

**ATTACHMENT C
IMPLEMENTATION GUIDELINES FOR
DRAFT COUNCIL POLICY 500-02, “TAXICAB PERMITS”**

A. PROCESS FOR ISSUANCE

The following guidelines and procedures should be observed with respect to the issuance of taxicab permits by RFP process, lottery and auction.

1. RFP Process to Taxi Operators.

A point system shall be used in this process, as many may submit proposals, and the City should benefit from the best service provider as determined by the proposers scoring the most points. Minimum point requirements must be attained to qualify.

Process is funded through up-front application fees. A selection committee shall be formed to administer this process. The selection committee will be comprised of administrators from MTDB and City’s staffs. Consultants familiar with the regulatory aspects of the taxicab industry and San Diego may be hired to serve on this committee in an advisory role. The selection committee will issue a RFP and hold a pre-bid conference.

Issues:

- *Should the selection Committee include other community and business representatives?*
- *If so, what kind of background should be required/desirable?*

Manager’s Recommendation:

The selection Committee should include other community and business representatives who are not affiliated with the taxi industry and have business management and accounting background.

Comments from Taxi Industry:

The industry supports the manager’s recommendation.

Eligibility:

Taxi operators providing centralized fleet ownership through an individual, a partnership, a corporation, a driver association or joint venture offering access through a central dispatch system and demonstrating an operational management system for cabs. New operators as well as existing operators will be eligible

Issues:

- *Can applicants apply for multiple blocks?*
Option 1 - Applicants can apply for one or more blocks of permits
Option 2 - Applicants can apply for only one block of permits.
- *Under Option 1 above, can applicants be awarded more than one block?*
Option 1 - Applicants can be awarded more than one block, provided they do not exceed the 40% limit set by the policy
Option 2 - Applicants can be awarded only one block, provided they do not exceed the 40% limit set by the policy

Manager's Recommendation:

Applicants can apply for multiple blocks and that the Selection Committee to exercise its discretion to award more than one block to one applicant, provided that such issuance would not result in any permit holder having an interest in more than 40% of the total active permits.

Comments from Taxi Industry:

The industry supported the provision that an applicant could apply for multiple blocks, however, there was no consensus as to whether to allow awarding multiple blocks to one applicant.

Proposal Requirements:

Proposals requesting blocks of 5 or more permits must include a management business plan that addresses all the following:

Experience of the operator/firm

- Must meet current operator requirements in MTDB Ordinance 11.

Responsible management individual for the operator

- Recent and relevant direct experience managing all aspects of a demand-responsive operation similar in scope and complexity to service proposed.

Maintenance personnel

- Hours of operation
- Certification of personnel
- Staffing plans

Reservations and dispatch operations

- General policies and procedures, training, method of receiving customer calls, making reservations (advanced and immediate), dispatching, and telephone techniques used to accommodate the trip while ensuring efficient operation of the

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- system in serving passengers.
 - Communication department staffed 24 hours a day
 - Radio frequencies or any alternative communications' means to be used and authorization by licensee and access usage
 - Taxi dispatch equipment such as computerized dispatch systems
 - Use of GPS in 50% or more of the fleet - minimum
 - Dispatch response time standards

Facilities

- Existing and proposed administrative, maintenance, dispatch, vehicle storage facilities suitable to accommodate a project of this scope and complexity

Implementation plan

- Comprehensive and detailed plan showing all start-up tasks (e.g., hiring and training personnel, facilities preparation and vehicle preparation). Plan should allow for flexibility and include contingency plans

System management plan

- Comprehensive and detailed program showing staffing, equipment commitment, staff responsibilities, management plan and quality control to ensure continued high-quality taxicab services
- Must accept credit cards (safety - cashless system)
- Detailed program for handling complaints
- Record keeping reporting (response times, complaints and other service data)
- Performance standards that proposer will meet and remain in compliance

Organization chart

Vehicle requirements and maintenance plan

Safety inspection compliance

Safety program

- Internal safety training and safe driving program, including hiring criteria, new hire training, ongoing training, accident/incident procedures, and wheelchair loading and securing
- Detailed driver training program

Criteria for hiring/retaining drivers

- Driver qualifications - 21 years of age, qualify for a sheriff's card
- Driver classroom training - 16 hours minimum
- Driver appearance

Performance surety/insurance/financial viability program

- Insurance requirements - minimum \$300,000 cab liability
- Letter from a financial institution stating that proposer has the resources to fund business plan as proposed within 90 days

References

- Three required

RFP Evaluation Criteria

A key issue in the RFP process is the basis for selecting awardees.

Issues:

- *Should the RFP proposal requirements be made less stringent?*
Option 1 - Yes
Option 2 - No
- *What should the evaluation criteria focus on?*
Option 1 - Simple criteria that focus on proposer qualifications and experience and create no ongoing obligation for performance monitoring or accountability. The following criteria could be used without follow-up “strings” for monitoring and evaluation.
 - Company and management experience
 - Current financial viability
 - Current performance/service levels, such as dispatch response times, vehicle age, driver qualifications, etc.
- Option 2 - Criteria that also address proposers’ level or quality of service and thus may need monitoring, evaluation and a method of accountability. The following criteria could be used:
 - Quality and feasibility of management plan
 - Continued financial viability
 - Proposed performance/service levels

Under this scenario, permits issued to taxi operators through the RFP process will be reviewed periodically for compliance with the level and quality of service set forth in each taxi operator’s proposal. The methodology for this review will be part of each proposal. Permits of taxi operators not meeting the terms set forth in their proposals will revert to the City for reissuance through the RFP process. Such operators may first be issued a warning and given a defined amount of time to correct deficiencies and no additional permits may be requested via RFP until brought into compliance.

In choosing what option to pursue, the following should be considered:

- Are there requirements that proposers operate the cabs in a fashion that lends itself to accountability for the quality of service?
- If only qualifications criteria are used, can all likely applicants, particularly new entrants, be treated equitably?
- If winners are held accountable for their proposed level/quality of service, will the standards apply to all the taxis they operate or just the ones issued by RFP? How can the two be separated for performance measures such as response times?
- How will evaluation criteria be applied to groups of drivers who have no track record as taxi operators?

Manager's Recommendations:

The Selection Committee is to exercise its discretion to use and/or modify the RFP proposal requirements set forth, and evaluate proposals using criteria that address qualifications as well as on-going monitoring and evaluation of proposers' level or quality of service and accountability.

Comments from Taxi Industry:

The RFP proposal requirements were developed by members of the taxi industry, Sue Watson of Yellow Cab and Tony Hueso of USA Cab; Janay Cruger of SDTLA; Michel Anderson; and MTDB staff. Some felt that these requirements are very complex and favor existing operators.

At earlier discussions, some members of the taxi industry argued that the evaluation criteria of proposals should focus only on proposer's qualifications. In recent discussions, the industry did not take a position on this matter.

2. RFP Process to Individual Drivers.

Eligibility: Permits will be issued only to individual drivers.

Issues:

- *Who qualifies to apply?*
Option 1 - Drivers who are not permit holders
Option 2 - Drivers who are not permit holders and current permit holders
- *Can awardees lease the cab?*
Option 1 - Yes (does this negate the intent of limiting transferability)
Option 2 - No

Manager's Recommendations:

Applicants should be limited to drivers who are not permit holders and current permit holders. Awardees of this category of permits have to drive their cabs. It should be noted that the Manager's Recommendation is intended to promote quality taxi service and are in accordance with the consultant findings as documented in his August 16, 2000, final report.

Comments from Taxi Industry:

Several positions from the industry were expressed as to who qualifies to apply. Some in the industry (mainly drivers who are not permit holders) expressed strongly that applicants should be limited to drivers who are not permit holders, while others (mainly small operators) stressed that applicants should also include current permit holders.

Criteria for selection:

- a) Experience
- b) Driving record

Issue:

- *Should these factors and other factors be considered in the selection criteria?*
Option 1 - Yes
Option 2 - No
Option 3 - Selection Committee's discretion

Manager's Recommendation:

The Selection Committee is to exercise its discretion as to reviewing and developing a selection criteria, considering other factors, and determining how to assign points to proposals.

Comments from Taxi Industry:

Some indicated that factors such as driving a taxicab in San Diego and letters of recommendations should also be considered as factors in the selection criteria.

Accountability: Current taxicab regulations.

3. Lottery to Individual Drivers

Eligibility: Drivers are eligible if they are not permit holders and have at least 5 years of experience driving a taxicab in San Diego.

Issues:

- *Who qualifies to enter the lottery?*
Option 1 - Drivers who are not permit holders
Option 2 - Drivers who own permits and drivers who are not permit holders

- *Can winners lease the cab?*
Option 1 - Yes (does this negate the intent of limiting transferability)
Option 2 - No
- *Can a driver win the lottery more than once (multiple entries in a lottery)?*
Option 1 - Yes
Option 2 - No
- *Can driving experience be limited to San Diego?*
Option 1 - Yes
Option 2 - No

Manager's Recommendations:

Only drivers who are not permit holders are eligible to enter the lottery. Entrants will only be able to win a single permit award through lottery. Lottery winners shall not be allowed to lease the cabs and shall be required to drive the cab a minimum of 175 shifts per year. These recommendations are consistent with the Consultant's recommendations documented in his August 16, 2000 final report.

Comments from Taxi Industry:

Arguments were heard to allow current permit holders to also enter the lottery. There were others who objected the proposal to allow permit holders to enter the lottery. There were comments that it would be illegal to impose on lottery winners a no lease requirement. Also, some felt that the 175 shifts per year requirement would be difficult to regulate and monitor.

4. Auction

Eligibility: Taxi operators providing centralized ownership, dispatch and management of cabs will be eligible to submit bids.

Issue:

- *Should operators who provide centralized ownership and management and subscribe to a dispatch service be eligible to submit bids?*
Option 1 - Yes
Option 2 - No

Manager's Recommendations:

Eligibility to submit bids should be limited to operators who provide centralized ownership, dispatch and management of cabs. The attached Consultant's analysis on this issue is attached for further information.

Comments from Taxi Industry:

Operators, primarily those who own a small number of permits, expressed objections to limiting eligibility to those who provide centralized dispatch service. They felt that if this requirement is imposed, they do not have the opportunity to grow their businesses as intended with the aforementioned permit categories.

Procedure: Permits will be auctioned individually to the highest bidder.

Issues:

- *Is there a limit on how many permits one person/entity can win?*
Option 1 - Yes
Option 2 - No
- *Where will revenues from the auctions go?*
Option 1 - Administration and enforcement of taxicab regulations
- *What happens if auction revenues cease to meet staffing and regulatory needs?*
Option 1 - Seek alternative revenue sources related to taxicab administration

Manager's Recommendation:

There should be no limit as to how many permits one person/entity can win, provided that such issuance would not result in any permit holder having an interest in more than 40% of the total active permits. Revenue from the auctions shall be used for administration and enforcement of taxicab regulations' purposes. MTDB working with the City shall identify alternative funding sources should auction revenues cease to meet staffing and regulatory needs.

Comments from Taxi Industry:

There was a support that auction revenues be used for administration and enforcement of taxicab regulations' purposes as well as providing the infrastructure needed for taxi stands.

B. FORMULA

The formula will be computed as follows:

Stage 1

(Change in civilian population X 0.54

+

Change in hotel room nights occupied X 0.43

+

Change in military population X 0.03)

Stage 2

This sum is then multiplied by (1 + Change in transit ridership).

This product is then multiplied by Current number of permits, producing Number of Additional Permits.

All changes are calculated on two year rolling average.

Issues:

- *Should the formula be simplified to include only population and hotel room nights occupied factors?*
 Option 1 - Yes with 50% weight for each factor.
 Option 2 - No and use weights as shown
 Option 3 - No and adjust weights based on further studies.
- *Should there be a threshold for issuance of permits using the formula?*
 Option 1 - Yes, set at 20
 Option 2 - Yes, set at 60
 Option 3 - No

Manager's Recommendations:

Use a simplified formula with percentile increase in population and hotel room night occupied rolling averages as factors with 50% weight to each. The threshold for issuing additional permit should be set at 60. These recommendations are consistent with the Consultant's recommendations. The attached table provides a summary of the number of permits resulting from applying different formulae.

Comments from Taxi Industry:

Some in the industry stated that all four factors, population, hotel room nights occupied, military population and transit ridership should be used in the formula. They also stated that the weights assigned to each of these factors should be determined based on further studies by an expert such as a college professor. They also stated that a threshold should be in place, however, there was no indication as to what this threshold should be set at.

C. TRANSITIONAL PERIOD

Round 1 - Immediately issue 75 permits as follows:

- 60 permits through RFP process in blocks of 20, 20, 10, 5, 5
- 15 permits by lottery to drivers

Round 2 - Fall 2001 issue 60 permits as follows:

Issue based on formula that includes population, hotel nights, military and public transportation needs.

- 20 permits through RFP in blocks
- 15 permits through RFP to individuals
- 15 permits by lottery to drivers
- 10 by auction

Round 3 - Fall 2002 issue 75 permits as follows:

- 20 permits through RFP in blocks
- 20 permits through RFP to individuals
- 25 permits by lottery to drivers
- 10 by auction

D. TRANSFERABILITY

Transferability of new permits as follows:

- Permits issued by RFP (blocks and individuals) are transferable after 5 years
- Permits issued by lottery are transferable after 5 years
- Permits issued by auction are transferable immediately

Issue:

- *Should auctioned permits be transferable immediately, one year or five years after issuance?*
Option 1 - Immediately
Option 2 - One year, consistent with MTDB's Ordinance
Option 3 - Five years, consistent with other permit categories

Manager's Recommendations:

Auctioned permits shall be transferable five years after issuance, consistent with other permit categories.

Comments from Taxi Industry:

Although there was no consensus as to transferability of auctioned permits, existing fleet operators (Yellow Cab and USA Cab) supported transferability of such permits five years after issuance.

1) **Formula Grid**

Number of permits issued each year, using three formulas

	Formula using population and visitation (weighted equally)	Formula using population, active duty personnel, visitation, transit ridership	
		Each factor weighted equally*	Different weights applied**
Actual			
1996	21	(20)	18
1997	25	(2)	25
1998	25	(37)	24
1999	18	9	21
2000	15	(17)	15
Projected			
2001	22	(14)	21
2002	21	(15)	20
2003	20	(15)	20
2004	20	(15)	20
2005	20	(15)	20

Note: Formulas are applied to base of 928 permits.

* Each factor is weighted equally; transit ridership is given negative sign.

** Weights per May 16, 2001 memo from Bruce Schaller. Transit ridership has positive sign.

Sources:

- Population is based on SANDAG projections.
- Active military personnel based on Chamber of Commerce data for 1995-99, extrapolated to 2005 based on rate of decline from 1995-99.
- Visitation based on hotel room nights occupied for 1995-99, estimate for 2000 and projection through 2005 from Interbank/ Brewer Hospitality. Formulas use 2-year rolling average.
- Transit ridership is for MTDB fixed route operators for 1995-2000 (fiscal years), and projection through 2005 based on rate of growth from 1999-2000.

2) Centralized Ownership, Dispatch and Management

Purpose of requirement for centralized ownership, dispatch and management:

- Accountability and responsibility among taxi permit holders
- Prevent issuance of new permits from leading to unsatisfactory service and increased customer complaints.

Advantages of centralized ownership, dispatch and management:

- Permit holders and drivers have a direct business relationship and see each other on a regular basis, sometimes daily.
- Problems that arise with the operation of the cab can be readily addressed, resolved and prevented from recurring in the future.

How problems arise when there is not centralized ownership, dispatch and management:

- Three parties may be involved in operating a cab: permit holders, radio services (the dispatch service) and drivers.
- Permit holder may have little direct contact with the vehicle, driver or customers.
- If a customer calls the radio service to complain about a trip, the radio service has no ability to resolve the problem. The permit holder has less incentive to solve problems because the permit holder does not have the reputation of a radio service to protect.
- Even with best efforts by all parties, problems are more likely to fall through the cracks.

Documentation of problems with non-centralized ownership and management:

- *Industry interviews:* Managers at radio service organizations told us in interviews last year that they are less likely to take effective action on complaints lodged with them in cases where the permit holder is a subscriber who leases the cab to driver(s).
- *Complaint data:* Radio services with a predominance of subscriber-lessors are involved with 3-5 times more complaints per taxi, on average, than fleets with proprietor cabs, based on complaint data supplied by MTDB.

Why dispatch is vital to centralized ownership and management:

- Customers call the dispatch service when they have a problem, so the dispatch is integral to centralized responsibility for operations.
- Dispatch is a key management tool for the owner.

3) Availability of Radio Frequencies

How can a new taxi operator provide radio dispatch if there are no frequencies available?

- FCC-licensed radio frequencies are apparently for sale by some existing licensees, although the cost is significant.
- It may be possible to partition existing channels off the same tower for use by multiple dispatch organizations.
- Another alternative is dispatch systems that utilize the public network (cellular systems). Taxi operators can use the cellular network to dispatch calls to drivers carrying cellular phones and to track the availability of each car in its fleet. Dispatches and other relevant information are displayed on the driver's screen and at the dispatch base. There is no need to buy a radio frequency, install two-way radios or mobile data terminals in each vehicle. These systems are currently available from several companies and used by a number of taxi and sedan operators. They do not necessitate the large up-front investment involved with purchase and installation of a radio system.