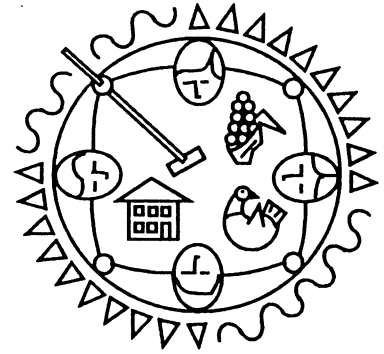


**ALEXANDRIA UNITED  
TAXI-DRIVERS ORGANIZATION (AUTO)  
COMMENTS ON THE SCHALLER REPORT  
February 20, 2004**



AUTO appreciates Mr. Schaller's efforts to identify goals and principles that should guide the City of Alexandria's taxicab industry reform efforts. It is important to note that the fundamental elements of AUTO's proposal, freedom of movement for owner-operators, ownership of the Taxicab Certificate Cards and the opportunity for new cab companies to form are reflected in the goals and principles offered by Mr. Schaller. Unfortunately, Model A and Model C fail in many important respects to meet the criteria of those same goals and principles. In addition, the stated goals and principles are incomplete.

**GOALS**

AUTO would add the following three goals:

- Freedom of movement for taxi owner-operators
- Freedom of choice for taxi customers.
- Adequate dispatch service: adequate dispatch is essential to service for consumers who must rely on taxis for regular transportation and for taxi owner-operators seeking to serve the riding public.

**PRINCIPLES**

AUTO would modify the Principles as follows:

- We have some concerns about stating as a principle that there must be an "opportunity for companies to set their number of cabs to match customer call volume." The market should set the number of cabs affiliated with any company, not an administrative determination by the city. Market forces will naturally ensure that the number of available cabs matches the customer call volume because when a company takes steps to generate high call volume, the company will attract drivers. On the other hand, if a company fails to take these steps, free market forces will require drivers to move and customer call volume will again be met. Ultimately, it is important to note that not all cab customers are obtained through dispatch. Therefore, dispatch or call volume is not the only determining factor for how many owner-operators a company might contract with.
- We would also add to the third point regarding competition in the industry that no single entity or person should control an undue share of the market. In our view, more than 40% of taxicabs or ownership of more than one cab company would constitute an undue share.

**INTERESTS**

**Taxi drivers**

- AUTO has not advocated lower stand dues per se, but only stand dues that are set by a fair competitive market. We also note that the reference to "Value in certificate card" does not reflect the basic point that the drivers' have a strong interest in "ownership" of these cards. In that sense, we want to be treated equitably with the taxicab companies themselves, who own their certificates of public convenience and necessity.
- In regard to non-Alexandria companies, we have not asked the City to take action against these companies. We have asked only for taxicab companies to have an incentive to market



the services of their drivers and expand the pool of customers. If that is done, we believe we can compete successfully with non-Alexandria companies.

- In addition, we suggest the addition of two other interests: 1) allowing the pro-competitive entry of other companies into the market; and 2) Discipline of the taxicab companies who refuse to comply with City regulations

### **Taxi companies**

- We have two concerns about the sixth interest that is identified. First, we object to the term "discipline." Taxi companies have a legitimate interest in monitoring the actions of their drivers and enforcing a lawful contract between the company and the driver. However, the term "discipline" suggests a non-contractual relationship that is not based on mutual respect. Second, any actions taken by the companies in enforcing the contract must comply with City regulations, including respecting the requirements that drivers can be terminated only for good cause and that drivers must have a right to appeal a suspension or termination.

## **ALTERNATIVES**

### **Model A:**

As we have indicated before, we feel strongly that drivers should have the opportunity to move from one company to another and that the number of taxicabs affiliated with each company should, within limits, be based on a free market, not on an administrative determination by the City, even with a "simplified" process. Thus, we cannot support the core of Model A, which is fundamentally inconsistent with our position. Model A does not satisfy the goals and principles as put forward by Mr. Schaller.

### **Model B:**

Model B does not adequately summarize AUTO's proposal. The essential provisions for freedom of movement and the issuance of Certificates of Public Convenience and Necessity allowing each company to operate the same number of cabs, is missing. The current AUTO proposal gives every company equal opportunity to affiliate the existing cabs, with a maximum number for any one company to be set at 40% of the certificate cards (and cabs). The AUTO approach creates an essential element that is missing from the present system: *freedom of movement*. In turn, this generates competition between companies who must attract cab owner-operators by marketing the business and providing effective dispatch and other services. The incentive to run an efficient business hinges on the taxi owner-operator's freedom to choose with whom he will affiliate.

In addition to freedom of movement, the AUTO proposal provides for the introduction of new cab companies. This too is an essential element of a competitive free market. Currently no cab company has demonstrated the ability to market the business in order to then provide dispatch-generated customers to their affiliated owner-operators. In fact, the dispatches that do operate have deteriorated dramatically in the last six months, forcing the wholesale exodus of customers to non-Alexandria cab companies. Under the AUTO proposal, new companies will be held to a new and improved standard of operation which will not put more cabs on the street of Alexandria. Rather, new companies would have to compete for affiliation with the existing drivers. As a result, the new companies would force existing companies to improve their standards of operation as well, if they are to maintain successful affiliation with drivers.

The last essential element of the AUTO proposal is the ownership of the Taxicab Certificate Card by the taxi owner-operators. The owner-operators seek parity with the companies who own their Certificates of Public Convenience and Necessity and as Mr. Schaller pointed out, "The regulatory structure must meet the core needs of each constituent group...in a balanced and fair manner....no group should feel disadvantaged relative to other groups." Alexandria taxi owner-operators invest considerable amounts of money into their vehicles, maintenance and insurance. This ensures that the City has drivers who have made a strong commitment to the industry both financially and with their labor. This alone makes the Alexandria cab industry unique. Taxicab Certificate Card ownership not only recognizes the extra commitment of the owner-operators, it also provides essential protection for the investment and it will encourage drivers to stay in Alexandria. We would also like to clarify that under AUTO's proposal, after existing owner-operators are issued their Taxicab Certificate Cards, only new Taxicab Certificate Cards will be issued to taxi owner-operators based on a waiting list.

### **Model C:**

Model C takes a step in the direction of vesting control of the certificates (called "permits" in Model C) with the owner-operators. However, it does not go far enough. Through Model C companies would continue to have the advantage of owning and transferring their Certificate of Public Convenience and Necessity while the taxi owner-operators would not. Under this approach, taxi owner-operators' would have less protection of their business investment than companies do.

Furthermore, the failure of Model C to provide long-term freedom of movement ensures that this approach will be nothing more than a temporary band-aid for an industry in crisis. Model C restricts freedom of movement from one company to an initial period of 6-12 months. It then reverts the industry back to the current system where authorization from a pre-approved number of cabs is vested solely in the City Manager. There are two problems with this approach.

- First, it restricts movement by taxi owner-operators while allowing companies to easily replace those taxi owner-operators who leave. This undermines any incentive a company might have to improve their business standards so as to keep and attract owner-operators. In essence, this approach reverts back to the very system that has created the present crisis.
- Second, akin to the current system, it requires the blessing of the City Manager in order to receive permission to affiliate "X" amount of cabs. The problem with this approach is that the City Manager tends to bless some companies more than others.

Model C also feigns free market and freedom of movement through its 10% provision. This provision would allow companies to grow by 10% per year, thereby opening up movement to 10% of the drivers. Unfortunately this provision is inadequate for maintaining market and dispatch incentives because it is too restrictive of driver movement, and freedom of movement is the key that provides incentives for marketing and dispatch. This approach also adds cabs into the system at the rate of 10% per year. This could add as many as 65 or more cabs every year without addressing the impact on the industry. There is also a provision that would allow companies to voluntarily reduce the number of cabs they affiliate by 10% per year. This 10% provision is not compatible with Alexandria's unique owner-operator element rather, it is more suited to companies who own fleets. Under AUTO's proposal the free market would determine the appropriate number of cabs for each company based on the service each company provides to both its affiliated drivers and to the public.

Finally, the biggest failure of Model C is the failure to provide a mechanism for the start of new businesses, something that AUTO and Mr. Schaller's principles agree is essential for the generation of meaningful competition. While there is agreement among all interested parties that

there are enough cabs in the Alexandria system now, this model forces new companies to add cabs into the system. The AUTO model does not. In addition, Model C restricts the new companies to 35 cabs, which is not enough to provide competitive stand dues and a viable dispatch in Alexandria. In addition, new companies would not be allowed to compete for cabs with the existing companies during the "transition period". This would eliminate the incentive for new companies to join the industry, thereby undermining competition. According to Mr. Schaller's principles, the point of having new companies is to generate such competition. Model C also proposes that a new company need only have 20 drivers. Our expertise tells us that such a small company cannot and will not provide a viable dispatch service. Our proposal establishes a minimum of 100 drivers for a start-up company. We believe such a number to be the minimum necessary in order to have a company with high standards of operation that will also be able to fund an adequate and viable dispatch and provide competitive stand dues to its drivers.

Model C stands to create the worse case scenario in Alexandria: the proliferation of a several small companies that would flood the market by adding more cabs into the system without ensuring quality of service to the public. Alternatively, the provision for new companies may manifest in the same way the current system does by barring entry to new companies altogether because of the requirement to introduce new cabs into the system.

- Yet another element of Model C bears scrutiny - the provision for city-only cabs.
- AUTO recognizes that on the surface this provision is designed to mandate dispatch in all companies. In practice, it would create an enforcement nightmare for the city and it places the burden of ensuring that the system is functioning properly squarely on the taxi owner-operator and not on the company even though it is the company that should be charged with the responsibility of running a sound business.
  - AUTO believes this provision is unnecessary because the current system not only *requires* dispatch, but in doing so it provides a basis for enforcement. Unfortunately, this requirement has not been enforced by those charged with the responsibility of enforcing it. Over the past twenty years lack of enforcement has succeeded in distorting dispatch in the city of Alexandria not only from what our own code originally intended but also from what it means throughout the taxicab industry nation-wide.
  - AUTO strongly believes the burden for making the system succeed should not be placed on the taxi owner-operators, we advocate for subjecting the companies to a "transition period", at the end of which time *they* will be required to show that they are marketing adequately and providing quality dispatch sufficient to attract and maintain drivers in the city.
  - AUTO firmly supports the City Code's present approach where it is the cab company's responsibility to provide dispatch since for all intents and purposes, cab companies in Alexandria are dispatch companies. Their primary asset is their dispatch equipment because the cabs belong to the drivers.

## CONCLUSION

We hope these comments are helpful. AUTO believes that, if the Goals and Principles put forward by Mr. Schaller are applied to the three models provided only the AUTO proposal and City Code amendments satisfy all of them adequately. We look forward to moving this process forward quickly so that at last we can enjoy a lasting resolution to the problems in the Alexandria taxi industry.

Tesfay Berhane February 21, 2004

- Greetings
  - I'm here to give AUTO's response to the Schaller Report.
  - First, I want to give AUTO's view that a workshop or task force is unnecessary at this point. After all, we were the ones who called 911 about the emergency in the taxi industry in Alexandria, and instead of arresting them, the City staff wants us to sit down and work things out with the robbers. Once again, the City manager and the City staff are acting like agents for the cab companies. Our proposal and code amendments are the result of intensive research into the taxi industry in Alexandria. They are the best mechanism to create competition. So we strongly oppose the idea of wasting time and taxpayer money.
  - Our proposal and code amendments address every corner of the industry and provide solutions to the problems which have created the current crisis.
  - Let me outline the problem briefly:
    - The problem is there is no incentive for companies to market the business and provide adequate service, either to taxi owner-operators or to cab customers.
    - The solution is to create competition among the companies by:
      1. Freedom of movement for taxi owner-operators – This will create competition for affiliated owner-operators and make the companies compete by providing better dispatch to drivers and therefore to the public.
      2. Ownership by taxi owner-operators of the Taxicab Certificate Card – This will:
        - Provide equal rights with the cab companies
        - Leverage with which to bargain, to have a fair and equal contract between the driver and the cab company
        - By being able to remove and add income to the company by withdrawing the Taxicab Certificate Card, ownership will enhance competition
      3. Creation of new companies – Will add new blood to the system which will work aggressively to create advertising and marketing.
- Mr. Schaller, the expert retained by the City, got this part right. Judging by the goals and principles he outlined, he agrees with us.

However, there are several points where Mr. Schaller's report veers away from his own goals and principles, particularly in his Model C.

- The provision of Model C for new companies limits the size and restricts the growth of the new companies. By allowing only twenty drivers to form a company, the new companies will be doomed to failure. Instead of competition, Model C will create chaos. Columbus, King and VIP have nearly fifty drivers, and they are not able to develop a viable dispatch.
- Closing the door to freedom of movement after 6 to 12 months will send competition back to square one. The provision for movement, a 10% increase in cabs to every company every year, which will create an ocean of cabs in Alexandria. Trying to protect the companies from loss of income if a driver leaves stifles competition.
- Enforcing dispatch is simple. Enforce the current law. Enforcing dispatch should be of consequence to the company, not the driver. Mandating city only drivers restricts movement and limits competition.

Mr. Schaller's report is in. The AUTO Compromise Plan and Code Amendments satisfy Mr. Schaller's recommended goals and principles. We've come a long way. Let's close this chapter and let us get on with lives and make Alexandria a happier place to work. Let's stop the bleeding in order for the healing process to begin. We are available for comments and suggestions. Our web address is [Alexandriaunitedtaxi.org](http://Alexandriaunitedtaxi.org).

Balwinder Singh Sahi February 21, 2004

- Whenever we talk to them, anytime, anywhere, in meetings, correspondence, the City staff is talking about taking care of the citizens of Alexandria, the seniors of Alexandria and the disabled citizens of Alexandria.
- I'm hearing this for the last thirty years, when I started driving a cab in Alexandria. Respected members of the city council, please look at these complaints. (hold them up) They were received by your Department of Transportation and by Senior Services.
- It is senior citizens crying for help, disabled people crying for help. Cab drivers, who want to help these people, are crying for help. Why does the City give a deaf ear to the needs of the seniors and the taxi drivers? Nobody knows.
- Let me tell you folks, the City cannot help you. Because, if the City forces the company to provide you with efficient service, they need competition and they need to introduce the voucher system. With a voucher system, Seniors and Disabled can call any cab company, any cab driver they are comfortable with, at any time. They don't have to call a day earlier, and they don't have to wait hours and sometimes no show at all.
- This will displease the Yellow/Diamond owner who has a monopoly in the City. This will displease his paid lobbyist. Seniors and Disabled don't have that voice in the city, as the paid lobbyist has. Seniors and Disabled, please wake up and tell your representative in the city what you want. I know you fear that the cab company that is serving you at this time will harass you, will not respond to you in the time of your need, but you need to stand up for your sake if you want quick and efficient service in the city.
- **Seniors and Disabled Citizens, let me talk directly to you.** The City Manager didn't ask for this change. City staff didn't ask for this change. And the darling cab company of the City Manager didn't ask for this. It's the cab drivers who are asking for the voucher system. After so many of your complaints in writing, and much more by phone, if the City staff can say there were just a few complaints, what can you expect from the City staff. We are crying for help since fifteen years with no solution from the City staff. They can ignore your needs even when they should be helping you. I don't know why.

- Maybe they cannot displease the paid lobbyist who has more clout than you in the city. You have to ask help from your elected representatives.



# Senior Management Meeting with Psych Staff

To discuss progress  
toward unit closure

Please try to attend

March 4th 0730 and 1530

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