alternative regulatory framework. The work group discussed this alternative (which is included in Attachment C) at its last two meetings. The AUTO/Yellow alternative, work group consensus and current system are summarized in Table 2.

The principal differences between the AUTO/Yellow alternative and the work group consensus are:

- (1) **Dispatch requirement:** The AUTO/Yellow plan would create a two-tier system with some companies providing no dispatch. (This is a major difference between previous AUTO plans, which required dispatch of all companies, and the AUTO/Yellow proposal.) The “airport only” companies would experience very strong pressures to reduce stand dues to a low level. These companies would be financially unable to offer dispatch.

Companies such as White Top and Diamond that currently have both significant dispatch operations and a large number of airport-oriented drivers would be in a financially difficult situation due to the downward pressure on stand dues from airport-only companies. The city might end up with only one dispatch company – Alexandria Yellow Cab – and a noncompetitive market for customers and for drivers who want to serve dispatch trips. This is a serious issue and would likely have a negative impact on service to the public.

Were the city to end up with only one cab company providing dispatch service, it would be difficult for other companies to enter this part of the business. The airport-only companies would not have the financial capability to establish dispatch operations. Newly formed companies would be starting from scratch, needing to establish name recognition with the public, build a base of customers, attract drivers and purchase a dispatch system.

- (2) **How many certificate cards are issued to drivers:** While the work group consensus would issue up to 129 certificate cards to drivers who could then move between companies, AUTO/Yellow would issue all certificate cards to “current holders,” presumably meaning “owner-operators” as in previous AUTO proposals. In practice, then, the AUTO/Yellow plan would issue about most certificate cards to drivers while some certificate cards would be issued to vehicle owners who rent out their cabs – so-called “fleet” owners.

It is likely that over time, under the AUTO/Yellow plan the number of driver-held certificate cards would decline as an increasing number of card holders rented out their vehicles to drivers. This has been the experience in cities that have issued the equivalent of certificate cards to drivers. Thus, the AUTO/Yellow proposal would create a third layer between drivers and the cab companies – “fleet” owners who do not

provide dispatch service nor do they actually drive a cab but hold a number of certificate cards. Experience has shown that a third layer of this type drains financial resources from the industry and creates problems with service accountability.

- (3) **Transferability of certificate cards.** Under the AUTO/Yellow proposal, certificate cards would be transferable while under the work group proposal certificate cards are not transferable. Due to the overall cap on the number of certificate cards (currently 645), certificate cards are likely to gain monetary value if they are transferable. If the certificate cards are transferable and gain value, drivers will have the added barrier of paying a monetary sum in order to obtain a certificate card, in contrast to the first group of certificate card holders who do not pay for their cards. In effect, only the first generation of certificate card holders will materially benefit from the new system. There would be no continuing opportunity to recognize or reward long-term drivers.

Table 2 summarizes key features of the current system, the work group consensus framework and the AUTO/Yellow framework.

Table 2. Comparison of regulatory frameworks

| | Current system | Certificate cards issued to both companies and drivers (Work group consensus) | Certificate cards issued to current “owner-operators” (AUTO/Yellow) |
|---|--|---|---|
| Customer service and competition for customers served by dispatch trips | <ul style="list-style-type: none"> ▪ Dispatch required of all companies ▪ Companies must show public convenience and necessity to obtain additional certificate cards. ▪ 3 companies currently serve significant volume of dispatch trips (Yellow, Diamond and White Top) | <ul style="list-style-type: none"> ▪ Dispatch required of all companies ▪ Incentives for companies to increase their dispatch business | <ul style="list-style-type: none"> ▪ No dispatch requirement (2-tier system) ▪ Competition for customers will decrease as fewer companies provide dispatch service due to downward pressure on stand dues ▪ Non-affiliated drivers may create problems with service accountability |
| Driver independence, opportunity for mobility and competition among companies for drivers | <ul style="list-style-type: none"> ▪ Has been competition between Diamond and White Top as both seek to fill open slots; other companies have no open slots | <ul style="list-style-type: none"> ▪ Will increase as some drivers own a certificate card ▪ Movement for other drivers would be dependent on companies having “open” certificate cards or obtaining new certificate cards | <ul style="list-style-type: none"> ▪ Will increase as most drivers own a certificate card ▪ Movement for other drivers would be dependent on “fleet” owners having “open” certificate cards ▪ Over time, likely that more certificate cards would be held by “fleet” owners, thus reducing driver mobility |
| Ability of companies to replace drivers who leave | <ul style="list-style-type: none"> ▪ Yes – control certificate card within company and replace any driver who leaves | <ul style="list-style-type: none"> ▪ Yes – with company-held certificate cards, by attracting drivers with certificate card or by obtaining new certificate card by growing dispatch volumes | <ul style="list-style-type: none"> ▪ Yes – for all companies, by attracting drivers with certificate card. For dispatch companies, by petitioning City for new certificate card based on call volumes |
| Economic stability within the industry | <ul style="list-style-type: none"> ▪ No change | <ul style="list-style-type: none"> ▪ Strikes a balance between company stability and driver movement | <ul style="list-style-type: none"> ▪ Some smaller companies may go out of business due to driver mobility. |

Appendix A. Council Resolution

Vice Mayor Pepper moved:

1. That the City Council find that substantial change in the taxi industry in Alexandria is required to strike an appropriate balance between maintaining high standards of customer service, driver independence and opportunity for mobility, competition between cab companies, and economic stability within the industry;
2. That the City Council instruct the City Manager to establish a taxi industry work group of five driver representatives and five company representatives, to be chaired by the City's consultant, Bruce Schaller, with staff support from such City staff as the Manager designates;
3. That such work shall review such surveys, reports and additional information as have been outlined by the consultant at the work session on March 23, 2004, shall report as to such proposed changes in the industry as to which the work group has reached consensus, and shall report as to as to proposed changes as to which there is no consensus;
4. That such work group shall endeavor to complete its work for presentation to Council at its legislative meeting on May 11, 2004; and
5. That City Council shall endeavor to adopt by ordinance such changes as the Council approves not later than June 22, 2004.

(The motion carried unanimously.)

Appendix B. Work Group Materials Distributed by Consultant

Date: April 12, 2004
To: Taxi Work Group members
From: Bruce Schaller
Re: Agenda and materials for Wednesday meeting

Enclosed is an agenda for the meeting on Wednesday at 10 a.m., which will be held in City Hall, Council Work Room, and materials that we will review at the meeting.

It will be helpful if you review these materials as soon as possible and come to the meeting prepared to suggest additions or changes to Attachments D-F. We will go through each of the attachments so if you have questions or concerns, we will cover those at the meeting.

My goals for the meeting are:

- Agree on goals and principles (working from the materials distributed to the City Council)
- Identify interests and key issues, and
- Identify and understand regulatory options.

In the separate meetings scheduled for Wednesday afternoon and Thursday, I want to discuss the regulatory options and understand your perspectives on these options. Based on these two days of meetings, I plan to draft alternative regulatory service models for review and feedback at the next meeting of the work group.

I look forward to meeting with you on Wednesday and working together to address these important issues.

Agenda for April 14 Taxi Work Group meeting

1. Introductions of Work Group members
2. Review of City Council resolution (attachment A.)
3. Work plan and schedule (attachments B and C)
4. Expectations for work group (attachment D)
5. Review of:
 - Goals
 - Principles
 - Interests(see material provided for Council work session, dated March 23)
6. Agreement on definition of key issues (attachment E)
7. Identification and definition of regulatory options (attachment F)
8. Plans for next meeting

**City Council of Alexandria
Excerpt from the Draft Minutes of the Regular Meeting
Tuesday, March 23, 2004**

There was a Work Session at 5:30 p.m. to discuss Taxicab matters

Action Docket

ORAL PRESENTATIONS BY MEMBERS OF CITY COUNCIL

(a) Vice Mayor Pepper moved:

1. That the City Council find that substantial change in the taxi industry in Alexandria is required to strike an appropriate balance between maintaining high standards of customer service, driver independence and opportunity for mobility, competition between cab companies, and economic stability within the industry;
2. That the City Council instruct the City Manager to establish a taxi industry work group of five driver representatives and five company representatives, to be chaired by the City's consultant, Bruce Schaller, with staff support from such City staff as the Manager designates;
3. That such work shall review such surveys, reports and additional information as have been outlined by the consultant at the work session on March 23, 2004, shall report as to such proposed changes in the industry as to which the work group has reached consensus, and shall report as to as to proposed changes as to which there is no consensus;
4. That such work group shall endeavor to complete its work for presentation to Council at its legislative meeting on May 11, 2004; and
5. That City Council shall endeavor to adopt by ordinance such changes as the Council approves not later than June 22, 2004.

(The motion carried unanimously.)

(In paragraph 3, under surveys, it is understood to include consumer surveys and there will be outreach to the senior and disabled [DOT Program] participants.)

A. Workplan/schedule

| | |
|-------------------|--|
| November 14, 2003 | Contract issued for consulting work (scope of work entailed review and analysis of AUTO proposal) |
| December 1-3 | Initial set of interviews and company visits |
| February 5, 2004 | Taxi Issues Workshop Materials distributed to workshop participants |
| February 17 | February 18 workshop cancelled |
| March 2 | Contract modification issued (modifications included additional data collection and analysis and consensus-building process) |
| March 23 | City Council work session on taxi issues; adoption of resolution for work group; report back on May 11. |

B. Consultant scope of work (Jan. 23 letter proposal)

1. Review Background Information and Conduct Site Visit (completed)
2. Develop Options and Materials for Workshop (completed)
3. Facilitate Industry Workshop and Driver Forum (replaced with Taxi Work Group process)
4. Data Gathering and Analysis
 - a) Customer survey.
 - b) Taxi company dispatch data
 - c) Airport dispatch data
5. Prepare Draft Report and Recommendations and Review with Taxi Industry and City.

C. Work group schedule

| | | |
|--|------------------|--|
| Wednesday, April 14 | 10:00 am to Noon | City Hall, Council Work Room <i>(I will also be meeting separately with work group members and others on April 14-15)</i> |
| Friday, April 23 | 10:00 am to Noon | City Hall, Room 2000 |
| Friday, April 30 | 10:00 am to Noon | City Hall, Council Work Room |
| Thursday, May 6 (note: change from May 5) | 10:00 am to Noon | City Hall, Room 2000 |

D. Expectations

Below are my expectations for how the work group will function. The work group is free to add to this list. I will ask each work group member to agree to the expectations, as modified by the work group.

1. Attendance at the four meetings.
2. Members will work to find common ground on the issues considered by the work group, and to define and understand differences where they exist.
3. Focus on issues and interests, not simply positions.
4. Give fair consideration to all interests of each constituency (customers, drivers, cab companies, City).
5. Stay within the process.

E. Key Issues

Below are listed my understanding of the key issues that the work group needs to address. I'd like the work group to agree to a definition of the issues at the meeting; the agreed upon list will then form the focus of our discussions.

1. Control of certificate cards/mechanism for movement of drivers and certificate cards between companies
2. Companies' ability to increase the size of their fleets and ability to replace drivers if certificate cards are issued to owner-operators (backfill issue)
3. Controls on total number of cabs licensed by the City.
4. Requirements for dispatch
5. Cap on number of cabs per company.

F. Regulatory Options

1. Issue certificate cards to drivers
2. Allow certificate cards to be transferred between certificate card holders, for a cash value.
3. Require owner-operators to affiliate with a cab company
4. Allow entry of new companies (including driver association); number of cabs of new company would be governed by company's ability to attract owner-operators.
5. In system where drivers are the certificate card holders, allow cab companies to "backfill" when owner-operators leave company, upon demonstrating that company call volume justifies backfilling.
6. Maximum company size (e.g., 40%, or 258)
7. Minimum company size (e.g., 10, 25, 100 cabs)
8. Enforce 51% rule
9. Issue airport-only certificate cards (or vehicle permits) (2-tier system)
10. Create category of independent "black and white" cabs; permit issued to drivers; drivers can work airport and City stands.
11. Require specified number of non-airport cabs per company ("fleet within a fleet" concept)
12. Create a category of "dispatch company," that would provide dispatch. Dispatch companies would be required to maintain call volume records and drivers would be required to maintain proper manifests. Also create "airport company" category where these requirements would not apply.
13. Require companies to provide an "Offer to Drivers" that would include: trip volumes and number of dispatch trips drivers can expect to receive; number of cabs and drivers; marketing and advertising plan; description of how drivers will make money working at this company; stand dues including itemization; company expectations of drivers (responsiveness to working certain hours as needed, accepting dispatch calls, procedures if turn down dispatch calls, etc.).
14. Increase enforcement (street/company)
15. Simplify criteria for issuance of additional certificate authority
16. Provide +/- 10% flexibility to companies for fleet size
17. Create procedure to reduce number of cabs in the city when demand for taxi service declines.

18. Require drivers to “use or lose” driver permit

19. Cap number of driver permits

Five Taxicab Regulatory Models – Concept Level

Five taxicab regulatory models are presented below for purposes of discussion at the April 23 taxicab work group meeting. In reviewing these models, bear in mind that they are set forth here at a conceptual level, with many details that would have to be worked out. At the meeting Friday we will review the models first to help all work group members fully understand each model, and then to ask for your comments, issues, problems, objections, etc. We will also ask for your suggestions as to ways to improve and refine each model, or to combine elements of different models, in ways that can meet the needs of customers, drivers, cab companies and the City.

Overview

| | Model | Brief description | Comments |
|---|-------|---|--|
| All certificate cards held by companies | A | Companies hold all certificate cards. Driver must find open certificate card to move from one company to a different company. Cap of 645 certificate cards. | In theory this is the current system. In practice drivers have gained substantial control of certificate cards although not the ability to take certificate card to another company. |
| | B | 50/50 driver/company split of certificate cards after re-issuance. Cap of 600 certificate cards. | Establishes “mixed” system in which some certificate cards held by drivers, some by companies. |
| Combinations of company-held certificate cards and driver-held certificate cards | C | “City” certificate cards held by drivers. Cap of 645 certificate cards. | Certificate cards issued to drivers who commit to primarily serving trips originating in the city, as incentive or reward to serve dispatch trips. |
| | D | City certificate cards held by drivers; unrestricted certificate cards split between drivers and companies. Cap of 645 certificate cards. | Same as Model C for “city” certificate cards; in addition, drivers hold 50% of unrestricted certificate cards. |
| All certificate cards held by drivers | E | Drivers hold all certificate cards; maximum of 258 certificate cards per company; overall cap of 645 certificate cards; drivers can move to any company. | AUTO proposal |

Model A. Current System

- The City issues a Certificate of Convenience and Necessity to each taxi company for the operation of cab service in the city. The Certificate states the number of cabs that may be operated under the Certificate.
- The City also issues certificate cards to taxi companies, one card per vehicle under the company's Certificate of Convenience and Necessity. Cab companies hold and control the certificate cards. (Although not formal elements of the current regulatory model, in practice vehicles are generally owned by drivers and often vehicles are sold with their certificate card at values that exceed the value of the vehicle itself.)
- The number of taxicabs is determined by the City Manager on an annual basis after a public hearing. Taxi companies that want additional certificate cards must establish that "public convenience and necessity" (PCN) "require" the operation of additional taxicabs. In practice, no additional certificate cards have been issued in over a decade.
- Each cab company must have a minimum of 10 operating taxicabs and must provide 24-hour radio dispatch service in the city.
- Regulations require that 51% per week of all trips per vehicle shall either originate or terminate in the City of Alexandria.

Also, taxi drivers may obtain a permit from Reagan National Airport to pick up on-demand customers at the airport. The role of airport service is a significant factor for the Alexandria taxi industry although the airport is not formally part of the city's regulatory model nor is it controlled by the City.

Model B. 50/50 driver/company split of certificate cards after re-issuance

Overview: This model reduces the total number of certificate cards to the number currently in use (about 600), and splits the certificate cards between drivers and companies. The model “rewards” companies that provide dispatch – the more dispatch a company provides, the more certificate cards it is issued. There are no distinctions between city and airport cabs; both driver-held and company-held certificate cards may be used to work dispatch, airport, stands or any combination.

Key features:

- In the annual renewal process for certificates of public convenience and necessity, City issues 600 certificate cards as follows:
 - 300 issued to drivers (either by lottery or by years of experience; could have a waiting list after initial issuance)
 - 300 issued to cab companies, based on number of dispatch trips served.
- Provisions for 300 driver-held certificate cards:
 - Driven only by certificate card holder
 - Minimum days per year driving requirement
 - Driver can affiliate with any cab company
 - Certificate cards are renewable annually
 - Returned to City when the driver no longer uses the certificate card. City then re-issues the certificate card to another driver.
- Provisions for company-held certificate cards:
 - Companies must provide dispatch. Companies with 100 or more cabs must provide 24/7 dispatch; companies with fewer than 100 cabs must provide dispatch 16 hours a day/7 days a week (e.g., 6 a.m. to 10 p.m.).
 - Certificate cards are re-issued to companies each year based on number of dispatch calls served. Dispatch call volumes must be documented and auditable. (As an illustration, based on 300 cabs serving dispatch and 2,600 dispatch calls per day by Alexandria cab companies, the ratio would be 1 certificate card per 8.7 dispatch calls per day.) Note that the number of company-held certificate cards will change each year as the number of dispatch calls changes.
- New companies or driver associations can be established provided they can attract drivers with certificate cards. Same rules apply to new company or driver association as apply to existing companies.

Model C. “City” certificate cards held by drivers

Overview: This model issues certificate cards to drivers who commit to working the city. These drivers can move between companies. Remaining certificate cards remain under the control of companies so that companies can replace drivers/cabs that were working dispatch and then leave the company. Thus, companies will have the incentive to attract and retain drivers who have their own certificate cards, but will be able to meet their needs for cabs serving dispatch by making their unrestricted certificate cards available for use by drivers who will pickup dispatch trips.

Key features:

- Establish two categories of certificate cards: “City” certificate cards that would primarily serve trips that originate in the City of Alexandria, and “unrestricted” certificate cards that could work a combination of city, stand and airport trips, or exclusively the airport.
- Drivers who have primarily served city trips for one year, for the same company, would be eligible to become a certificate card holder. The following provisions apply to these driver-held certificate cards:
 - The driver would become the sole user of the certificate card.
 - The driver must commit to primarily serving trips that originate in the City of Alexandria. Compliance would be shown in either of two ways: (1) not having an airport decal or face card; *or* (2) manifests or computerized dispatch data showing a minimum number of trips per day originating in the city (e.g., 7 trips per day).
 - Drivers could move with their certificate card to another company.
 - When driver leaves the industry, the certificate card would return to the general pool for that company.
- Remaining certificate cards would continue under the current system.
- Companies could replace drivers who have a certificate card and moved to another company, using their unrestricted certificate cards.
- No change in current dispatch requirements.
- New companies or driver associations can be established provided they can attract drivers with certificate cards. Same rules apply to new company or driver association as apply to existing companies.

Model D. City certificate cards held by drivers; unrestricted certificate cards split between drivers and companies

Overview: Model D has the same concept of City certificate cards held by drivers as in Model C. In addition, 50% of unrestricted certificate cards would be held by drivers. Splitting these unrestricted cards between companies and drivers gives drivers the opportunity to hold unrestricted certificate cards while also maintaining some certificate cards under company control to meet the needs of serving dispatch trips. This model also changes dispatch requirements for companies (second bullet).

Key features:

- Establish two categories of certificate cards: “City” certificate cards that would primarily serve trips that originate in the City of Alexandria, and “unrestricted” certificate cards that could work a combination of city, stand and airport trips, or exclusively the airport. *(Same as in Model C.)*
- Effective after a reasonable amount of time for smaller cab companies to develop a dispatch service, each cab company would be required to have at least 100 taxicabs and at least 30 cabs that meet the city service requirement. (This provision is intended to ensure that each cab company provides meaningful dispatch. Note that smaller cab companies can merge for the purpose of fulfilling this requirement.)
- Drivers who have primarily served city trips for one year, for the same company, would be eligible to become a certificate card holder. The following provisions apply to these driver-held certificate cards *(same as in Model C)*:
 - The driver would become the sole user of the certificate card.
 - The driver must commit to primarily serving trips that originate in the City of Alexandria. Compliance would be shown by in either of two ways: (1) not having an airport decal or face card; *or* (2) manifests or computerized dispatch data showing a minimum number of trips per day originating in the city (e.g., 7 trips per day).
 - Drivers could move with their certificate card to another company.
 - When driver leaves the industry, the certificate card would return to the general pool for that company.
- The “unrestricted” certificate cards would have no city-service requirement.
 - At the start-up of the new system, 50% of the unrestricted certificate cards would be issued to drivers (by lottery or based on years of experience).
 - The driver would become the sole user of the certificate card.
 - Drivers with an unrestricted certificate card could move between companies.
 - When a driver left the industry, a driver-held unrestricted certificate card would be issued to another driver at the company (by lottery or by years of experience or could have a waiting list).
 - The other 50% of unrestricted certificate cards would be company-held.

- Companies could replace drivers who have a certificate card and moved to another company, using their unrestricted certificate cards.
- New companies or driver associations can be established provided they can attract drivers with certificate cards. Same rules apply to new company or driver association as apply to existing companies.

Model E. All certificate cards issued to drivers

Overview: This model is based on the AUTO proposal. While a Certificate of Convenience and Necessity is still issued to each cab company, certificate cards are issued to, and held and controlled by, drivers instead of cab companies. Another change is that the ceiling on the number of cabs per company is uniform across companies, and sums to a total that exceeds the number of authorized certificate cards. Objectives of this model are to create a multi-company environment in which companies compete for drivers and to provide drivers with the opportunity to move between companies.

Key features:

- Certificates of Convenience and Necessity are issued to taxi companies for the operation of cab service in the city.
- The City issues certificate cards to drivers, based on a waiting list. Certificate cards are transferable through the Hack Inspector to qualified buyers at an agreed-upon price.
- Owner-operators must affiliate with a cab company.
- Cab companies must have a minimum of 100 owner-operators at start-up and 50 taxicabs to continue operating.
- Ceiling of 258 cabs per company. Applies to all cab companies.
- Cab companies must provide 24-hour radio dispatch service in the city.
- The number of taxicabs is determined by the City Manager on an annual basis after a public hearing.

Appendix C. Regulatory Frameworks and Other Material From Work Group Members and a Group of Non-AUTO Drivers

[insert White Top proposal and the 6-page handout]

CITY DRIVER PROPOSAL

1. Driver certificates:

- A. Must have had a face card for 5 years.
- B. 60/40% of business in city
- C. Drug screening for all applicants
- D. The right to hand certificates with cab down to direct family members, qualifying(son, daughter)
- E. The right to move from company to company each year;
- F. Must have letter of good standing from current company to move.
- G. No certificates can be sold between neither drivers nor companies
- H. Certificates return to City Hack Office if certificate holder fails to meet and keep requirements.

2. Company certificates:

- A. Certain percent of cabs required rentals.
- B. No certificates can be sold either between companies or drivers.
- C. No back filling existing numbers of cabs; i.e. bloating industries numbers.
- D. Company sponsored 90 day probationary period.
- E. Company training of new drivers (MANDATORY IN HACK CODE)
- F. Current nova maps required in cabs at all times.

3 Hack office

- A. Cabs become drug free zones as issued by city.
- B. Mandatory training and probationary period for all new applicants.
- C. Cap on stand dues and rental fees for all companies; No discounts for drivers working airport.
- D. Mandatory drug and alcohol testing for any driver involved in accident.
- E. Required hand free set for any driver with cell phone.
- F. Dress code set as clean neat appearance; shirt with collar, long pants skirt or dress, shoes closed toe, no sandals.
- G. All new drivers must have been granted American citizenship and be in good standing .

3. City:

- A. Private owned cab certificates must have business licensing issued by city.
- B. All drivers required D.O.T. training.
- C. No new cab certificates for 2 years.
- D. More authority, control, manpower, resources, and financing to the Hack Officer
- E. Traffic and Parking Board to review revoked licensing on appeal; With findings of revoked, suspended, reinstated, with or without fines and costs or dismissed.
- F. Institute city voucher system for DOT /City contracts, so our citizens are free to choose the company that best serves them.

ALEXANDRIA TAXICAB REGULATIONS

I. SUGGESTED METHODOLOGY

A. APPROACH: Any study of the Taxicab regulations for the City of Alexandria, particularly if made with the idea of making changes, should approach the subject in a systematic way. This includes:]

1. Conceptual Guidelines

a. What are the interests involved:

- i. The public at large (Alexandria taxpayers/voters)
- ii. The taxicab customers
- iii. Large cab companies
- iv. Medium cab companies
- v. Small cab companies
- vi. Taxicab drivers
- vii. City government (Administrators)
- viii. Hack Office
- ix. Police

2. Issues (Goals of the Taxicab regulations)

- a. Administrative oversight of the companies
- b. Administrative oversight of drivers
- c. Viability of the taxicab industry
- d. Avoidance of monopoly
- e. Making service available (city/airport/other)
- f. Quality of Service
- g. Fairness to Companies
- h. Fairness to drivers
- i. Crime prevention

3. Assessment of the current Situation in the industry

- a. Overview of the economic state of the City and the taxicab industry.
- b. Market study as to the optimal number of taxicabs that can be supported.
- c. Study of the composition of the industry (owner and taxicab numbers/time of service/ethnicity/economic status/etc.)
- d. Immigration issues
- e. Crime issues
- f. Regulation issues

4. Historical review

- a. Summary of the practices and regulations from the beginning of the industry.
- b. Analysis of the regulations prior to the current regulations
- c. Examination of the reasons for changing to the Current system
- d. Evaluation of whether the current system has worked and whether there have been other consequences not foreseen by the authors of the current regulations
- e. Suggested Changes
- f. Analysis of the hoped for effect of suggested changes
- g. Analysis of possible negative consequences of suggested changes

5. Approaches to any Proposed Changes

- a. Approach One: Present multiple models
- b. Approach Two: Present a list of elements and let the City Council combined them into a model.

II. PROPOSALS FROM THE SMALL CAB COMPANIES

A. OVERVIEW: The small cab company perspective

Certificates were given to the company from the city to serve the people of Alexandria. Now, without any violations by the company, the city is forcing us to give up the rights to our certificates to the drivers. This action is inappropriate because each company has invested thousands of dollars in these certificates. In the early 80's the certificates used to be in the driver's name. After the city received complaints from the public of Alexandria about poor customer service, the city task force turned possession of certificates to the companies. In the past 20 years, everything has gone smoothly with the system in place. We are not happy with the decision of the city. Giving up our certificates will make it hard to support the public and be able to dispatch enough drivers to match the demand. Small businesses need protection from the city council in order to flourish, not decisions that will lead to the ultimate decline of our companies.

B. Suggestions from the small cab companies.

- 1. Retain the existing. The System works. Unless you can identify some genuine problems, it should be retained. If there are specific issues, evaluate them in accordance to the goals and obligations of the city, not just one small interest group (i.e. the drivers, who are a small percentage of the voter/taxpayer group). Make proposals for change in accordance with the perceived failures in each specific instance, without altering the currently system, which has functioned as intended and served the city well.
- 2. Enforce the existing regulations. The industry divide between airport and city service is a critical issues. The City must be served, but individual drivers are hesitant to do so.

- 4
3. Rather than taking all the certificates, the city should take 5-10% of all the cab company's certificates and give them to the long-time drivers who are requesting them. These drivers would then be able to move freely between all 6 companies.
 4. The city should not allow the creation of any new companies, at least until two years in order to find out if the creation of new companies benefits the city, the drivers, and the existing companies, because there are enough already to meet the demand of the city's people. If the city allowed new companies, not one but many companies would be opened. New companies would be too small to be profitable, and they would not last. In the process, they would stifle the progression of the larger companies.
 5. Every annual PCN (Public Convenience Necessity) meeting, city will collect all the unused certificate from the each cab companies and re-distribute to the cab companies whom have new drivers waiting for certificate. After that, each company will allocate some percentage of total # certificates to "City Only Certificates" (city business only). City only certificates will have following benefits: 1) Stand due fees are (about 30 to 50%) less of current stand due rates. 2) Allow free movement between cab companies. 3) Will create competition for dispatch business.
 6. The City must study this new program for least two years and following next PCN meeting; city may readjust number of "City Only certificate" or go back to current system. During study period city should not allow new cab company to enter the business.

Draft Joint Proposal

1. TAXICAB CERTIFICATE CARDS

Taxicab Certificate Cards will be issued to current holders when law is adopted. Going forward, Taxicab Certificate Cards will be issued to Alexandria taxi permit holders who are on a waiting list in the order of their appearance on the list. There will be only one certificate card per driver. Taxicab Certificate Cards will be transferable.

2. MOVEMENT

a. Certificate of Public Convenience and Necessity

Open ended, 50% of existing Taxicab Certificate Cards maximum per company.

Drivers are free to affiliate or non-affiliate, non-affiliated have one color

Companies are dispatch and non-dispatch. Need reasonable definition of dispatch.

Accounts payable problem proposal to be drafted by Mr. Yates.

3. NEW COMANIES

100 minimum drivers

Same type of open ended certificate as above.

4. BACKFILL

Non-dispatch companies can backfill with existing certificate holders only.

Dispatch companies can backfill when drivers leave under the following conditions:

- a. The company may attract an independent driver
- b. The company may petition the city for a new Taxicab Certificate Card to be issued to a driver providing the company can show a reasonably audible call volume.
- c. The company may put on cars that will be driven by Taxicab Certificate Card holders.
- d. Appeal from decision.

From: Zari Rezaie <zari@cynett.com>
To: Bruce Schaller
Subject: RE: Thursday meeting 3 pm room 1002
Date: Apr 29, 2004 8:53 AM

Mr. Schaller:

Thank you for the invitation and your continued efforts, unfortunately, I will not be able to attend this meeting.

I would however like to take this opportunity to address a few issues which might in turn help you with your recommendations:

1. There have been many efforts to somehow combine the smaller cab companies' resources to offset their disadvantages in the City as individual companies. This is a band-aid approach and cannot heal the unhealthy monopoly environment that has been created over time.
2. The reputation of each company, no matter how large or small, is based on their business values and practices. It would be unfair to categorize, label, or group companies based on their size; especially when their size is controlled.
3. Rules and regulations are the cornerstone of Democracy; but only when applied evenly.
4. I happen to work with some of the nicest people I have ever met; they all work with me at VIP Cab Company and I never loose site of the fact that they are one's supporting our company. I wonder how many unhappy cab drivers there would be if everyone remembered this simple fact!?
5. I believe that if a proportionate percentage of certificates were set aside as portable certificates from each company, it would create a good balance between accommodating the drivers concerns, and creating competition between companies to retain the additional drivers. This scenario would also ensure a moderately stable income for the cab companies' operating expenses and survival.
6. Lastly, I believe that once we achieve a healthy relationship between the companies and the drivers, it would automatically translate into better service in the City of Alexandria. Rules and regulations can take care of the rest.

Once again, thank you for all your efforts. I do appreciate the fact that this process is not as simple as I have put it. Please feel free to email me if you have any questions.

Kind Regards,

Zari Karimian
VIP Cab Company

From: Bruce Schaller [mailto:schaller@schallerconsult.com]
Sent: Wednesday, April 28, 2004 5:42 PM
To: Ken Aggrey; Charles Shin; Zari Rezaie
Subject: Thursday meeting 3 pm room 1002

Ken, Charles, Abdul & Zari -
To confirm, we'll meet at 3 p.m. Thursday in City Hall, Room 1002.
See you then.
Bruce

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PROPOSAL

Alexandria White Top Cab Company

Overview

The current Alexandria taxi system was crafted in 1982 by a taskforce made up of City Staff, taxi driver's union (NOVACAB) aided by the their lawyers, cab companies also aided by their lawyers and citizens groups. At that time there were thirteen cab companies in the City and the industry was out of control and a major embarrassment to the City. The Hack Office handled complaints and it was overwhelmed with complaints of overcharging, rude drivers, and unprofessional drivers with poor knowledge of the area. The taskforce recommendation was the foundation of the current system, which solved all the ills in the industry, improved services to the citizens while keeping the operating cost to driver operators the lowest in comparison to other local jurisdictions, tasked the taxi companies with the responsibility of monitoring of their drivers, handling of complaints, and enforcing safety and cleanliness of taxicabs in the fleet. Master certificates were issued to all taxi companies and told, "Use it well or lose it". The goals of the taskforce have been exceeded in that the existing problems were corrected with improved service to the citizens of the City.

There have been several attempts by drivers who work exclusively at the Airport to change the system back to the previous one to avoid paying weekly stand dues. The current group 'AUTO' seeks to get certificates transferred to the drivers and also seeks to water down the rules that govern proof of public necessity that dictates entry of new companies into the City. AUTO also wants to become a taxicab company and wants changes made to the City Code to allow it to enter simply on its ability to attract drivers. The rules that govern entry as a taxicab company in the Alexandria system were designed to review an applicant's experience, suitability, finances and the most important public need.

AUTO's reason for seeking transfer of the certificates to the drivers is to permit drivers the freedom to transfer from company to company.

1. Transfer of certificates to drivers will have a drastic impact on the taxi industry. Simply put, this will destabilizes the cab companies because the sole source of income for Cab Companies is from the weekly stand dues paid by drivers in return for the services provided (radio services, calls, contractual riders, etc). We develop our operational plans based on our expected income from the number of units in our fleet. We are able to lease office space, hire staff, place advertisements, and seek service contracts all based on our income and

PROPOSAL

Alexandria White Top Cab Company
Continued

our ability to provide service. Freedom of movement of certificates will make these operations impossible.

2. Transfer of certificates to drivers will close access to the taxi industry to new drivers. This will create a medallion system, which is not known to work anywhere. Transfer the certificates to the drivers and within five years most will have been sold to the highest bidder. This will eventually create a monopoly in the City taxi system. This will not benefit the citizens who count on the taxi industry for service.

3. Our riding customers are currently our number one priority, this will change should the certificates change hands to the driver; drivers will become the number one priority, and cab companies will compete for drivers by reducing stand dues to attract more drivers. This will happen because Cab Company's only source of income is through the drivers and having less of them translates to reduce income. Services will suffer because reduced income will translate to less staff, less advertisements, and less services. Companies seeking to become competitive will be at the mercy of driver's controlling the number of certificates available to each company, thus the ability to provide needed infrastructure (radio communications, computerized fee monitoring software, credit card services, etc.)

PROPOSAL

Our counterproposal is to replace all owner-operator units with company owned rental cabs. This will relieve owner-operators the expenses associated with operating and maintaining a taxicab. Unhappy drivers can transfer to another company by just returning a cab to one company and then going to the next. Drivers wishing to transfer under the AUTO plan will incur the cost of repainting vehicles, changing radio frequency, going through Hack inspections, plus the down time while the cab gets ready for on-road use. This plan will give drivers all the freedom they seek. We plan to buy out any driver interested in selling for the fair market price.

We further propose that should the City decide to grant more taxicab certificates to service public need, then anyone wishing to own a certificate can request the certificate from the City. Drivers can then select which company to affiliate with in addition the freedom of movement of own certificate.

Draft "Pure Two Tier" Proposal

| ITEM | DISPATCH (AYC and White Top) | NON-DISPATCH (Diamond, VIP, King and Columbus) |
|--------------------------------|--|--|
| 1. Master Certificates | Issued to Companies | Issued to Drivers who must affiliate with some Company |
| 2. Permits (Certificate Cards) | Issued to/Controlled by Companies | Issued to/Controlled by Drivers - only one per Driver, who must operate cab |
| 3. Movement | Drivers can move from Dispatch Co. to Dispatch Co. without Permits (Certificate Cards) based on availability | Drivers can move from Non-Dispatch Co with their Permits (Certificate Cards) to any Dispatch or Non-Dispatch Company |
| 4. Size of company | No more than 50% of 645 (322) A Company can request an increase based on verifiable call volume | No more than 50% of 645 (322) |
| 5. Replacement | Company replaces as in current system; if Company obtains Drivers with their own Permits (Certificate Cards), Company can replace with new drivers if call volume to support | Permit (Certificate card) pool only |
| 6. Sale/Transfer | Companies can sell/transfer to another company subject to reasonable regulation by City | Driver can sell/transfer subject to reasonable regulation by City |
| 7. Radio dispatch | 24/7/365 | Not required |
| 8. Service | City and/or airport | Airport only (No working the stands) |
| 9. City fees | Minimal \$10 - \$12 (one time) | \$100 or more depending on City expenses |
| 10. Frequency of Movement | Monthly | Monthly |
| 11. Approval of Movement | Company to receive driver and after settling with former Co. | Company to receive driver and after settling with former Co. |
| 12. New Companies | Must be dispatch - petition as in current law | None |
| 13. Appeals | Taxi Administrator to City Mgr | Taxi Administrator to City Mgr |

NOTE: Must have a reasonable definition of "dispatch" that involves instantaneous dispatch to multiple drivers in a zone.

Advantages of this proposal:

1. This proposal will best ensure public service for the seniors, disabled and those in less affluent neighborhoods. If drivers controlled their certificates in the dispatch companies, it would be more difficult for the companies to ensure service for short, less remunerative trips. (Even in the AUTO/AYC compromise proposal -- all certificate cards are issued to drivers, but dispatch companies can replace drivers -- there would be some deterioration in service simply because a driver can leave at any time if he doesn't want the short trips. And it will take time for the company to replace and train the driver to handle these trips.)

[NOTE: Whether under the current system or with this proposal, the City needs to provide greater financial incentive for drivers to handle these short trips.]

2. This proposal should foster competition among dispatch companies in that it rewards the dispatch companies by giving them control of their certificates. With control of the certificates, the companies will have the financial stability necessary to invest in equipment, advertising, and personnel necessary for more effective dispatch operations.
3. Drivers for dispatch companies are rewarded with broader service opportunity. Because airport drivers are restricted to airport only, drivers for dispatch companies are rewarded since they will have the full benefits of dispatch and airport service to augment their incomes.
4. Preserves non-dispatch companies who will compete for drivers based on stand dues. Even though non-dispatch companies provide little or no service to the drivers, they do provide a management function for the City and the public.
5. Drivers for non-dispatch companies will control their own certificates and can move from non-dispatch to non-dispatch company in an effort to reduce the stand dues. They can even move to a dispatch company with their certificate.
6. This proposal does not substantially increase the administrative burden on the City because all drivers would be affiliated with a company. There would be no independent drivers.

Disadvantages:

1. Some, but not all drivers, will control their certificate.
2. Only drivers with their own certificates could "legally" sell or transfer them. As a practical matter, however, there is some value now for a driver who sells his car and gets the cab company to issue the certificate card to the buyer.
3. Non-dispatch companies will be subjected to naked competition (based almost solely on stand dues) for drivers in a closed system, since there are a limited number of drivers who control their own certificate. But at least they can continue to exist.

ALEXANDRIA UNITED TAXI-DRIVERS ORGANIZATION (AUTO)

The Alexandria United Taxi-drivers Organization (AUTO) was organized by Alexandria taxi drivers in August of 2002 to bring drivers together to work for better conditions for Alexandria taxi drivers, in particular, for the return of control of taxi certificate to the taxi drivers. AUTO is democratically based and currently represents a majority of the drivers in Alexandria. AUTO is linked to the Tenants' and Workers' Support Committee, a community based organization in Alexandria.

OVERVIEW OF ALEXANDRIA TAXI INDUSTRY TODAY

Certificates that allow taxis to drive in Alexandria are currently owned by the city and assigned to cab companies. There are a total of 647 certificates divided among six companies as follows:

| | |
|---------------|-----|
| Yellow Cab | 212 |
| Diamond Cab | 156 |
| White Top Cab | 116 |
| VIP | 58 |
| Columbus Cab | 48 |
| King Cab | 57 |

If a driver wants to drive in Alexandria, under the current system, he will purchase a cab already affiliated with a company with a certificate already attached and go to work. If a driver wants to switch companies, he has to sell his cab and purchase one already affiliated with the other company. If there is no cab available, he cannot switch. Under the current system, the cab is sold for far more than it is actually worth because it is attached to the certificate, in spite of the provision in the law that prohibits selling the certificates.

The taxi companies are required by law to provide twenty-four hour dispatch. For many years, that provision of the law was not enforced. Three of the smaller companies have not provided any dispatch service for many years. In January of 2003, in response to the city's notice that the code would be enforced, the three companies set up a shared twenty-four hour dispatch system and moved to a shared office space. The dispatch systems have never provided enough business for all the cab drivers in Alexandria. The drivers supplement dispatch calls by working at hotel and metro station stands. Some drivers forego dispatch entirely because they work exclusively out of the airport.

Every taxi in the city bears a sign that gives the number for the Hack Inspector and tells the customer to call that number with complaints. The current procedure for handling those complaints is to hand them over to the taxi company to investigate and remedy.

THE PROBLEM

Control of the taxi certificate was transferred from the taxi drivers to the companies in the early 1980's. In our view, the transfer might originally have been a xenophobic response to an influx of immigrant men of color, particularly because the response seems to have been based on non-verifiable allegations of driver misconduct. The action was taken, we believe, to address concerns of primarily white businessmen and tourists about drivers of color.

For over a decade, drivers have been protesting the assignment of control of the certificates to the companies. Over and over again, the drivers have said first, that the reassignment of the certificates was and is *not* the solution to the alleged problem of driver misconduct, and second, that the reassignment has led to a city-sponsored monopoly that over time has created an atmosphere of oppression for the immigrant men and women of color who drive Alexandria's taxis. The current system is broken. It is a modern day sharecropping system in which the taxi drivers take all the risk and do all the work while all the real gain goes to the company owner.

AUTO's position is that the taxi certificate issue is a human rights issue. Drivers believe that to a large degree, they are not being given control of the taxi certificates **because** they are, for the most part, immigrant men and women of color. AUTO believes that the same underlying racism and xenophobia that led to the certificate reassignment in the first place is still at work today. For example, at the October 2002 Traffic and Parking Board Meeting, at which the Taxicab Task Force Recommendations were voted on, Tom Walczycowski, the Traffic and Parking Board representative on the Taxicab Task Force, said as part of his lengthy remarks on the recommendations, "After 911, a lot of drivers left the country." This remark was particularly insulting because of its implication that drivers had some reason to leave, and because of the devastating economic conditions suffered by hundreds of drivers and their families when the airport closed and tourism dropped in Alexandria. For the most part, drivers did not leave. Instead, they stayed and struggled for economic survival. Mr. Walczycowski went on to tell a lengthy story about one incident where a taxi driver inadvertently gave a ride to the man who stabbed Kevin Shifflet. He used the story as an example where Yellow Cab's oversight saved the city from harm. Again, AUTO's position is that the remarks were based on racial stereotyping, the underlying assumption being that, **because** Alexandria's taxi drivers are immigrant men and women of color, the city needs protection from them. It is AUTO's position that using this example becomes even more insulting when the real hardship suffered by the *innocent* taxi owner comes to light. AUTO also finds it interesting that the tape-recorded record of the October meeting at which these remarks were made is for the most part blank.

AUTO's position is that the city has abdicated the oversight and compliance responsibilities it has with regard to the taxi industry, a vital link in the tourist industry and business transportation in Alexandria. That abdication has resulted in the following:

1. Taxi companies can and do take back certificates from drivers without due process and without a fair appeals process.
2. The city's failure to enforce the radio dispatch requirement for years made drivers pay stand dues with no service in return. AUTO's position is that there is room in Alexandria for some companies to operate without dispatch, but that the stand dues should more fairly reflect the minimum service provided by the

company. One company's response to the recent enforcement of the radio dispatch provision by the city has been to raise the stand dues to pay for the system **before** the drivers begin to receive any calls. (see Attachment 1) Compared to other jurisdictions, the stand dues for Alexandria taxis without radio dispatch are inflated.

3. Customer complaints about the taxi driver or about the taxi company are referred to the taxi company by the Hack Inspector. There is no tracking process so that the city can monitor the types of complaints (whether they are driver-related or company-related) and no follow-up on the resolution of the complaints. There is no real provision for a driver complaint against a company, except for a rarely used and ill-defined process for bringing the issue to the Traffic and Parking Board. There is no fair, objective investigation process. Most companies take the position that the customer is always right. There is no appeals process. AUTO drivers believe that some customers have stopped complaining and instead are calling Arlington taxi companies. Alexandria taxi companies have lost some major contracts to Arlington companies.

In addition to the problems outlined above, it is AUTO's position that the city-fostered monopoly to the taxi companies has resulted in the following problems caused by the companies:

1. Even though there is supposed to be an independent contractor relationship with the company, the company is in a position where it can and does raise the stand dues at will. This has resulted in what in AUTO's view are grossly inflated stand dues. In addition to what we believe to be a relatively high level of profit, the companies passes through every expense to the driver, including equipment, personnel costs, and office rental. The driver has to absorb all cost increases, since the price the cab can charge is set by the city. When fuel costs go up or when insurance goes up (recently by \$600.00 to \$1000.00 per year), the driver has to absorb the cost. (See attachments 2 and 3) The last time drivers got a raise in what they charged the customer, a raise intended to offset the rise in fuel prices, cab companies took the raise from the drivers by raising stand dues immediately.
2. Even though the taxi certificates remain the property of the city and are not supposed to be sold, recently, King Cab company was sold without any tangible assets for about \$400,000.00. In effect, the company's only asset was the 57 certificates. As soon as the new owners took over, they doubled the stand dues without providing any more services, in effect making the drivers pay for the purchase of the company. At the time, King Cab had no radio dispatch.
3. Cab companies have no incentive to provide anything more than the minimum of required service. For instance, they might provide twenty-four dispatch, but with only one dispatcher.
4. Cab companies have no incentive to compete with other companies or market their business. The stand dues are paid whether or not the company generates business for the drivers. Movement by the drivers from company to company is so restricted that the competition between companies to provide service and business to the drivers is dampened, with the result that even though they have to pay stand dues, many drivers have to find their own customers.

Finally, part of the problem is the persistent allegation that, if the taxi drivers get control of their certificates, there will be widespread driver misconduct, including the refusal of fares and in particular of handicapped or elderly passengers. This notion is fostered in part by the claim that complaints of driver misconduct were resolved when the control of the certificate was transferred to the company. In fact, there is no evidence that that is true. There is no evidence because there is no independent monitoring of complaints. Suppose the city decided to let motorists monitor their own traffic violations, or hotels to monitor their own fire code violations, or restaurants to monitor their own health violations? Ironically, by abdicating its duty to oversee the taxi industry and turning the investigation and resolution of complaints over to the company, the city lost its ability to objectively determine if the transfer of certificates resolved the problem. Not only that, the city handed over to the companies the ability to take a cab driver's livelihood on trumped-up charges if that suited the companies' interest.

There is no record today of the actual complaints or the nature of the complaints which were cited twenty years ago, and no way of determining how widespread the problem, if there was a problem, was at the time. Were the complaints against the same few drivers? Were they Alexandria cab drivers? Were the complaints about mistreatment, fare refusals or fare disputes, or about response time? Were the complaints from customers or drivers?

Currently, both driver and customer complaints are redirected by the Hack Inspector to the cab company. AUTO drivers who were around at that time of the transfer say that there were complaints, but that they were mainly out of the airport. Since three jurisdictions drive out of the airport in addition to Alexandria taxi drivers, there is no substantive proof that the complaints were against Alexandria taxi drivers. The airport took some actions at the time and, about five years ago, added the institution of airport face cards to the requirement that drivers be licensed in one of the jurisdictions. It is entirely possible that these actions, **not** the transfer of the certificates, mitigated whatever driver misconduct existed.

There is some evidence that other factors might have been at work in the early eighties. As one driver remembers it:

Jim Yates, having just acquired Diamond Cab Company, came out to the airport and talked to Checker Cab Drivers. He told them that if they switched to his company, he would paint their cab for free and give them six months free stand dues. So many cab drivers left Checker and went to Diamond that eventually Checker went out of business. A little while after that, Jim Yates was petitioning the city council to transfer the control of the certificates to the cab companies.

Since Mr. Yates currently owns both Diamond and Yellow Cab, he currently controls 368 certificates. It is no surprise to AUTO, and we think it will be no surprise to the general public, that the man with the most expensive stand dues and the most profit has contracted with Lonnie Rich to lobby the Mayor and City Council to prevent the transfer of the certificates to the drivers.

During the recent Task Force work, the cab companies were asked to come up with numbers of complaints. While each company came up with a number of complaints, no company produced a record of complaints. Yellow Cab, for instance said that they processed 1350 complaints. It is AUTO's understanding that, when asked, the company said that, except for one customer

complaint, the complaints were driver against driver, driver against dispatcher or driver against company.

Also during the recent Task Force work, there was discussion of studies that showed that economic deregulation was a bad idea. AUTO finds this puzzling since the drivers are not asking for deregulation. The drivers are asking for control of their certificates with a provision that they will still affiliate with a company. That request does not fit within the definition of the three types of economic regulation put forth in the studies: (1) entry controls; (2) fare regulations; and (3) service requirements. Drivers are not asking for deregulation of fares, a relaxation of entry controls or of service requirements, except that it makes sense to consider having some companies without radio dispatch. Two of the studies were commissioned by The International Taxicab and Livery Foundation, an association of company owners, at a time when at least one Alexandria Cab Company owner was on the board of directors of the association. The studies mention an increase in fare refusals in certain cities, again not well documented, but only in cases where **fare regulation** was abandoned by the city in question.

When drivers are told about the allegation that they will not pick up handicapped or elderly fares, they look mystified and say something like, "We're not asking to stop picking up handicapped and elderly customers. We're asking for our certificates." Most of the drivers take pride in their jobs and every driver has stories where he helped an elderly person or handicapped person, returned a wallet or piece of luggage to a customer or refunded an overpayment. "Why do we have to work in the shadow of pre-1983?" they say. "Twenty years have gone by. Most of us have driven for years with no complaints."

AUTO believes that, just as complaints were exaggerated to play on fears and stereotyping of the primarily immigrant men of color driving taxis in the early eighties, the same tactic is being used to generate a climate of fear among the handicapped and the aged of these primarily immigrant men and women of color.

AUTO supports regulation that protects the consumer, taxi driver and taxi passenger alike. We believe that independent oversight by the city is essential, whether through the hack office or the consumer affairs office. Complaints should be tracked, investigated fairly, and resolved, with discipline if necessary and due process.

THE SOLUTION

AUTO proposes that control of the taxi certificates be returned to the taxi owners as follows:

ALEXANDRIA UNITED TAXI-DRIVERS ORGANIZATION (AUTO) CERTIFICATE PROPOSAL

- 1. Certificates will remain the property of the city of Alexandria, but every certificate currently in use will be assigned to the owner-operator of the cab to which it is currently assigned.**
 - a. Going forward, control of the certificate will be assigned to the owner-operator of the cab.
 - b. The owner-operator of the cab must affiliate with a company or coop. If the owner-operator changes his/her affiliation to a different company, the owner-operator takes the certificate with him/her.
 - c. In order to obtain the certificate, the owner-operator must show (in his/her name), the following:
 1. Hack license
 2. Cab registration and a Virginia Operating Authority Insurance Registration Card
 3. Evidence of driving (Manifests)
 - d. One certificate per person. (Those who currently own more than one cab will be grandfathered. For those who currently own more than one cab, as each of the additional cabs is sold, the certificate will be assigned to the new owner-operator, one per owner-operator.
 - e. The certificate can be transferred with the cab when the cab is sold, and to the new cab when a cab is replaced.
 - f. The number of certificates will be limited to 647.
- 2. A provision for some companies to operate without twenty-four hour dispatch.**
- 3. No two-tier system.**
- 4. No certificate recall.**

This proposal was written collectively by twenty-five leaders chosen by the drivers. In addition, drivers in the city and at the airport have signed off their approval of the plan. A couple of provisions warrant further discussion:

- A provision for putting an owner-operator's certificate in escrow for up to twelve months to accommodate medical or family emergencies, major breakdowns or repair jobs, and so on.
- The establishment of a fair and independent system for tracking, investigation, and record keeping of complaints, perhaps through the consumer affairs office.
- The establishment of an objective appeals process, particularly in the case of recalled taxi certificates.

It is AUTO's position that the reassignment of control of the taxi certificates will allow the drivers the freedom of movement they need to demand better services and more equitable stand dues from the companies. The requirement to remain affiliated with a company will prevent anarchy and chaos, and fair contracts negotiated by the drivers with the company will ensure stability. The establishment of the complaint system mentioned above would address the protections for the consumers that are lacking under the present system.

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5-12-04

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May 12, 2004

Mayor and Members of Council
City Hall – Room 2300
301 King Street
Alexandria, VA 22314

Re: Proposals for Improving the Taxicab Industry

Dear Mayor, Members of Council:

I am writing on behalf of Jim Yates, who owns Yellow and Diamond Cab companies.

After tonight, you will have three major proposals for improving the taxi industry.¹ First, you will receive a report with the Taxi Work Group Recommendations. As a part of that report, you will receive an early draft version of the AUTO/Yellow Compromise.² In the report, you will also receive our "Pure Two Tier" proposal,³ but I have enclosed a separate copy for your convenience.

Jim Yates can support any of the three proposals, although not all to the same degree or for the same reasons. We believe that our "Pure Two Tier" is the best proposal.

With each of these proposals, there will be advantages and disadvantages for the public, the City, the cab companies and the drivers. While these cannot be predicted with a perfect certainty, most can be fairly anticipated, based on our local history and our knowledge of human nature and the effects of competition.

¹ There are other proposals contained in the report which should be considered, but I do not think they have appreciable broad-based support.

² There is general agreement on a framework, but there are many details to be worked out. There are several drafts none of which have been agreed to in all stated respects.

³ Our proposal is supported by White Top.

The **Taxi Work Group Recommendation**, which proposes taking 100 certificates from the companies on a percentage basis and giving them to the drivers. Essentially, this is a variation of our two tier proposal (two tiers in each company – each company will control a substantial percentage of their certificates and drivers in each respective company will control a small percentage. We feel certain that this will be totally unacceptable to a large number of drivers who do not get their own certificate cards. And if more than 100 or 150 are taken from the cab companies, then the Taxi Work Group recommendation will evaporate because most of the companies, especially the smaller ones will oppose it. Furthermore, if more than 150 are approved, it is likely that only one dispatch company (Yellow) will remain when all the dust settles. Also, this proposal depends on the having a strong definition of “dispatch” and more importantly an enforcement mechanism to ensure compliance. Given the City’s unwillingness to enforce the current rules for 20 years – and for the legitimate reason of not wanting to put a small minority-owned company out of business – what is going to create a willingness to enforce the rules and put such a company out of business in the future?

Regarding the **AUTO/Yellow Compromise**, there would be the greatest freedom for the drivers to move and be able to sell their certificates. The dispatch companies who are truly providing business and services for the drivers should be able to thrive by attracting drivers or by backfilling with new certificates if they have the call volume to support their request. The disadvantages to this system is concern that companies will not be able to manage drivers to take the short or difficult trips. The power to backfill gives some leverage over drivers who may not want to cooperate; however, with their own certificate cards, the drivers can leave and the company will only be able to backfill after a request to the City and then finding and training a new driver. It can reasonably be anticipated that service will deteriorate to some degree. Possibly this can be remedied (at some considerable cost to the City) by providing minimum fares that are higher than normal per trip rates for the short, difficult trips. The City will have another disadvantage in that there will be any number of non-affiliated drivers for whom the City must answer when problems arise; the City will also have to manage the transfer and sale of certificates and resolve disputes over who owns the certificate cards. All of this will necessitate additional staff. Another consequence of this proposal is that the three smaller companies and Diamond will probably be put out of business, unless they become dispatch companies and then there will be issues of the City’s willingness to enforce its rules regarding dispatch and call volume.

Regarding our **“Pure Two Tier Proposal”**, the second page of the proposal lists the advantages and disadvantages. The most important advantage would be that dispatch companies would best be able to ensure the short or difficult trips because they control the certificates. This proposal also ensures the greatest likelihood that White Top will survive, because it will control its certificates and can therefore provide some degree of competition within the City. This is the only proposal that allows: 1) White Top to survive and 2) The smaller companies to exist and compete for drivers who have their own certificate cards. In effect, this proposal legitimizes the current practices, eliminates the fiction that all cab companies are dispatch companies, and avoids administrative burdens and costs on the City. This is the only proposal that recognized

that we have two systems (dispatch and airport), allows them to operate as such, and rewards the dispatch companies (and their drivers) that have played by the rules all these years. This proposal also solves the biggest problem – namely airport drivers wanting their certificates to be able to force down the stand dues because they get little or no service from the companies. We believe that this proposal is supported by the strongest public policy reasons. We recognize that AUTO will oppose this proposal because many drivers will not get their certificate cards. At least, those who don't have their certificate cards will be with companies that provide dispatch services and those drivers would be able to work the airport without competition from the drivers who have their certificates but can only work the airport. Also with this proposal, there will be no potential for bloating the industry with new cabs as there is under the AUTO/Yellow Compromise proposal.

The Council has difficult choices. In the end, you must decide “whose ox is going to be gored.” Anything you do will have consequences, even if we cannot predict them with perfect certainty.

We urge you to study the proposals, listen to the affected public as well as drivers and company owners. As we have often said before, we think you ought to make your decision based on what is in the best public interest, not what may be in the personal interest of either the drivers or of some or all companies. That is why we believe the best proposal is the “Pure Two Tier” system. What is truly unfortunate is that Council did not do this a couple a years ago when staff first proposed and we supported it.

For tonight, we hope that you will receive the report and docket it as recommended by the City Manager. My only suggestion is that you may want to have a public hearing prior to selecting the framework. That would enable the customers who did not participate in the work group to have a say.

To reiterate, Jim Yates can support any proposal. The only proposal we cannot support is one to do nothing and keep everything the same.

If you have any questions, please contact me. We look forward to working with all of the interested parties in coming up with what is best for the City and the interested parties.

Sincerely,



Lonnie C. Rich

c: Jim Yates, Alexandria Yellow Cab. Inc.
Phil Sunderland, City Manager

Draft "Pure Two Tier" Proposal

| ITEM | DISPATCH (AYC and White Top) | NON-DISPATCH (Diamond, VIP, King and Columbus) |
|--------------------------------|--|--|
| 1. Master Certificates | Issued to Companies | Issued to Drivers who must affiliate with some Company |
| 2. Permits (Certificate Cards) | Issued to/Controlled by Companies | Issued to/Controlled by Drivers – only one per Driver, who must operate cab |
| 3. Movement | Drivers can move from Dispatch Co. to Dispatch Co. without Permits (Certificate Cards) based on availability | Drivers can move from Non-Dispatch Co with their Permits (Certificate Cards) to any Dispatch or Non-Dispatch Company |
| 4. Size of company | No more than 50% of 645 (322) A Company can request an increase based on verifiable call volume | No more than 50% of 645 (322) |
| 5. Replacement | Company replaces as in current system; if Company obtains Drivers with their own Permits (Certificate Cards), Company can replace with new drivers if call volume to support | Permit (Certificate card) pool only |
| 6. Sale/Transfer | Companies can sell/transfer to another company subject to reasonable regulation by City | Driver can sell/transfer subject to reasonable regulation by City |
| 7. Radio dispatch | 24/7/365 | Not required |
| 8. Service | City and/or airport | Airport only (No working the stands) |
| 9. City fees | Minimal \$10 - \$12 (one time) | \$100 or more depending on City expenses |
| 10. Frequency of Movement | Monthly | Monthly |
| 11. Approval of Movement | Company to receive driver and after settling with former Co. | Company to receive driver and after settling with former Co. |
| 12. New Companies | Must be dispatch – petition as in current law | None |
| 13. Appeals | Taxi Administrator to City Mgr | Taxi Administrator to City Mgr |

NOTE: Must have a reasonable definition of "dispatch" that involves instantaneous dispatch to multiple drivers in a zone.

Advantages of this proposal:

1. This proposal will best ensure public service for the seniors, disabled and those in less affluent neighborhoods. If drivers controlled their certificates in the dispatch companies, it would be more difficult for the companies to ensure service for short, less remunerative trips. (Even in the AUTO/AYC compromise proposal -- all certificate cards are issued to drivers, but dispatch companies can replace drivers -- there would be some deterioration in service simply because a driver can leave at any time if he doesn't want the short trips. And it will take time for the company to replace and train the driver to handle these trips.)

[NOTE: Whether under the current system or with this proposal, the City needs to provide greater financial incentive for drivers to handle these short trips.]

2. This proposal should foster competition among dispatch companies in that it rewards the dispatch companies by giving them control of their certificates. With control of the certificates, the companies will have the financial stability necessary to invest in equipment, advertising, and personnel necessary for more effective dispatch operations.

3. Drivers for dispatch companies are rewarded with broader service opportunity. Because airport drivers are restricted to airport only, drivers for dispatch companies are rewarded since they will have the full benefits of dispatch and airport service to augment their incomes.

4. Preserves non-dispatch companies who will compete for drivers based on stand dues. Even though non-dispatch companies provide little or no service to the drivers, they do provide a management function for the City and the public.

5. Drivers for non-dispatch companies will control their own certificates and can move from non-dispatch to non-dispatch company in an effort to reduce the stand dues. They can even move to a dispatch company with their certificate.

6. This proposal does not substantially increase the administrative burden on the City because all drivers would be affiliated with a company. There would be no independent drivers.

Disadvantages:

1. Some, but not all drivers, will control their certificate.

2. Only drivers with their own certificates could "legally" sell or transfer them. As a practical matter, however, there is some value now for a driver who sells his car and gets the cab company to issue the certificate card to the buyer.

3. Non-dispatch companies will be subjected to naked competition (based almost solely on stand dues) for drivers in a closed system, since there are a limited number of drivers who control their own certificate. But at least they can continue to exist.