

City of Alexandria, Virginia

MEMORANDUM

DATE: JANUARY 19, 2005

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: COUNCILMAN ROB KRUPICKA
COUNCILMAN LUDWIG GAINES

SUBJECT: REGULATION OF THE ALEXANDRIA TAXICAB INDUSTRY

ISSUE: City Council consideration of revised regulations for the Alexandria taxicab industry.

RECOMMENDATION: That City Council:

- (1) Receive this report and its proposed changes to the City's taxicab regulations;
- (2) Approve the proposed regulatory changes; and
- (3) Direct the City Attorney and staff to develop City Code amendments and regulations to implement the approved changes and docket them for public hearing and Council consideration in February 2005.

BACKGROUND: At its November 23, 2004 legislative meeting, Council received a proposal for changes in the City's regulation of the Alexandria taxicab industry. At that time, Council directed the City Attorney and staff to prepare code amendments and regulations to implement selected service-related changes and approved additional time for industry and consumer groups to develop consensus recommendations on other elements of the November proposal. Since that meeting, Council members and staff have worked with industry and consumer representatives to revise several recommendations contained in the November proposal.

The recommendations presented in this memorandum are the result of that additional work. We ask that Council receive these recommendations, approve them as part of a revised regulatory framework, and direct the City Attorney and staff to proceed with final preparation of code amendments and regulations to implement the approved regulatory framework.

The community discussions related to the proposed framework include a range of opinions about the most appropriate metrics or percentages to use for some of the proposed regulatory mechanisms. Rather than debating the metrics now, it is our recommendation that Council make a final determination as to the appropriate values to use for these metrics after all sides can be heard at a public hearing on the ordinance.

DISCUSSION: The framework outlined below represents a significant refinement of the proposal outlined last November.

1. This framework provides an efficient and simple mechanism to encourage cooperation between drivers and companies by increasing drivers' current mobility options and market competition for good drivers. [Currently, the industry has an estimated 10 to 12 percent annual driver turnover.]
2. In recognition of the economics associated with a driver's relationship with a company, this revised framework permits continuation of the current industry practice, whereby a driver, with approval of their company transfers his or her contract to drive with that company to another qualified driver for value. This framework does not create a medallion system, it simply permits continuation of a practice that has been occurring for over twenty years.
3. This refined framework requires less staff time and administration through a simplification of processes and procedures.
4. In order to support customer service in the industry and respond to cases where customers, especially old or disabled customers, wait multiple hours for service, this framework provides more effective industry enforcement mechanisms.

As in November, this framework is based on the concept that all Alexandria taxi companies provide adequate dispatch infrastructure. Every company's dispatch service should provide a customer with a taxi within a reasonable period of time. In order to provide the industry with time to enhance its dispatch capabilities, this framework proposes an 18-month implementation process. In order to give companies an opportunity to enhance their service level prior to drivers choosing to move to a new company, increased driver mobility, as discussed below, would not begin until after the implementation period.

Since the November proposal, one significant event has occurred in the industry that warrants discussion here. The City has been told that Mr. Jim Yates has a tentative agreement to sell Diamond Cab to the White Top Cab Company. If completed, this transaction would leave the City with five taxi companies, two of which would control over 70 percent of the market. It has been our belief through this regulatory review process that Alexandria needs at least two, if not three, large (e.g. 30 percent or more of the market) taxi companies to ensure quality service and effective competition. We continue to believe that the City is likely to receive customer service and competitive benefits from having a second taxi company with enough scale to provide meaningful dispatch service and competitive marketing. While not directly related to the proposed changes, the proposed acquisition of Diamond Cab serves to demonstrate that the industry is already responding to the clear regulatory goal of enhanced industry competition. [At this time, no request has been submitted for approval of this transaction. Upon receipt of such a request, the City will conduct a public hearing prior to making a determination that approval of the proposed sale would serve the public interest.]

Recommended Revisions to the November Framework Proposal

The recommended revisions to the framework proposed in November follow. Annotation is provided to assist in identifying specific changes to the November framework.

Distribution of Certificate Cards and Initial Implementation

A. Distribution of Certificate Cards. **(Section replaced in entirety)**

1. Certificate cards remain the property of the City and are assigned to taxicab companies.

B. Initial Implementation Process **(Section replaced in entirety)**

1. The revised regulations will be implemented over an 18-month period.
2. Driver requests to transfer the certificate cards under which they are operating to another company may be submitted during the first annual review following the 18-month implementation period.
3. Vehicle age limits will become effective at the beginning of the first calendar year occurring two years after enactment of the revised ordinance. [Effectively, this provides approximately two and one-half years prior to enforcement of vehicle age limits.]

Provisions Primarily Affecting Companies

A. Dispatch Service Requirements and Enforcement **(No changes in this section)**

1. All companies must provide dispatch service that meets the following standards:
 - a. All companies must have two-way broadcast communication with taxicabs. (Effective immediately upon enactment of ordinance.)
 - b. Dispatch must operate 24 hours each day, seven days per week (24/7). For smaller companies during the first year of implementation and new-start companies during their first year of operation, dispatch may operate 18/7. (Effective immediately upon enactment of ordinance.)
 - c. Companies must pick up 90 percent of customers who call the company within 30 minutes and 80 percent within 15 minutes. (Effective 12 months after enactment of ordinance, with a six-month cure period for companies failing to meet these standards.)
 - d. In order to demonstrate a meaningful level of dispatch service, companies must show that a minimum number of dispatch calls are served by their drivers on a daily basis. Based on current market demands, a minimum of two (2) dispatch calls per driver is expected on a daily basis. As market needs change, this minimum dispatch service level may be changed by the City Manager based on recommendations of the Traffic and Parking Board.

2. Dispatch requirements will be enforced as follows:
 - a. Response times will be evaluated for all companies based on a “phantom fare” service quality evaluation program, customer satisfaction surveys and company provided dispatch service data. City staff and volunteers in the “phantom fare” program will record the time that they called the company and the time that the cab showed up. In the customer satisfaction survey, customers will be asked the name of the company and how long they waited on their most-recent trip. Companies will be required to submit dispatch service records on request.
 - b. Companies found to be out of compliance based on this information will be given a six-month probationary or cure period to come into compliance. The company and City will agree on a procedure to accurately assess the company’s performance during the six-month probationary period.
 - c. The City Code will provide that any company that fails to comply with the dispatch requirement after the six-month probationary period shall not have its certificate of public convenience and necessity renewed. Disposition of certificate cards held by such a company will be decided after a public hearing and based on the public interest. The City could handle in this situation in one of two ways:
 - (1) Drivers from the company being dissolved could apply to move with the assigned certificate card to another company, in which case, the certificate card could be reissued to the receiving company.
 - (2) Companies (existing and new) could apply for the certificate cards. Any company receiving such certificate cards could, for a 30-day period only, fill those cards with drivers affiliated with the company being dissolved.
 - d. As part of the annual industry review, companies will be required to submit dispatch service records documenting the number of dispatch calls served by their drivers on a daily basis. Failure to provide the minimum level of dispatch may be the basis for reducing the number of taxicabs affiliated with the company.
 - e. Merger and transfer of ownership of a company will not be permitted during a probationary period.

B. Ceilings on Company Size (Company size limited to 50 percent and 40 percent for mergers and references to driver-held cards deleted)

The objective of ceilings on company size is to foster competitive dynamics among all cab companies. The provisions in this section are designed to provide opportunity for small and newly started companies to develop demand for dispatch service and to prevent any company (or individual or group of individuals) from gaining a dominant position in the industry, while not penalizing companies for growing their demand for dispatch service to meet community needs.

1. For a period of at least three years following enactment of the ordinance that puts this new regulatory framework into effect, no more than 50 percent of the total number of outstanding certificate cards may be affiliated with any single company. Thereafter, this restriction may be changed or eliminated by the City Manager, based on a

recommendation from the Traffic and Parking Board expressing an affirmative finding that such action is consistent with the public convenience and necessity.

2. No company may be merged with or sold to another company if the resulting company would hold more than 40 percent of the total number of outstanding certificate cards. This restriction may be changed or eliminated by the City Manager, based on a recommendation from the Traffic and Parking Board expressing an affirmative finding that such action is consistent with the public convenience and necessity.
3. No individual or entity may have an ownership interest in more than one taxicab company.
4. New companies and the merger/acquisition of existing companies: **(Item "a" revised to address formation of new company with existing drivers)**
 - a. New companies may be formed either through the transfer of an existing certificate of public convenience and necessity or by the request of fifty or more current drivers to transfer the certificate cards under which they are currently driving to the proposed new company during the annual review. In either case, an application for a certificate of public convenience and necessity to operate a taxicab company must be submitted to and approved by the City. Public hearings will be conducted as part of the application review process.
 - b. Purchases of existing companies (including purchases by other existing companies) may be administratively approved, provided the purchase is demonstrated to be in the public interest and a detailed business plan for meeting all dispatch service requirements is provided to and accepted by the City. Public hearings will be conducted as part of the acquisition review and approval process.
 - c. Mergers of existing companies may be administratively approved, provided that no merging company is in probationary status due to a failure to meet dispatch service requirements and the resulting company does not exceed any applicable limits on company size. Public hearings will be conducted as part of the merger review and approval process.

C. Transferability of Certificate Cards **(References to company-held cards deleted)**

1. Certificate cards are the property of the City and are not transferable between or among companies. In the case of a company being sold, the acquiring person or entity must show public convenience and necessity, including the ability to meet all requirements for operating a taxicab company.
2. Sales of companies may include consideration for physical assets, goodwill, etc.; however, neither certificates nor certificate cards may be sold.

D. Stand Dues **(Provision related to driver-held certificate cards deleted)**

Companies must provide 30-day notice to drivers of any change in stand dues. A schedule of the new stand dues must be posted on the premises and filed with the City. The schedule

must clearly state the reasons for the change in stand dues and the basis for any differences in dues among drivers (e.g., years of experience, tenure, etc.).

E. Other Requirements (Provisions 3 through 5 added)

1. Certificate cards that are not assigned to a vehicle for a period of 90 days, or are not in active use for a period of 90 days, will revert to the City.
2. Companies must provide customer receipt books or forms to drivers that include the pre-printed company name, company phone number and Hack Office phone number for complaints. Drivers must offer a written receipt to each customer.
3. All companies must develop, maintain and adhere to written policies setting service requirements for affiliated drivers and specifying any disciplinary actions that may be taken in the event these requirements are not met. Current copies of these policies must be provided to each affiliated driver, conspicuously posted in the company offices and filed with the City.
4. No company will unreasonably withhold its approval of an affiliated driver's request to transfer the certificate card under which he or she is operating to another qualified driver. The mechanism of such a transfer shall be among the driver, the Company and the new driver. Unless otherwise specified, the City shall not have a role in any transaction other than issuance of the amended certificate card.
5. An alternative dispute resolution process (e.g. arbitration) must be available to each company's affiliated drivers. Drivers shall have 30 days from the effective date of a company action to file a grievance if so desired.

Provisions Primarily Affecting Drivers

A. Driving Requirement for Driver-Held Certificate Cards (Section deleted in entirety)

B. Driver Affiliation and Movement (Provisions 2 through 4 added)

1. All drivers must maintain affiliation with a cab company.
2. Drivers may change their company affiliation at any time that a certificate card is available at the company with which they wish to affiliate, subject only to acceptance as an affiliated driver by the new company, settlement of financial obligations with the current company and approval of the City. [This current mobility process provides an estimated 10 to 12 percent annual driver turnover.]
3. As part of the annual industry review, up to ten (10) percent [final metric to be determined after public hearing] of the active drivers may request and be approved to have the certificate card under which they are operating transferred to another company

holding certificate of public convenience and necessity. In requesting such a move, the driver must identify the company he or she elects to move to. The move and associated certificate card transfer is subject to applicable limits on company size, settlement of financial obligations, acceptance of the driver by the receiving company and approval of the City.

4. In the event more than ten (10) percent of the drivers request a certificate card transfer, those that will be transferred will be determined by lottery.

C. Transfer of Driver-Held Certificate Cards **(Section deleted in entirety)**

D. Driver Training **(No changes in this section)**

A mandatory, one-half day refresher course will be established for all drivers to be completed every two to three years. The emphasis of this training will be improving customer service skills, including providing service to persons with disabilities and other special needs.

E. Limitations on Where Drivers May Pick Up Passengers **(Section deleted in entirety)**

- F. Drivers are responsible for abiding to the customer service and other policies of their chosen company. Companies shall have the ability to enforce such rules as deemed necessary and appropriate. **(Section added)**

- G. Drivers shall have the right to an alternative dispute resolution process (e.g. arbitration) provided they file a grievance within 30 days of the effective date of a company action. **(Section added)**

Additional Provisions

A. Vehicle Age Limits **(Age limit increased to eight years, provision 3 deleted)**

1. A maximum age limit of eight model years will be established for taxicab vehicles. [This limit is the same as the age limit currently imposed at Reagan National Airport and generally consistent with limits in surrounding jurisdictions.]
2. This age limit will be phased in over a two-year period as follows:
 - a. Effective immediately upon enactment of the ordinance implementing this regulatory framework, vehicles older than eight model years may not begin service as a taxicab vehicle in Alexandria.
 - b. Effective two years after enactment, vehicles older than eight model years may not remain in service as a taxicab vehicle in Alexandria.

B. Accessible Vehicles and Hybrid/Alternative Fuel Vehicles **(Reference to driver- and company-held cards deleted)**

1. A minimum of three to five percent of all certificate cards will be required to be assigned to wheelchair-accessible vehicles. Companies that provide more than the required percentage of accessible vehicles may be issued additional certificate cards for the additional accessible vehicles
2. A two-year extension of the vehicle age limit will be allowed for a hybrid or alternative fuel vehicle, provided the vehicle continues to meet established vehicle safety standards.³

C. Enforcement of Regulations **(No change in this section)**

1. All City Code provisions and taxicab regulations will be fully and uniformly enforced.
2. A fine and/or penalty structure will be established for enforcement, including joint company/driver penalties where appropriate.

D. Industry Advisory Committee **(Section deleted in entirety)**

E. Administration **(Reference to Industry Advisory Committee in provision 3 deleted)**

1. An evaluation of the Hack Office staffing and automation needs will be undertaken. The number of Hack Inspectors will be increased by one or more as necessary to provide an adequate level of on-street enforcement.
2. Records collection and tracking will be automated. The addition of one records clerk will free up Hack Inspectors' time for non-clerical duties, particularly increased enforcement activities.
3. A process will be established for expedited issuance of temporary driver permits, allowing new-entry drivers to begin driving during processing of their driver permit request.
4. During the implementation period, staff will work with appropriate groups, such as the Commission on Persons with Disabilities and the Commission on Aging, to identify changes to enhance taxi service and programs for special needs groups. These changes may be in the form of program structure, economics or both, and will be reported to Council prior to implementation.

Industry Reviews, and Service and Performance Information

The Traffic and Parking Board will remain primarily responsible for oversight of the taxicab industry and recommending appropriate actions to the City Manager. In discharging its responsibility, the Board will (1) conduct industry reviews and recommend changes in the number authorized taxicabs, including the allocation of any increases or decreases among

³ As a separate matter, Council may wish to consider property tax and decal fee incentives to further encourage use of hybrid and alternative fuel vehicles in the taxicab fleet, as well as by City residents.

companies; (2) review taxicab rates of fare, industry fees and regulatory costs and recommend appropriate changes; (3) serve as a public hearing body; and (4) recommend changes in the rules and regulations governing the industry.

Fundamental considerations of the Board in all aspects of its industry oversight are to include: (1) improving the public service provided by Alexandria's taxicab industry; (2) maintaining adequate dispatch service throughout the City; and (3) maintaining the economic health of the industry.

A. Annual Industry Review **(Revised to include annual driver-requested certificate card transfers)**

1. The City will conduct an annual review of the taxi industry. The number of authorized taxicabs, their distribution among companies and action on driver-requested certificate card transfers will be based on the findings of this annual review.
2. Cab companies and drivers will be required to submit specified records and information for the purposes of this review. City staff will collect and assemble additional information for this review as generally described below.
3. The number of authorized taxicabs will be evaluated and, as needed, adjusted on an annual basis. Based on review findings, the City may:
 - a. Increase the number of authorized taxicabs and allocate any increase among the companies based on the criteria listed below; or
 - b. Reduce the number of authorized taxicabs through attrition as drivers and companies return certificate cards to the City when they are no longer in use, and/or by recalling certificate cards issued to one or more companies.
4. The annual review process will include a hearing before the Traffic and Parking Board, which will make recommendations to the City Manager. Criteria to be used by the Board in deciding whether to recommend changes in the number of authorized taxicabs will include:
 - a. Demonstrated need industry-wide and on a company-by-company basis for additional or fewer taxicabs cabs to provide satisfactory public service, and to ensure adequate availability of cabs for dispatch service and at taxi stands.
 - b. Changes in the number and type of trips actually served by cabs affiliated with each company.
 - c. Effects on the number of trips served and the ability of drivers to earn a living wage.
5. The annual review will also consider requests by drivers to transfer to another company and thereby effect a transfer of the certificate card under which they are operating from the existing company to the new company.
 - a. Drivers desiring to move to another company must submit their request in writing to the City in advance of the annual review, specifying the company to which they

desire to move. Up to ten percent [final metric to be determined following public hearing] of the active drivers may request such change in company affiliation.

- b. In considering driver-requested certificate card transfers, the number and type of trips being served by each company's affiliated taxicabs, the productivity of the company's dispatch service in terms of the number of calls dispatched per affiliated taxicab and the potential effects of the requested transfers on driver income will be considered.

6. Based on the Board's recommendations, the City Manager will determine the total number of taxicabs to be authorized, the allocation of any changes among the companies and the driver-requested transfers to be approved.

B. Bi-Annual Reviews of Fares and Industry Fees

1. Every two years, the City will review the rates of fare, including the base fare and permitted additional charges, and all fees charged to companies and drivers.
2. A specific consideration in setting rates of fare and fees will be driver income compared to the City-adopted living wage.
3. Full recovery of all industry-related regulatory and enforcement costs will be a primary consideration in establishing City-charged fees for both companies and drivers.

C. Service and Performance Information

1. The City will conduct the following surveys for the annual review:
 - a. "Phantom fare" service quality evaluation program;
 - b. Customer satisfaction survey (similar to web survey conducted earlier this year); and
 - c. Field observations and counts of activity at taxi stands and airport (using airport AVI data when available).
2. Cab companies will be required to submit service information a monthly or quarterly basis. This information will include, but may not be limited to:
 - a. Dispatch call volume totals; and
 - b. Number of complaints by type.
3. Cab companies will be required to submit service and financial information on an annual basis. This information will include, but may not be limited to:
 - a. Annual financial statements prepared in accordance with generally accepted accounting practices, to include a balance sheet and income statement and copies of all pertinent income tax returns. (As appropriate, financial information may be submitted as confidential materials for government use only.) Submission of financial statements will not be required before the end of the first full year following enactment of this requirement.
 - b. Schedule of current stand dues.
 - c. Dispatch call volumes, and detailed call and pick up data files.

4. Drivers will be required to maintain daily manifests and submit them to the City upon request.
5. All industry-provided information, whether by a company or a driver, shall be sworn as to accuracy and completeness, and will be subject to independent review at City discretion.

Conclusion

We believe the regulatory framework provided by these recommended changes along with those previously approved will provide a reasonable and rational basis for regulating our taxicab industry, equitably balance competing interests and improve taxicab service in the City. We recommend that it be approved, and that the City Attorney and staff be directed to bring to Council in February 2005 a draft ordinance and regulations implementing this framework.

FISCAL IMPACT: This proposal recommends at least one new Hack Inspector and a clerical employee, as well as automating record keeping in the Hack Inspector's Office.

ATTACHMENT: None

STAFF:

Richard J. Baier, P.E., Director, Transportation & Environmental Services

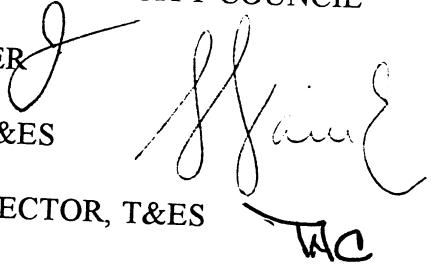
Thomas H. Culpepper, P.E., Deputy Director, Transportation & Environmental Services

Joanna Frizzell, Assistant City Attorney

City of Alexandria, Virginia

MEMORANDUM

DATE: JANUARY 21, 2005
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
THROUGH: JAMES K. HARTMANN, CITY MANAGER
FROM: RICHARD J. BAIER, P.E., DIRECTOR, T&ES
THOMAS H. CULPEPPER, DEPUTY DIRECTOR, T&ES
SUBJECT: TAXICAB CERTIFICATE CARDS



In response to Councilman Macdonald's request for information on the likely effects of issuing all certificate cards to taxicab owner-operators, the City's consultant, Schaller Consulting, prepared the attached memorandum summarizing the findings of a review of experiences in other jurisdictions.

If you have questions or need additional information on this matter, please contact either Rich Baier or Tom Culpepper at (703) 838-4966.

Attachment

cc: Michele Evans, Assistant City Manager

SCHALLER CONSULTING

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Date: January 14, 2005
To: Tom Culpepper, Deputy Director, T&ES, City of Alexandria
From: Bruce Schaller, Principal
Re: Effects of issuing all certificate cards to drivers

Per your request, this memorandum addresses questions raised at the November Council meeting regarding the likely effects were the City to issue all certificate cards to drivers.

To address this issue, I have reviewed the experience of other cities across the U.S. that, like Alexandria, set the number of taxicabs through City regulation or law – thus raising the issue of who controls the certificate cards or equivalent authorization (i.e., vehicle permit or medallion license). The findings from this review are summarized below.

1. Few cities depend on driver-held certificate cards to service dispatch trips.

An arrangement in which drivers hold all the certificate cards is quite unusual in the U.S. experience. The predominant pattern in U.S. cities is for taxi companies to use their own certificate cards (or vehicle permits or medallion licenses) to serve pre-arranged calls for service. In many cities, companies hold all or virtually all of the certificate cards (or equivalent), as is currently the case in Alexandria. Examples include jurisdictions such as Fairfax County and Arlington County in Virginia and Anaheim, California, and cities such as Las Vegas, Los Angeles, Orlando, St. Louis, Colorado Springs, Denver, Fort Worth, Houston and Kansas City.

Dispatch trips are primarily served by companies that control most or all of the certificate cards (or permits or medallions) even in cities with a mix of company-held and driver-held (or other non-company held) certificate cards/permits/medallions. Examples are San Diego and Montgomery County, Maryland.

Some cities that, through deregulation, developed decentralized permit ownership have seen a reconsolidation of permits for dispatch purposes. In Seattle, drivers or single owners held nearly all of the vehicle permits after deregulation of the taxi industry in the 1970s and 1980s. Nevertheless, the largest dispatch company has since achieved the equivalent of centralized control of most of its cabs. Fifty percent of the cabs in Seattle's Yellow Cab are owned by a dozen individuals who have formed a coop within Yellow Cab. These cabs are operated in the same manner as a traditional fleet – the vehicles are centrally purchased and centrally leased. Although

permit ownership remains somewhat fragmented, the cabs are operated and controlled in a manner similar to a traditional fleet operation.

Notably, Montgomery County addressed the issue of company versus individual permit ownership in its recent adoption of a revamped Taxicab Code. This issue was discussed extensively by the County Council in the context of the County's goal of improving dispatch service and thereby improve customer service. In part due to concerns about the impact on dispatch services, the Council adopted a 30 percent overall limit on permits owned individually or by anyone not operating a dispatch service. In addition, 20 percent of any new taxicab permits issued will be issued to drivers while the remaining 80 percent will be issued to companies that operate a dispatch service.

2. In cities with decentralized permit ownership, drivers tend to concentrate on non-dispatch trips. The dispatch market may be underserved as a result.

In San Francisco, for example, drivers predominantly pick up taxi stand, street hail and airport-originating trips. In a "Mystery Shopper" survey in 2000, prior to the bursting of the Internet bubble, only 37 percent of cabs dispatched picked up the customer within 15 minutes and only 59 percent picked up the customer within 30 minutes.

3. Decentralized permit ownership reduces taxi industry accountability for service.

There is a direct correlation between the degree of centralization of control of certificate cards and the industry's level of accountability for service. When taxi companies control certificate cards (or the equivalent permit or medallion), regulators can rely on companies to provide front-line management. When service complaints and other issues arise, regulators have a centralized point of contact for investigation and handling of the issue.

In decentralized systems, regulators must take on greater responsibilities for oversight of service quality and handling of complaints. There is a greater need for active street enforcement and for complaint investigation, hearings and penalties. This creates financial and administrative burdens on the city agency with regulatory responsibility. City staff in Seattle, for example, reports that decentralized ownership affects service "negatively – there is no accountability in the industry." New York City, with a very fragmented ownership structure, has extensive street enforcement and complaint investigation and adjudication operation.

4. Problems from decentralized permit ownership may take a number of years to develop.

Cities that convert from centralized to decentralized permit ownership systems may not experience problems in the short term. Initially, drivers with permits affiliate with dispatch service providers and continue to serve dispatch trips. Over time, however, growing opportunities to serve non-dispatch trips tend to draw drivers away from working dispatch. New drivers in particular, unfamiliar with the city geography, tend to work stands and airports rather than dispatch trips.

Newark, New Jersey provides an example of the long-term effects of decentralized ownership. Newark is an interesting analogy to Alexandria because the market for cab service is divided roughly equally between trips that originate outside the airport and airport trips (Newark cabs are the sole cabs that can pick up non-prearranged trips at Newark Liberty International Airport).

In the 1970s, there were 600 medallion cabs in Newark, all individually owned and operated. All cabs were affiliated with a company and there were 6-8 taxi companies in the city. As the airport business grew, drivers dropped their affiliations to focus on the airport. There is now only one taxi company in Newark, with 40 cabs. The other 460 cabs abandoned the dispatch market and work exclusively at the airport and downtown stands. (The dispatch market is now served by about 550 livery vehicles, which are licensed to pick up by pre-arrangement but not street hails, and charge zone or mileage fares rather than metered fares.)

5. Lack of accountability and financial pressures are the primary causes of the problems experienced with decentralized permit ownership.

A key to effective dispatch operations is for taxi companies to hold drivers accountable for picking up dispatch trips that they have accepted. Alexandria Yellow Cab, for example, suspends drivers for 30 minutes for a first violation. Similar rules are common throughout the U.S. Yellow Cab in Seattle, for example, de-authorizes drivers from being offered dispatch calls for two hours if they "dump" a trip.

When drivers hold the certificate card, it is more difficult for companies to enforce the rules. Companies must balance the need for rule compliance against the need to maintain their fleet size. The balance is easily tipped too far toward being lax on rule enforcement in order to keep affiliated drivers.

A second factor concerns financial pressures. Drivers tend to be focused on maximizing their daily income. As a result, they tend to create a downward pressure on stand dues. This downward pressure can result in cab companies lacking the financial resources to make forward-looking investments in dispatch systems, advertising, call-taker and driver training, etc. Over time, service quality suffers.

Conclusion

In sum, the experience of cities with driver-held certificate cards or similar forms decentralized permit ownership has generally been negative with respect to dispatch service and overall accountability for service. In some cases, the dispatch market has been very poorly served or almost entirely abandoned. The problems occur primarily where airport, stand and hail markets attract drivers from dispatch work, and may take a period of years to be manifested.

16
1-25-05

To: The Honorable Mayor and Members of City Council
From: Josh Henson
Re: Regulation of the Alexandria Taxicab Industry - Item 16
Date: January 25, 2005

I was under the impression that public comments would be allowed tonight. If that is not the case, I hope you will allow me to make one point on behalf of the small taxicab companies.

I am not sure that the small cab companies will fare well under the final proposal for new taxicab regulations, but everyone is going to have to give a little to make it work. We certainly will. As we have always said, the small companies will do what is necessary, but should not be forced to go out of business.

There is only one real danger of that under the current regulations, and it has to do with answer requirements for dispatch. Keep in mind that the small company now have no way of forcing a driver to take a call he does not want to. To hold the company responsible when drivers do not cooperate is truly unjust.

Two reasonable interpretations will make these regulations livable for us:

1. As I read your proposals, it would seem to allow us to work with another company and, so long as some cab arrives for the customer. Since that is the goal, this would seem fair.
2. The proposals seem to require the driver to do two dispatch trips a day. If these means we can discipline a driver for not taking a dispatch call, then there should be no problem.

As we have often stressed, we have not been able to demand that a driver take a dispatch call. If my two interpretations above are reasonable to the spirit of the regulations, then the proposed regulations might work. If not, then you will be threatening to put a company out of business for actions beyond its control, in the case where a driver does not take a dispatch call.

Much has been said about driver's rights. But all rights bring with them responsibilities. The obligation to take dispatch calls, even for unattractive fares, must go hand in hand with everything else.

Thank you for your attention and for your efforts and patience throughout this process.

Sincerely,

Josh Henson

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