



**TO:** City Council

**FROM:** Robert Spillar, P.E., Director, Austin Transportation Department

**CC:** Marc A. Ott, City Manager  
Robert D. Goode, P.E., Assistant City Manager

**DATE:** March 31, 2015

**SUBJECT: Ground Transportation; an operational overview of taxis and TNCs**

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As requested during the March 25, 2015, Mobility Committee, Austin Transportation Department staff has compiled the following documents to best illustrate Austin's ground transportation framework, with a particular focus as it relates to taxis and transportation network companies (TNCs). These documents focus on the rationale for regulating ground transportation services, the similarities and differences in regulations (between taxis and TNCs), and previous recommendation memorandums to the Austin City Council.

The following documents include:

- Regulatory Requirements Comparison (Mobility Committee requested grid)
- City Council Communications – Memos
  - Includes recommendation memos distributed March 24, 2015
- Explanation on why the City regulates Taxi/TNC Service
- State Law
- Consultant (Mundy) Statement and Report
- Seattle Deregulation Case Study

## **Background**

### **Regulating ground transportation**

The City of Austin regulates ground transportation operations to protect the public health, safety and welfare of Austin residents and visitors. When travelers use ground transportation services, they assume there are certain assurances in place protecting their rights and safety upon entering the vehicle. As the regulating authority, authorized by the state, the City is able to mandate vehicles and drivers meet certain safety requirements in order to operate.

As questions arose regarding the need to regulate ground transportation, the Austin Transportation Department (ATD) consulted Dr. Ray A. Mundy, Ph.D., a leading transportation expert with the Tennessee Transportation & Logistics Foundation to analyze Austin's taxi system. Dr. Mundy's report is included in the attachment. He states that it is in the public's interest to regulate ground transportation to assure there are available, safe and economical public transportation services. In regards to deregulating the industry, Dr. Mundy states, "...a deregulated, complete open-entry approach to taxi services within a community leads to unreliable, expensive, and spotty/embarrassing taxi service at best."

Currently the City regulates all ground transportation operations, but has separate, unique regulations related to TNCs. TNCs operate with an operating agreement, but they are not held to the same regulatory standards as other ground transportation operations, potentially placing at risk the safety of the drivers and passengers. For this reason, staff made recommendations to the City Council to update the City Code to incorporate TNC regulations (see March 24, 2015, memo). It has been a priority for the City to have regulatory authority over ground transportation operations, but in a manner that maintains the vitality of services provided to residents.

While the City already has regulatory authority over taxis, ATD staff worked with a Taxicab Taskforce to also make recommendations that can strengthen the operations for taxis as well (see March 24, 2015 taxi memo).

### **Taxis and Transportation Network Companies (TNCs)**

There is a high demand for ground transportation services in Austin. In January 2015 the three taxi franchises serviced more than 200,000 trip requests. Taxis are an integral piece to the ground transportation portfolio, in particular for residents that cannot or chose not to drive a vehicle. TNCs play a similar role for those who own a credit card and cell phone (required to use the application), but have different operating requirements. Prior to TNCs entering the market, the local taxi franchises were dispatching 60% to 81% of the requests for service. Since TNCs entered the market, Austin Transportation Department staff has not identified a negative impact to the number of trip requests reported by the taxi franchises. In other words, it is possible that TNCs are providing service to previously unserved trips that exist in the market place.

With the emergence of transportation network companies into the Austin market, the regulatory framework shifted to allow their legal operation. In 2014 the Austin City Council passed Ordinance 20141016-038, which legalized TNC operations in Austin. The ordinance includes operating requirements that are different, and less stringent than those of the taxi franchise agreements. TNCs are authorized under operating agreements rather than franchise agreements. There are many differences between the two frameworks, most notably including requirements for driver background check, vehicle safety inspections, fee collections, insurance requirements, and data reported to the City. The March 24, 2015 memo to Mayor and Council (included in attachments) outlines the current TNC operating requirements and staff's recommendations to strengthen those requirements.

### **TNC Timeline**

- March 2014: Illegal TNC operations
- May 2014: Council Resolution No. 20140515-024, directing staff to work with stakeholders and make recommendations to legalize TNC operations in Austin
- June 11, 2014-October 24, 2014: TNC Working Group meets to discuss recommendations
- October 16, 2014: Austin City Council legalizes TNCs by directing staff to enter into operating agreements with the companies with Council created rules, and before TNC Working Group completed its work.
- January 2015: TNCs (Uber and Lyft) submit first, required quarterly report
- March 24 2015: Austin Transportation Department staff sent TNC recommendations to Austin City Council based upon TNC Working Group meetings.
- March 25, 2015: ATD staff presented an overview of TNC operations to the City Council Mobility Committee

- April 1, 2015: The City Council Mobility Committee will hear public comments on TNCs operations in Austin and the staff recommendations.

### **Taxi Timeline**

- January 2014: ATD staff established the Taxicab Taskforce
- January – October 2014: Taxicab Taskforce meets to discuss recommendations
- May 2014: Council Resolution No. 20140515-025, directing staff to work with stakeholders and make recommendations to address taxi service delivery.
- October 2014: ATD staff present taxi recommendations to Urban Transportation Commission (UTC supported recommendations 4-0, 3 absentees)
- March 24 2015: Austin Transportation Department staff send taxi recommendations to Austin City Council
- March 25, 2015: ATD staff presented an overview of taxi operations to the City Council Mobility Committee
- April 1, 2015: The City Council Mobility Committee will hear public comments on taxi operations, franchise agreements, and staff recommendations.
- April 23, 2015: First reading for taxi franchise agreements.
- May 21, 2015: Second reading for taxi franchise agreements.
- June 4, 2015: Third reading for taxi franchise agreements.
- August 2015: Taxi franchise agreements renewed.

### **Staff Recommendations**

#### **Taxis:**

The current taxi franchise agreements are set to expire in August 2015. Staff recommends maintaining the current taxi franchise system and renewing the franchise agreements with all three taxi franchises in Austin. As part of the renewal, it is recommended that each company receive an additional 100 permits to operate, and to extend the franchises to 10-year renewal terms. Following the above taxi timeline, the new franchise agreements would be in place August 2015.

#### **Transportation Network Companies (TNCs):**

Staff recommends maintaining TNCs as part of Austin's ground transportation portfolio, but incorporating their regulations into the City Code. Regulations that are recommended include, expanded driver background checks, vehicle safety inspections, fee collections, insurance requirements, and data reported to the City.

ATD staff received the first quarterly reports from TNCs in January 2015, and anticipates initiating an audit of the data in the 2<sup>nd</sup> quarter of 2015. The staff recommendation is to bring an action item to the City Council in six months after the audit results have been analyzed and another quarter's worth of data has been received.

The State legislature is still reviewing operating policies for TNCs on a statewide level that may undercut municipal authority altogether. Staff has provided information to our state legislators about the City's desire to regulate TNCs for public safety and equity reasons. Staff will monitor the bills and report any outcomes at the end of the session.

#### **Next Steps**

ATD staff will bring the taxi franchise agreements to the City Council beginning in April 2015 in order to have three readings of the agreements before they expire. Following is the schedule for

the three readings: First reading – April 23, 2015, Second reading – May 21, 2015, and Third reading – June 4, 2015.

# Regulatory Requirements Comparison

**GROUND TRANSPORTATION  
REGULATORY REQUIREMENTS  
COMPARISON BY CATEGORY**

Ground Transportation Regulatory Requirement Comparison

	TNC	Taxi	Limo/Sedan	Charter	Pedicab	Shuttle	Airport Shuttle	ELSV	Tours & Sightseeing	Horse-Drawn Carriage
Franchise		X								
Permit Limit		X			X			X		
Ground Transportation Vehicle Safety Inspection		X	X	X	X	X	X	X	X	X
State Motor Vehicle Inspection	X	X	X	X		X	X	X	X	
Regulated Fares		X	X							
Minimum Fare		X	X							
Stretched Vehicle			X							
Minimum Fleet Size		X				X				
Street Hail		X			X	X		X		X
Reservation Required	X		X	X			X		X	
Chauffeur Permit Required to Operate Vehicles		X	X	x*	X	X	X	X	X*	X
Criminal Background to City		X	X	x	X	X	X	X	X	X
Permit Cost	\$0	\$450 ea	\$350-\$400	\$350-\$400	\$250 ea	\$350-\$400	\$350-\$400	\$350 ea	\$350-\$400	\$250 ea
Passenger Minimum				X			X		X	
Passenger Maximum		X			X			X		X
Independent Contractor	X	X	X	X	X		X	X	X	

\*Operators of vehicles with a capacity of 16 or more passengers must possess a CDL with passenger endorsement and are not required to secure a chauffeur permit

## Taxicab Regulation versus Transportation Network Company Agreements

[illegible]



# **PEER CITY COMPARISON: TNC REGULATIONS**

## PEER CITY COMPARISON - TNC REGULATION

City/Local Authority to Regulate  
Adopted TNC Regulations  
Proposed TNC Regulations

Fees

Criminal Background

Driving History

Driver Credentialed

Driver Minimum Age

Vehicle Inspection

Inspection Conducted by

Insurance Requirement

Accessible Service Requirements

Reporting Requirements

Trade Dress Required

Limit/Cap on Vehicles

TNCs Currently Permitted/Licensed

TNCs Currently Operating In Jurisdiction

	Austin	Houston, TX	San Antonio, TX	California	Colorado	Seattle, WA	Dallas, TX
Yes	Yes	Yes	Yes	No	No	Yes	Yes
Agreement	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
None	None	2% Gross Receipts	\$160/vehicle	0.33% Gross Receipts	\$111,250	\$0.10/ride (not to exceed \$525,000)	\$1,000 + \$25/vehicle
TNC	TNC	City	City	TNC	TNC	TNC	City
TNC	TNC	City	City	TNC	TNC	TNC	City
No	No	City	City	No	No	No	City
21	21	18	18	21	21	21	
TxMVI	Yes	Yes	Yes	19 pt	19 pt	19 pt	Yes
State	City	City	City	TNC	TNC	TNC	City
\$1M	\$1M	\$1M	\$1M	\$1M	\$1M	\$300K	\$500K
Yes	Yes	Yes	No	No	Yes	Yes	Yes
Yes	Yes	Yes	No	Yes	Yes	Yes	No
No	No	Yes	No	Yes	Yes	Optional	No
No	No	No	No	No	No	No	No
Agreement	Yes	Yes	No	Yes	No	No	No
Yes	Yes	Yes	No	Yes	Yes	Yes	Yes

## PEER CITY COMPARISON - TNC REGULATION

City/Local Authority to Regulate

Adopted TNC Regulations

Proposed TNC Regulations

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Driver Credentialed

Driver Minimum Age

Vehicle Inspection

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Insurance Requirement

Accessible Service Requirements

Reporting Requirements

Trade Dress Required

Limit/Cap on Vehicles

TNCs Currently Permitted/Licensed

TNCs Currently Operating In Jurisdiction

	Baton Rouge, LA	Washington, DC	New York, NY	Chicago, IL	Detroit, MI	Minneapolis, MN
City/Local Authority to Regulate	Yes	Yes	Yes	Yes	Yes	Yes
Adopted TNC Regulations	Yes	Yes	No	Yes	Agreement	Yes
Proposed TNC Regulations	N/A	N/A	No	No	No	N/A
Fees	\$250	1% Gross Receipts		\$10,000/ \$25,000	None	\$10,000
Criminal Background	TNC	TNC	City	City	Yes	TNC
Driving History	TNC	TNC	City	City	Yes	TNC
Driver Credentialed	No	No	City	Yes	No	Yes
Driver Minimum Age	21	21	19	21	21	18
Vehicle Inspection	Yes	Yes	Yes	Yes	19 pt	Yes
Inspection Conducted by	TNC	City/State	City	TNC	TNC	TNC
Insurance Requirement	\$1M	\$100K	\$300K	\$1M	\$1M	\$1M
Accessible Service Requirements	No	Yes	No	Yes	No	Yes
Reporting Requirements	No	Yes	No	Yes	Yes	Yes
Trade Dress Required	Yes	Yes	No	Yes	No	Yes
Limit/Cap on Vehicles	No	No	No	No	No	No
TNCs Currently Permitted/Licensed	No	No	Yes	No	Agreement	No
TNCs Currently Operating In Jurisdiction	Yes	Yes	Yes	Yes	Yes	Yes

**DATA REQUESTED PER  
TRANSPORTATION NETWORK COMPANY  
AGREEMENTS**

## DATA REQUESTED PER AGREEMENT

Pursuant to ordinance #20141016-038 and the agreements executed by the City of Austin and the TNCs, below is a list of information requested. This data is sought in order to help the City evaluate the role of TNCs to address transportation issues.

1. Number of requests/zip code
2. Number of pick-ups/zip code
3. Number of drop-offs/zip code
4. ADA service comparison
5. Length of trips
6. Costs of trips
7. A measure of time in dynamic pricing
8. Total gross receipts from Austin operations
9. Detail outreach to community organizations with ADA-compliant vehicles
10. Information on outreach events to communities that are of lower social economic strata without adequate transit options

The only data provided by both TNCs were items #2 and #3. The remaining data requested was either reported by only one TNC, partially responsive, or no data provided at all.

## DATA REQUESTED PER AGREEMENT

Pursuant to ordinance #20141016-038 and the agreements executed by the City of Austin and the TNCs, below is a list of information requested. This data is sought in order to help the City evaluate the role of TNCs to address transportation issues.

	LYFT	UBER
1. Number of requests/zip code	YES	NO
2. Number of pick-ups/zip code	YES	YES
3. Number of drop-offs/zip code	YES	YES
4. ADA service comparison	NO	NO
5. Length of trips	NO	YES
6. Costs of trips	NO	NO
7. A measure of time in dynamic pricing	NO	NO
8. Total gross receipts from Austin operations	YES	NO
9. Detail outreach to community organizations with ADA-compliant vehicles	NO	NO
10. Information on outreach events to communities that are of lower social economic strata without adequate transit options	NO	NO

The only data provided by both TNCs were items #2 and #3. The remaining data requested was either reported by only one TNC, partially responsive, or no data provided at all.

# City Council Communications

February 8, 2012

Memo to  
Mayor and Council

**TAXI FRANCHISE REPORT**





## MEMORANDUM

**TO:** Mayor and Council

**CC:** Marc A. Ott, City Manager  
Robert D. Goode, P.E., Assistant City Manager

**FROM:** Robert Spillar, P.E., Director, *Robert Spillar, P.E.*  
Austin Transportation Department

**DATE:** February 8, 2012

**SUBJECT:** Report on Taxicab Issues and staff response to CIUR 664

In order to bring Austin's taxi system more in line with its established goals, City staff was directed by Council to prepare ordinance changes and make recommendations on several items, which are highlighted below and detailed in the attached report.

Staff was directed to prepare an ordinance for Council consideration encompassing the necessary code changes and waivers that would allow for the issuance of an additional 75 permits in two phases:

- February 9, 2012, action allocating 30 permits to Lone Star Cab Company and 15 permits to Austin Cab Company; and
- June 7, 2012, action allocating 20 permits to Lone Star Cab Company and 10 permits to Austin Cab Company.

Additionally, staff was directed to amend Ordinance No. 20070517-064 that would align all three franchises with the same ownership requirements.

Staff was also directed to report to Council on recommendations for the following items:

- Legacy permits
- Options to incentivize sustainable fleets
- Taxi stands

Additional reports were requested in the December resolution and are identified in the report. Feedback from stakeholders on each topic are contained in the appendix.

# 2012 Taxi Franchise Changes & Report

REPORT TO COUNCIL  
February 2012



City of Austin  
Transportation Department

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## **2012 Taxi Franchise Changes and Report**

### **INTRODUCTION:**

Through the approval of the State of Texas, the City of Austin was given authority to regulate the taxi industry to ensure safe, reliable, and quality service for residents. The vehicles for hire industry includes a variety of vehicles, including taxicabs, limousines, pedi-cabs, airport shuttles, touring busses, and electric low speed vehicles. Within this group there are more than 1,100 vehicles in service for more than 100 companies. In 2011, the City of Austin engaged Tennessee Transportation & Logistics Foundation to study the City's regulatory framework and make recommendations to improve current service. This report, commonly known as the "Mundy Report", was submitted to the City in September 2011. The City Council has subsequently adopted regulations to allow electric low speed vehicles to operate.

To move forward to address additional issues raised in the Mundy Report, the City Council on December 15, 2011 provided direction to staff on the following:

### **I. Ordinance Changes- 2/9/12**

**A. Council directed ordinance changes** – The City Attorney's office staff has drafted changes to the Franchise Agreements. The City Charter prescribes a process for franchise agreement changes that includes readings at 3 Council meetings within 30 days, 3 newspaper notices, and an effective date at least 60 days after the final reading.

1. Add 30 permits to Lone Star Franchise agreement
2. Add 15 permits to Austin Cab Franchise agreement
3. Align Lone Star Franchise agreement with other franchise agreements<sup>1</sup>

### **B. Staff requested additional changes**

1. Align Lone Star franchise agreement renewal date with other franchises. The Lone Star Franchise is up for renewal in June of 2012. If the renewal is for 3 years, then the three current franchises will be up for renewal together in 2015.
2. Formula permits for 2012 be included in the 75 permits being provided to Lone Star and Austin Cab
  - **FORMULA:** Average of City population growth and increase in taxi trips out of airport = increase in number of additional permits

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<sup>1</sup> In 2007, the City Council awarded the franchise to Lone Star Cab with the provisions about driver ownership. The second reading of the ordinance passed (4-3) with staff direction to incorporate wording to "provide computer dispatch service and setting criteria for the owner/operator structure proposed by the franchise." The interpretation is that 51% of the stock funding for the company should reside with those actively driving for Lone Star.

available. Twenty five percent of new permits would be held for a new franchise, and the remainder would be evenly split between eligible franchise holders

- Based on this formula, 38 additional permits would be available January 2012 and would be evenly split, 19 for Lone Star and 19 for Austin Cab companies, plus 13 (+2 from 2011) available for a future franchise
3. As soon as practical, all franchises must use electronic dispatching systems with GPS locations for vehicle trip ends and provide monthly electronic reports to the City of all trips.<sup>2</sup>

**C. Council directed change to City Code Section 13-2-373 TAXICAB CLEAN-UP FEE to change from \$.10 flag drop surcharge to \$100 clean-up fee surcharge**

1. Some Taxi Drivers have said that one reason they do not provide service late at night is the possibility of intoxicated passengers becoming sick in their vehicles, and the cost to drivers for cleaning and time spent out of service. There is no current data set that could be used to estimate frequency of incidents. In 2010, this issue was raised, and the City Council raised the flag drop by \$.10 per fare to compensate drivers for associated costs.
2. The City Attorney's office staff has drafted the changes to City Code Section 13-2-373 to eliminate the \$.10 flag drop surcharge and implement the clean-up fee surcharge.
3. Transportation Department Ground Transportation Staff will work with the franchise holders and Austin Police Department to ensure that procedures are put into place and appropriate signage is placed in all vehicles.

**D. Taxicab evening flag drop surcharge**

1. The Mundy Report identified a potential need to add taxi service between 9 p.m. and 4 a.m., and during special events like ACL and SXSW. The report suggested a way to do that was to have up to 100 additional permits which would be distinctively marked and only available for use late night or during festivals like SXSW or ACL. Taxi Driver's Association of Austin (TDAA) has suggested that having an evening surcharge would result in additional service being available during those high demand periods.
2. Alternative Formulations
  - 1) Ordinance amendment of taxicab fares to add \$2.50 to flag drop as surcharge from 9 p.m. to 4 a.m. to incentivize evening service.

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<sup>2</sup> The City currently has the right to review all franchise trip information, however, it would be significantly easier to have data submitted electronically allowing City staff easier access when issues are raised about trips available for drivers, time of day use, and dispatch metrics.

- i Impact – Based on data in the Mundy Report, it is estimated that on average the surcharge would result in about a 4% increase in driver's income from fares.
- 2) Ordinance amendment of taxicab fares to \$1.00 per passenger to flag drop from 9 p.m. to 4 a.m. to incentivize evening service.
  - ii Impact – Based on data in the Mundy Report, it is estimated that on average the surcharge would result in about a 3 to 4% increase in driver's income from fares. This assumes that there is an even distribution of party sizes. If there are significantly more 1 or 2 rider groups than 3 and 4 rider groups, the percent increase would be less.
- 3. City Council on 2/2/2012 adopted the \$1 per passenger between 9 p.m. and 4 a.m., which will become effective on 2/13/2012.
- 4. Transportation Department Ground Transportation Staff will work with the franchise holders and Austin Police Department to ensure that procedures are put into place and appropriate signage is placed in all vehicles.

## **II. Report to Council**

### **A. Interests of City of Austin**

1. To serve the basic mobility needs of its citizens: must provide dependable service, at reasonable cost, to meet basic mobility needs such as doctor's appointment or grocery shopping. Must provide service throughout entire region to reach all taxi dependent communities. Although these types of trips typically occur during the day, service must be available 24/7 to ensure needs are met.
2. To provide visitors to Austin reliable service: as a destination city, quality taxi service is expected by visitors (both vacation and business). In addition to airport trips, visitors heavily rely on taxis for the duration of their stay. Therefore, the ability of visitors to enjoy their stay and to preserve Austin tourism, taxi service must be a positive experience for users.
3. To provide flexible & safe service to meet entertainment industry demands: Known as the "Live Music Capitol of the World", Austin experiences increased taxi service demand primarily at night within the entertainment districts. In addition, special events like SXSW and ACL draw thousands of visitors to Austin requiring transportation.
4. To have strong, competitive franchise holders: The City's regulatory framework of managed competition limits franchise access to the market and creates business competition, therefore holding franchises accountable for providing safe vehicles and drivers to serve the public.
5. To provide reasonable working conditions for drivers: Taxi drivers have the bottom line responsibility to service the community and its visitors. If the working conditions of the drivers and the financial framework are not



sufficient to provide a reasonable living for drivers, they in turn will not be available to meet the community's transportation needs. The City has not and does not intend to specifically prescribe how, where, and when independent owner-operators provide service. The City is looking at how it could incentivize drivers to serve areas and times that are currently felt to be under-served.

**B. Impact of additional permits**

1. Riders- Additional permits could reduce response time and provide better service, specific impact would be affected by how the new permit drivers choose to operate.
2. Franchise Holders- If Lone Star receives 50 more permits, they would have 91% more permits, and if Austin Cab received 25 more permits, they would have 15% more permits, with resultant potential income increase.
3. Drivers-
  - 1) Increase of 75 permits adds 11% to the fleet, therefore the average number of trips per driver would be reduced by 11%. This assumes the addition of service does not increase demand. There may be latent demand during the late night hours and during festivals, but there is no current model which could predict the increase in generated taxi trips.<sup>3</sup>
  - 2) Some groups of drivers may be dis-proportionately impacted. For example, if all of the new permit drivers choose to serve the airport, the drivers who regularly work at the airport would be affected more.
4. City of Austin- at \$450 per permit for 75 permits, the City would receive additional revenue of \$33,750 per year

**C. Options for a Legacy Permit Program** – The TDAA has proposed a program to give veteran drivers more leverage in dealing with the franchise holders (see appendix). Staff has not been able to find a program exactly like that proposed, and would therefore recommend that if the Council wants to proceed, that a pilot program be put in place to run until the franchises are due for renewal (see appendix).

**D. Incentives for sustainable fleet options** – The citizens of Austin want it to be a green, sustainable city. An element of the total program is a sustainable ground transportation network. Every opportunity must be taken to enhance the characteristics of our transportation system.

1. Include accessible vehicles in definition of sustainable vehicles. The current policy is that in addition to the permitted taxi fleets, each company can have from 6% to 6.5% more permits that do not count against the cap for wheelchair accessible vehicles. Currently, Lone Star has 5 accessible cabs,

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<sup>3</sup> If the Council had not taken action, the formula permits would have generated 19 permits each for Lone Star and Austin. Those 38 permits would have meant a 6% increase in the fleet. The Council action adds 5% more than what the formula would have produced.

Austin has 11 and Yellow has 22 vehicles. It is recommended that if possible, programs which incentivize sustainable vehicles also include accessible vehicles.

2. Allow sustainable vehicles to continue to be in use beyond 8 years. If a sustainable/accessible vehicle can continue to pass inspections, allow them to stay in service.
3. City identifies grants to help pay for hybrid/electric/bio-diesel vehicles<sup>4</sup>
4. Reduced permit fee for sustainable/accessible vehicle. A reduction in the fees may have marginal impact on fleet mix. An alternative would be to index permit fees to the fuel mileage of the vehicles. For example, a 15 mpg vehicle's permit would be double the cost of a 30 mpg vehicle. The difference could be earmarked for fuel use reduction programs.
5. City identify alternative lease agreements for sustainable vehicles. Ensure that franchise holder-driver contracts do not preclude 3<sup>rd</sup> party leasing options
6. Obtain data from each franchise holder on vehicle fleet mix and mileage. Require that all future fleet additions raise the average fuel mileage. Require with each franchise renewal that they show progress toward a mutually agreed upon goal.
7. Other ideas discussed
  - 1) Allow additional vehicle permits above ordinance limit if vehicle is company owned, day lease, and sustainable. An outline of a program has been discussed, additional details are needed to determine the impact and possible mitigation.
  - 2) At the airport, allow sustainable vehicles to jump to the head of the queue. This needs significant study to look at the impact to existing owner-operators
  - 3) All new taxi permits that the City issues must be for sustainable vehicles. This needs significantly more study. The higher initial costs of the vehicles could limit entry to the market by owner-operators.

#### **E. Downtown Taxi stand implementation**

1. Taxi Stands implemented on East 5<sup>th</sup>, East 7<sup>th</sup>, West 4<sup>th</sup> and Nueces off west 6<sup>th</sup>

### **III. Report to Council (5/24/12)**

- A. The City Council has asked staff to investigate issues related to fees paid by drivers to franchise holders and the availability of insurance for drivers.

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<sup>4</sup> Propane Council of Texas has a program to assist in conversion of vehicles to propane. ProCOT is offering incentives for new LPG engines. They also assist with conversions of existing engines. The Texas Gas Conservation Program offers up to \$3,000 for conversion to natural gas. Information available from Clean Cities program.



#### **IV. Report to Council (6/7/12)**

- A.** The Mundy Report was submitted to the City in fall 2011. It discussed taxis, pedicabs and electric low speed vehicles, and included a number of recommendations. The Council would like a report on all of the recommendations and the feedback from the stakeholders involved with each mode.

#### **V. Direction by Council (June 2012)**

- A. Council directed ordinance changes** – The City Attorney’s office staff will draft the changes to the Franchise Agreements. The City Charter prescribes a process for franchise agreement changes that includes readings at 3 Council meetings within 30 days, 3 newspaper notices, and an effective date at least 60 days after the final reading.
  - 1. Add 20 permits to Lone Star Franchise agreement
  - 2. Add 10 permits to Austin Cab Franchise agreement

#### **VI. Report to Council (pending)**

- A.** New franchise request from United Cab to be processed and brought forward to the City Council as soon as ready

## **VII. Appendix – Taxi Stakeholder/Urban Transportation Commission Feedback**

**Urban Transportation Commission (UTC) Action of January 31, 2012** – The UTC meet to discuss the taxi related issues. Within each section below are captured discussion points from the last two UTC meetings. In addition, UTC members passed the following resolution:

The Urban Transportation Commission recommends to the City Council that they:

- 1) Issue the calculated 53 “formula” permits, without reserving any for a future franchise, to Lone Star and Austin Cab companies, and as the formula generates additional permits in the future, they may be used to repay the future franchise bank,
- 2) Direct staff to work with franchise holders to develop a day lease program,
- 3) Change the fare ordinance to add \$1 per passenger surcharge from 9 p.m. to 4 a.m.,
- 4) Change the fare ordinance to provide a \$100 taxi clean-up fee,
- 5) Incorporate accessible vehicles into the category of sustainable vehicles, to expand the current goal of 6%-6.5% accessible vehicles, and
- 6) Direct staff to continue working with stakeholders to identify potential Legacy Permit program options; it is felt the staff’s proposed pilot is insufficient, unmanageable, and un-implementable.

### **COUNCIL DIRECTION**

#### **Add permits to Lone Star and Austin Cab (50/25)**

Background – Council Resolution on 12/15/2011 directed the City Manager to return to the Council on 2/9/2012 with ordinance changes to add 30 permits to Lone Star Cab’s Franchise agreement cap, and 15 permits to Austin Cab’s franchise agreement cap. Staff is to return in June with additional ordinances to add 20 more permits to Lone Star and 10 more to Austin. [The 2012 Formula provides for 51 additional permits, under previously used process those would have been split with 19 for Lone Star Cab, 19 for Austin Cab and 13 (+2 from 2011) in reserve for future franchise]

#### **Feedback from Stakeholders**

- (DRIVERS) No additional permits, use the annual formula method
- (TDAA) No new permits
- (LONE STAR) Yes to new permits
- (AUSTIN CAB) Should not add more permits, but if the Council does add permits, they would like their share
- (UTC) Discussion of UTC at January 10<sup>th</sup> meeting
  - Use the formula and allot 19 permits to Lone Star and 19 to Austin. Some should be Accessible/Hybrid
  - Ensure City Council is aware of formula permits and speed up the issuance process

### **Align ownership requirements for Lone Star**

Background – In 2007, the City Council awarded the franchise to Lone Star Cab with the provisions about driver ownership. The second reading of the ordinance passed (4-3) with staff direction to incorporate wording to “provide computer dispatch service and setting criteria for the owner/operator structure proposed by the franchise.” The interpretation is that 51% of the stock funding for the company should reside with those actively driving for Lone Star.

#### **Feedback from Stakeholders**

- (Drivers) No comments
- (TDAA) No comments
- (LONE STAR) Yes to modifications
- (UTC) Agreed

### **TO BE REPORTED TO THE COUNCIL BY 2/9**

#### **Legacy Permit Program**

The Taxi Driver Association of Austin (TDAA) proposed a program November 2011. Staff recommends a pilot legacy permit program be put in place to run until the franchises are due for renewal. Both proposals are highlighted below:

#### **TDAA Legacy Permit program proposal:**

1. Driver Requirements
  - a. Current Taxi Driver in Austin
  - b. Must have driven at least the past 5 years for the initial drawing, and 3 years for subsequent drawings
  - c. Must own, contract to purchase, or be willing to purchase a vehicle
  - d. Must be affiliated with a franchise
2. Permit Restrictions
  - a. Permits belong to the City of Austin
  - b. A permit holder can lease his or her vehicle to a maximum of two other approved drivers
  - c. A permit holder cannot receive more than one Legacy Permit
  - d. A permit holder must disclose any interest in another vehicle
  - e. A permit may not be transferred to another franchise more often than once a year
  - f. Legacy permits shall comprise 40% of all permits issued
3. Transition Period
  - a. Driver must apply to be considered in the lottery for a legacy permit
  - b. ATD shall make 65 permits a year available for a legacy permit lottery until 40% of the outstanding permits are held by legacy drivers

- c. Hybrids or other fuel-efficient vehicles and wheel chair accessible vehicles owned by drivers are also eligible for a legacy permit. Such permits shall be issued in addition to the lottery permits. Such permits shall not be counted toward the 40% goal of outstanding permits.
- d. The lottery shall be held annually if there are outstanding permits available

**Staff recommended Pilot Legacy Permit Program:**

1. Lottery for drivers with minimum 10 years of Austin Taxi driving experience
2. Lottery winners get certificate & permission to negotiate with franchise holders
3. Driver signs 1 or 2 year contract with franchise holder, franchise holder issued permit from department
4. Certificate non-transferrable from driver to driver, inactive certificate returned to city for next drawing

Feedback from Stakeholders on staff recommendation

- (DRIVERS) No new permits, use existing permits for legacy, would like 40% of all permits to be legacy
- (LONE STAR) No to new permits
- (AUSTIN CAB) No to taking existing permits
- (YELLOW CAB) No to taking existing permits

\* Franchise holders believe that the program will create instability and potential financial uncertainty

- (TDAA)
  - No new permits for Legacy program
  - All formula permits should be used for legacy program
- (UTC)
  - Un-implementable, challenging, work to be done. All franchises should donate franchise permits for legacy program

**Incentives to promote sustainable fleets**

Background – It is in the City’s interest to expand the number of sustainable vehicles in the taxi fleet.

Feedback from Stakeholders

- (DRIVERS/TDAA) Allow for a 10 year service life for sustainable vehicles
- (YELLOW) Daily use sustainable vehicles up to 50 split among the franchises. Allow additional permits not counting toward the ordinance limit if the vehicles are owned by the franchise, only available for day lease, and sustainable (hybrid, electric, biodiesel, etc.). With these restrictions, they feel the vehicles will only be used during special events and other high demand periods.
- (UTC)
  - “Sustainable” needs to be defined
  - Sustainable and accessible should not conflict or compare

- All efforts to support Sustainable vehicles should also be made for accessible vehicles
- Seek “JARC” and New Freedom Fund Federal grants

### **Taxi Stands**

Background – In December, ATD implemented 4 large taxi stands in downtown, available from 7 PM to 7 AM.

#### **Feedback from Stakeholders**

- (DRIVERS) Awaiting feedback, need marketing of stand locations
  - Look at more spaces
    - AT&T Conference Center
    - 15<sup>th</sup> and Guadalupe
    - University Towers
    - Radisson
  - Make sure parked vehicles removed from taxi stands
- (UTC) More Taxi stands needed in the Warehouse district

### **STAFF RECOMMENDATIONS**

#### **Include 2012 Allocation permits in the 75 additional permits**

Background – The formula allocation for 2012 would make available 51 new permits, 13 of which would be set aside for a future 4<sup>th</sup> franchise, and the remainder allocated equally to Lone Star and Austin Cab Company. By counting the 38 to be within the 75 allocated, the formula can be used in the future once the rise in population and airport taxi departures are sufficient to warrant more permits.

#### **Feedback from Stakeholders**

(DRIVERS) – Need to look at the formula for the future to ensure all modes are accounted for

#### **Require all franchises to implement a GPS enabled computerized dispatch system as soon as possible**

Background – Two of the three franchise holders use computerized dispatch systems. This would require the remaining firm to update their system. Once all of the systems are upgraded the City Staff would like detailed information on the trips being taken. Under the current franchises, data about every trip is to be collected and retained at their offices, and City Staff may go to the site and view the data. There have been anecdotal references to the availability of trips for drivers. The recent upgrade to the airport facilities will now provide a complete picture of the trips from the airport and the length of time a driver sits at the airport to get a trip. The City Council has asked Staff questions related to availability of trips and income earning potential, without detailed information, staff has to use data from other cities or derived data.

#### **Feedback from Stakeholders**

- (DRIVERS/TDAA) Need more dispatched trips
- (LONE STAR) Currently has system

- (AUSTIN CAB) Has framework, would need system and hardware upgrades, could be completed within 1 year
- (YELLOW CAB) Currently has system

**New permits restricted from staging at ABIA unless called in (Delivery to ABIA acceptable) – Not Recommended**

Background - The goal of additional permits is to increase service for the citizens of Austin. Reducing the response time to calls would seem to provide better service, rather than having additional vehicles waiting for customers arriving by plane.

Feedback from Stakeholders

- (DRIVERS/TDAA) New drivers should be restricted from staging at ABIA for the first two years as a driver
- (LONE STAR) No
- (AUSTIN CAB)
  - Alternate Days at ABIA - No
- (YELLOW CAB) No Response
- (UTC)
  - No
  - How can the COA avoid “gaming the system” from drivers who wish to stage at ABIA regardless of the restrictions?

**Align Lone Star franchise agreement renewal date with Yellow and Austin (2015)**

Background – Lone Star Franchise Renewal is scheduled for summer 2012. Aligning renewal dates should make it easier to modify franchise requirements

Feedback from Stakeholders

- (DRIVERS/TDAA) No comment
- (FRANCHISES) No comment
- (UTC) Okay

**ADDITIONAL ISSUES**

**Add \$2.50 surcharge to drop fee from 9p.m. to 4 a.m.**

Feedback from Stakeholders

- (DRIVERS/TDAA) Okay
- (LONE STAR) Yes
- (AUSTIN CAB) Yes
- (YELLOW CAB) No to \$2.50 increase – Alternate proposal to charge \$1.00 per passenger
- (UTC) Discussion at January 10<sup>th</sup> meeting
  - Should this be citywide?
  - Should this be daily?
  - Add an additional \$0.25 to \$0.50 surcharge for transportation initiatives

### **Implementation of \$100 clean-up fee**

#### **Feedback from Stakeholders**

- (DRIVERS/TDAA) Yes to first option
- (FRANCHISES) Yes
- (UTC) Both should be options

### **Remove current restriction of 4 passenger maximum**

Background – The City Code does not allow a taxi to carry more than 4 passengers. Some vehicles are capable of carrying more. The restriction could be increased to the number of seat belts available. The City Attorney's office staff is drafting the changes to City Code, and it will be placed on the Council Agenda as soon as it is available.

- (DRIVERS/TDAA) Okay
- (UTC) Okay
- (FRANCHISES) Okay

### **Additional Ideas from Stakeholders or Staff – Not recommended**

1. City better define Taxi, and other vehicles for hire, to ensure that Taxi riders are not taken by other providers.
2. Future permit allocations based on increasing average trips per shift for a franchise holder's drivers
3. Clean up fee of \$100 should be done in conjunction with requiring passenger compartment video recording
4. City finance sustainable vehicle (hybrid, bio-diesel, etc.) for drivers
5. Implement dispatch requirements, enforcement protocols, and penalty structure
6. New drivers restricted from airport staging for 2 years (to ensure that drivers picking up from the airport know the City)

April 22, 2013

Memo to  
Mayor and Council

**WHEELCHAIR ACCESSIBLE TAXI  
PERFORMANCE MEASURES**





## MEMORANDUM

**TO:** Mayor and Council

**CC:** Marc A. Ott, City Manager  
Robert D. Goode, P.E., Assistant City Manager

**FROM:** Robert Spillar, P.E., Director,  
Austin Transportation Department *Robert Spillar, P.E.*

**DATE:** April 22, 2013

**SUBJECT:** CIUR 790 - Wheelchair Accessible Taxicab Performance Measures and Recommended Process for Enforcement of Minimum Standards

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In response to Council Resolution number 20120614-021, the Austin Transportation Department has been working with Austin Cab, Lone Star Cab, and Yellow Cab to draft and implement performance measures directed at improving wheelchair accessible taxi service, "Special Franchise" permits. The goal of these changes is to improve service, response times, and an overall better management of the current fleet of accessible taxis.

Beginning September 2012, ATD has required a set of standard taximeter data from all three taxi franchises. Because the reporting requirement as well as the taximeter technology is unfamiliar, there have been several challenges during the implementation period. Staff continues to work with the franchises and the software providers in an effort to reach a solution that achieves timely and reliable data collection and reporting.

As outlined in the resolution, the performance measures have been designed to allow for evaluation of service provided and response time for all taxicabs. New reporting standards will be evaluating the following items as directed by Council:

- Wait times for both wheelchair trips and non-wheelchair trips
- Total trips that include a wheelchair (requested and completed)
- Number of requests within 4-hour time blocks
- Number of taxis in service within 4-hour time blocks

In addition to those items, staff also believes there is valuable information to be gained by monitoring the number of customer call-backs and driver-rejected trips. Once a sufficient amount of data has been collected, ATD will utilize the data to establish future baselines for performance standards. Twelve months of data should prove sufficient.

When evaluating the data currently provided, staff will apply the following performance measures:

- Comparable wait times – response time for accessible requests will be required within seven minutes of the average response time for non-accessible requests.

- Accessible service – Each wheelchair accessible taxi will be required to service a minimum of three percent of the total dispatched accessible trips completed by their respective franchise each month.

ATD will present, for Council's consideration, recommendations to delete the current performance requirements in City Code to have the vehicle in service for at least twelve hours a day for 274 days a year. An additional recommendation requiring Council action would then be to adopt performance measures for "Comparable wait times" and "Accessible service" standards.

Should Council adopt the proposed performance measures, ATD would begin an immediate implementation and begin evaluating wheelchair accessible service using the two proposed performance measures (comparable wait times and a three percent service requirement). Upon implementation, ATD will also establish a structured system to address those taxi operators that do not successfully satisfy the two performance measures. Currently there are both owner-operated and company-owned wheelchair accessible taxis in service locally. This process will take into account both circumstances. Outlined below is staff's recommended approach to addressing underperforming taxis.

After a three months grace period, if any driver is found to be failing to satisfy performance measures, ATD will forward a certified notification to the franchise as well as the driver. This notification will document the areas of underperformance, prescribe corrective actions, as well as indicate any further actions to be taken, in the event of continued underperformance.

For the following three months, if the performance measures are not met during any one month period, ATD recommends imposing a mandatory fine. This fine would increase with each additional month of underperformance and would be assessed to the owner of the taxi. After an accessible taxi has received a third fine for underperformance and a continued lack of improvement, it is recommended that owner-operated taxi permits be revoked, with the franchise being given an option to utilize the permit on a company-owned accessible taxi. If the underperforming taxi is a company-owned taxi, the permit would be revoked and reallocated to an eligible franchise.

Lastly, staff is recommending that all future allocations of "Special Franchise" permits, for use on wheelchair accessible taxis, only be provided for company-owned taxis. This is recommended primarily due to the fact that company-owned vehicles can be more directly managed as opposed to vehicles owned by independent contractor drivers.

These staff proposals are planned to be presented to the Urban Transportation Commission in May for recommendations. Staff will submit these items for City Council consideration after the UTC review.

August 21, 2013

Memo to  
Mayor and Council

**RIDESHARE REPORT UPDATE**



## MEMORANDUM

**TO:** Mayor and Council Members

**CC:** Marc A. Ott, City Manager  
Robert Goode, P.E., Assistant City Manager

**FROM:** Robert Spillar, P.E., Director,  
Austin Transportation Department *Robert Spillar P.E.*

**DATE:** August 21, 2013

**SUBJECT:** Rideshare Report Update – August 22<sup>nd</sup> Council Agenda Item No. 81

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On June 27<sup>th</sup> Council directed staff to reach out to stakeholders as a follow up to the release of the draft Rideshare report dated May 31, 2013. The Austin Transportation Department met with stakeholders, briefed the Urban Transportation Commission and has prepared the attached report addendum with recommendations as an update to the report sent to Council on May 31<sup>st</sup>.

Attached with this cover memo are both the addendum dated August 13, 2013 and the original report presented to Council on May 31, 2013.

Staff is available to answer any further questions.



# Rideshare Report - Addendum

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**Austin Transportation Department**

**August 13, 2013**

## **Ridesharing Addendum**

### **(Addendum to the May 31, 2013 report to Council)**

On July 24, 2013, ATD hosted a rideshare stakeholder meeting as a follow up to the release of the draft Rideshare report dated 5/31/13. The meeting was publicized and open to the public. Representatives from Sidecar, Avego, Ridescout, and members of the local taxi industry including the Taxi Drivers Association of Austin (TDAA), independent drivers and franchise representatives were in attendance. Austin Transportation identified the set of core City interests for consideration as the discussion evolved. Those interests include:

- Safety of the traveling public
- Reliable transportation
- Consistently priced options
- Equally accessible throughout the community, regardless of time, geography or circumstance

Stakeholders added their interests in addition to the City's core including:

- Income for Drivers
- Good definitions (Clarity)
- Consistent regulation
- Ensuring any new regulations don't impact current vanpool and carpooling with neighbors or hinder Federal programs
- Availability (festivals and special events)
- Choices allowing donations to recuperate costs
- Modern transportation system (technology)

Representatives from Sidecar and Avego offered their business models for consideration of a pilot program. Below is a comparison of the components of the models discussed during the meeting as well as one proposal received from an operator that was not in attendance. Representatives from Ridescout advised that their platform only provides "transportation options not actual rides" and their interest in this process is that ridesharing remains an option to potential travelers.

SIDECAR:

Program Attributes	Description	Comments
Cost to Passenger	Suggested Donations at the end of the ride, "based on supply and demand principles that are at the core of functional markets"	May exceed \$0.565/mi., which is Federal reimbursement rate
Insurance	Up to \$750,000/\$1,000,000 per incident	—
Vehicle/Driver Safety	Company requires 2000 or later model vehicles, independent inspections of criminal and driving history and vehicles	—
Ride Matching	Passenger indicates origin and destination. No established common purpose	—
Company Funding Model	Up to 20% of driver earnings	—
Platform	Smartphone Application (website guides you to Smartphone)	
Concept	Passenger Convenience	—
Public/Private Partnerships	None	
Incentives for Drivers	Donations	—



CARMA (formerly AVEGO):

Program Attributes	Description	Comments
Cost to Passenger	\$0.20/mile up to \$0.565/mile	Costs capped to maximum Federal reimbursement rate
Insurance	State required personal liability	Non-commercial
Vehicle/Driver Safety	Not vetted – Non-commercial	—
Ride Matching	Blind Matching (Establishes common purpose of driver and passenger)	—
Company Funding Model	Federal Grant for congestion relief and \$0.03/mile from passenger	—
Platform	Smartphone Application and Website	—
Concept	Casual Carpooling	—
Public/Private Partnerships	4 (San Francisco, Santa Barbara, D.C., Austin with CTRMA)	—
Incentives for Drivers	Toll discounts, business discounts, passenger reimbursement as indicated above	—



**NURIDE:**

<b>Program Attributes</b>	<b>Description</b>	<b>Comments</b>
<b>Cost to Passenger</b>	None Reported	—
<b>Insurance</b>	State required personal liability	Non-commercial
<b>Vehicle/Driver Safety</b>	Not vetted – Non-commercial	—
<b>Ride Matching</b>	Blind Matching (Establishes common purpose of driver and passenger)	—
<b>Company Funding Model</b>	Public/Private Partnerships based on sponsorships	Starts at \$2,000/month
<b>Platform</b>	Website	—
<b>Concept</b>	Promote “greener” trips	Ridesharing, transit, biking, telecommuting
<b>Public/Private Partnerships</b>	6 (Massachusetts, Connecticut, D.C., Hampton Roads, Houston, and San Antonio) No longer operating in Austin.	—
<b>Incentives for Drivers</b>	Coupons, discounts, tickets to attractions and events	—

**Recent National Developments on Rideshare**

- New York City prosecuted a Sidecar driver for operating a ground transportation vehicle without the proper authority. Sidecar has suspended operations in NYC.
- The Los Angeles Department of Transportation issued letters to Sidecar, Lyft, and Uber ordering each company and all drivers and vehicles dispatched through the mobile app systems to cease and desist from picking up passengers within the city until they are properly licensed. The companies were advised that failure to comply with the notice is a misdemeanor offense and subject to criminal prosecution and the impoundment of vehicles.

- After continued enforcement operations in Philadelphia, Sidecar announced in June, 2013 that it has suspended operations in Philadelphia.
- The City of Dallas issued two cease and desist letters to Uber for illegal operations.
- The California Public Utilities Commission (PUC) has issued a proposed decision on July 30, 2013 that indicates the Commissioner's **"firmly believes that TNCs (aka SPERs) do not meet the rideshare exemption and actually are for-hire transportation services."** The proposed decision also asserts "there is nothing about the 'new business model' of offering for-hire transportation services through the mechanism of a smartphone application that justifies abandoning the fundamental regulatory infrastructure of the transportation for-hire industry, or that changes the level of regulatory concern. The underlying principle continues to be ensuring public safety. Regulation is the safety net that the public should rely on for its protection." The proposed decision suggests creating a new category similar to charter services.

## Staff Findings

After considering the input presented during the stakeholder process, including proposals on potential operating models for ridesharing, ATD is unable to mitigate the concerns about potentially disenfranchising certain segments of the local population. Providing service to persons with accessible/special needs, individuals without smartphones or credit cards was not addressed to a level that staff could recommend a provider for a pilot program.

City staff echoes the California PUC recent findings on Rideshare, which stated they "firmly believes that that the current operations of TNCs (aka SPERs) do not meet the rideshare exemption and actually are for-hire transportation services... The underlying principle continues to be ensuring public safety. Regulation is the safety net that the public should rely on for its protection." After reviewing filings and supporting documents, the CPUC states there is no evidence that SPER drivers have a common work-related or incidental purpose with their passengers.

The CPUC, in its proposed decision, also addresses insurance related to SPER operations. The Personal Insurance Federation of California (PIFC) provided comments for the CPUC's consideration. The PIFC stated that "in situations where a vehicle is insured as a private vehicle and is used to transport passengers for a fee, no insurance coverage would exist." The CPUC inquired about the sufficiency of the minimum liability coverage required under California Insurance Code. The PIFC asserts that "since there would be no coverage for the type of situations at issue, the minimum amount of coverage would be irrelevant. Finally, the PIFC noted that "the issue before the Commission is not ridesharing, but instead it is one of using a private passenger vehicle in a livery service. This is clearly not covered under a standard policy; if an accident occurs, coverage would not exist." The CPUC will require each SPER maintain excess liability insurance policies providing a minimum of \$1,000,000 (one million dollars) per-

incident coverage for incidents involving SPER vehicles and drivers in transit to or during a SPER trip.

Taking into consideration all proposed rideshare models and the components of each, ATD does not recommend initiating a rideshare pilot program beyond those currently operating within the region.

There was one model presented that currently operates within the recommended parameters of rideshare and is being deployed in the region with a cooperative grant from the region (Avego). This model will be monitored by ATD to evaluate the feasibility of operating additional rideshare programs that employ a mobile application and reimburses the driver's cost of operating their vehicles.



# Rideshare Report

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Presented to City Council on May 31, 2013

**Austin Transportation Department**

**August 13, 2013**

## **Ridesharing Executive Summary**

### **A report to the Austin City Council from the Austin Transportation Department**

On March 7, 2013, the Austin City Council passed resolution 20130307-067, providing the following direction to the City Manager:

*“The City Manager is directed to explore ridesharing regulations in other cities and make recommendations on the parameters within which ridesharing should be allowed in the City of Austin.*”

The Austin Transportation Department (ATD) investigated ridesharing rules and regulations in a variety of other cities to determine the state of the practice. ATD found that all of the cities contacted indicate an on-going concern with the emergence of new smart phone enabled applications which facilitate private citizens in violating ordinances related to vehicle-for-hire (taxis). Both Houston and San Antonio have taken outright action to either enforce existing regulations against illegal use of these new technologies or are defining the technologies as outside the parameters of the established vehicle-for-hire program for the community (Houston is ticketing and impounding drivers providing service as illegal taxis, and San Antonio has passed ordinances requiring smart phone application dispatching to be licensed as a franchise per their normal vehicle-for-hire program).

East coast cities such as Philadelphia, Washington D.C., and New York City are each actively enforcing their vehicle-for-hire ordinances against what they believe are illegal taxis facilitated by new smart phone enabled dispatch applications. Several are taking direct legal action against providers of smart phone applications providing these services.

Based on staff research, only in California is there confusion related to the entry of smart phone dispatch applications into the market. The State of California, through its California Public Utilities Commission (CPUC), is debating whether or not the State has jurisdiction over these services. This has caused conflict with local communities such as San Francisco which believes it has authority over the regulation of such services within its jurisdiction. San Francisco regulators have taken the stance that smart phone enabled applications, if operating outside one of their authorized taxi providers, are providing illegal taxi services within their city. San Francisco, along with other major cities in California, is awaiting final CPUC rulings on this issue. According to at least one business news source, the CPUC will rule if it has jurisdiction sometime later this summer. Should it rule it does not have jurisdiction, then the individual cities in California are likely to take action against these types of operations.

There is no question that technology is rapidly changing and offering new opportunities to promote policies on alternative transportation options in Austin. Yet there are clear distinctions between a “**car-vanpool**” and a “**vehicle-for-hire**” as evidenced in the Austin City code and with cities across the U.S.

**Carpool/Vanpool (car/vanpool):** Ridesharing activity occurring when family members, friends, or acquaintances are sharing a common trip, defined as having common origins and



common destinations. Compensation for these type of trips is assumed to be a sharing of the actual costs. Insurance coverage remains the responsibility of the driver and private auto insurance typically covers car/vanpool ridesharing activities. The safety of the passenger and the driver is left to the participants' responsibility.

**Vehicles-for-hire:** Commercially available rideshare transportation services as provided by licensed taxi, limousine, shuttle, charter, pedicab, bus, or authorized electric low speed vehicles, typically regulated by a jurisdiction for safety, performance, and other business practices.

The City has chosen to regulate and monitor for-hire activities (Chapter 13-2) in order to provide for safe, reliable, reasonably priced transportation available equally throughout the community. The regulations offer a citizen safety net, with criminal background checks for drivers, vehicle safety inspections and proper insurance liability for drivers and passengers in the case of an incident or accident.

Some members of our community depend on taxicab services to meet basic mobility needs. Therefore, the City requires that taxi services be available 24 hours a day, 7 days a week. The taximeter is used for all trips within the City so that there will be a consistent price, which could not be artificially raised without notice. In exchange for providing these basic public services and ensuring drivers and vehicles are safe and reliable; the City awards operating permits to drivers and companies.

Thus the question before the community is not whether technology can assist with facilitating ride connections, but rather whether the use of an application is designed for or promotes compensation that exceeds the actual cost of the trip.

The City of Austin regulates how, when and where a person can sell food on the street for public health and safety concerns, but not if a friend offers another friend a meal. Car/vanpools versus vehicles-for-hire regulations follow this same premise.

Staff recommends that the franchise and licensing requirements for vehicles-for-hire, including franchise requirements, be maintained to assure the safety of the traveling public. Further, staff recommends that new technologies be required to work within current City Code, either promoting car/vanpools as defined in this report or obtain a franchise license (or alternatively operate under a current franchise license holder). Staff does not recommend the further regulation of car/vanpools when those activities fall within the scope of such activities as defined in this report. Staff recommends that additional clarification be added to City Code, Chapter 13-2, to improve citizen understanding of ridesharing and to reduce confusion between car/vanpool activities and vehicle-for-hire services. Staff is submitting definitions for approval by Council that would accomplish this latter recommendation.

### **Ridesharing**

#### **A report to the Austin City Council from the Austin Transportation Department**

**May 31, 2013**

The Austin City Council requested staff to research national best practices with regards to how other jurisdictions are managing companies offering "Ride Sharing" services, with specific interest in smart phone enabled ridesharing companies. On March 7, 2013, City Council passed resolution 20130307-067, providing the following direction to the City Manager:

*"The City Manager is directed to explore ridesharing regulations in other cities and make recommendations on the parameters within which ridesharing should be allowed in the City of Austin. The recommendations should include, but no limited to: 1. Insurance, registration, and license requirements; 2. Criminal and driving background checks for drivers; 3. The method of connecting drivers and riders; and 4. Cost-sharing parameters.*

*The City Manager is further directed to bring the recommendations and proposed ordinance, if any, to Council by June 1, 2013.*

*The City Manager is directed to issue and enforce cease and desist orders against firms that engage in peer-to-peer ridesharing for compensation, and to use whatever legal and effective means are available to discourage use of peer-to-peer ridesharing for compensation until the public safety and other regulatory concerns have been addressed."*

## **Experience from Other Cities**

Members of the Austin Transportation Department belong to the International Association of Transportation Regulators (IATR), an industry association of government regulators engaged in the management and regulation of the taxi and vehicle-for-hire industry nation-wide. Representatives from ground transportation companies, including representatives from various smart phone enabled ridesharing (SPER) providers, are also members of this organization. The purpose of the organization is to provide opportunities to share information between jurisdictions on topics facing the industry as a whole. Smart phone enabled ridesharing services represent one issue facing a number of jurisdictions within the organization collectively. The City of Austin, along with other member organizations, requested that the IATR on behalf of its members develop a report expressing the collective knowledge of the organization and its members on these new technologies and companies. The report, entitled: "Rogue Ridesharing Apps & Model Regulations: Illegal Hitchhiking-for-Hire or Sustainable Group Riding?" is available at <http://www.windelsmarx.com/resources/documents/Ridesharing%20Applications%20-%20May%202013%20-%20Daus.pdf>.

The City of Austin, as a member of IATR, contributed information to the above report. City staff members assisted by providing notes based on conversations with peer cities and also by providing examples of our existing City of Austin ordinances and regulations governing vehicles for hire. By participating in the IATR report, staff gained access to information provided by other members of the IATR identifying what is occurring in those other jurisdictions. Additionally, staff completed further

original research, calling peer regulators in other jurisdictions to confirm our understanding of their response to emerging smart phone enabled ridesharing (SPER).

Staff believes the findings of this report and the independent responses collected from peer cities provides a snapshot of industry best practices as it relates to the emerging influence of digital technology on the industry. The unfiltered responses collected by staff are provided below:

- **Philadelphia** – Rideshare applications use any person off the street and their car, neither of which are vetted; criminal and driver checked, trained, inspected, nor insurance verified by regulators. Rideshare apps have not been authorized to offer service to the riding public of Philadelphia and have been cited for running an illegal dispatch operation and operating with uncertified drivers and vehicles. As long as they continue to attempt to remain in operation in Philadelphia, they would face the same response from PPA-TLD Enforcement. (Source: James Ney, Director, Taxicab & Limousine Division, Philadelphia Parking Authority, 3/6/2013)
- **Washington, D.C.** – The DC Taxicab Commission has determined that “these services and the drivers and vehicles associated with them, are public vehicle-for-hire services that must comply with District licensing laws and Commission regulations. The Chairman of the Commission stated “We are concerned the private cars used to provide these services have only ordinary, non-commercial insurance that we believe may deny coverage to passengers in the event of an accident. The Commission will take legal action against any person knowingly flouting District law by connecting passengers to unlicensed vehicles or operators.” (Source: Ron Linton, D.C. Taxicab Commission Chairman, 4/12/2013, *original COA resource included in IATR report*).
- **New York** – Without commenting on any specific app, if an entity exhibits characteristics of for-hire service, such as requiring payments for point-to-point rides with the City of New York, they would need to be licensed.” (Source: New York Times, Allan Fromberg, Deputy Commissioner for Public Affairs, New York Taxicab and Limousine Commission, 3/29/2013)
- **Houston** – Issued one Cease and Desist order indicating the service violates the Houston City Code requiring licensing for providing for-hire services. (Source: Nikki Cooper-Soto, Administrative Manager, City of Houston Administrative and Regulatory Affairs Department)
- **San Antonio** – On March 21, 2013, adopted an ordinance requiring all “smartphone applications” to seek licensing from the department prior to operation within the City of San Antonio. Staff at the city of San Antonio indicates that none of the smart phone application firms has sought licensing under this new ordinance, nor would they likely qualify under their current operating platforms. An excerpt from the San Antonio ordinance provides the following:

No person for compensation or at any charge to a passenger shall by any means (including but not limited to any data or electronic communication, any telephone and cellular service, any software, any application, any internet service, and any physical presence) operate, arrange, dispatch to or solicit a Vehicle-for-hire unless permitted under this chapter. A person is responsible for violations of this chapter by his own conduct, by the conduct of another person if acting with intent to violate this chapter he solicits, encourages, directs, aids or attempts to aid another person to violate this chapter, or by both.



(Source: City of San Antonio City Code, verified by Gary J. Gilbert, Transportation Services Manager, Ground Transportation Unit, San Antonio Police Department)

- **California** - All California cities will be impacted by the actions of the California Public Utilities Commission. We received specific comment from San Francisco, with concurrence from other cities.

**San Francisco** – The California Public Utilities Commission has issued cease and desist orders to 3 “app providers”. The PUC is in the midst of proceedings on “rideshare apps” and other issues associated with smartphone ride referral services. This proceeding is expected to last another several months. “It has already allowed, in the interim, the continued operation of these entities notwithstanding evidence on record that some of these services do not include the benefit of auto liability insurance, among other safety concerns.” The public doesn’t understand the rights they are waiving; the obligations they are undertaking and the risks they run when they use these services. The businesses we have experiences have misrepresented the nature of their services without any accountability to anyone, and have taken every opportunity to use social media and the press to disparage the taxi industry and the concept of for-hire regulation generally. It has reached the point in San Francisco that nearly every other car on the street has a pink mustache and our taxi industry is, no joke, looking to be on the verge of collapse. Road rage incidents between taxi drivers and these cars is a nightly occurrence. Although there is no way for me to know how many cars have been or are about to be deployed (it is impossible to monitor these services, much less regulate them), at this rate, it won’t be long before their numbers exceed the numbers of our taxi fleet.” It is important to note that this is a transportation management issue as well. It impacts congestion management, pedestrian safety as well as emissions. We are concerned with “Who’s behind the wheel?” and “How much are they charging?” How can you successfully manage traffic when you have no control of the amount of commercial vehicles on the street? There is also a complete lack of data being made available. (Source: Christiane Hayashi, Deputy Director of Taxi Services, San Francisco Municipal Transportation Agency. 3/5/2013 & 4/22/2013).

In his 2013 State of the City Address, San Francisco Mayor Lee stated, “*we’re embracing alternate forms of transportation through the new “Sharing Economy,” with carsharing provided by companies like City Carshare, Zipcar, Getaround and Relay Rides and electric scooter-sharing from SCOOT. And a growing number of San Franciscans look to their smartphones every day to summon a taxi, an Uber sedan, or participate in innovative rideshare services like Sidecar and Lyft.*” (Source: 2013 State of the City Address, January 28, 2013, College Track, San Francisco <http://www.sfmayor.org/index.aspx?page=921>).

This statement, hailed by promoters of some smart phone application providers as demonstrated support by the City of San Francisco of their platform, is not consistent with the strategy being pursued by San Francisco regulating authorities. City of Austin Staff investigated the Mayor’s statement and received the following response from the San Francisco Municipal Transportation Agency:

“Our Mayor, from a broad economic development perspective, has supported technological innovation and “the sharing economy.” The Mayor’s view is not shared by this local taxi regulator when it comes to the specific businesses Lyft and SideCar. To the contrary, I perceive regulatory problems to our transportation system as specified in my letter.

Contrary to representations in recent media articles that I have seen, neither the San Francisco taxi regulator, nor the California Public Utilities Commission that regulates charter party carriers has “cleared” SideCar to operate in San Francisco or in California. To the contrary, it is my understanding that SideCar in particular continues to be subject to a state CPUC cease and desist order because it has not been able to provide evidence of insurance coverage satisfactory to the California PUC.

The San Francisco Municipal Transportation Agency, which is the local taxi local regulator, has not yet acted one way or another in deference to the ongoing inquiry before the state government as to whether these services come within existing state regulation, or whether existing state regulation needs to change to accommodate them. The SFMTA and the San Francisco Airport have been actively engaged in the CPUC rulemaking proceeding however, and have filed multiple statements expressing concerns similar to those expressed in my letter. I would be happy to forward those statements filed before the CPUC, if that would be helpful. They are also available online at [www.cpuc.ca.gov](http://www.cpuc.ca.gov), docket number R12-12-011. See filings by SFMTA and the San Francisco International Airport. (Source: Christiane Hayashi, Deputy Director of Taxi Services, San Francisco Municipal Transportation Agency 5/28/2013)

Note: the regulations in California remain fluid and are clearly evolving on a daily basis. On Friday May 24, The San Francisco Business Times reported that “Sidecar (finally) gets CPUC approval for ridesharing”. However the text of that article also stated that “ridesharing services aren’t totally out of the woods yet. The CPUC is reviewing rules around ridesharing and will make a decision towards the end of the summer about whether these companies fall under its jurisdiction.” (Source: Lindsay Riddell, San Francisco Business Times, May 24, 2013, <http://www.bizjournals.com/sanfrancisco/blog/2013/05/sidecar-finally-gets-cpuc-approval.html>).

City of Austin staff anticipates that given their previous responses, municipal regulators such as those in San Francisco, will likely to continue to argue that they have jurisdiction to regulate and license what is or is not a legal service within their community or serving their airport.

**San Diego and Los Angeles** – Currently in proceedings with the California Public Utilities Commission similar to San Francisco.

In addition to staff’s assemblage of interviews and information from other jurisdictions, staff reviewed the previous report prepared by Dr. Mundy for the City of Austin and received additional information subsequent to the preparation of that report. Dr. Mundy states:

*“Unfortunately our 2011 Transportation Study for the City of Austin did not address transportation apps such as Sidecar. They were simply not part of the market place at that time. However, since that time we have had the opportunity to follow the activities of apps such as Sidecar and Uber and have quickly come to the conclusion that firms like Sidecar are, at a minimum dispatch companies, and in the specific case of Sidecar, and operating taxi company without city authorization. The current resolution before City Council could appear to sanction these illegal operations while the City studies the issues surrounding this type of company and the experiences of other cities. In my strongest opinion, this should not be permitted to happen. Just as in the case of electric go-cart type vehicles, which provided little to no real safety to riders, the City of Austin, by allowing Sidecar to operate, would assume tremendous liability. The City of Austin has a good ground transportation regulatory group and enjoys a very high level of call taxi service from its legal operators. Allowing Sidecar to operate would be*

*detrimental to these existing transportation providers, your driving core, and the residents of Austin that depend upon their services."*

## **Experience from Other Regions (Related to Programs Encouraging Car/Vanpool Activities)**

In addition to surveying other jurisdictions as to what they are doing related to smart phone enabled dispatch services within their jurisdictions, staff also surveyed programs in a number of cities that actively seek to promote car/van pool forms of ridesharing. Staff researched on-line programs in the following metropolitan areas and programs:

- **Austin**
  - Metropolitan Planning Organization (MPO) - Commute Solutions
  - Capital Metro MetroRideShare 477-RIDE
- **Houston-Galveston**
  - MPO Nuride (Public-private partnership)
  - Houston METRO Star Ride
- **Dallas**
  - NCTCOG [tryparkingit.com](http://tryparkingit.com)
  - Dallas Area Rapid Transit (DART) Vanpool program
- **San Antonio**
  - Alamo Area Council of Governments Commute Solutions
  - VIA Metropolitan Transit Vanpool services

- **Southern California**
  - Commuter Solution
  - Los Angeles, Orange and Ventura Counties 511 Travel Services
  - Inland Empire 511 Travel Services (IE511.org)
- **Seattle/Puget Sound**
  - RideshareOnline.com
- **Birmingham/Montgomery/Mobile**
  - [www.commutesmart.org](http://www.commutesmart.org)

Each of these regions promotes car/vanpool formation through various governmental entities or public, private partnerships. Commonalities of all these programs center on providing ride matching assistance based on trip definition (starting and ending point, time of day preferences such as smoking or gender of partner). In this way, the programs assure trip commonality in matching potential passengers with drivers.

Another common feature is that programs in these regions provide a trip calculator that allows the user to calculate the cost of his/her trip based on fuel costs, tolls, insurance, and maintenance costs, etc. Each region also typically provides information on alternative travel options such as transit, formal vanpools and bicycling.

Many of these communities currently offer their services through web access for use by their customers in requesting trips and seeking to gain ride matches. Phone based service is also typically provided via an operator. Several of these regions indicate that they are working on smart phone applications that will improve their reach and functionality within their community and within the context of car/vanpool services. Ride match programs typically do not assist with any financial decisions with regards to splitting the cost of the actual trip taken because their function is primarily to pair trips of similar purpose. The responsibility for the travel arrangement remains that of the individuals participating in the car/van pool and is presumed to be associated with splitting the actual costs of the common trip.

Funding for car/vanpool programs in other regions varies by jurisdiction. Those jurisdictions currently identified as those in “non-attainment” for air quality standards typically receive CMAQ (Congestion Mitigation and Air Quality) funding from their state. These funds can be used to fund expanded programs to encourage car/vanpooling within a jurisdiction. Both the Houston/Galveston and Dallas/Ft. Worth regions receive CMAQ funding and use them to encourage car/vanpooling within their region. The City of Austin remains in attainment and does not yet receive CMAQ funding.



## Defining Rideshare Activities

Recent public debate regarding ridesharing is resulting in confusion around the terminology of “ridesharing”, “vehicles-for-hire”, and “car– vanpooling”. Based on industry definitions, anytime two or more people share a trip, they are actively engaged in a ridesharing activity. Vehicles-for-hire (licensed taxis, limousines, shuttles, charters, pedicabs, and buses) as well as car and vanpools are forms of ridesharing. Distinction needs to be made between the types of ridesharing occurring in Austin – between a vehicle-for-hire and car or vanpool service -- so that a recommendation on a policy approach on management can be made. For purposes of this response to Council, the following background helps distinguish between the two forms of ridesharing:

- **Carpool/Vanpool (car/vanpool)**: ridesharing activity that occurs when family members, friends, or acquaintances share a common trip, defined as having common origins and common destinations or where the trip is incidental to the overall purpose of the activity. Examples include: two people in same general part of town sharing a commute trip to a common work site or employment center; two or more people meeting up at a common location to then travel to a second location such as a sporting event, employment location, shopping opportunity or other activity; a parent providing rides to another parent’s child to attend an activity, a family traveling together possibly making multiple destination stops, or a care-giver providing a ride to a person under his or her supervision as part of an overall care related job. Compensation for these types of trips is assumed to be a sharing of the actual costs of the trip. Insurance coverage remains the responsibility of the driver and private auto insurance typically covers car/vanpool ridesharing activities. The safety of the passenger and the driver is left to the participants’ responsibility.

Both public and private entities exist to facilitate car/vanpool formation. In Central Texas, both Capital Metro and the Capital Area Metropolitan Planning Organization(CAMPO) offer van and carpool matching programs to coordinate persons making common trips for purposes of ridesharing. Nationally, several private not-for-profit and even for-profit companies provide assistance with ride matching. Both the publicly supported car/vanpool programs as well as the private ones utilize electronic technologies to assist in their business models, including smart phone applications. However, many car/vanpools are simply formed between individuals knowing each other and knowing that they can save costs or achieve an environmental goal by sharing a common trip without the use of sophisticated technology. The key to these activities (whether supported by a third party or not) is that the shared trips are typically for a common purpose, have commonalities in their starting and ending locations, or are incidental to normal day-to-day activities.

- **Vehicles-for-hire**: commercially available rideshare transportation services as provided by licensed taxi, limousine, shuttle, charter, pedicab, bus, or authorized electric low speed vehicles, typically regulated by a jurisdiction for safety, performance, and other business practices. If

permitted by the City of Austin, drivers providing vehicle-for-hire service are required to pass criminal and safety background checks certified by the City, maintain a current Class C driver's license from the State of Texas, operate within the parameters granted to them through the franchise or operating authority of their parent company, maintain their vehicle in good working order and within registration, and maintain commercial insurance. Vehicle-for-hire operations in Austin and many other jurisdictions are regulated as to the charges that may be asked of the passenger, how a passenger can be identified and acquired, and how a potential passenger may be treated (discrimination is not allowed).

Vehicles-for-hire are regulated under current City of Austin code. Although this code is identified by many of our peer Cities as one of the best in the country, some sections of the code have not kept pace with emerging technologies and expectations of our citizens. Staff is engaged in a process to modernize the code and has communicated to Council a schedule of planned items to be addressed. In the past year, staff has brought to Council several issues, including the requirement for taxis to have electronic taxi meters, collect and report operational data so that performance can be measured, and the renewal of several franchises. As part of the new franchise agreements, taxi dispatch companies in Austin are required to provide electronic dispatch services for their drivers and customers. The three taxi franchises have surpassed this requirement and are now also providing smart phone applications to supplement electronic dispatching service they provide. Because these smart phone applications connect licensed taxi drivers directly to potential customers, they operate within the context of City Code.

## **Options for Addressing Smart Phone Enabled Rideshare (SPER)**

### **Dispatching Applications**

Council requested staff provide options for how SPER dispatching applications could either operate legally under existing City Code or be regulated by new code. Staff has developed four options for Council to consider:

#### **1. Smart Phone Enabled Rideshare (SPER) providing car/vanpool activities**

- a. Description – If the companies and drivers participating in the activities provide service that does not cost more than the federal mileage rate, tolls, and parking costs (i.e., the cost of the trip), they are providing car/vanpool activities and would not fall under City Regulation.
- b. Required Changes to City Ordinances – Adopt definition of rideshare that includes a ceiling of the federal mileage rate, tolls, and parking costs for clarification purposes only. Existing City Code is currently interpreted by staff to accommodate and not regulate car/vanpool activities.

- c. Potential Impact – Improved ability of participants to clearly define car/vanpool activities as opposed to vehicle-for-hire type services. Potential decreased opportunity for revenue to SPER's and their drivers.

## **2. Regulate SPER's as Taxi Franchises**

- a. Description – City code currently would allow up to two additional franchises, if there has been an established need for additional permits. SPER's would have to meet franchise requirements, and drivers and vehicles would have to meet standards as currently identified in City Code for taxis. Existing City Code specifies under what conditions Council may find that additional franchises are warranted.

Alternatively, a SPER could partner with an existing franchised or licensed provider of vehicle for service and operate within the parameters of that franchise or authorized operator. For example, Uber has previously partnered with a number of pedicab companies during special events here in Austin and operates within the pedicab regulation (pedicab fares, unlike those for taxis, are negotiable prior to the ride being taken).

- b. Required Changes to City Ordinances – None, however this requirement could be clarified in existing City Code to reduce the potential for on-going confusion on the part of the public.
- c. Potential Impacts –
  - Increased need for staff to manage and monitor activities in the field;
  - Potential impact to current driver's incomes may be negative if the number of authorized vehicles exceeds the formula-estimated need for service within Austin;
  - Increased costs for SPER's to provide fixed facilities, reporting and auditing, and insurance.
- d. Note: this is the approach essentially taken by both Houston and San Antonio. Houston is currently enforcing their existing vehicle-for-hire ordinances without distinguishing the difference between a SPER dispatch operation and a more traditional franchise operation. San Antonio has clarified their code to make it clear that such SPER activities, if facilitating drivers to operate for profit, must register as a franchise or obtain a license under their city code.

### **3. Regulate as a new category of vehicles-for-hire**

- a. Description – Make a new category of vehicles-for-hire which decouples drivers and vehicles from higher level organizations (i.e., franchises or licensed operators). Each driver would be required to obtain a permit from the City equivalent to current city chauffeur's license. They would have to demonstrate that they have insurance for their vehicle that covers the commercial use of that vehicle. Vehicles would be required to have state inspection and be properly registered in Texas. They could then accept dispatch from any source.
- b. Required Changes to City Ordinances – Add to City Code Chapter 13-2 clarification on Council's intent related to SPER's and drivers that operate under these systems.
- c. Potential Impacts –
  - Increased need for staff to administer, manage and monitor activities in the field (expanded enforcement requirements);
  - Potential loss of control over trip charges if a taximeter is not required, adding the potential for arbitrary pricing, and loss of 24/7 coverage of entire City;
  - Potential loss of mandate for accessible taxi needs;
  - Potential negative impact to current driver's incomes, and franchise models.

### **4. Deregulate all vehicles-for-hire**

- a. Description – Remove City Code Section 13-2, removing all regulation of vehicles-for-hire
- b. Required Changes to City Ordinances – Delete City Code Section 13-2
- c. Potential Impact –
  - Decreased need for staff to administer, manage and monitor activities in the field;
  - Loss of management control over unsafe activities or behaviors on the street (the City would no longer have the ability to revoke an operating authority or franchise for systematic unsafe performance on the street; ordinances and traffic safety laws would be the only basis for citation and behavior management on the street);
  - Loss of control over trip charges without taximeter requirement with added potential for arbitrary pricing, no 24/7 coverage of entire City;



- Alternative accessible taxi program would need to be developed and possibly funded by the City to meet the basic travel needs of persons with disabilities;
  - Potential negative impact to current driver's incomes, and currently authorized franchises and licensed operators;
  - The additional safety requirements placed on existing vehicle-for-hire vehicles would not be enforceable, only safety state inspections required for individual vehicles would be available.
- d. Note: The City of Seattle attempted deregulation in 1979 because it was believed that competition would provide the public with improved service and lower rates. The City found that instead of improved service, service quality declined and rates were often higher. Impacts from the deregulation were viewed as substantially negative and led Seattle to reregulate the taxi industry in 1984. A report on this experience is provided by the International Association of Taxi Regulators (IATR) entitled "Taxicab Deregulation and Regulation in Seattle: Lessons Learned" by Craig Leisy, Manager of the Consumer Affairs Unit for the City of Seattle.

The report can be obtained at:

<http://www.seattle.gov/consumeraffairs/docs/IATRTAXICABDEREGULATIONANDREREGULATIONINSEATTLE9-11-2001.pdf>

### **Staff Recommendations**

Staff believes that car/vanpools are important elements of the Austin transportation portfolio and market place. The City is actively engaged in trying to promote car/vanpool activities to provide greater capacity on area roadways and thereby reduce congestion, reduce the demand for parking in key activity centers within the region, and to reduce pollution. Staff is working with area partners such as the Capital Area Council of Governments, Capital Metropolitan Planning Organization and Capital Metro to expand the awareness of car/vanpooling tools and options. Staff believes it is NOT in the interest of the city to regulate car/vanpool activities. Further, we believe we have received direction from council that we should continue to support, encourage, and expand the opportunities for car/vanpool activities as part of the transportation and air quality responsibilities of the Austin Transportation Department. Staff recommends that the definition of car/vanpools be enumerated in City Code and the intent of the City to NOT regulate these activities but rather encourage them be clearly defined.

Staff believes that it continues to be in the City of Austin's and citizens' best interest that the City regulates the vehicle-for-hire industry. Staff recommends clarifying the definition of vehicles-for-hire, including the definition of compensation, tips, and fares so that citizens can clearly differentiate between vehicles-for-hire and car/vanpool activities. Staff believes that it is in the interest of the City

to manage and regulate the industry for purposes of public safety and to assure that a base level of mobility is provided by the industry to all parts of the community regardless of time, geographic location, or circumstance. Further, it is staff's best recommendation that all rideshare activities either fall into the definition of car/vanpool or vehicles-for-hire. The introduction of smart-phone enabled rideshare (SPER) applications to assist in either matching like-trips or in the solicitation of customers is demonstrated by both car/vanpool operations and by licensed vehicles-for-hire within Austin. Thus, the issue is not one of a new technology creating a "third space" for ridesharing, rather the question is can citizens reasonably differentiate between a legitimate car/vanpool activity and that provided by licensed vehicle-for-hire providers in Austin.

Staff believes that these two services (car/vanpool or licensed vehicles-for-hire) represent the full spectrum of ridesharing activities possible and that smart phone enabled rideshare (SPER) applications either facilitate legitimate car/vanpool activities where compensation is on the basis of trip cost (now legal under City Code); or they are serving as dispatch for a vehicle-for-hire activity, that if not licensed through a taxi franchise or operating authority, is illegal.

In other words, as soon as a passenger and driver's individual trips lose a commonality of purpose, they potentially cease to be a car/vanpool and begin to take on the characteristics of a chauffeured trip. As soon as a passenger is encouraged or enabled to over-pay for a trip (i.e., provide profit), tip for the quality of the trip, or compensate a driver for more than what the actual trip costs, then the passenger becomes a customer and the driver a taxi driver. Thus the question is not one of technology creating a new type of ridesharing but rather one of a legal or illegal business transaction as defined in City of Austin Code, Chapter 13-2, Vehicles-for-hire.

Staff recommends that the franchise and licensing requirements for vehicles-for-hire, including franchise requirements, be maintained to assure the safety of the traveling public. Further, staff recommends that new technologies be required to work within current City Code, either promoting car/vanpools as defined previously or obtain a franchise license (or alternatively operate under a current franchise license holder). Staff recommends additional definitions be added to City Code, Chapter 13-2 to improve citizen understanding of ridesharing and to reduce confusion. Staff is submitting to Council improved definitions that represent this recommendation.

## **Frequently Asked Questions**

In an effort to provide a full response to Council, staff has interacted with stakeholders on both sides of the issue related to smart phone enabled rideshare services. We have received a range of comment from members of the Urban Transportation Commission and we have solicited input from ground

transportation providers and franchise holders in Austin. We have also received comment provided to City Council, the UTC and the department directly by a number of citizens. Through this process we have repeatedly heard several frequently asked questions related to the issue of this report. The below information tries to respond to those questions and is consistent with the previously provided recommendations:

**What is ridesharing and what is not?** Ridesharing is any trip making activity where two or more people share a trip. Ridesharing either takes the form of a car- or vanpool or potentially becomes a vehicle-for-hire such as a chauffeured trip, taxi, or charter. Car/vanpools are shared trips between persons with a commonality of purpose (similar start and/or end point, trip is incidental to another activity, and costs are shared). Vehicles-for-hire ridesharing occurs where there is a lack of commonality of purpose (for example someone responding to a demand for travel, independent of their own trip purpose) or when a customer-service provider relationship is created by the exchange of profit beyond the costs of the trip.

**How does a Citizen know what the cost of a trip is?** The Federal Government provides a definition of the true cost of travel for purposes of reimbursement of travel costs on government contracts or for the purpose of deductions on internal revenue returns. This rate is set by the Internal Revenue Service and adjusted annually to account for changes in the market place. Currently, the Federal Rate is 56.5 cents per mile. It is based on an annual study of the fixed and variable costs of operating an automobile (i.e., fuel costs, insurance, maintenance, etc.). Tolls and parking costs not included in the Federal Rate are typical costs that might also be considered by a participant in a car or vanpool.

It has been recommended by staff that the City is typically not interested in regulating car/vanpool activities when cost is the basis for any exchange of monies between the parties (i.e., a sharing of the costs). Only when a transaction exceeds the notion of “sharing” does the activity tread into the realm of a vehicle-for-hire and run afoul of City Ordinances. Likewise, when an exchange of monies exceeds the actual cost of the trip and creates the potential for the driver to have made a profit for a service rendered, then applicable state sales taxes and federal revenue taxes are then due.

**What is the role of technology and what is the interest of the City?** Technologies such as smart phone applications are rapidly changing and offering new opportunities to promote policies of using travel alternatives within Austin. Some of these emerging technologies also provide an opportunity for drivers to make a profit, with some new apps allowing unsuspecting passengers and drivers to violate existing City code by becoming their own de facto taxi service provider.

The fundamental question is what is the City’s role in this space? Historically, the City has regulated vehicle for hire services, such as taxis, pedicabs and limousines, in the interest of public safety and equal access to all citizens for safe, reliable, and reasonably priced mobility throughout the community.

In order to provide a citizen safety net, the City has chosen to regulate and monitor for-hire activities, requiring criminal background checks, vehicle safety inspections and proper insurance liability for

drivers and passengers in the case of an incident or accident. This is not unlike monitoring a restaurant for compliance with a health code or occupancy requirements. If the City becomes aware of unsafe conditions, the City is obligated to ensure the public safety by enforcing its regulations.

Likewise, the City monitors the activity of for hire vehicles to assure proper public transportation coverage of all areas of the city, not just the high volume areas; and that Americans with Disability ADA equipped vehicles are provided for those who need access to them. There are members of our community that depend on taxicab services to meet basic mobility needs. Therefore, the City requires that taxi services be available 24 hours a day, 7 days a week. The City requires that they serve the entire City. The taximeter is used for all trips within the City so that there will be a consistent price, which could not be artificially raised without notice. In exchange for these benefits, and assuring drivers and vehicles are safe and reliable for the public, the City awards operating permits to drivers and companies.

At the direction of the Austin City Council, the Austin Transportation Department in coordination with the Austin Police Department has been enforcing current vehicles-for-hire regulations. In the period from January to May 2013, Austin Vehicle-for-hire Officers tested the market twelve times using various smart phone enabled applications to reserve rides. Observation from these market tests and enforcement efforts are provided in the following table. Of the twelve observations, six (or 50 percent) of the vehicle operators tested were observed to have safety issues with their vehicle or failed to produce sufficient evidence of a valid Texas driver's license or Texas auto liability insurance.

In each case, the officer completing the market test did not know the driver nor did they know the driver's trip plan or purpose and therefore could not have had a common trip purpose to that of the driver. In each case, the officer was able to contribute more than the actual cost of the trip that was made (i.e. the driver "made" more than the trip cost to provide). By definition, these trips resulted in a vehicle-for-hire service and based on City Code are to be regulated by staff to assure the safety of the traveling public.



**Austin Transportation Department,  
Ground Transportation Enforcement Division Market Test of  
Smart Phone Enabled Rideshare (SPER) Applications**

Date	Violation Information	Comments
January 5, 2013	Driver #1 cited for: No Operating Permit No Chauffeur Permit	Driver did not possess a Texas Driver's license and had only an expired vehicle registration.
January 5, 2013	Driver #2 cited for: No Operating Permit No Chauffeur Permit	Driver did not have valid automobile insurance.
March 7, 2013	Driver #1 cited for: No Operating Permit No Chauffeur Permit	Vehicle impounded by APD
March 8, 2013	Driver #1 cited for: No Operating Permit No Chauffeur Permit	
March 8, 2013	Driver #2 cited for: No Operating Permit No Chauffeur Permit	Vehicle impounded by APD. Vehicle observed to not be running well; check engine light was on; SRS light was on.
March 8, 2013	Driver #3 cited for: No Operating Permit No Chauffeur Permit	Vehicle impounded by APD. Driver was operating vehicle while on parole. Vehicle was equipped with an alcohol detection device as part of the ignition system. With this device, the driver is required to breathe into the device to detect the absence of alcohol to start the vehicle.
March 8, 2013	Driver #4 (not cited)	No compensation accepted
March 8, 2013	Driver #5 (not cited)	No compensation accepted
March 9, 2013	Driver #1 cited for: No Operating Permit No Chauffeur Permit	Vehicle impounded by APD. Exterior damage to fender and hood observed as a potentially unsafe condition.
March 9, 2013	Driver #2 cited for: No Operating Permit No Chauffeur Permit	Vehicle impounded by APD. Vehicle was in good running order but driver had a suspended license.
March 10, 2013	Driver #1 cited for: No Operating Permit No Chauffeur Permit	
May 3, 2013	Driver #1 cited for: No Operating Permit	

**Why does the City of Austin regulate vehicles-for-hire? What is the public interest?** The interest of the City and the citizens of Austin is to assure that publicly provided ground transportation services are safe, reliable, reasonably priced and available equally throughout the community. There are members of our community that depend on taxicab services to meet basic mobility needs. Therefore, we require that taxi services be available 24 hours a day, 7 days a week. We require that they serve the entire City and not just peak locations such as festivals. The taximeter is used for all trips within the City so that there will be a consistent price, which could not be artificially raised without notice.

**What are the ordinances in place that would limit private drivers from carrying passengers for compensation?** The current Austin City Code, Chapter 13-2 defines a Ground Transportation Service as providing a driver and vehicle to carry passengers for compensation. It prohibits persons from providing that service, and even representing that they are providing that service, without an Operating Authority from the City. Notwithstanding the source of the trip, the act of transporting for hire without authorization is a violation of City Code.

Chapter 13-2 also lays out the requirements of the companies providing vehicles-for-hire, vehicle and drivers, including the requirement for insurance, registration, licensing, background checks, and methods for determination of appropriate compensation. These are entry level requirements, and in all cases require the City to approve the operating authority prior to operation.

As previously stated, the City tested the market supported by smart phone enabled applications and has not found any of the drivers sampled as having met the minimum requirements to provide ground transportation in Austin. For example, several of the drivers failed to demonstrate that they had valid vehicle insurance required by the state. Furthermore, from information provided by the State of Texas, there is some doubt that even if a driver has normal liability insurance that it would be in effect if an accident occurred while the vehicle is being used to transport passengers for a fare. This is due to the fact that in the State of Texas, private vehicle insurance is void when that vehicle is used for commercial purposes unless a commercial rider is obtained. This is of concern to City Staff if we are charged with assuring the safety of the traveling public.

**What would we have to do to make cell phone enabled dispatch services, drivers and vehicles legal, should Council wish to pursue?** To allow non-franchised drivers and vehicles to continue to operate legally requires the removal of franchise dispatching requirements in the Austin Code such as those identifying the requirements for vehicle condition, equipment, driver requirements etc. It might be argued that as an alternate to the City Code that staff could put in place a system where an annual inspection is not required, but if a vehicle providing vehicle-for-hire services is approached the vehicle and driver must meet all requirements and proof of insurance. The proof of insurance would need to address the fact that the vehicle is used for commercial activity to demonstrate compliance under State law. However, the efficacy and feasibility of a stop-and-prove enforcement approach is questionable. Staff believes that this would likely need a significant expansion of the current two-person regulatory staff to randomly check on vehicles and drivers.

**If these barriers are removed, what might be the consequences?** Staff believes there could be unlimited entry into the market, and no way to control the entry of novice drivers and the exit of more experienced drivers from the taxi industry. In San Francisco, where cell phone enabled application operations promoting vehicle-for-hire styled services have been in place for a year, the regulators report that a significant number of veteran taxi drivers have left the existing franchises where they were required to pay franchise fees and adhere to corporate policies to work for Uber and Sidecar (two of that region's local cell phone enabled dispatch services).

**If the drivers can be written tickets for an activity, is it legal to promote that activity?** The Austin City Code says a person may not provide or operate a ground transportation service that picks up passengers within the City of Austin or represent the person's business to the public as a ground transportation service unless that person obtains an authority to operate the ground transportation service. Staff believes that recent smart phone enabled dispatch transportation services do in fact represent that they provide transportation services. Staff believes that they enable passengers to compensate drivers for a travel service provided beyond simply the cost of the trip. Because these newer services entering the Austin market do not have an operating authority, staff believes they are currently in violation of City Code. Staff has received direction that we are to effectively enforce City Code.

**Can the current smart phone enabled operations be modified to fit within the categories regulated within the existing Code?** Staff believes that the current smart phone enabled applications in question operate as dispatch services, identifying potential trips for independent drivers to compete for and serving as bankers, taking the payment and remitting payment to the driver. They attempt to take no liability and place all risk on the passenger and the driver. Although the smart phone enabled dispatchers in Austin represent that they do background checks, carry additional insurance, and track all trips with GPS, the City has not been provided with any reports that substantiate those claims.

Existing services are available, some using smart phone enabled applications that operate within the definition of car/vanpool services. These include those already present in Austin through Commute Solutions. Likewise, several of our peer cities such as Houston have active public private partnerships with nationally based ridesharing companies that promote car/vanpools within the context of their municipal regulations. These services often are financially supported by governmental grants, participation fees, or targeted advertising.

Similarly, existing services are available, including smart phone enabled applications that provide access to the franchised vehicle-for-hire industry in Austin. The City is committed to proactively working with the industry and the citizens of Austin to continuously improve the local vehicle-for-hire operations.

September 24, 2014

Memo to  
Mayor and Council

**TRANSPORTATION NETWORK  
COMPANIES 90-DAY REPORT**





## MEMORANDUM

**TO:** Mayor and Council

**CC:** Marc A. Ott, City Manager  
Robert D. Goode, P.E., Assistant City Manager

**FROM:** Robert Spillar, P.E., Director, Austin Transportation Department

**DATE:** September 24, 2014

**SUBJECT:** Transportation Network Companies 90 day report;  
response to Resolution 20140515-024 and CIUR 1311

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The May 15, 2014 City Council action directed the City Manager to convene a stakeholder working group to develop a framework for a pilot program to allow Transportation Network Companies (TNC) to operate legally. Additional direction was to prepare an interim report that updated the staff memorandum from May 31, 2013 entitled "Rideshare Report", and to report on the progress of the stakeholder working group.

Since May of 2013, ATD staff members have monitored how other jurisdictions have responded to the expansion of TNCs throughout the country. Attached is a summary of the changes that have been made in the cities listed in the 2013 report, and other locations which have moved forward with regulations.

Also attached is a summary of the development and activities of the stakeholder working group. The participants in the working group have been involved and the diversity of views and opinions has helped shape staff's work. Incorporating feedback from those meetings, ATD staff members have started drafting the preliminary recommendations for a pilot program framework. The preliminary draft recommendations were presented to the working group on September 22 and are attached to this memo. It is important to note that these were first presented to the group this past Monday and they are still being discussed, so this is a working document and subject to change. The next meeting of the working group is scheduled for October 8.

The discussions with the stakeholder group have raised several issues related to current regulations for vehicles for hire. The pilot is an opportunity to test processes; for example, the TNCs have asked that the City look at quicker processes to allow drivers to enter the market. Currently, a vehicle for hire company sponsors a driver, then the City does background criminal and driving history checks. If those are approved, the driver can take a test and then they can get their chauffeur's permit. The TNCs have stated that their screening processes are sufficient. For the pilot, staff is considering allowing the TNCs to self-certify the drivers, followed by submittal of the driver information to the City. The City would randomly check the drivers, and if the driver is found to be out of compliance with the agreed upon parameters, then their driver's permit would be pulled and the TNC would be fined. This process would also be applied to taxicab companies during the pilot program, allowing the taxicab companies

to self-certify the drivers and the City would act in an auditing capacity. During the pilot, if there is found to be a significant problem with the self-certification, the process would be re-written to match the current City program. If this process works more efficiently, then it could be applied to all of the vehicle-for-hire companies.

In addition to the self-certification process, ATD staff does not intend to recommend a cap in vehicles operating for TNCs. In conjunction with the launch of the pilot program, ATD staff would recommend there be more taxicab permits allocated to each of the franchises if there is no cap on TNCs. The current recommendation is to add 10% more available taxicab permits this fall. Also included in the preliminary draft recommendations is the recommendation that the existing taxicab permits be able to be utilized 24 hours a day.

Across the country, an issue which does not have an easy answer is how to address accessibility for all potential users. The California Public Utility Commission has required that the TNCs prepare a plan to address the issue, but we are not aware of the fulfillment of that requirement. This topic has been discussed in the stakeholder group and the TNCs were asked to identify a model elsewhere in the country where this issue has been sufficiently addressed.

The stakeholder working group is nearly finished meeting. Staff will finalize the pilot program framework recommendations, and they should be available to the City Council in mid-November for potential action by the current City Council.

The resolution asks for information on the impact of TNCs on costs, reliability, wait times, and driver wages for taxicab drivers, taxi franchises and other forms of public transportation. Staff is identifying how the data might be collected. We currently get monthly reports from the taxi companies. The following data is from this past year. We are looking back at older data to determine if the decreases are part of an annual trend or might be from the influx of alternative modes.

**Number of calls for rides**

Average for October 13 to March 14 – 279,348 per month

April 14 – 269,366  
May 14 – 308,288  
June 14 – 271,576  
July 14 – 253,177

**Total completed trips (dispatch and hail)**

Average for October 13 to March 14 – 263,537 per month

April 14 – 284,326  
May 14 – 283,726  
June 14 – 236,545  
July 14 – 234,417

**Average income per hour from taxi meter**

Average for October 13 to March 14 – \$14.58 per hour

April 14 – \$16.66 per hour  
May 14 – \$15.85 per hour  
June 14 – \$14.96 per hour  
July 14 – \$14.22 per hour

The resolution additionally asks for preliminary recommendations. Preliminary data from the TNCs would be useful to the Transportation Department because it would provide a baseline of service, depict the current demand for TNCs and allow us to measure the growing demand and potential impact on other ground transportation service providers. This is particularly important as the resolution specifically calls for the pilot program recommendation to "take into account the already stringent regulations required of City of Austin taxicab companies." In order to measure the impact on the taxicab companies, we would like data to show if there is an increase in demand for services, and any potential shift in demand. This could impact the strict regulations that currently apply to the taxicab companies, in particular the formula used to determine available taxicab permits. The data we'd like to immediately start collecting from TNCs include:

The following data would be provided in four hour blocks:

- Requests for service
- Number of trips requested but not serviced
- Number of vehicles active/logged in
- Pick up/drop off by zip codes
- Accessible rides requested and serviced
- Accessible rides requested and not serviced
- Response times for all rides requested, with the ability to determine response times based on time of day, or if the request was for an accessible vehicle.

The following data would be provided daily – per day/per driver:

- Hours logged into the app (12 hour max per driver/per day)

The following data would be provided monthly:

- Number of passengers transported
- Revenue generated

This list of data also represents the data requirements we intend to recommend for the pilot program.

**Attachments:**

1. Updated Rideshare Report: Transportation Network Company (TNC) National Developments
2. Transportation Network Company (TNC) Working Group Progress
3. Draft Preliminary ATD Staff Recommendation, TNC Pilot Program Framework

## **Recent National Developments on Rideshare**

### **I. California Public Utilities Commission (PUC)**

All California cities are impacted by the actions of the California Public Utilities Commission. We received specific comment from San Francisco, with concurrence from other cities.

The California Public Utilities Commission (PUC) issued a proposed decision on July 30, 2013 that indicated the Commissioner's **"firmly believes that TNCs (aka SPERs) do not meet the rideshare exemption and actually are for-hire transportation services."** The proposed decision also asserted, "...there is nothing about the 'new business model' of offering for-hire transportation services through the mechanism of a smartphone application that justifies abandoning the fundamental regulatory infrastructure of the transportation for-hire industry, or that changes the level of regulatory concern. The underlying principal continues to be ensuring public safety. Regulation is the safety net that the public should rely on for its protection." The proposed decision suggested creating a new category similar to charter services.

#### **a. Update:**

- i. The California Public Utilities Commission (CPUC) recently defined "TNC services", by clarifying three stages of operation:
  - Period One is: App open – waiting for a match.
  - Period Two is: Match accepted – but passenger not yet picked up.
  - Period Three is: Passenger is in the vehicle and until the passenger safely exits vehicle.
- ii. A minimum of at least \$1 million primary commercial insurance is required for Periods 2 & 3.
- iii. A minimum of at least \$100,000 for one person, \$300,000 for more than one person, and \$50,000 for property damage of excess commercial insurance is required for Period 1.
- iv. Insurance requirements can be met in one of two ways; 1) the TNC itself can maintain insurance on its own or 2) a combination of a TNC policy and a driver policy that is specifically written for the purpose of covering TNC services, or portion thereof.
- v. The CPUC has set out data reporting requirements for TNC operation including reports detailing:
  - Driver Training Program

Updated Rideshare Report: Transportation Network Company (TNC) National Developments  
September 24, 2014

- Accessibility Plan
  - Plan on Avoiding Divide between Able and Disabled Communities
  - Report on Providing Accessible Vehicles
  - Report on Providing Service By Zip Code
  - Report on Problems with Drivers
  - Report on Hours Logged by Drivers
  - Report on Miles Logged by Drivers
  - Report on Drivers Completing Driver Training Course
  - Annual Report Number of Drivers Completing Driver Training Course
  - Annual Updates on Accessibility Plan
  - Annual Report on Providing Accessible Vehicles
  - Annual Report on Providing Service by Zip Code
  - Annual Report on Driver Violations/Suspensions
  - Annual Report on Hours/Miles Logged by Drivers
- b. June 10, 2014, the CPUC contacted the licensed TNC's in regards to concerns that it is being reported from five major airports in California (Los Angeles International, Oakland International, San Diego International, San Francisco International, and San Jose International) that TNC drivers are continuously providing transportation services without having secured required permits. Citing the CPUC rule "Operations at Airports: TNCs shall not conduct any operations on the property of or into any airport unless such operations are authorized by the airport authority involved," the CPUC advised that those violations places their license in "jeopardy." The CPUC then urged the TNCs to bring their operations into compliance within two weeks or risk enforcement actions "including revocation" of their permit.
- c. Other California cities include (much of this data is from the 2013 Rideshare Report):
- i. **San Diego and Los Angeles** – (From 2013 Rideshare Report; CPUC Update applies.)  
Cities were in proceedings with the California Public Utilities Commission,



similar to San Francisco.

Previously, the Los Angeles Department of Transportation issued letters to Sidecar, Lyft, and Uber ordering each company and all drivers and vehicles dispatched through the mobile app systems to cease and desist from picking up passengers within the city until they are properly licensed. The companies were advised that failure to comply with the notice is a misdemeanor offense and subject to criminal prosecution and the impoundment of vehicles.

- ii. **San Francisco** – (From 2013 Rideshare Report; CPUC Update applies.) The California Public Utilities Commission has issued cease and desist orders to 3 “app providers”. The PUC is in the midst of proceedings on “rideshare apps” and other issues associated with smartphone ride referral services. This proceeding is expected to last another several months.

*“It has already allowed, in the interim, the continued operation of these entities notwithstanding evidence on record that some of these services do not include the benefit of auto liability insurance, among other safety concerns. The public doesn’t understand the rights they are waiving; the obligations they are undertaking and the risks they run when they use these services. The businesses we have experiences have misrepresented the nature of their services without any accountability to anyone, and have taken every opportunity to use social media and the press to disparage the taxi industry and the concept of for-hire regulation generally. It has reached the point in San Francisco that nearly every other car on the street has a pink mustache and our taxi industry is, no joke, looking to be on the verge of collapse. Road rage incidents between taxi drivers and these cars is a nightly occurrence. Although there is no way for me to know how many cars have been or are about to be deployed (it is impossible to monitor these services, much less regulate them), at this rate, it won’t be long before their numbers exceed the numbers of our taxi fleet. It is important to note that this is a transportation management issue as well. It impacts congestion management, pedestrian safety as well as emissions. We are concerned with “Who’s behind the wheel?” and “How much are they charging?” How can you successfully manage traffic when you have no control of the amount of commercial vehicles on the street? There is also a complete lack of data being made available.” (Source: Christiane Hayashi, Deputy Director of Taxi Services, San Francisco Municipal Transportation Agency. 3/5/2013 & 4/22/2013).*

In his 2013 State of the City Address, San Francisco Mayor Lee stated, *"We're embracing alternate forms of transportation through the new 'Sharing Economy,' with carsharing provided by companies like City Carshare, Zipcar, Getaround and Relay Rides and electric scooter-sharing from SCOOT. And a growing number of San Franciscans look to their smartphones every day to summon a taxi, an Uber sedan, or participate in innovative rideshare services like Sidecar and Lyft."* (Source: 2013 State of the City Address, January 28, 2013, College Track, San Francisco <http://www.sfmayor.org/index.aspx?page=921>).

This statement, hailed by promoters of some smart phone application providers as demonstrated support by the City of San Francisco of their platform, is not consistent with the strategy being pursued by San Francisco regulating authorities. City of Austin Staff investigated the Mayor's statement and received the following response from the San Francisco Municipal Transportation Agency: *"Our Mayor, from a broad economic development perspective, has supported technological innovation and "the sharing economy."*

The Mayor's view is not shared by this local taxi regulator when it comes to the specific businesses Lyft and SideCar. To the contrary, ATD staff perceives regulatory problems to our transportation system.

Contrary to representations in media articles, neither the San Francisco taxi regulator, nor the California Public Utilities Commission that regulates charter party carriers has "cleared" SideCar to operate in San Francisco or in California. To the contrary, staff understands that SideCar in particular continues to be subject to a state CPUC cease and desist order because it has not been able to provide evidence of insurance coverage satisfactory to the California PUC.

The San Francisco Municipal Transportation Agency, which is the local taxi local regulator, has not yet acted one way or another in deference to the ongoing inquiry before the state government as to whether these services come within existing state regulation, or whether existing state regulation needs to change to accommodate them. The SFMTA and the San Francisco Airport have been actively engaged in the CPUC rulemaking proceeding however, and have filed multiple statements expressing concerns similar to those expressed in my letter. I would be happy to forward those statements filed before the CPUC, if that would be helpful. They are also available online at [www.cpuc.ca.gov](http://www.cpuc.ca.gov), docket number R12-12-011. See filings by SFMTA and the San Francisco International Airport. (Source: Christiane Hayashi, Deputy Director of

Taxi Services, San Francisco Municipal Transportation Agency  
5/28/2013)

Note: the regulations in California are evolving on a daily basis. On Friday May 24, 2013 The San Francisco Business Times reported that "Sidecar (finally) gets CPUC approval for ridesharing". However the text of that article also stated that "ridesharing services aren't totally out of the woods yet. The CPUC is reviewing rules around ridesharing and will make a decision towards the end of the summer about whether these companies fall under its jurisdiction." (Source: Lindsay Riddell, San Francisco Business Times, May 24, 2013, <http://www.bizjournals.com/sanfrancisco/blog/2013/05/sidecar-finally-gets-cpuc-approval.html>).

City of Austin staff anticipates that given their previous responses, municipal regulators such as those in San Francisco, will likely to continue to argue that they have jurisdiction to regulate and license what is or is not a legal service within their community or serving their airport.

## II. Dallas, TX

Previously, the City of Dallas issued two cease and desist letters to Uber for illegal operations.

### a. Update:

- i. The City of Dallas recently adopted changes that eliminate:
  - Distinctions between types of transportation for-hire operators, and types of vehicles.
  - Restrictions on the age and number of taxicabs.
  - Requirements for the dollar value of vehicles.
  - Regulation of fares.
- ii. The City of Dallas considers transportation-for-hire as any ride for compensation, whether hailed or pre-arranged and includes:
  - Taxicabs
  - Limousines
  - Non-motorized transportation-for-hire
  - Shuttles



- Intracity buses for hire
  - Personal vehicles serving as vehicle for hire
- iii. All forms of transportation-for-hire must secure an Operating Authority.
- iv. Drivers:
- Drivers must be permitted. One driver permit may be used under any or several Operating Authorities, so long as each Operating Authority registers the driver.
  - To secure a Driver permit, the applicant must complete training (City of Dallas contractor), undergo an annual background check, drug test, and driving record check by a company of the driver's choice. These results will be reviewed by the City's certification company.
  - The Driver permit may be used for any type of transportation-for-hire vehicle.
- v. Vehicle Permits:
- One permit may be used under any or several Operating Authorities as long as the operating authority identifies the vehicle.
  - Vehicle inspections shall be conducted annually by a City approved inspection company or companies.
  - Inspections include emissions and safety.
  - Vehicles shall be maintained in good operating condition and appearance.
- vi. Accessible Service:
- If an Operating Authority has ten (10) or more vehicles, at least one (1) or two (2%) percent of the fleet must be handicap accessible or the Operating Authority shall contract with a company to provide handicap accessible vehicles.
  - Cannot charge a higher fare for handicap accessible service.
- vii. Insurance:
- Primary insurance must be provided by the Operating Authority.

- One million dollar commercial automobile liability policy with combined single limit of liability for injury or property damage for each occurrence.
- Claims must be paid by the insurance company on a first dollar basis.
- Operating Authority insurance shall be the primary insurance at all times the driver or vehicle is working or available as transportation-for-hire.
- Any person who has a twenty percent (20%) or greater interest in the Operating Authority shall have no interest in the insurance company.
- The Operating Authority shall not be self-insured.

**III. Houston, TX**

Previously, the City of Houston issued one Cease and Desist order indicating the service violates the Houston City Code requiring licensing for providing for-hire services.

(Source: Nikki Cooper-Soto, Administrative Manager, City of Houston Administrative and Regulatory Affairs Department)

- a. Update:** The Houston City Council recently approved amendments related to the regulation of vehicles for hire and adopted a regulatory framework for the operation of Transportation Network Companies:

i. TNC's are required to obtain an operating permit (renewed annually).

ii. Insurance:

- Must secure insurance from a company that has a Best's Rating of at least B+ and a Best's Financial Size Category of Class VI or better.
- Insurance must be in the form of Commercial automobile liability with a combined single limit for bodily injury and property damage of \$1,000,000 per accident for incidents involving a driver from the time a driver is matched with and accepts a trip request through the TNC until the completion of the trip including the drop off of passengers at their final destination, regardless of whether the driver maintains personal insurance adequate to cover any portion of the claim and regardless of whether a driver is logged onto the TNC's internet-enabled application or digital platform at any point following the acceptance of the trip request; and

- Commercial automobile liability insurance coverage in no less than the minimum coverage amounts specified in the Texas Motor Vehicle Safety Responsibility Act as now enforced or hereinafter amended during the time that a driver for a TNC is logged in and available to provide vehicle for hire transportation services on the TNC's internet-enabled application or website, but not actively engaged in providing the service.

iii. Drivers:

- TNC drivers are required to obtain an operator's license issued by the City of Houston.
- A licensee shall not drive for more than 12 hours in any consecutive 24-hour period and no TNC permittee shall allow or cause a licensee to driver a TNC vehicle more than 12 hours in any consecutive 24-hour period.

iv. Vehicles:

- No TNC shall own or lease or provide financing for the ownership or leasing of any TNC vehicle.
- Vehicles must have at least 2 doors and meet applicable Federal Motor Vehicle Safety Standards for vehicles of its size, type and proposed use; and
- Is a coupe, sedan or light-duty vehicle, including a van, minivan, sport utility vehicle, pickup truck, hatchback or convertible.
- No vehicle permitted or subject to a certificate of registration and operated as a vehicle for hire can be operated as a TNC vehicle.
- Any vehicle that is more than seven years old or has been driven more than 150,000 actual miles can be used as a TNC vehicle.
- All TNC vehicles must be inspected at a facility designated by the City of Houston and required to pass a 20-point inspection in addition to being in a reasonable good state of repair, clean and equipped and being operated in compliance with City Code requirements.
- Upon passing the inspection, the City of Houston will issue one certification decal for the TNC vehicle. The certification decal shall be attached and displayed at the place on the TNC vehicle designate by the City of Houston.

- In addition to the certification decal, a TNC vehicle must display distinctive signage at all times it is being operated as a TNC vehicle.
- A TNC vehicle must display a consistent and distinctive emblem at all times while being used to provide vehicle for hire transportation services.

v. Other Requirements

- TNC drivers are not allowed to pick up or discharge a passenger on any portion of George Bush Intercontinental Airport or William P. Hobby Airport without proper authority.
- No TNC driver can pick up or discharge any passenger in any designated taxicab stands or loading zones.
- No TNC or TNC driver is allowed to solicit potential passengers in or near any passenger depot, hotel, airport, ship or ferry landing, bus stop or station, or on any sidewalk or street or any other place in the city or use any words or gestures that could be construed as soliciting a passenger.
- It will be unlawful for any TNC driver to respond to a street hail.
- A TNC shall provide passengers an opportunity to indicate whether they require a wheelchair accessible vehicle.

IV. **New York City, NY**

"Without commenting on any specific app, if an entity exhibits characteristics of for-hire service, such as requiring payments for point-to-point rides with the City of New York, they would need to be licensed." (Source: New York Times, Allan Fromberg, Deputy Commissioner for Public Affairs, New York Taxicab and Limousine Commission, 3/29/2013)

Previously, New York City prosecuted a Sidecar driver for operating a ground transportation vehicle without the proper authority. Sidecar has suspended operations in NYC.

- a. **Update:** Both Uber-X and Lyft have secured for-hire base licenses to operate in NYC. Those licenses are the same licenses issued to livery providers. After the New York State Attorney General went to court to seek to prevent Lyft from operating without a license, Lyft complied by seeking and securing the proper license. Some requirements to obtain a for-hire base license in New York are:

- Commercial insurance with liability limits of \$100,000 per person, and \$300,000 per occurrence. (Coverage applies whether the app is on or off.)
- Each driver must pass a drug screen prior to licensing and once each year thereafter.
- Each base must pay a percentage of gross annual receipts into a fund to compensate drivers for work related injuries, irrespective of fault (Workers Compensation).
- Each vehicle affiliated with a base must undergo safety and emissions inspections three times per year.
- Each driver must be fingerprinted and undergo a background check prior to licensure and the Taxi and Limousine Commission (TLC) is notified immediately of any arrests by such drivers.

**V. Philadelphia, PA**

After continued enforcement operations in Philadelphia, Sidecar announced in June, 2013 that they had suspended operations in Philadelphia.

In Philadelphia, the definition for Rideshare applications is as follows: Rideshare applications use any person off the street and their car, neither of which are vetted; criminal and driver checked, trained, inspected, nor insurance verified by regulators. Rideshare apps have not been authorized to offer service to the riding public of Philadelphia and have been cited for running an illegal dispatch operation and operating with uncertified drivers and vehicles. As long as they continue to attempt to remain in operation in Philadelphia, they would face the same response from PPA-TLD Enforcement. (Source: James Ney, Director, Taxicab & Limousine Division, Philadelphia Parking Authority, 3/6/2013)

**a. Update:** Philadelphia continues to enforce against unpermitted TNC operators.

- VI. San Antonio, TX** – On March 21, 2013, adopted an ordinance requiring all “smartphone applications” to seek licensing from the department prior to operation within the City of San Antonio. Staff at the City of San Antonio indicates that none of the smart phone application firms has sought licensing under this new ordinance, nor would they likely qualify under their current operating platforms. An excerpt from the San Antonio ordinance provides the following:

No person for compensation or at any charge to a passenger shall by any means (including but not limited to any data or electronic communication, any telephone and cellular service, any software, any application, any internet service, and any physical presence) operate, arrange, dispatch to or solicit a Vehicle-for-hire unless permitted

under this chapter. A person is responsible for violations of this chapter by his own conduct, by the conduct of another person if acting with intent to violate this chapter he solicits, encourages, directs, aids or attempts to aid another person to violate this chapter, or by both.

(Source: City of San Antonio City Code, verified by Gary J. Gilbert, Transportation Services Manager, Ground Transportation Unit, San Antonio Police Department)

- a. **Update:** Under City Council direction, the San Antonio Public Safety Committee is currently exploring a regulatory framework regarding Transportation Network Companies.

**VII. Washington, D.C.** – (From 2013 Rideshare Report.)

Previously, the DC Taxicab Commission has determined that “these services and the drivers and vehicles associated with them, are public vehicle-for-hire services that must comply with District licensing laws and Commission regulations. The Chairman of the Commission stated, “We are concerned the private cars used to provide these services have only ordinary, non-commercial insurance that we believe may deny coverage to passengers in the event of an accident. The Commission will take legal action against any person knowingly flouting District law by connecting passengers to unlicensed vehicles or operators.” (Source: Ron Linton, D.C. Taxicab Commission Chairman, 4/12/2013, original COA resource included in IATR report).

**VIII. Other Jurisdictions That Have Adopted TNC Regulations:**

- a. **Baton Rouge, Louisiana:** Requires \$1,000,000 commercial insurance, TNC’s must verify driver background and vehicle inspections, Driver must be at least 21 years old, trade dress required.
- b. **Chicago, Illinois:** The City of Chicago conducts driver background checks and issues a commercial driver’s license, TNC’s must verify a 22-point vehicle inspection at a city-licensed facility (cannot be more than six model years old), \$1,000,000 commercial insurance required, trade dress required, driver must be at least 21 years old, no taxi or public transportation vehicle can be used as a TNC vehicle, trade dress required, TNC must pay \$0.10 per vehicle, per ride accepted that is not a wheelchair accessible TNC vehicle.
- c. **Colorado PUC:** Requires vehicle inspections, Driver background, \$1,000,000 commercial insurance, required trade dress, and drivers must be at least 21 years old.
- d. **Minneapolis, Minnesota:** Requires \$1,000,000 from the point the driver accepts a trip until the passenger has been safely unloaded. \$100,000 when the driver is logged in to the app., vehicle must be inspected at a City-approved facility, trade dress is required, driver must be at least 18 years old, TNC must verify driver



background, a license fee surcharge may be charged to all TNC's that do not provide wheelchair accessible services (currently \$10,000).

- e. **Seattle, Washington**: The City of Seattle conducts driver background checks and issues a commercial license, required 19-point vehicle inspection, \$300,000 commercial insurance, drivers must be at least 21 years old.
- f. **Tulsa, Oklahoma**: Requires a \$1,000,000 excess liability insurance policy that is in effect from the point the driver accepts a trip until the passenger has been safely unloaded, TNC's must ensure vehicles successfully pass an inspection, driver must be at least 21 years old and possess a valid Oklahoma drivers license, TNC must verify driver criminal and driving background, must implement a drug and alcohol testing policy and a zero tolerance drug and alcohol policy. Triggers for immediate suspension or revocation:
  - If vehicles are not operated in accordance with governing code;
  - If vehicles are operated at a rate or fare greater than specified on the TNC's digital platform or the internet;
  - If insurance is not maintained;
  - If the certificate to operate was procured by fraudulent conduct or false statement of material fact;
  - If persons, drivers, owners, operators, managers, partners, officers, employees, independent contractors, and/or agents of a TNC violate any of the provisions of the governing code or fail to maintain adequate and properly operating equipment as required;
  - For good cause, as shown by the Director; and
  - After revocation, a holder shall not be eligible to reapply for a period of two (2) years.
- g. **Virginia**: Driver background checks, driver must be at least 21 years old, \$1,000,000 commercial insurance, trade dress required.

**IX. Statement from Dr. Mundy Re: Transportation Network Companies (TNCs) in Austin, TX**

In addition to Austin Transportation Department staff's assemblage of interviews and information from other jurisdictions, staff reviewed the previous report prepared by Dr. Mundy for the City of Austin and received additional information subsequent to the preparation of that report. Dr. Mundy states:



*"Unfortunately our 2011 Transportation Study for the City of Austin did not address transportation apps such as Sidecar. They were simply not part of the market place at that time. However, since that time we have had the opportunity to follow the activities of apps such as Sidecar and Uber and have quickly come to the conclusion that firms like Sidecar are, at a minimum dispatch companies, and in the specific case of Sidecar, and operating taxi company without city authorization. The current resolution before City Council could appear to sanction these illegal operations while the City studies the issues surrounding this type of company and the experiences of other cities. In my strongest opinion, this should not be permitted to happen. Just as in the case of electric go-cart type vehicles, which provided little to no real safety to riders, the City of Austin, by allowing Sidecar to operate, would assume tremendous liability. The City of Austin has a good ground transportation regulatory group and enjoys a very high level of call taxi service from its legal operators. Allowing Sidecar to operate would be detrimental to these existing transportation providers, your driving core, and the residents of Austin that depend upon their services."*

Transportation Network Company (TNC) Working Group Progress  
September 24, 2014

**Working Group Formation:**

I. June 11, 2014, TNC Planning Meeting:

- a. The Austin Transportation Department (ATD) hosted a planning meeting in order to introduce the working group process to the community and interested stakeholders. The process included meeting every other week to discuss a variety of topics to be included in a pilot program, with the intent to bring back a recommendation to the Mayor and City Council by late November, early December 2014.
- b. ATD took suggestions at the meeting and via email for interested stakeholders who should serve on the working group. ATD formed the working group based on the City Council resolution, diversity of representatives on the working group and subject matter experts.
- c. Working Group members include:

First Name	Last Name	Company/Affiliation
Joan	Khabele	Austin Cab Co.
Daniel	Ejigu	Lonestar Cab
Ed	Kargbo	Yellow Cab
Dave	Passmore	Taxi Drivers Association of Austin
Ali	Dawoodally	Austin Cab Driver
Scott	Dunaway	Lyft/Monument
April	Mims	Lyft
Adam	Goldman	Uber/Capitol
Chris	Johnson	Uber
Meredith	Highsmith	UTC TNC Sub.
Boone	Blocker	UTC TNC Sub.
Eric	Goff	TNC Customer/AURA Communications
Billy	Carter	Carter Transportation Service
David	Wittie	ADAPT
Joe	Woods	Property Casualty Insurers Assn. of Am.
David	Emerick	JPMorgan Chase
Jeff	Kirk	University of Houston Law Center, Austin resident
Kaitlyn	Clark	University of Texas, undergraduate student
Kara	Kockelman	University of Texas, Professor
Donna	Chen	Dr. Kockelman doctoral student
Lauren	Albright	Carma
Thomas	Butler	Downtown Austin Alliance
Kris	Bailey	Go Green
Carlton	Thomas	City of Austin, Transportation
Gordon	Derr	City of Austin, Transportation
Sam	Alexander	City of Austin, Transportation
Larry	Schooler	City of Austin, Public Information
Angela	Rodriguez	City of Austin, Law Department
Xavier	Wan	City of Austin, Public Information
Timothy	Pruett	City of Austin, Austin Police Department
Perla	Compton	City of Austin, Aviation
Emily	Smith	City of Austin, Public Information
Lizzy	Marrero	City of Austin, Public Information

**Working Group Meetings:**

The below meetings are organized by meeting date, with topics discussed under the meeting dates.

I. July 14, 2014, Driver and passenger safety, vehicle requirements

- a. Driver background checks, training programs, possible drug and alcohol tests (some questioned the need of drug and alcohol tests since taxis do not current have them).
- b. One possibility would be for the TNCs to be responsible for driver/vehicle verification process, the City's role would be to issue the TNC permit and audit records for safety purposes. From the TNCs perspective, they were amenable to this process because essentially it is what they claim to do now, with one extra step of having the driver come to ATD to get his/her permit.
- c. Vehicle inspections would either include an inspection completed at an approved facility (currently the City uses Groovy Lube), or require a state inspection with additions including a fire extinguisher and first aid kit.

II. August 1, 2014, Data requirements

- a. The Transportation Department would like TNCs to submit data to the department, similar to data currently collected on the taxi industry, to help the City gauge the demand and to measure if that demand is being met. The TNCs stated that they consider this information proprietary; however, the City currently collects this data from other companies and believe it is integral to best managing Austin's transportation demands.

III. August 11, 2014, Insurance requirements

- a. All representatives and companies involved agree that insurance coverage is necessary to protect both the drivers and passengers when using TNCs. Currently there are numerous products in development in the insurance market that could meet the unique demands of TNCs. In the meantime, one possibility is a tiered system where different levels of coverage are applicable based on these three circumstances:
  - i. TNC driver has the app open and is looking for passengers;
  - ii. TNC driver has accepted a passenger;
  - iii. TNC driver has a passenger in the vehicle.
- b. The City's interest in proper insurance coverage is to ensure that if there is an incident, the driver and passengers are clearly covered by an insurance policy, and that prior to getting in the vehicle they are aware of the risks they are

Transportation Network Company (TNC) Working Group Progress  
September 24, 2014

assuming and who's insurance would be applicable should there be an incident.

IV. August 26, 2014, Company requirements-accessibility.

- a. How TNCs will meet the needs of Austin's residents who require accessible service is an ongoing point of discussion. The TNCs have stated that the companies are working on accessible services; however, due to current pending litigation between ADAPT and numerous companies in the Working Group, the discussion was limited.
- b. There will be an accessibility requirement recommended in the pilot program.

V. September 10, 2014, Company financial requirements-fine structure, taxing accountability, driver income, rate structure, cost of administrative and enforcement activities. Additional topics included fleet size, trade dress, complaint systems and lost and found systems.

- a. Representatives from both Uber and Lyft were able to provide more detailed information on their accessible services in other cities, in particular pointing to Chicago and the California Public Utilities Commission models. In Chicago Uber has an option on the application to specifically request an accessible ride. Both companies point to the California PUC as a potential model in Austin. Both companies stated the models they use are different in every city, depending on what accessible services are already available in the city.
- b. It was discussed that in order to determine if there should be a max TNC fleet size, the City would need data to see what the size is currently. For the time being, there was not a recommendation to create a cap on fleet size until the TNCs are legally operating for a while, and then only if necessary.
- c. There was much discussion about the potential need for a local presence for all TNC companies to handle issues such as complaints and lost and found items.
- d. In regards to trade dress, or marking on the TNC vehicles, there was an understanding by most of the group members why the companies didn't want permanent markings on the vehicles since they are peoples' personal vehicles. However, in other cities the companies have provided drivers with temporary markings for the vehicles to help identify TNCs; markings range from magnetic signs to window clings. There is an interest on behalf of the City to requiring vehicles markings so passengers can identify the vehicles, enforcement officers can identify the vehicles, and should there be an accident the responding emergency crew will know to ask the driver if he/she was operating as a TNC for insurance purposes.

VI. September 22, 2014, Final pilot program components presented to group by ATD, Q&A on upcoming TNC ordinance

Transportation Network Company (TNC) Working Group Progress  
September 24, 2014

- a. This meeting was originally slated to discuss surge pricing, administrative costs and the preliminary draft recommendations from staff for the pilot program. However, given the recent development of a ordinance regulating TNCs that will be considered at the September 25, 2014 Council Meeting, the group opted to discuss that ordinance. ATD staff invited Council Member Riley's staff to attend the meeting to hear feedback and answer questions.
- b. The group also had an opportunity to review staff's draft recommendations and provide feedback.

VII. October 8 and October 24, 2014, Review staff pilot program recommendations  
\* future meeting

**Anticipated Timeline:**

ATD anticipates completing the pilot program recommendations mid-November, but will work to complete them as soon as possible.

Transportation Network Company (TNC) Pilot Program Recommended Guidelines

September 18, 2014

**Company Requirements:**

- I. A Transportation Network Company (TNC) is a company that provides pre-arranged transportation services for compensation using an online-enabled application or platform to connect drivers using their personal vehicles with passengers.
- II. Licensing:
  - a. It shall be unlawful for a TNC to operate within the corporate limits of the city without the proper authority. A TNC company permit will be required.
  - b. In order to facilitate the administration and enforcement of the pilot program, a fee will be imposed on all approved TNCs.
  - c. Permits issued will be for a term of one year, renewable annually.
  - d. Permits issued may not be transferred or otherwise assigned.
  - e. To secure a TNC company permit, an application shall be submitted pursuant to §13-2-161.
  - f. A TNC must have a local point of contact to be named on the permit application.
  - g. The TNC must maintain a local presence including, but not limited to, a website and phone number.
- III. Insurance:
  - a. Each permittee and TNC driver shall comply with all applicable insurance requirements mandated by federal, State of Texas, and city laws.
  - b. Each applicant for the issuance or renewal of a permit shall provide proof that the applicant has commercial automobile liability insurance issued by a company licensed to operate in the State of Texas and by an agent licensed by the State of Texas. The policy must include the following; bodily injury and property damage coverage; and owned, non-owned and hired vehicle coverage. Applicant must furnish a certificate of insurance for the policy to the department.
  - c. The policy required shall be available to cover claims regardless of whether the driver maintains insurance adequate to cover any portion of the claim and shall be maintained in force at all times that the TNC offers or provides TNC service.



Draft Preliminary ATD Staff Recommendation, TNC Pilot Program Framework  
September 24, 2014

- d. Any permittee shall provide proof of insurance to each TNC driver before the driver begins providing service and for as long as the driver remains available to provide service.
- e. If any insurer desires to be released from any insurance policy filed under this section, the TNC must give written notice to the Director of the Austin Transportation Department at least 30 days before release from liability occurs. The TNC shall furnish evidence of new insurance obtained before the expiration of the policy.
- f. Insurance shall be provided in stages of use for the TNC:

- i. **\*Stages of Activity**

- Stage 1 – TNC driver logged into application, available for ride request

- Stage 2 – Accepted ride request, in route to requestor (no passengers loaded)

- Stage 3 – Passenger(s) loaded, until the completion of the trip (including the drop off of passengers at their final destination.

- g. The policy required for TNC's must, at a minimum, provide coverage for:

- \*Stage 1**

- 1. Bodily injury of \$100,000 per person and \$300,000 per accident
      - 2. Property damage of \$25,000 per accident; and
      - 3. Personal injury protection of \$2,500 per passenger.

- This commercial coverage may be provided by the TNC, the TNC driver, or both.

- \*Stage 2**

- Commercial automobile liability insurance with a combined single limit for bodily injury and property damage of \$1,000,000 per accident covering liability resulting from any occurrence arising out of or caused by the operation of a TNC vehicle.

- This commercial coverage shall be provided by the TNC

- \*Stage 3**

- Commercial automobile liability insurance with a combined single limit for bodily injury and property damage of \$1,000,000 per accident covering liability

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resulting from any occurrence arising out of or caused by the operation of a TNC vehicle.

This commercial coverage shall be provided by the TNC

IV. Reporting Requirements:

- a. The following data shall be reported to the Director of the Austin Transportation Department by the TNC for the purpose of determining the success of the pilot program. Provided data will be used to identify transportation needs that are currently not being met, as well as to ensure there is equitable service across all communities.

The following data shall be in recorded in four-hour blocks and reported monthly:

- Number of requests for service
- Number of trips requested but not serviced, by zip code
- Number of vehicles active/logged in
- Pick up/drop off by zip codes
- Accessible rides requested and serviced
- Accessible rides requested and not serviced

The following data shall be in recorded daily and reported monthly:

- Driver hours logged in to application (12 hour max per driver)

The following data shall be recorded and reported monthly:

- Number of passengers transported
- Revenue generated

Failure to provide required data within 15 days of last day of the preceding month will cause a TNC's permit to be suspended.

V. Other Requirements:

- a. TNC's shall display their rate of fare on their website, application, or digital platform used by the permittee to connect drivers with passengers and upon termination of the trip, provide a receipt to the passenger.
  - i. If rates of fair are dependent on time traveled, there should be a fare estimate for passengers to view prior to accepting a ride.

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September 24, 2014

- b. The City has the right to inspect individual ground transportation vehicles, including TNCs and taxicabs. Enforcement entities secure the ability to schedule trips for the purpose of inspections and audits. The companies/drivers may not deny the trips based on the requestor, companies cannot block City departments out of the applications, and enforcing agencies will not be required to pay for the ride.
- c. Airport drop/off and pick up: this section will be added after ABIA's internal review of their recommended policy regarding TNCs.
- d. In addition to inspection decal, all TNC vehicles shall display a consistent and distinctive emblem (commonly referred to as "Trade Dress") at all times the vehicle is being used to provide TNC services. The emblem may be temporary, but must be applied to vehicle in order to operate. The Director of the Austin Transportation Department is authorized to specify, by rule, the manner of display, method of issuance, and to approve the final design and contents of such emblem.
- e. Any terms of conditions in the agreement between the permittee and drivers, or between the permittee and any passenger, that would act as a waiver of the permittee's liability to the passenger or to the public, are declared to be contrary to public policy, null, void and unenforceable.
- f. TNC drivers will only accept rides through the application platform, they will not be permitted to accept hailed rides.
- g. Accessible Service -
  - i. The Austin Transportation Department shall establish an accessibility fund. In addition to any license issuance or renewal fees, taxicabs and TNCs shall pay \$\_\_\_ (need data to determine what amount would support an accessibility fund to adequately provide services) per vehicle per ride provided to the accessibility fund for each vehicle registered with the permittee which is not a wheelchair accessible.
    - 1. The term "accessibility fund" means a fund used to improve the services of taxicabs and transportation network vehicles for people with disabilities. Uses of this fund include, but are not limited to reimbursement for costs associated with converting or purchasing a vehicle to be used as a taxicab or transportation network vehicle that is fully wheelchair accessible by ramp or lift. The maximum amount of reimbursement per taxicab vehicle from the fund, and the conditions of reimbursement and the maximum amount of reimbursement per transportation network vehicles from the fund shall be established by rules and ordinances.

**Driver Requirements:**

- I. TNCs shall conduct a certification of each driver wishing to provide service with the TNC. The certification should include:
  - a. Driver Background check
    - i. The criminal background check shall be national in scope and prevent any person who has been convicted, within the past seven years, of driving under the influence of drugs or alcohol, or who has been convicted at any time for fraud, sexual offenses, use of a motor vehicle to commit a felony, gun related violations, resisting/evading arrest, reckless driving, a crime involving property damage, and/or theft, acts of violence, or acts of terror from driving for the TNC.
  - b. Driver's driving record
    - i. The driver history check shall prevent anyone with more than three moving violations or anyone charged with driving without insurance or a suspended license or a major violation within the three-year period prior to the check from driving for the TNC.
  - c. No tolerance drug and alcohol policy
  - d. Driver training program
  - e. Vehicle Inspection completion
  - f. A valid, current driver's license
  - g. Driver must be 21 years old, or older
- II. Once a driver has satisfied certification requirements, the TNC shall issue a permit containing a photo of the driver and identifying vehicle information (license plate number) which the driver is required to have in the vehicle when operating as a TNC.
  - a. While operating a TNC vehicle, the driver shall display the operating permit in a manner approved by the Director of the Austin Transportation Department.
- III. TNC shall submit a weekly report to the department detailing all drivers affiliated with the TNC. The report should contain information on all drivers on-boarded as well as all drivers no longer eligible to operate on the TNC's platform. Included in the weekly reports will be a signed affidavit from the TNC confirming that each of the drivers meets the standards to operate as a TNC in Austin, TX.
  - a. TNCs will be responsible for maintaining these employment records.

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- b. ATD will audit the TNCs records to ensure compliance. If waivers are needed for ATD to audit drivers' background checks, TNCs will collect waiver information from drivers when they sign up on the platform.
- IV. While operating a TNC vehicle, the driver shall display approved trade dress as required by this chapter.
- V. Drivers will not operate as ground transportation providers for more than 12 hours consecutively in a 24 hour period.

**Vehicle Requirements:**

Before operating a vehicle for TNC service, the vehicle must successfully pass a 20-point inspection by a mechanic certified by the State of Texas to perform state inspections. Inspections shall include, but not be limited to the following items:

1. Emergency brakes;
2. Foot brakes;
3. Steering mechanism;
4. Windshield;
5. Rear window and other glass;
6. Windshield wipers;
7. Headlights;
8. Tail lights;
9. Turn indicator lights;
10. Stop lights;
11. Front seat adjustment mechanism;
12. Doors (open, close, lock);
13. Horn;
14. Speedometer;
15. Bumpers;
16. Muffler and exhaust system;
17. Condition of tires, including tread depth;

Draft Preliminary ATD Staff Recommendation, TNC Pilot Program Framework  
September 24, 2014

- 18. Interior and exterior rear view mirrors;
- 19. Safety belts for drivers and passengers;
- 20. Fire extinguisher;
- I. Vehicle must conform to state safety standards and have a current State vehicle inspection and registration stickers
- II. The vehicle must be in condition to provide dependable and safe mechanical operation.
- III. The vehicle must have a physical barrier securely anchored between the passenger and luggage compartments if the vehicle has no trunk compartment.
- IV. Missing, broken, or significantly damaged interior parts that affect the operation or safety of the vehicle must be repaired or replaced.

**Pilot Program Duration:**

- I. The duration of the pilot program will be for one year, and staff reserves the right to make any necessary modifications during the pilot program.
- II. There will not be a sunset on the pilot program; if after one year it is determined the pilot program should be discontinued, it will require City Council action and applicable City Code amendments.

**Taxicab Related Modifications:**

- I. Permit Allocation
  - a. Initiate an allocation of taxi franchise permits equal to ten percent (10%) of the currently allocated taxi franchise permits divided equally among all franchises. This shall be an annual allocation until taxicab companies can meet all performance criteria measure that will be detailed in the 2015 franchise agreements.
- II. Driver Requirements
  - a. Driver requirements should mirror TNC driver requirements. Taxicab companies will be responsible for ensuring their drivers pass the background check, driver history check, complete an in-house training program, are at least 21 years of age, drive a vehicle that pass the inspection standards and are in compliance with the drug and alcohol policy. Taxicab companies will also be required to submit a signed affidavit stating their drivers meet the requirements and will be subject to audits to ensure compliance.



Draft Preliminary ATD Staff Recommendation, TNC Pilot Program Framework  
*September 24, 2014*

- III. Inspection Standards – Motorized ground transportation service vehicle (excluding electric low-speed vehicles) inspection standards should mirror TNC inspection requirements. The companies will be responsible for the inspections and will attest the inspections are valid in the aforementioned signed affidavit.
- IV. Taxicab companies will contribute to the accessibility fund in the same manner as TNCs.
- V. Permit Usage-24 hour capabilities
  - a. Taxicab companies will have the ability to utilize vehicle permits 24 hours a day if they are able to prove capability of administering split use of one permit.
    - i. i.e. Two vehicles can operate on the same permit, just not at the same time.

March 24, 2015

Memo to  
Mayor and Council

**TRANSPORTATION NETWORK  
COMPANIES RECOMMENDATIONS**



## MEMORANDUM

**TO:** Mayor and Council

**CC:** Marc A. Ott, City Manager  
Robert Goode, P.E., Assistant City Manager

**FROM:** Robert Spillar, P.E., Director  
Austin Transportation Department

**DATE:** March 24, 2015

**SUBJECT:** CUIR 1312 – Austin Taxicab Task Force Preliminary Recommendations

---

On May 15, 2014, Council approved Resolution No. 20140515-025 directing the City Manager to work with taxi franchises and other stakeholders to consider short and long term options for meeting taxi demand, including the use of additional or specialized taxi permits, and the use of Transportation Networking Companies, increasing efficiency of existing permits, setting a standard for taxi service delivery, and to bring a report and any recommendations back to Council.

### Background

The interest of the City of Austin is to assure that publicly provided ground transportation services are safe, reliable, reasonably priced and available equally throughout the community. There are members of our community that depend on taxicab services to meet basic mobility needs. Therefore, we require that taxi services be available 24 hours a day, 7 days a week. We require that they serve the entire City and not just peak locations such as festivals. The taximeter is used for all trips within the City so that there will be a consistent price, which could not be artificially raised without notice.

In order to address the current levels of taxi service delivery in Austin, while considering the emergence of Transportation Network companies into the local ground transportation market, staff was directed by Council to engage the Austin Taxicab Task Force (ATTF) and provide a report containing recommendations on potential solutions.

The ATTF conducted four meetings from June through September 2014 and discussed a number of issues currently related to the local taxi industry. These discussions and report have staff's preliminary recommendations. Staff is challenged to keep pace with the rapidly evolving landscape of local ground transportation industries. As we move forward with proposed modifications to the Austin City code, and continue engaging the ATTF, staff anticipates presenting additional recommendations to Mayor and Council as they are formulated.

### Recommendations

Attached is an outline of staff recommendations proposed to implement recommended solutions as well as initiate the franchise renewal process. There are currently three

franchises operating in the city of Austin and the terms of those franchises expire in August 2015.

These recommendations address issues such as taxicab dispatch acceptance, driver hours on duty as well as a proposal related to wheel chair accessible taxicab performance measures. With respect to the different service providers, staff recommends increasing the franchise permit allocation for each of Austin's three taxi franchises by one hundred permits each. Staff additionally recommends increasing the 6.5% wheelchair fleet requirement to a minimum of 10% of their respective fleets.

With this recommended allocation and increase of the minimum requirement for accessible vehicles, Yellow Cab's fleet size will fall below 60% of the total market and the accessible wheelchair fleet could increase from 44 wheelchair accessible taxis to 100. This provides a greater opportunity to align the taxicab supply with peak demands for service. This recommended allocation could also provide an opportunity to incentivize increased use of alternative fuel vehicles.

Finally, because the current Austin City code allows for the existence of a total of five taxi franchises and there have only been three franchises for a number of years, staff recommends that Council provides an opportunity for one additional taxi franchise. The ideal franchise would be provided 105 wheelchair accessible taxicab permits to utilize a fleet of 100% wheelchair accessible taxis. Staff proposes that the addition of an entirely wheelchair accessible taxi franchise would not relieve the existing franchises of their current responsibilities with regard to wheelchair accessible service. However, it would ultimately increase the supply of wheelchair accessible taxicabs from 6.5% of the local fleet to nearly 20%, thus better positioning the local fleets to provide a higher level of service to those with accessible needs.

#### **Next Steps**

Staff will present an ordinance for Mobility Council Committee briefing on March 25, 2015 and Mobility Council Committee will hear public input on April 1, 2015. Staff will present for Council consideration on the April 23, 2015 council agenda. This ordinance will contain code amendments consistent with staff's recommendations as listed:

- Driver hours on duty
- Dispatch acceptance
- Credit card acceptance
- Wheelchair accessible taxicab performance measures
- 10% minimum wheelchair accessible taxi fleet requirement

Additionally, to address franchise renewal and staff's recommendation for allocating 100 additional franchise permits to each taxi franchise to be affixed to alternative fuel vehicles or wheelchair accessible vehicles, staff will submit an item for council's consideration on first reading only on the April 23, 2015 Council agenda. Due to Austin City Charter requirements, any modifications to franchise ordinances must be considered on three separate readings, where the third reading cannot occur no sooner than 30 days after the first reading. Finally, pending Council's approval, staff will commence the process of advertising the availability of 105 available wheelchair accessible permits for a franchise wishing to agree to provide local taxicab service utilizing a fleet of 100% wheelchair accessible taxis.

Mayor and Council  
CIUR 1312 – Taxicab Recommendations  
Monday, March 24, 2015

Should you have any questions related to the attached outline of recommendations, please do not hesitate to contact me

**Attachments:**

1. Outline of staff recommendations proposed to franchise renewal process.

## Taxicab Task Force Recommendations

October 2014

### A. Driver's Hours On-Duty:

- a. (Existing) §13-2-55 Rest Period for Drivers – A driver who operates a ground transportation service vehicle for 12 consecutive hours must take an eight-hour rest period before resuming operation of a ground transportation service vehicle.
- b. (Recommended Amendment) – A driver who operates a ground transportation service vehicle may only operate the ground transportation service vehicle for a total of 12 cumulative hours within a 24-hour period.

### B. Dispatch Acceptance:

- a. (Existing) §13-2-345 Response To Dispatched Service Requests – While operating a taxicab, a driver shall respond to service requests from the driver's dispatch terminal when the location for pick-up is within a reasonable distance from the location of the taxicab.
- b. (Recommended Amendment) – While in service, a taxicab driver shall affirmatively respond to service requests from the driver's dispatch terminal when the taxicab has been determined to be closest to the location of pick-up by GPS.

### C. Accessible Service Performance Measures:

- a. (Existing) §13-2-404(B) – For a franchise holder to qualify for special franchise permits during the second and succeeding years after this ordinance takes effect, each modified ground transportation service vehicle for which a special permit was issued during the preceding year must have been in operation for at least 12 hours a day for 274 days of the preceding 12-month period.
- b. (Recommended Amendment) – For a franchise holder to qualify for special franchise permits, each modified ground transportation service vehicle for which a special permit was issued shall:
  - i. maintain an average response time to requests for accessible service within seven minutes of the franchise's average response time for non-accessible service requests; and
  - ii. provide service to a minimum of three percent of the total dispatched accessible trips completed by the franchise each month.



## Taxicab Task Force Recommendations

October 2014

- iii. all future allocated special franchise permits be utilized on company-owned wheelchair accessible vehicles operated by employee drivers.

\*Failure to satisfy performance measures should result in the assessment of administrative fees, up to permit revocation for continued underperformance.

Approaching the franchise renewals, all franchises will be required to submit a comprehensive plan detailing how the modified accessible service performance measures will be addressed.

### D. Credit Card Acceptance:

- a. Although credit card payments are widely used by all three taxi franchises, this method of accepted payment should be mandatory (with supporting ordinance).

### E. Standard for Taxi Service Delivery:

- a. As per Council Resolution 20140515-025, franchise ordinances should contain a provision requiring ninety percent of requests for service result in pickups within fifteen minutes. This information should be provided to ATD monthly.

### F. Universal Dispatch:

- a. ATD recognizes the benefits of a dispatch system that provides taxi customers with access to the nearest available taxicab regardless of franchise affiliation. However, there are a number of issues to be addressed before a recommendation can be made.
  - i. Representatives from all three franchises shared concerns about access to GPS data.
  - ii. Funding for a universal dispatch system would need to be determined.

### G. Transition Toward Employee Drivers:

- a. Members of the task force (including driver representatives and franchise representatives) indicate there is currently no desire to further pursue a transition from independent contractor drivers to employee drivers. Although discussions will continue regarding utilizing employee drivers with wheelchair accessible taxis.

### H. Insurance:

## Taxicab Task Force Recommendations

October 2014

- a. From the driver's perspective, there was concern as to whether drivers are covered under the franchise's self-insurance in the event of a collision. Per City Code §13-2-74(2) Hiring Drivers As Independent Contractors, when executing a contract with an independent contractor, the holder (franchise) is to ensure the driver is covered under the holder's insurance policy and the holder shall obtain proof of coverage before allowing the driver to operate a ground transportation service vehicle. Per City Code, independent contractor taxi drivers are required to be covered by franchise insurance policies.

I. "Legacy Permits":

- a. ATD recommends that due to the number of potential changes to the local ground transportation landscape, a Legacy permit program not be implemented at this time.

J. Green Vehicle Incentives:

- a. To incentivize the use of alternative fuel vehicles, it is recommended the 8 year service life of vehicles utilized as taxis be increased to 10 years, with the potential of a longer term should the vehicle continue to successfully pass the required vehicle safety inspections.

K. Need for Specialized or Additional Taxi Permits:

- a. When analyzing the current levels of taxicab service locally, the current capacity (756 taxicab permits) can be partially attributed. Considering the creation of "space" for Transportation Network Companies (TNCs), there needs to be consideration placed on modifying the current system used to determine necessary taxicab permits.

L. Calculation of Necessary Franchise Permits ("The Formula")

- a. The department shall determine the annual increase or decrease in the number of necessary franchise permits that results in achievement of performance measures set for the overall franchise program. The performance measures should be approved by City Council in review and approval of the overall performance measures established for the department.
- b. ATD recommends allocating one hundred additional franchise taxi permits to each franchise, thus increasing the local taxicab fleet to a total of 1,056 taxis.

## **Taxicab Task Force Recommendations**

**October 2014**

**Additionally increasing the wheelchair accessible fleet requirement from 6.5% to a 10% minimum requirement of accessible vehicles per fleet.**

March 24, 2015

Memo to  
Mayor and Council

**AUSTIN TAXICAB TASKFORCE  
PRELIMINARY RECOMMENDATIONS**



## MEMORANDUM

**TO:** Mayor and Council

**CC:** Marc A. Ott, City Manager  
Robert D. Goode, P.E., Assistant City Manager

**FROM:** Robert Spillar, P.E., Director, Austin Transportation Department

**DATE:** March 24, 2015

**SUBJECT:** Transportation Network Companies, final staff recommendation;  
response to Resolution 20140515-024 and CIUR 1311

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On May 15, 2014, the City Council approved Resolution 20140515-024 that directed the City Manager to convene a stakeholder working group to develop a framework for a pilot program to allow Transportation Network Companies (TNC) to operate legally. As part of that process, staff sent a 90 day report to Mayor and Council September 24, 2014. This memo serves to distribute staff's draft recommendations for a TNC pilot program in Austin, TX.

In developing the recommendations and pilot program framework, Austin Transportation Department staff members monitored how other jurisdictions responded to the expansion of TNCs throughout the country. Additionally, staff worked with a stakeholder group to fully analyze a variety of details that were necessary to include in the pilot program framework. The participants in the working group brought a diverse set of viewpoints and opinions that were helpful in shaping staff's work. Incorporating feedback from those meetings, ATD staff members compiled the TNC recommendations that are attached to this memo. To date, TNC regulations remain a challenge for jurisdictions worldwide, but the priority in Austin remains to protect the safety of those driving and riding in a TNC vehicle in Austin.

### State Legislation

The most recent development in regards to TNCs in Texas occurred at the Texas State Legislature. Legislation has been filed and is actively being considered that would remove regulating authority from cities and give it to the State.

### Staff Recommendations

As ATD was developing the recommendation for a pilot program the City Council approved Ordinance No. 20141016-038 on October 16, 2014, which established an interim program. Since its inception, ATD has identified some issues with the current process that would be remedied by incorporating the staff recommendations into the TNC operations. The staff's draft full recommendations are attached to this memo; these are recommendations to modify the existing interim program. ATD will present these recommendations to the mobility Committee March 25, 2015. Listed below are some of the primary differences between Ordinance No. 20141016-038 and the staff recommendation:

- **Accessibility** (There will be requirements to provide for accessibility to TNC vehicles by individuals with disabilities.)
  - Ordinance No. 20141016-038:
    - Requires a 10 cent collection for every TNC trip originating in the City of Austin for the TNCs to use to help provide accessible rides.
    - Requires TNCs conduct outreach to community organizations with ADA-compliant vehicles to publicize the TNC's need for ADA vehicles and drivers.
  - ATD staff recommendation:
    - TNCs should be required to comply with the federal Americans with Disabilities Act.
    - If TNCs begin to lease TNC-owned vehicles out to drivers, those vehicles will be required to be wheelchair accessible.
    - If the TNC has an existing accessibility plan filed with another jurisdiction that provides greater levels of accessibility service, the TNC will be required to adapt that plan for implementation in Austin and have it approved by the City of Austin and implemented within six months of signing their operating agreement and/or the beginning of the pilot program.
    - Once the 6 month implementation period has concluded, the TNCs will fall under the same requirements as other ground transportation services for those requesting accessible service.
    - Reporting requirements: In the TNCs reporting requirements (quarterly reports) they will be required to provide updates on their progress in meeting the accessibility requirements.
- **Definition of TNC** (The definition of a TNC will define what companies are considered TNCs versus other types of ground transportation.)
  - Ordinance No. 20141016-038:
    - Any organization whether a corporation, partnership, sole proprietor, or other form, that provides on-demand transportation services for compensation using an online-enabled application (app) or platform to connect passengers with drivers.
  - ATD staff recommendation:
    - Driver must use his/her personal vehicle in a TNC model, which is not required in the current ordinance.
- **Driver Identification**
  - Ordinance No. 20141016-038:
    - Requires driver identification to occur only through the application.
  - ATD staff recommendation:
    - Recommends a physical document with the driver's identification to be visible while the driver is operating the TNC. This differs from the approved ordinance as it includes another requirement for identification visible on the vehicle.
- **Geo-fencing** (Geo-fencing is a software program feature that allows a TNC application to use GPS to define a specific geographic boundary where pick-ups and drop-offs should take place.)
  - Ordinance No. 20141016-038:
    - Does not address geo-fencing.
  - ATD staff recommendation:
    - *Delivering a safe, reliable, and sustainable transportation system that enhances the environment and economic strength of the region.*



- TNCs should cooperate with the City during large special events in order to geo-fence pick-up and drop-off locations that are appropriate for the event to create a safer and more mobility-friendly event.
- **Insurance**
  - Ordinance No. 20141016-038:
    - Stage One of operation, when the driver is logged into the application and is available to accept a ride request, insurance coverage requires (\$30,000) for death and personal injury per person, sixty thousand dollars (\$60,000) for death and personal injury per incident, and twenty five thousand dollars (\$25,000) for property damage.
  - ATD staff recommendation:
    - Stage One of operation, when the driver is logged into the application and is available to accept a ride request, insurance coverage requires coverage for bodily injury is \$100,000 per person and \$300,000 per accident, property damage of \$25,000 per accident; and personal injury protection of \$2,500 per passenger.
- **Trade Dress** (Trade dress is a distinctive emblem that is displayed on the vehicle for identification purposes.)
  - Ordinance No. 20141016-038:
    - Does not address trade dress.
  - ATD staff recommendation:
    - Recommends vehicle trade dress, which some TNCs already have in place in Austin and other cities.
- **Reporting Requirements** (Data the TNC companies will be required to report to the City.)
  - Ordinance No. 20141016-038:
    - Requires quarterly reports to the City providing general information about trips provided including pick-up/drop-off patterns, cost, length of trip, ADA service comparison, and evaluations of TNC impact on drunk driving and the ability to provide service to underserved communities.
  - ATD staff recommendation:
    - Recommends specific data to be recorded in four-hour blocks and reported monthly. Examples of required data to be reported includes trips serviced by zip codes, total vehicles logged in, driver hours logged, gross revenue and more. (See the complete list in the staff recommendations.)
- **Vehicle Inspections**
  - Ordinance No. 20141016-038:
    - Requires a Texas state inspection for the vehicle.
  - ATD staff recommendation:
    - Proposes a 20-point safety inspection, some of which is not covered by the State vehicle inspection.

### Next Steps

This item will be brought forward for Mobility Council Committee briefing on March 25, 2015, and the Mobility Council Committee will then hear public input on April 1, 2015. Ordinance No. 20141016-038 called for a six month review of the interim program that was approved within the ordinance. The six month review will come up in April 2015, and ATD staff will return to

*Delivering a safe, reliable, and sustainable transportation system  
that enhances the environment and economic strength of the region.*

present the review at the June 3, 2015 Mobility Council Committee meeting, or at the first available opportunity on the Mobility Committee's agenda.

After assessing the current interim program, reviewing collected data and monitoring any state actions, staff will bring an item to the City Council to make any necessary amendments the ordinance to reflect staff's recommendations that could provide for a better operating TNC ground transportation model.

Staff suggests waiting to make such alterations in order to provide an opportunity to observe the current pilot, make any necessary amendments if observations necessitate, and also to provide better customer service to all providers impacted by the changes to allow them time to come into compliance.

Should you have any questions, please do not hesitate to contact me.

**Attachments:**

1. Draft ATD Staff Recommendation, TNC Pilot Program Framework

Transportation Network Company (TNC) Pilot Program Recommended Guidelines

**Company Requirements:**

- I. A Transportation Network Company (TNC) is a company that provides pre-arranged transportation services for compensation using an online-enabled application or platform to connect passengers with drivers using their personal vehicles.
- II. A TNC will pay all fees and other costs identified in the City's Fee ordinance.
  - a. The fee will be 1% of gross revenues for the first year of the pilot program. Dependent on City of Austin costs to manage, this fee could be increased up to 2% in accordance with state law. (The City of Houston also collects 2% of gross revenues.)
- III. Licensing:
  - a. It shall be unlawful for a TNC to operate within the corporate limits of the city without the proper authority. A TNC company operating authority will be required, which is a separate permit specifically for the company than what will be required for the individual drivers.
  - b. In order to facilitate the administration and enforcement of the pilot program, a fee will be imposed on all approved TNCs.
  - c. Permits issued will be for a term of one year, renewable annually.
  - d. Permits issued may not be transferred or otherwise assigned.
  - e. To secure a TNC company permit, an application shall be submitted pursuant to §13-2-161.
  - f. A TNC must have a local point of contact to be named on the permit application.
  - g. The TNC must maintain a local presence including, but not limited to, a website and a 24-hour phone number.
- IV. Insurance:
  - a. Each permittee and TNC driver shall comply with all applicable insurance requirements mandated by federal, State of Texas, and city laws.
  - b. Each applicant for the issuance or renewal of a permit shall provide proof that the applicant has commercial automobile liability insurance issued by a company licensed to operate in the State of Texas and by an agent licensed by the State of Texas. The policy must include the following; bodily injury and property damage coverage; and owned, non-owned and hired vehicle coverage. Applicant must furnish a certificate of insurance for the policy to the department.
  - c. The policy required shall be available to cover claims regardless of whether the driver maintains insurance adequate to cover any portion of the claim and shall be maintained in force at all times that the TNC offers or provides TNC service.

- i. Should there be an incident that necessitates it, the department director reserves the right to require the insurance provided by the TNC to be the primary insurance while a driver has the TNC platform turned on in the driver mode.
- d. Any permittee shall provide proof of insurance to each TNC driver before the driver begins providing service and for as long as the driver remains available to provide service.
- e. If any insurer desires to be released from any insurance policy filed under this section, the TNC must give written notice to the Director of the Austin Transportation Department at least 30 days before release from liability occurs. The TNC shall furnish evidence of new insurance obtained before the expiration of the policy.
- f. Insurance shall be provided in stages of use for the TNC:

- i. \*Stages of Activity

Stage 1 – TNC driver logged into application, available for ride request

Stage 2 – Accepted ride request, in route to requestor (no passengers loaded)

Stage 3 – Passenger(s) loaded, until the completion of the trip (including the drop off of passengers at their final destination).

- g. The policy required for TNC's must, at a minimum, provide coverage for:

- \*Stage 1

- 1. Bodily injury of \$100,000 per person and \$300,000 per accident
    - 2. Property damage of \$25,000 per accident; and
    - 3. Personal injury protection of \$2,500 per passenger.

This commercial coverage shall be provided by the TNC.

- \*Stage 2

Commercial automobile liability insurance with a combined single limit for bodily injury and property damage of \$1,000,000 per accident covering liability resulting from any occurrence arising out of or caused by the operation of a TNC vehicle.

This commercial coverage shall be provided by the TNC

- \*Stage 3

Commercial automobile liability insurance with a combined single limit for bodily injury and property damage of \$1,000,000 per accident covering liability resulting from any occurrence arising out of or caused by the operation of a TNC vehicle.

This commercial coverage shall be provided by the TNC

V. Reporting Requirements:

- a. The following data shall be reported to the Director of the Austin Transportation Department by the TNC for the purpose of determining the success of the pilot program. Provided data will be used to identify transportation needs that are currently not being met, as well as to ensure there is equitable service across all communities.

The following data shall be recorded in four-hour blocks and reported monthly:

- Number of requests for service
- Number of trips requested but not serviced, by zip code
- Number of vehicles active/logged in
- Pick up/drop off by zip codes
- Accessible rides requested and serviced
- Accessible rides requested and not serviced
- Amount of time that surge/dynamic pricing is in effect

The following data shall be recorded daily and reported monthly:

- Driver hours logged in to application (12 hour max per driver)

The following data shall be recorded and reported monthly:

- Number of trips completed and passengers transported
- Gross Revenue generated

The following data shall be recorded daily and reported weekly:

- All accident reports involving a vehicle that is in service operating as a TNC.

Failure to provide required data within 15 days of last day of the preceding deadline will cause a TNC's permit to be suspended.

VI. Passenger Rates

- a. For the purposes of the pilot program, TNCs fares will not be capped and TNCs will be allowed to use dynamic pricing models.
- b. When operating under a dynamic pricing model, the TNC will be required to show passengers what their estimated charge will be for the ride prior to the passenger requesting a ride.
- c. TNC's shall display their rate of fare on their website, application, or digital platform used by the permittee to connect drivers with passengers and upon termination of the trip, provide a receipt to the passenger.

- i. If rates of fare are dependent on time traveled, there should be a fare estimate for passengers to view prior to accepting a ride.

#### VII. Accessible Service

- a. All TNCs will be required to be in full compliance with the federal Americans with Disabilities Act. Some staff recommendations to help come into compliance with the ADA include:
  - i. If TNCs begin to lease TNC-owned vehicles out to drivers, those vehicles will be required to be wheelchair accessible.
    - 1. This provision is to address specifically a TNC directly leasing a vehicle to an individual; it is not intended to impact an individual who privately leases a vehicle that is used to operate as a TNC (though the driver should be aware that in their lease agreement such commercial activities could be prohibited.)
  - ii. If the TNC has an existing accessibility plan filed with another jurisdiction that provides greater levels of accessibility service, the TNC will be required to adapt that plan for implementation in Austin and have it approved by the City of Austin and implemented within six months of signing their operating agreement.
    - 1. If the TNC has a plan filed in another jurisdiction but does not want to use it in Austin, the TNC will be expected to draft a new plan within one month and then implement it within 6 months of signing their operating agreement or the beginning of a pilot program period.
    - 2. If the TNC does not have an existing accessibility plan, the TNC will create one approved by the City of Austin and be required to implement within six months.
  - iii. Once the 6 month implementation period has concluded, the TNCs will fall under the same requirements as other ground transportation services for those requesting accessible service.
    - 1. Example: It is possible that in the upcoming taxi franchise renewals there will be a requirement for taxis to be able to respond to requests for accessible service within a certain timeframe of their average pick up times. In this case, the same requirement would be applied to TNCs.
  - iv. Reporting requirements: In the TNCs reporting requirements (quarterly reports) they will be required to provide updates on their progress in meeting the accessibility requirements.

#### VIII. Geo-fencing

- a. City of Austin has the ability to request TNCs to geo-fence their pick-up/drop-off for safety and mobility reasons, in particular during large special events.



- i. "Large special events" refers to special events that are Tier 3 or Tier 4 events, as identified in the Draft Special Events Ordinance.

**§ 4-15-21 CATEGORIES OF SPECIAL EVENTS. 10 (from DRAFT special events ordinance)**

*A special event application will be designated into one of four tiers in accordance with this Section.*

*(A) A Tier 1 event is a special event that does not include consumption of alcohol and:*

- (1) impacts no more than one block of a street, sidewalk, or city right-of-way and does not require other permits, except for a permit issued under Chapter 14-8 (Temporary Closure for Right of Way Events and Neighborhood Block Parties); or*
- (2) is moving and consists exclusively of people in a police-escorted bubble;*
- (3) is an assembly at a city facility and lasts less than 5 hours; or*
- (4) is an assembly exclusively on private property and lasts less than 5 hours one day.*

*(B) A Tier 2 event is a special event that:*

- (1) is an assembly at a city facility and that estimates attendance at less than 2,500 attendees per day; or*
- (2) is an assembly lasting four days or less, that is held primarily on private property, and that estimates attendance at less than 2,500 attendees per day; or*
- (3) is stationary and impacts up to two blocks of a street, sidewalk, or city right-of-way.*

*(C) A Tier 3 event is a special event that is not covered by Tiers 1, 2, and 4.*

*(D) A Tier 4 event is special event that:*

- (1) is an assembly at two or more city facilities and that includes the use of city streets, sidewalks, or right-of-ways; or*
- (2) has an estimated need, based on its permit application for \$100,000 or 5 more in city services, staff time, and equipment.*

**IX. Austin Bergstrom International Airport (ABIA)**

- a. TNCs will be required to enter into a separate agreement with ABIA with regards to ground transportation accommodations. ABIA has separate, more stringent requirements due to security risks.

**X. Trade Dress**

- a. In addition to inspection decal, all TNC vehicles shall display a consistent and distinctive emblem (commonly referred to as "Trade Dress") at all times the vehicle is being used to provide TNC services. The emblem may be temporary, but must be applied to vehicle in order to operate. The Director of the Austin Transportation Department is authorized to specify, by rule, the manner of display, method of issuance, and to approve the final design and contents of such emblem.

**XI. Other Requirements:**

- a. The City has the right to inspect individual ground transportation vehicles, including TNCs and taxicabs. Enforcement entities secure the ability to schedule trips for the purpose of inspections and audits. The companies/drivers may not deny the trips based on the requestor, companies cannot block City departments out of the applications, and enforcing agencies will not be required to pay for the ride.
  - i. As part of this requirement, TNCs that currently have blocked City of Austin enforcement accounts must release the accounts.
  - ii. Additionally, TNCs are not to actively manipulate the inspection process.
- b. Any terms of conditions in the agreement between the permittee and drivers, or between the permittee and any passenger, that would act as a waiver of the permittee's liability to the passenger or to the public, are declared to be contrary to public policy, null, void and unenforceable.
- c. TNC drivers will only accept rides through the application platform; they will not be permitted to accept hailed rides.

**Driver Requirements:**

- I. TNCs shall conduct a certification of each driver wishing to provide service with the TNC. The certification should include:
  - a. Driver Background check
    - i. The criminal background check shall be national in scope and prevent any person who has been convicted, within the past seven years, of driving under the influence of drugs or alcohol, or who has been convicted at any time for fraud, sexual offenses, use of a motor vehicle to commit a felony, gun related violations, resisting/evading arrest, reckless driving, a crime involving property damage, and/or theft, acts of violence, or acts of terror from driving for the TNC.
  - b. Driver's driving record
    - i. The driver history check shall prevent anyone with more than three moving violations or anyone charged with driving without insurance or a suspended license or a major violation within the three-year period prior to the check from driving for the TNC.
  - c. No tolerance drug and alcohol policy
  - d. Driver training program
    - i. The driver training program is designed to ensure the driver safely operates the vehicle.

- ii. There has been a strong recommendation from some community members that the driver training should include training about sharing the road with vulnerable road users, including pedestrians and cyclists. ATD staff supports the vulnerable road users training.
  - e. Vehicle Inspection completion
  - f. A valid, current driver's license
  - g. Driver must be 21 years old, or older
  - h. Proof of payment of ad valorem taxes to Travis County
- II. Once a driver has satisfied certification requirements, the TNC shall issue a document for identification purposes containing a photo of the driver and identifying vehicle information (license plate number) which the driver is required to have in the vehicle when operating as a TNC.
- a. While operating a TNC vehicle, the driver shall display the operating permit in a manner approved by the Director of the Austin Transportation Department.
- III. TNC shall submit a weekly report to the department detailing all drivers affiliated with the TNC. The report should contain information on all drivers on-boarded as well as all drivers no longer eligible to operate on the TNC's platform. Included in the weekly reports will be a signed affidavit from the TNC confirming that each of the drivers meets the standards to operate as a TNC in Austin, TX.
- a. TNCs will be responsible for maintaining these driver records.
  - b. ATD will have the ability to request audits of those records.
    - i. ATD will audit the TNCs records to ensure compliance. If waivers are needed for ATD to audit drivers' background checks, TNCs will collect waiver information from drivers when they sign up on the platform.
    - ii. If there are expenses associated with using a third party auditor, costs will be billed directly to the TNCs.
- IV. While operating a TNC vehicle, the driver shall display approved trade dress as required by this chapter.
- V. Drivers will not operate as ground transportation providers for more than 12 hours within in a 24 hour period.

**Vehicle Requirements:**

Before operating a vehicle for TNC service, the vehicle must successfully pass a 20-point inspection by a mechanic certified by the State of Texas to perform state inspections. Inspections shall include, but not be limited to the following items:

1. Emergency brakes;
2. Foot brakes;
3. Steering mechanism;

4. Windshield;
5. Rear window and other glass;
6. Windshield wipers;
7. Headlights;
8. Tail lights;
9. Turn indicator lights;
10. Stop lights;
11. Front seat adjustment mechanism;
12. Doors (open, close, lock);
13. Horn;
14. Speedometer;
15. Bumpers;
16. Muffler and exhaust system;
17. Condition of tires, including tread depth;
18. Interior and exterior rear view mirrors;
19. Safety belts for drivers and passengers;
20. Fire extinguisher;

- I. Vehicle must conform to state safety standards and have a current State vehicle inspection and registration stickers
- II. The vehicle must be in condition to provide dependable and safe mechanical operation.
- III. The vehicle must have a physical barrier securely anchored between the passenger and luggage compartments if the vehicle has no trunk compartment.
- IV. Missing, broken, or significantly damaged interior parts that affect the operation or safety of the vehicle must be repaired or replaced.
- V. Vehicle must somewhere display the City of Austin's ground transportation department's compliant phone number 512-974-1551.

**Pilot Program Duration:**

- I. The duration of the pilot program will be for one year, and staff reserves the right the make any necessary modifications during the pilot program.

Draft Preliminary ATD Staff Recommendation, TNC Pilot Program Framework  
March 24, 2015

- II. There will not be a sunset on the pilot program; if after one year it is determined the pilot program should be discontinued, it will require City Council action and applicable City Code amendments.

**Taxi/Ground Transportation Operations Related Modifications:**

If the TNC pilot program is found to be successful, ATD staff will consider making the following modifications to other ground transportation operations.

I. Permit Allocation

- a. Initiate an additional allocation of taxi franchise permits, which will be specified in the Taxicab Taskforce Recommendations.

II. Driver Requirements

- a. Driver requirements should mirror TNC driver requirements. Taxicab companies will be responsible for ensuring their drivers pass the background check, driver history check, complete an in-house training program, are at least 21 years of age, drive a vehicle that pass the inspection standards and are in compliance with the drug and alcohol policy. Taxicab companies will also be required to submit a signed affidavit stating their drivers meet the requirements and will be subject to audits to ensure compliance.

- III. Inspection Standards – Motorized ground transportation service vehicle (excluding electric low-speed vehicles) inspection standards should mirror TNC inspection requirements. The companies will be responsible for the inspections and will attest the inspections are valid in the aforementioned signed affidavit.

IV. Permit Usage-24 hour capabilities

- a. Taxicab companies will have the ability to utilize vehicle permits 24 hours a day if they are able to prove capability of administering split use of one permit.
  - i. i.e. Two vehicles can operate on the same permit, just not at the same time.

# Austin Transportation Department



# Ground Transportation: Why Regulate?

Robert Spillar, P.E., Director, Austin Transportation Department

W. Gordon Derr, P.E., Assistant Director, Austin Transportation Department

Carlton Thomas, Infrastructure Operations Division Manager, Austin Transportation  
Department



# State of Texas Local Government Code

## Title 7

### Subtitle A. Municipal Regulatory Authority

STATE OF TEXAS LOCAL GOVERNMENT CODE

TITLE 7. REGULATION OF LAND USE, STRUCTURES, BUSINESSES, AND RELATED ACTIVITIES

SUBTITLE A. MUNICIPAL REGULATORY AUTHORITY

CHAPTER 215. MUNICIPAL REGULATION OF BUSINESSES AND OCCUPATIONS

215.004. Taxicabs and Limousines(a) To protect the public health, safety, and welfare, a municipality by ordinance:

(1) shall license, control, and otherwise regulate each private passenger vehicle, regardless of how it is propelled, that provides passenger taxicab transportation services for compensation and is designed for carrying no more than eight passengers; and

(2) may license, control, and otherwise regulate each private passenger vehicle, regardless of how it is propelled, that provides passenger limousine transportation services for compensation and is designed for carrying no more than 15 passengers.

(a-1) Subsection (a) applies to a taxicab or limousine service that is operated:

(1) within the jurisdiction of the municipality;

(2) on property owned by the municipality, singly or jointly with one or more other municipalities or public agencies;

(3) on property in which the municipality possesses an ownership interest; or

(4) by transporting from the municipality, municipal property, or property in which the municipality has an interest and returning to it.

(b) The ordinance may include:

(1) regulation of the entry into the business of providing passenger taxicab or limousine transportation services, including controls, limits, or other restrictions on the total number of persons providing the services;

(2) regulation of the rates charged for the provision of the services;

(3) establishment of safety and insurance requirements; and

(4) any other requirement adopted to ensure safe and reliable passenger transportation service.

(c) In regulating passenger taxicab or limousine transportation services under this section, a municipality is performing a governmental function. A municipality may carry out the provisions of this section to the extent the governing body of the municipality considers it necessary or appropriate.

(d) The provisions of this section relating to the regulation of limousine transportation services apply only to a municipality with a population of more than 1.9 million.

Added by Acts 1989, 71st Leg., ch. 1, Sec. 50(a), eff. Aug. 28, 1989.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 476 (H.B. [2338](#)), Sec. 1, eff. September 1, 2007.

**March 7, 2013**

(After TNCs began operating locally)

**Statement from Dr. Ray Munday, Ph.D**

**Director, TTLF**

-March 7, 2013 (Prior to Council considering Resolution #20130307-067)

"Unfortunately our 2011 Transportation Study for the City of Austin did not address transportation apps such as Sidecar. They were simply not part of the market place at that time. However, since that time we have had the opportunity to follow the activities of apps such as Sidecar and Uber and have quickly come to the conclusion that firms like Sidecar are, at a minimum dispatch companies, and in the specific case of Sidecar, and operating taxi company without city authorization. The current resolution before City Council could appear to sanction these illegal operations while the City studies the issues surrounding this type of company and the experiences of other cities. In my strongest opinion, this should not be permitted to happen. Just as in the case of electric go-cart type vehicles, which provided little to no real safety to riders, the City of Austin, by allowing Sidecar to operate, would assume tremendous liability. The City of Austin has a good ground transportation regulatory group and enjoys a very high level of call taxi service from its legal operators. Allowing Sidecar to operate would be detrimental to these existing transportation providers, your driving core, and the residents of Austin that depend upon their services."

**RESOLUTION NO. 20130307-067**

**WHEREAS**, Austin is continually exploring innovative transportation solutions; and

**WHEREAS**, ridesharing may be a sustainable and efficient peer-to-peer transportation option whereby individuals are enabled to share the cost of automobile travel without compensation as defined by Code; and

**WHEREAS**, ridesharing is being promoted nationally through a variety of new apps and websites; and

**WHEREAS**, Austinites are currently sharing rides using these apps; and

**WHEREAS**, Austin's transportation code does not clearly address or regulate ridesharing; and

**WHEREAS**, when Dr. Ray Mundy studied ground transportation in Austin in September of 2011 he cited the need for each transportation option to serve a particular niche in order to be part of a well-functioning, comprehensive transportation system; and

**WHEREAS**, ridesharing could potentially serve a particular niche in the spectrum of transportation services, if regulated so as not to overlap with existing transportation options; **NOW, THEREFORE,**

**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:**

The City Manager is directed to explore ridesharing regulations in other cities and make recommendations on the parameters within which ridesharing



should be allowed in the City of Austin. The recommendations should address, but not be limited to:

1. Insurance, registration, and license requirements;
2. Criminal and driving background checks for drivers;
3. The method of connecting drivers to riders; and
4. Cost-sharing parameters.

**BE IT FURTHER RESOLVED:**


The City Manager is further directed to bring the recommendations and proposed ordinance, if any, to Council by June 1, 2013.

**BE IT FURTHER RESOLVED:**

The City Manager is directed to issue and enforce cease and desist orders against firms that engage in peer-to-peer ridesharing for compensation, and to use whatever legal and effective means are available to discourage use of peer-to-peer ridesharing for compensation until the public safety and other regulatory concerns have been addressed.

**ADOPTED:** March 7, 2013

**ATTEST:**

  
Jannette S. Goodall  
City Clerk

**September 20, 2011**

(Prior to TNC entry into the transportation market)

**Austin, Texas Taxi Study:  
“The Munday Report”**

### Why Regulate Taxis?

The necessity to regulate taxi services within Austin is twofold. First, there is the legal responsibility prescribed by the Texas State Legislature, creating and empowering the City of Austin to regulate its taxicab companies economically. As such, the City of Austin is vested with responsibility to not only ensure the safe use of public taxis, but additionally to economically regulate and promote the provision of public taxi services within the community.

The City's position on taxicab economic regulation has been what economists refer to as that of "managed competition". That is, the City officials desire competition within the taxi industry, thereby fostering choice for those wishing to use their taxi services. The simple logic behind this economic theory is that the presence of one or more competitors forces all taxi companies to compete for the user's business. This approach also implies that the City will attempt to manage this competition through limitations on entry into this marketplace, the specification of operating rules and procedures, and the setting of actual rates the companies may charge.

The need to regulate taxi services, however, runs counter-intuitive to simple economic theory and some loosely held popular opinions. One could argue that citizens need other generally available goods and services such as grocery stores, restaurants, car rental firms, etc. *They* are not regulated economically, in the belief that unlimited competitive forces will bring about quality operations and the best consumer prices if government intervention is kept to a minimum. Why then is there the need to regulate Austin's or any other city's ground transportation services?

The simple, but yet most effective, answer lies in the rationale that it is **in the public's interest** to regulate taxicabs and these other forms of ground transportation. There is the social commitment a community has to both its citizens and its visitors that these vital public transportation services will be available, safe, and economical to use. Entries into taxi services, for example, are developed and balanced to protect the user not only from onerous services or arbitrary fares, but also to yield the provider sufficient funds to continue in business and make a modest profit.

As shown in a later section of this report, a deregulated, completely open-entry

approach to taxi services within a community leads to unreliable, expensive, and spotty/embarrassing taxi service at best. Like any good transportation service, taxi services must be appropriately planned for, coordinated through service based regulation, and continually upgraded if they are to attract and support the needs of both the community and visitors.

Another important reason for regulating taxi services, especially in the Austin area, is the public image that is conveyed to its residents and visitors. The City of Austin is considered to be progressive and busily developing an “upscale” image for convention visitors, a city in which to live and to enjoy the benefits of Western living. Austin city officials and others have worked hard to develop a positive image – one of a clean, modern, and progressive Texas city.

Therefore, it is both the public’s need and its preference also to have a modern, positive image for its taxicab operations. A taxicab service should reflect the community’s desire for clean, efficient, and responsible public transportation services which meets the needs of all.

Austin has an extensive public bus system; however, for visitors unfamiliar with the public transit system or those who are disabled or without access to private automobiles, the privately provided taxi service may be the only form of on-demand public transportation available for many of their curb to curb needs. It is imperative that the community leaders, through appropriate taxi regulations, make this alternative available, accessible, and reasonable.

For example, in addition to Austin Metro Transit system there are many social organizations that provide Americans with Disabilities (ADA) approved transportation trips, but often these require pre-qualification, involve preplanning for both going and returning, and typically consume large amounts of time and cost. Proper regulation of efficient taxi services is one way the community can ensure its citizens have access to privately provided public transportation services which are convenient, easy to use, and, when all costs are considered, significantly less expensive to provide than publicly provided transportations services – especially those which require the use of a wheelchair capable vehicle.

A final rationale for regulating taxis to be in the public's interest is in the area of energy conservation and carbon footprint. Typical vehicles utilized as taxicabs are used police cars or other large vehicles designed for five or more passengers. These are typically older vehicles with V8 engines, which achieve 10 to 15 mpg in city traffic. Modern taxi dispatch technology, if employed, can route the closest cab to a caller and design the shortest route to the caller, thereby decreasing gasoline usage and emissions.

Through efficient and effective dispatch and balancing the appropriate number of taxis in the market, more revenues can be generated per vehicle, thereby allowing taxi companies or individual drivers to lease or purchase even newer fuel efficient cars like the Prius or other hybrid cars and reducing the energy required even more. If a single individual auto owner were to do this, the effect would be minimal, but for an auto fleet of 668 vehicles to do so, there would be a significant impact on the community – especially if it reduces older gas guzzling clunkers from the roadways.

Finally, through good taxi regulation, and over time, the phenomena now existing in Austin of having one fleet of taxis to take passengers from the airport and another that only takes passengers to the airport could be eliminated, with all taxis integrated into airport service for more efficient two-way service. This would significantly decrease the daily gasoline use and would cut the amount of auto emissions almost in half.

### **Taxicab Regulation in Austin**

The Texas Transportation Code Section 502.003 authorizes municipalities to regulate vehicles for hire. The City of Austin regulations are contained within Article XI of the City Charter and Chapter 13-2 of the City Code. The City regulations have been amended several times over the years, but the last significant rewrite of the sections of the City Code occurred in 1998. The Austin Transportation Department is responsible for vehicles for hire in the City. Currently 100 companies are authorized to operate up to 1,165 vehicles providing taxicab, limousine, airport shuttle, touring and other services to the citizens and guests of Austin. Over 2,400 drivers are authorized to operate the vehicles that have been licensed to provide the service. The Austin Transportation Department has 2.5 FTEs to administer the regulations, investigate complaints, and ensure that the fleets meet City and State requirements. One additional FTE has been requested in the FY 2011 budget to provide the ability to expand routine enforcement to

evenings and weekends. This individual has been hired and is now performing these duties. In addition there are a number of employees who work for the Aviation Department providing oversight of vehicles for hire at ABIA only.

Upon the sponsorship of one of the City's three taxi franchise companies, the City accepts an individual's application to obtain a taxi driver permit, does a criminal background check on the applicant, administers a test of English and knowledge of the city and taxi driver regulations, and issues a taxi driver permit. This is done with a very small and efficient staff. However, this city department does not provide staff for the training of taxi drivers but now has two officers who provide on-street inspection of the driver's behavior and vehicle condition as well as patrol for unlicensed vehicles acting as taxicabs. The training of drivers is left up to three taxi franchise operating companies.

Economic regulation of Austin taxicab service has been classic economic regulation of a public utility, including regulation of entry, rates, service, financial dealings, and even exit. Perhaps the greatest controversy about this type of taxi regulation in Austin has been entry regulation. It has been an issue before the Mayor and City Council numerous times over the years, as individuals or existing taxi drivers wished to start their own taxi companies rather than leasing vehicles and/or operating authority from one of the franchise taxi companies.

Often this type of taxi regulation is referred to as a regulated monopoly. However, there has never been a taxi monopoly in Austin. A monopoly consists of a single provider, never the case in Austin. However, it would appear that the officials in Austin have struggled with the concept of regulated competition, attempting to limit the percentage of total taxicabs any one taxi franchise company may have. Currently in Chapter 13-2 of the Austin City Code, this has been determined at no more than 60% of the total number of taxicab permits authorized to provide taxi services within the City. In addition, the City has "borrowed against the future" by authorizing slightly more than 60% of the permits to Yellow Cab Co. of Austin as a result of their acquisition of Roy's Taxi operations.

When the number of taxi franchise companies decreased to only two there appeared to be a feeling of comfort with this approach, and an allocation of 50 additional permits was established to create a third competing taxi franchise company.



Classic transportation entry regulation is based on the public interest being served by one or a few providers that have the size and equipment to serve a geographic market. It was typically argued that there was or is a minimum "economies of scale" or scope in which a firm could economically serve the market at the lowest cost to the consumer. If the market were viewed by the regulating agency as being most efficiently provided by a single company, such as with a telephone, cable TV, electricity, or water service, then only one provider was granted a permit or operating authority to provide the service. For example, in public transit, both by State statute and local regulatory authority, it was and is felt today that a single traditional (public) transit provider is best. This would be a transportation monopoly protected by statute.

In the trucking or motor carrier industry, before general federal and state deregulation, regulatory authorities determined that some amount of competition was good for the shipping public and would often permit two or more carriers to participate in an area or city-pair market with the express desire for the shipping public to have a choice of carriers. However, while carriers could compete on the service basis, they all had to charge the same rate for these transportation services. Hence, this became known as the Doctrine of Regulated Competition. Entry, however, was still controlled by the transportation authority and the obstacles for those wishing to enter the market were high but not insurmountable. Many state regulatory authorities granted additional permits for service when and wherever they felt the market required them to do so. Indeed, this remains an option to City of Austin today when regulating taxi franchise companies.

All these regulatory approaches had entry restrictions to protect the carriers involved in providing the existing service. This entry restriction was to protect the existing carriers from harmful competition in the form of too many new carriers, which could dilute the density of the market, thereby increasing costs for everyone, and in turn, driving up fares or rates for all. In return, the private carriers agreed to charge only approved rates which restricted their profits to that prescribed by the regulatory agency – which was usually the cost of borrowing money plus a few percentage points for profits.

What was particularly onerous to challengers who wished to enter these regulated industries was the process they had to undergo in applying for a license or operating authority. In general, they had to petition the regulatory body, with considerable



evidence that there was a demand or market for the services they tried to provide and that the existing providers were not serving this market. Furthermore, now that it was identified, the exiting carriers would not serve this market. It is easy to see why such petitions for new service entry were largely unsuccessful, but not always. It simply required a well prepared and documented approach. Aspirants for new operating authority could not simply request that they be given authority to operate.

Many of these public utility regulatory bodies have been decommissioned. Federal and, for the most part, state governments no longer economically regulate interstate or intrastate airline, trucking, bus, or rail transportation services – preferring to let the private sector sort out the better provider and who offers the best rates. However, local taxi transportation is typically still regulated with respect to the total number of taxis permitted and the companies that provide this service.

As will be shown later in this report, regulation of local taxicab service within the City of Austin has, in the eyes of this writer, had a positive impact on serving the public's interest. Indeed, while city after city within North America underwent taxicab open entry deregulation, only to quickly re-regulate after fares rose dramatically and service deteriorated significantly. Austin has avoided this fragmentation of their taxi industry and the ensuing problems of having to rebuild their tattered taxicab services and image.

Taxicab service, while having some obvious economies of scale, especially with the use of new dispatching technologies, is considerably different from other formerly regulated transportation entities. Classic economic regulatory theories are based on the assumption that the behavior of firms would grow from a longrange interest in the consumer - that business is built over the long run through marketing, word of mouth, and personal experiences of those using the services. This classic theory assumes that all individuals, including the employees providing the services, are concerned about how the customer views the services so these customers come back and also tell others about their positive experiences. It is further assumed that through trial and error, the good providers, like cream, will rise to the top, and that bad operators will sink to the bottom and go out of business – hence in the classic competitive economic model – the best grow and prosper. One has only to point to the North American restaurant business for a supporting example of this theory – many new restaurants are starting each year, yet only

the good ones survive through the natural trial and error by many customers who make these decisions with their patronage or lack thereof.

Within the taxi industry however, the employee has been replaced in large part by the independent contractor driver who often provides his/her own vehicle, insurance, (in some cities) cell phone service, etc,. Under this fragmented scenario, each driver may treat each customer as a onetime transaction, someone he or she will never see again, so the temptation is always there to take a circuitous route, charge extra for bags, refuse short trips or credit cards, and even to overcharge if their income for that day is lagging. Of course, the opposite could be true – a driver may treat a customer exceptionally well with the intent of developing that customer for repeat business via cell phone requests directly to that driver, thereby bypassing any need for a dispatch system. The difficulty is obvious, ‘How does the public reward the good driver and get rid of the bad?’

Under this scenario, there may be no long run attitude of some service providers and there is often no repeat trial and error experience for the user – especially if the user is a visitor at the airport or an infrequent user of taxi services. Under these conditions, then the classic competitive economic business model does not work and just the opposite happens in the taxi industry – the bad and somewhat unscrupulous operators often drive good competitors from the marketplace.

Austin has not undergone the de-fragmentation of their taxi industry as other cities have.

#### **Austin Airport Taxi Service**

Airport taxi service has changed significantly in Austin. Historically, the former Austin Airport was a strong airport taxi market. Just a few miles from downtown, taxis would circulate through the airport, drop off and, many times, jump into a constantly moving taxi line. However, the move out to Austin – Bergin International Airport (AUS), in 1999, while being a tremendous boon to Austin air travel, has not been a significant boost to the taxi industry.

At first blush, the current situation would appear to be very beneficial to the taxi industry with the fare from the airport to downtown now being \$25.00 plus tip instead of the previous \$10 or \$12 fare from Austin’s Muller Airport. However, with the new airport came new competition in the form of shared ride vans, sedans, limos and

additional rental cars, all added to the Austin – Bergsten International Airport choices for ground transportation.

As will be shown later in this report, there exists a very inefficient airport taxi service now in Austin. ABIA is served primarily by taxis which on the average make two to four trips per day. These taxicab drivers serve mainly the airport to downtown markets. After they leave the airport with a fare, they will drop their passenger(s) off, and immediately return to the airport empty and get back in line. These drivers do not typically utilize their radios for dispatch trips offered to serve other taxi markets within the community.

Most of Lone Star Cab's 55 cabs would fall into this classification, and a large number of Austin Cab Company's 159 vehicles can be found at the airport also, as well as a small number of Yellow Cab Co. drivers who primarily work the airport. The significantly large number of these airport-only cab drivers has created long wait times at the airport. These wait times have been so long at the airport holding lot that ABIA, like many major airports with a similar problem, has been forced to construct a large holding area. ABIA officials are now completing a new building to house these drivers while they wait. This million dollar facility will be complete with heated and air-conditioned restrooms and break room facilities for these drivers. While such a facility will be used by other ground transportation drivers such as limousine, van, and bus operators as well, the primary users of this facility will be waiting taxi drivers.

As shown later, a wait can often be as many as three or four hours between fares. Obviously, a driver who has waited for four hours is not happy when a customer wants to go only a few miles off the airport. Even with the new minimum airport departure charge, which is set to be equal to 4 miles on the meter rate, drivers are upset that this fare is significantly less than they were expecting. Thus, the airport must staff its curb with taxi dispatchers to make sure drivers accept passengers and no one is refused or told to take either alternative transportation or the next cab in line.

To be fair, the short trip frustration is understandable when a driver has waited several hours for a \$25 trip and ends up with a \$12 trip. However, if the cab driver chooses to operate his taxi service primarily to and from the airport these short trips can and should be expected and finally, no one forces him or her to operate this way.

Other airports have instituted short trip procedures whereby the taxi driver that accepts a short trip, can be given a coupon to return to the head of the line. These operations have always been difficult to administer. Also, they are met with suspicion by drivers who suspect collusion between an airport dispatcher and other drivers. Obviously, a better solution would be to shorten the typical wait in the taxi holding lot, thereby eliminating the problem instead of patching a symptom of the oversupply of taxicabs.

### **Summary of Austin Situation**

Overall, the regulation of taxicabs within Austin appears to function very efficiently with the City of Austin utilizing managed competition through three taxi franchises to coordinate the delivery of taxi services and ABIA managing the largest open taxi stand in the area. The business of training, managing the service offering, and development of the taxi market is left up to the three regulated taxi franchise companies. Currently there are 668 taxis permitted for the Austin area and some 1200 individuals earn substantial income as either full or part time drivers.

However, this is not to suggest that there are not complaints about the Austin taxi service. As shown in this report, customers complain about Austin's taxis having drivers with a poor service attitude, the unwillingness of some drivers to accept dispatch trips and credit cards, and the impossibility of getting a cab on busy weekend evenings and during special events. Also, there is frustration by some drivers that they cannot earn sufficient income unless they own their own taxi permit and avoid paying permit leasing and other fees to one of the city's three taxi franchise companies.

The objective of this study will be to identify to what extent these frustrations, written reports of poor treatment of drivers, and concerns for taxi services during the weekend and special events are real. The study will determine the sources or reasons for these assertions,, and recommend what steps the City can take to improve taxi services, reduce these complaints and make the Austin taxi service a worldclass service they can be proud of.

# Austin, Texas Taxi/Pedicab/ELSV Study Briefing

Objective : Review Findings and  
Recommendations

September 20<sup>th</sup> , 2011

Ray A. Mundy, Ph.D.

TITLE

Austin, Texas Project



# Tasks Accomplished

## Task I

*Initial meetings with Austin City Officials*

## Task II

*Analysis of existing Austin, Texas taxi & pedicab operating Procedures ( Interviews )*

## Task III

*Analysis/Comparison of Austin, Texas 's Taxi Regulations / Rules / Practices with other cities*

## Task IV

*Austin, Texas Taxi User Survey – Admin & Evaluation  
Austin, Texas Taxi Secret Shopper Admin & Evaluation  
Meetings with taxi drivers and taxi association representatives*

## Task V

*Analysis of Industry Provided Dispatch & Operating Data*

## Task V & VI

*Prepare and Present Project Findings & Recommendations*

TITLE

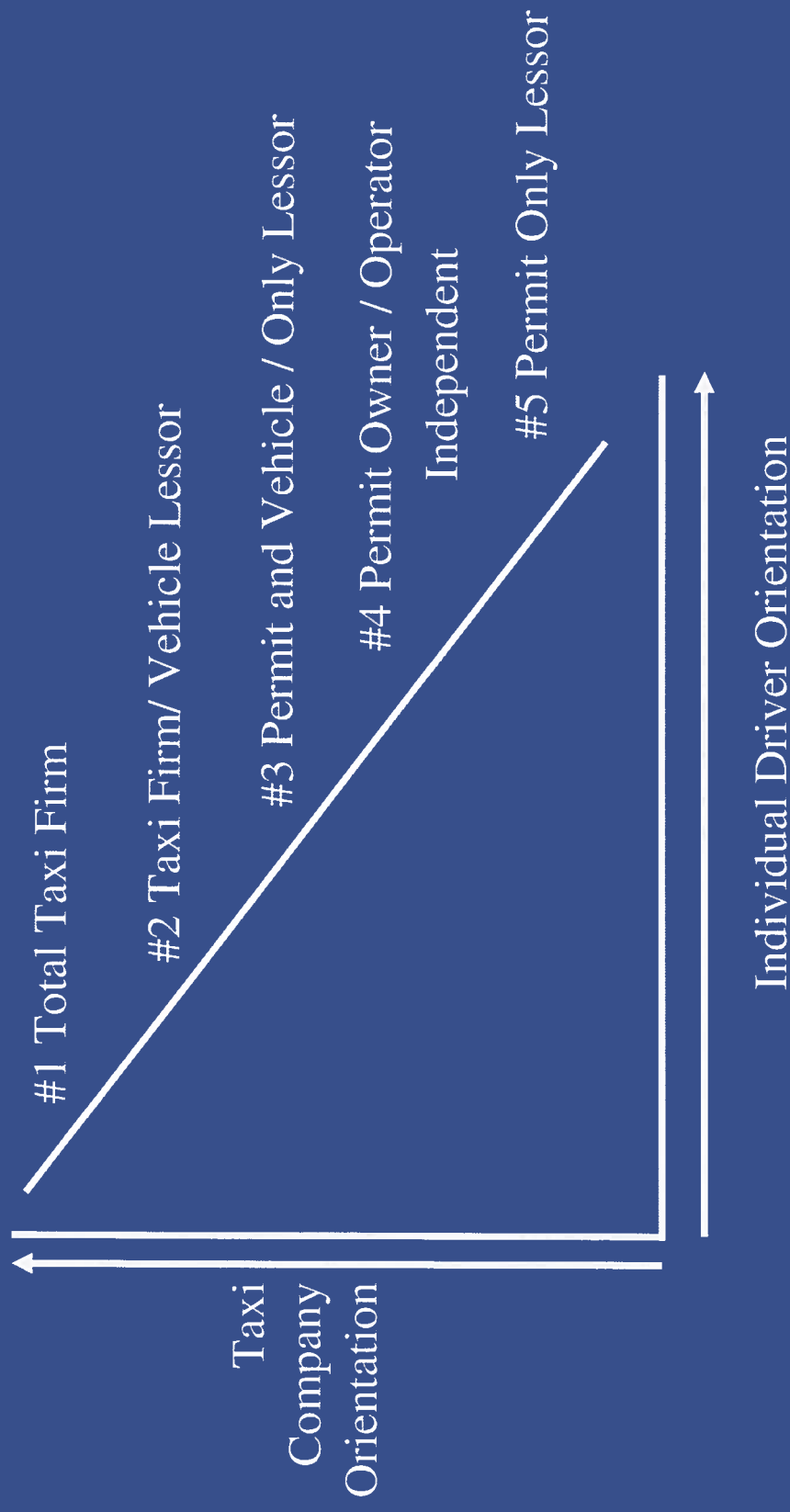
Austin, Texas Project

Why regulate taxis at all ???  
Why does government interfere with the private market?

- City of Austin – Regulated Competition
- Ensure safe and economical per-capita transportation to residents and visitors
- Provide a positive image and service within the community
- Ensure public's interest
- Ensure equal access to a public service



# Continuum of Austin Taxicab Firms



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Austin, Texas Project

# Continuum of Austin, Texas Taxicab Firms

- #1 Total Taxi Firm With Employee Drivers: None exists
- #2 Total Taxi Firm/Vehicle Lessor: Yellow Cab of Austin
- #2.5 Total Taxi Firm/Vehicle Lessor: Austin Taxi Company
- #3 Permit/Vehicle Lessor: Owner Operator: Lone Star Cab Company
- #4 Permit Owner/Operator Independent: Proposed
- #5 Permit Only Lessor: None exists

## Comparisons with other American cities

Dr. Paul Dempsey, in summarizing the empirical data from these researchers' studies and other commissioned studies<sup>[1]</sup>, listed the results of taxi deregulation in 21 major U.S. cities prior to 1983. These were:

1. A significant increase in new entry;
2. A decline in operational efficiency and productivity;
3. An increase in highway congestion, energy consumption and environmental pollution;
4. An increase in rates;
5. A decline in driver income;
6. A deterioration in service; and
7. Little or no improvement in administrative costs.<sup>[2]</sup>

<sup>[1]</sup> Dempsey, Paul Stephen, "Taxi Industry Regulation, Deregulation & Regulation: The Paradox of Market Failure" *Transportation Law Journal*, University of Austin, College of Law, Austin, Texas, Volume 24, #1, Summer 1996, p. 102

<sup>[2]</sup> Dempsey, Op. Lite, p. 102

# Issues facing Austin Taxi Operations

- Distorted public image of taxi industry and drivers due to well written but factually incorrect reports
- Lack of service on Friday and Saturday evenings
- Lack of double shifting of existing taxis
- Potential fragmentation of the taxi industry in Austin due to driver's desire to own their own permit
- Drivers unwilling to accept dispatch trips
- Not all taxi companies collect data on all trips
- Lack of ability to base additional permits on total dispatch, hail, and stand utilization
- Lack of ability to base fares on taxi utilization

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# Recommendations

- **Objectives:**
  - Support Full Service Taxi Companies by continuing “Managed Competition”
  - Prevent Fractionalization of Taxi Industry
  - Add significant capacity for weekend and special event use
- **Recommended Actions:**
  - Cease adding additional taxi permits by population and airport deplanements.
  - Provide up to 100 new part-time company taxi permits for peak use weeks and weekend use only
  - Require minimum of three dispatched trips per shift per vehicle before issuing additional permits to franchise

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# Recommendations (cont.)

- Require all Austin taxi companies to electronically capture and record all trips taken by their taxis.
- Require that before next franchise authorization time that all full service taxi companies dispatch calls with GPS, turn by turn instructions for the driver.
- Require all taxi companies to reach a minimum number of five trips per shift of the taxi or be required to reduce the number of taxis in their fleet.
- Link taxi, pedicab, and ELSV routes to expanded taxi stands in high volume downtown areas.

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# Recommendations conti.

- Base additional permits on demonstrated utilization of permit:
  - Set incremental goals for each taxi company of a 20% increase in trips
  - Allot increases in operating permits as a result of actual demand in the form of increased trips generated for drivers on a 1 for 2 basis. For each 20% increase in trips, the taxi company would be permitted to add 10% more taxis thereby allowing drivers to increase business at a rate faster than additional taxis added to the system.

## Fare Increases?

- Fuel costs presently accounted for in ordinance
- Tie fares to cost of living index – adjust every two years
- Keep 10 cent clean up fee system wide and institute a \$flat \$100 per incident fee when cab is significantly soiled as demonstrated by cab camera.

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Austin, Texas Project

# Long Term Strategy

- Maintain regulatory strategy of “Managed Competition” for all private ground transportation
- Utilize private taxi, pedicab, and ELSV franchises to manage City permitted drivers
- Operate the Ground Transportation Section of the Department on a self-supporting basis
- Be prepared to rotate the ability of taxis to serve ABIA on a daily basis
- Make greater use of on-street, late night enforcements of all taxi, pedicab, and ELSV operating requirements and regulations

September 11, 2001

(Prior to TNC entry into the transportation market)

Case Study in Deregulation:

**TAXICAB DEREGULATION AND  
REREGULATION IN SEATTLE:  
LESSONS LEARNED**

Craig Leisy,

Manager of the Consumer Affairs Unit for the City of Seattle

**International Association of Transportation Regulators (IATR) Conference**

**Tuesday, September 11, 2001 9:00 a.m.-10:00 a.m.**

**Session 6: Taxicab Deregulation and Reregulation in Seattle: Lessons Learned**

**TAXICAB DEREGULATION AND  
REREGULATION IN SEATTLE:  
LESSONS LEARNED**

**Craig Leisy**

**Manager of the Consumer Affairs Unit for the City of Seattle**

The City of Seattle regulated rates and entry in the taxicab industry beginning in 1914. The taxicab industry was deregulated in 1979 because it was believed that competition would provide the public with improved service and lower rates. In fact, service quality declined and rates were often higher. Subsequently, the taxicab industry was reregulated starting in 1984. Initially, rate ceilings were established and later a moratorium was placed on issuance of new taxicab licenses. Seattle, like nearly all of the other cities that experimented with deregulation, eventually returned to regulation of entry and rates.

In 1914, the City of Seattle fixed rates for the conveyance of passengers and baggage for hire.<sup>1</sup> This was the first regulation of rates. Maximum rates were established. The use of taximeters to determine fares was required.

Be it ordained by the City of Seattle as follows:

Section 1. It shall be unlawful for any person, firm, company or corporation in the city of Seattle licensed to convey passengers or baggage for hire, to demand, collect or receive a higher rate of fare for such service than the following:

For Conveying Baggage - -

One (1) trunk or piece of baggage, one (1) mile or less.....	\$ .50
Each additional mile, or fraction thereof.....	.25
Each additional trunk, or any baggage any distance.....	.50

Taxicabs - -

Tariff No. 1. One and two persons:

First one-half mile, or fraction thereof.....	\$ .50
Each additional one-fourth mile.....	.10
Each four (4) minutes of waiting.....	.10

Tariff No. 2. Three or more persons:

First one-third mile, or fraction thereof.....	\$ .50
Each additional one-sixth mile.....	.10
Each four (4) minutes of waiting.....	.10

The amount recorded by the taximeter at the time the passenger leaves the vehicle shall be the total charge...

Section 13. Any person violating or failing to comply with the provisions of this ordinance shall be deemed guilty of a misdemeanor, and on conviction, shall be fined in any sum not exceeding one hundred (100) dollars or imprisoned in the city jail for a term not exceeding thirty (30) days, or may be both fined and imprisoned.

<sup>1</sup> Ordinance 34058, passed by the City Council on December 14, 1914. Taximeters had been tested by inspectors from the Weights and Measures Division since 1912 using a measured mile course.

In 1915, the City of Seattle began regulating the operations of taxicabs including licensing drivers. Drivers were required to pass a written examination on traffic ordinances and the geography of the city then pass a practical driving test.

Ordinance 34159.

Section 2.

Each applicant for a license, before a license shall be granted, shall drive a vehicle through a crowded section of the city accompanied by the Superintendent of Weights and Measures or his inspectors and demonstrate his skill and ability to safely handle an automobile or other motor vehicle, and in addition thereto the applicant must pass a satisfactory examination by the Superintendent of Weights and Measures or his inspectors testing his knowledge of the provisions of this ordinance, the traffic ordinances of the city and the geography of the city.<sup>2</sup>

In 1915, the Weights and Measures Division licensed 1,451 drivers of jitney buses, taxicabs, and other motor vehicles for hire. Only 47 taximeters were tested that year – the taxicab industry was still quite new.<sup>3</sup>

Seattle adopted fixed taxicab rates and limited the number of taxicab licenses to a ratio of 1:2,500 population in 1930. This was the first regulation of entry into the taxicab industry.

Section 3. The number of taxicabs authorized to operate in the city of Seattle, and for which permits may be issued, shall be based upon the population of the City, being determined on the ratio of one (1) taxicab to each twenty-five hundred (2500) inhabitants reported in the preceeding United States Government census; provided, however, that this provision shall not affect the number of taxicabs, for-hire cars and sight-seeing cars operating with valid licenses on the effective date of this ordinance...<sup>4</sup>

The reason generally given for entry regulation was to prevent destructive competition caused by too many taxicabs. However, in Seattle, there was also competition with the city street railway system which caused the City Council to tighten rate regulation of taxicabs. A taxicab company charged zone fares and was competing directly with the street railway system. The 1930 ordinance eliminated so-called "zone taxicabs" which operated on a distance tariff based on geographical zones.<sup>5</sup>

The control of rates and entry in the Seattle taxicab industry was similar to regulatory practices in most other U.S. cities. There were some changes over time but regulation of rates and entry persisted until 1979 when the City Council decided to deregulate the taxicab industry. Taxicab licenses were made transferable in 1942.<sup>6</sup> An ordinance prohibiting leasing of taxicabs was passed in 1954 but repealed in 1975.<sup>7</sup> Additional taxicab licenses were issued for the 1962 World's Fair and again in 1966 but otherwise the taxicab fleet remained the same size.<sup>8</sup>

<sup>2</sup> Ordinance No. 34159, passed by the City Council on January 4, 1915, required each driver of an automobile for hire to be examined for a license.

<sup>3</sup> Annual Report of the Department of Public Utilities of the City of Seattle, Covering Period Nov. 30, 1914 – No.v 30, 1915, to the Honorable Hiram C. Gill, Mayor of Seattle, pp. 107-116.

<sup>4</sup> Ordinance No. 59866 passed by the City Council on August 14, 1930.

<sup>5</sup> Seattle Department of Licenses and Consumer Affairs. "A Report on the Regulation of Taxicabs in Seattle" (August 9, 1977), p. 1. Ordinance No. 59866 repealed Ordinance No. 59175, passed by the City Council on March 31, 1930, which established two types of taxicabs: "meter taxicabs" equipped with taximeters and "zone taxicabs". Previously, taxicabs were required to charge fares by taximeter only.

<sup>6</sup> Ordinance No. 71905 passed by the City Council in 1942. L. Andrews. "Taxicabs in Seattle" (August 1975), p. 3 - included as an appendix in Seattle Department of Licenses and Consumer Affairs. "A Report on the Regulation of Taxicabs in Seattle" (August 9, 1977)

<sup>7</sup> Ordinance No. 83535 passed by the City Council in 1954 prohibited leasing of taxicabs. L. Andrews. "Taxicabs in Seattle" (August 1975), p.3 - included as an appendix in Seattle Department of Licenses and Consumer Affairs. "A Report on the Regulation of Taxicabs in Seattle" (August 9, 1977)

<sup>8</sup> Ordinance No. 90966 authorized temporary taxicab licenses in 1962. Approximately 45 were issued. In 1966, Ordinance No. 95032 authorized additional taxicab licenses based on a showing of public convenience and necessity. There were 57 taxicab licenses issued during the period 1966-1968. L. Andrews. "Taxicabs in Seattle" (August 1975), pp. 3-4 - included as an appendix in Seattle Department of Licenses and Consumer Affairs. "A Report on the Regulation of Taxicabs in Seattle" (August 9, 1977)

#### HISTORY OF TAXICAB REGULATION, DEREGULATION AND REREGULATION IN SEATTLE

1912	<u>Taximeters tested</u> by weights and measures inspectors on a measured course.
1914	<u>Fixed rates</u> for conveyance of passengers and baggage for hire [Ord. No. 34058]
1915	Tested and <u>licensed drivers</u> of automobiles for hire [Ord. No. 34159]
1930	<u>Limited the number of taxicab licenses</u> to ratio 1:2,500 population [Ord. No. 59866]
1942	<u>Taxicab licenses made transferable</u> [Ord. No. 71905]
1979	Taxicab industry <u>entry and rates decontrolled</u> [Ord. No. 108196]
1984	Established <u>rate ceiling</u> 10% above average of rates filed on January 1 each year [Ord. No. 104338]
1987	<u>Moratorium on new taxicab licenses</u> (number eventually fixed at active taxicab licenses on December 31, 1990: 667)
1996	Required all taxicabs to be affiliated with licensed <u>taxicab associations</u> (minimum of 15 taxicabs) [Ord. No. 118341]

By 1979, there were 400 active taxicab licenses in Seattle. There were 292 taxicabs affiliated with three service companies (radio dispatch, business office) – Farwest, Graytop, and Yellow. The remaining 108 taxicabs were single owners and small fleets of independent operators (not affiliated with a service company).<sup>9</sup> Some drivers were employees represented by a labor union but most were owner-drivers or lessee-drivers.<sup>10</sup> Boeing layoffs in the early 1970s caused a local recession and the taxicab market was stagnant with ridership level or dropping. Gasoline prices were increasing dramatically. There were numerous taxicabs not working. A study conducted in 1976 found that, on any day, 25% of the taxicabs do not operate at all.<sup>11</sup> The median hours of operation was 9 hours per day. The City of Seattle denied applications to renew 51 taxicab licenses that failed to operate 240 days during the 1976-77 license year. Most of these application denials were appealed and later reinstated.<sup>12</sup>

#### DISTRIBUTION OF TAXICAB LICENSES BY JURISDICTION (1979)

<u>Taxicab Operator</u>	Number of Taxicab Licenses by Jurisdiction		
	<u>City of Seattle</u>	<u>King County</u>	<u>Sea-Tac Airport</u>
Farwest	140	116	32
Yellow	91	79	43
Graytop	61	61	19
Small Fleets	91	80	42
Single Owners	<u>17</u>	<u>36</u>	<u>33</u>
Totals	400	372	174

Source: Pat M Gelb, Robert M. Donnelly, Lidano A. Boccia. "Taxi Regulatory Revision in Seattle, Washington: Background and Implementation" (September 1980), Table 3.2, p. 37.

<sup>9</sup> Pat M Gelb, Robert M. Donnelly, Lidano A. Boccia. "Taxi Regulatory Revision in Seattle, Washington: Background and Implementation" (September 1980), pp. 32, 37.

<sup>10</sup> Teamsters Local Union No. 763 was the bargaining agent for some taxicab drivers and service company dispatchers. L. Andrews. "Taxicabs in Seattle" (August 1975), p. 6 - included as an appendix in Seattle Department of Licenses and Consumer Affairs. "A Report on the Regulation of Taxicabs in Seattle" (August 9, 1977).

<sup>11</sup> Seattle Department of Licenses and Consumer Affairs (DCLA). "A Report on the Regulation of Taxicabs in Seattle" (August 9, 1977), Appendix "Capacity Utilization in the Seattle Taxi Industry", p. 6. The study was based on review of 320 trip sheets for a 10% sample of active taxicabs selected randomly conducted during October 1976. The study also found that 25% of the taxicabs operated more than 16 hours per day (double shift).

<sup>12</sup> Seattle Department of Licenses and Consumer Affairs (DCLA). "A Report on the Regulation of Taxicabs in Seattle" (August 9, 1977), Appendix "An Analysis of the Price Elasticity of Demand for Taxicab Services in Seattle", p. 2.



The Seattle City Council passed a resolution in 1974 which directed city departments not to use license code requirements to interfere with market regulation of entry or rates:

Resolution 24706

Guiding License Code Revisions

3. Licensing should not be used:
  - c. To suppress legitimate competition; or
  - d. To set prices or rates unless monopoly conditions exist which cannot be eliminated or otherwise controlled.<sup>13</sup>

Subsequently, in 1977, the Department of Licenses and Consumer Affairs (DCLA) prepared a report which concluded that the existing system of regulation was in conflict with these mandates. The report recommended that entry restrictions be repealed and that the fixed rate be replaced by a maximum rate to allow rate competition.

The Department of Licenses and Consumer Affairs recommends that the City of Seattle no longer limit the number of taxicab licenses which may be issued, whether by imposition of a population ratio limitation or a convenience and necessity requirement, and that any person who makes application for a taxicab license, and meets insurance, equipment and other regulatory licensing requirements be allowed to obtain the license.<sup>14</sup>

The Department of Licenses and Consumer Affairs recommends that the City of Seattle continue to regulate taxicab fare rates and charges, and proposes a rate regulation scheme which includes prescription of maximum fare rates, filing of rates at the maximum or lower rates, and a rate review procedure which involves submission of detailed ridership and financial information by taxicab owners and service companies, a hearing conducted by the Hearing Examiner, and determination of maximum rates by the Hearing Examiner, after calculation and consideration of operating ratio, rate of return, and/or capacity utilization/operational cost measures.<sup>15</sup>

DCLA calculated that the rate elasticity of demand was greater than 1 (1.16-1.27). As a result, they held that a rate increase was likely to result in a loss of revenue.<sup>16</sup>

$$\text{Rate Elasticity of Demand} = \frac{\text{Percentage Change in Quantity Demanded}}{\text{Percentage Change in Rate}}$$

The Federal Trade Commission surveyed several studies of rate elasticity of demand in various cities and estimated that 0.8-1.0 is the most probable range but commented that elasticity increases as rates increase.<sup>17</sup> A consultant for the Washington Taxicab Association estimated that rate elasticity of demand in Seattle was 1.0.<sup>18</sup> The Washington Taxicab Association was formed by the taxicab industry in 1977 to organize opposition to deregulation proposals by the City of Seattle.<sup>19</sup> The taxicab industry generally opposed open entry and unregulated rates and there was no consumer groups advocating for deregulation.<sup>20</sup>

<sup>13</sup> Resolution 24706. See Appendix B.4a (p. A-93) in Pat M Gelb, Robert M. Donnelly, Lidano A. Boccia. "Taxi Regulatory Revision in Seattle, Washington: Background and Implementation" (September 1980). This report was published by the Urban Mass Transportation Administration (U.S. Department of Transportation).

<sup>14</sup> Seattle Department of Licenses and Consumer Affairs (DCLA). "A Report on the Regulation of Taxicabs in Seattle" (August 9, 1977), p. 1.

<sup>15</sup> Ibid., p. 18.

<sup>16</sup> Seattle Department of Licenses and Consumer Affairs (DCLA). "A Report on the Regulation of Taxicabs in Seattle" (August 9, 1977), Appendix "An Analysis of the Price Elasticity of Demand for Taxicab Services in Seattle", pp. 2-3.

<sup>17</sup> Mark W. Frankena and Paul A. Pautler. "An Economic Analysis of Taxicab Regulation" Federal Trade Commission (May 1984), pp. 163-614.

<sup>18</sup> Applied Economics Associates (1978). Cited in Mark W. Frankena and Paul A. Pautler. "An Economic Analysis of Taxicab Regulation" Federal Trade Commission (May 1984), p. 163.

<sup>19</sup> Pat M Gelb, Robert M. Donnelly, Lidano A. Boccia. "Taxi Regulatory Revision in Seattle, Washington: Background and Implementation" (September 1980), p. 67.

<sup>20</sup> Richard O. Zerbe, Jr. "Seattle Taxis: Deregulation Hits a Pothole" *Regulation* (November-December 1983), p. 44. See also, Pat M Gelb, Robert M. Donnelly, Lidano A. Boccia. "Taxi Regulatory Revision in Seattle, Washington: Background and Implementation" (September 1980), p. 102.

In the end, deregulation of entry and rates in Seattle occurred primarily because of strong proponents in DCLA and the City Council and because – on the national level – the federal government had started deregulating carriers in all modes of interstate transportation. For instance, several advocates of deregulation cited the recent success of federal initiatives to deregulate air travel. The influence of ideology and free-market economics on the decision to deregulate the taxicab industry are summed up best by the chief proponent of deregulation on the City Council:

“...the goal we have been trying to achieve in the city of Seattle is to improve taxi service to the public by improving the economic health of the taxicab industry. Second, we believe the best way to accomplish that is for government not to interfere with private industry unless there is a good reason for doing so.” – Randy Revelle, Councilmember (1980) <sup>21</sup>

The taxicab industry was deregulated by Ordinance No. 108196 which was passed by the City Council on May 7, 1979. The limitation of taxicab licenses was removed and taxicab owners were allowed to set rates without controls. Rates were required to be filed and rates could only be changed four times per year: August, November, February, and May (Section 511). Also included in the deregulation ordinance were deletion of the minimum operating requirements and removal of the requirement to keep trip sheets.<sup>22</sup> Many economists supported deregulation since they were convinced that a free market would regulate itself better than government officials. For example,

Elementary economic analysis predicts that the combination of price and entry restrictions should lead to higher fares, lower taxi usage in general but more intensive use of each cab, slower responses to customer calls for service, and positive license (or medallion) values. Fares should be higher because restricted entry raises the market-clearing price and because, under uniform price controls, regulators will tend to set fares above market-clearing levels. In consequence, the license to operate a taxi, known as a “medallion”, will carry a positive value: new entrants will be willing to pay to buy one. The medallion price should approach the present value of the stream of future fare income that an owner expects to receive, over and above the costs of operation, and that can be attributed to the artificial scarcity of cabs...

Deregulation would, of course, reverse the effects of regulation. Thus it could be expected to attract more cabs into the market which would lead to lower fares, higher industry employment, faster response times, and falling license values. All this did in fact occur.<sup>23</sup>

The results of deregulation were expected – by both proponents and opponents. According to one study, there was a 21% increase in the number of taxicab licenses and a 50% increase in the number of companies during the period 1979-1981.<sup>24</sup> Open entry increased the number of taxicabs. However, contrary to the predictions of most supporters of deregulation, rates actually rose. It appeared that increased competition was not benefiting the public with lower rates. One study estimates that the cost of an average trip increased by 35%.<sup>25</sup> This figure has been disputed by proponents who argue that the real rates were 99% of the CPI (Consumer Price Index) during 1967-1979 and just 92% of the CPI after deregulation.<sup>26</sup> Another study finds that the Seattle Consumer Price Index rose by 90% between 1970 and 1979 while taxicab rates only rose 38% during the same period.<sup>27</sup>

<sup>21</sup> Randy Revelle. “Regulatory Revision in Seattle/King County, Washington”, p. 71 in Urban Mass Transportation Administration. “Taxicab Innovations: Services and Regulations” Proceedings of the National Conference on Taxicab Innovations in Kansas City, MO during May 5-6, 1980.

<sup>22</sup> See Table 4.1 “Comparison of Previous and Revised Seattle Taxi Codes” in Pat M Gelb, Robert M. Donnelly, Lidano A. Boccia. “Taxi Regulatory Revision in Seattle, Washington: Background and Implementation” (September 1980), pp. 77-80.

<sup>23</sup> Richard O. Zerbe, Jr. “Seattle Taxis: Deregulation Hits a Pothole” *Regulation* (November-December 1983), p. 44.

<sup>24</sup> *Ibid.*, p. 44.

<sup>25</sup> Steven B. Colman. “Recent Developments in the Revision of Taxi Regulations in Seattle and San Diego” *Paratransit 1980* Transportation Research Record 778 (1980), p. 24.

<sup>26</sup> Richard O. Zerbe, Jr. “Seattle Taxis: Deregulation Hits a Pothole” *Regulation* (November-December 1983), p. 45.

<sup>27</sup> Pat M Gelb, Robert M. Donnelly, Lidano A. Boccia. “Taxi Regulatory Revision in Seattle, Washington: Background and Implementation” (September 1980), p. xiii.

Most of the results of deregulation were disappointing. Ridership declined by 25% during 1979-1981 even though the number of taxicabs increased by 20%.<sup>28</sup> Rates for taxicabs without radio dispatch were 27% higher than radio dispatch taxicabs. The median taxicab vehicle age rose from 4 years to 6 years.<sup>29</sup> Medallion values declined from \$4,000-\$8,000 prior to deregulation to \$900-\$1,000 afterwards.<sup>30</sup>

RESULTS OF DEREGULATION			
	Regulation <u>1979</u>	Deregulation <u>1981</u>	<u>Change</u>
Number of Taxicabs	421	516	+21%
Number of Companies	57	85	+50%
Rates	\$ .90 drop	\$ 1.00 drop	+11%
(large radio- dispatched	.70 mile	1.00 mile	+43%
companies)	.12 wait	.20 wait	+67%
Average Trip			+ 35%
Ridership			-25%
Vehicle Age	4 years	6 years	+50%
Medallion Value	\$4,000-\$8,000	\$900-\$1,000	-84%

Passenger complaints increased – particularly price gouging and short trip refusal at Sea-Tac Airport and the Amtrak Station. Some rates at the airport were 50% higher than the average rate.<sup>31</sup> Taxicab queues at the airport and train station made it impossible for deplaning passengers to shop for the lowest rate. The taxicab lines were too long and drivers sometimes fought over passengers.

The troubles at the King Street railroad station were representative of, though a bit more extreme than, those at cab stands in the city. Before deregulation, Amtrak awarded the right to serve the railroad station to a single franchisee. It agreed to switch to open entry in 1979, mostly because of pressure from independent operators – who quickly took advantage of the new opportunity. Long taxi lines developed, taxis spilled out of assigned areas, some drivers left their cabs (blocking access for Amtrak employees as well as fellow cabbies) and some loitered in the station aggressively seeking passengers. Amtrak personnel attributed these problems almost entirely to the independent cabs. Independent drivers clashed with drivers of the lower-priced “major” cab fleets.<sup>32</sup>

<sup>28</sup> Mark W. Frankena and Paul A. Pautler, “An Economic Analysis of Taxicab Regulation” Federal Trade Commission (May 1984), p. 127 [Note 175]. The authors quote Pat M. Gelb, “Effects of Taxi Regulatory Revision in Seattle, Washington” (May 1983b), p. xv.

<sup>29</sup> Ibid., p. 128.

<sup>30</sup> Pat M. Gelb, Robert M. Donnelly, Lidano A. Boccia, “Taxi Regulatory Revision in Seattle, Washington: Background and Implementation” (September 1980), p. xvi.

<sup>31</sup> Ibid., p. xv.

<sup>32</sup> Richard O. Zerbe, Jr. “Seattle Taxis: Deregulation Hits a Pothole” *Regulation* (November-December 1983), p. 46.

There was a wide range of rates which caused considerable confusion among passengers. For example, the rate filings for February 1984 included:

<u>Taxicab Operator</u>	<u>Drop</u>	<u>Mile</u>	<u>Wait</u>	<u>Extra</u>	<u>10 mile</u>
Mike's	\$2.00-1/15	\$1.50	\$ .40	\$1.00	\$16.90
Sr. Citizen	1.00-1/5	1.00	.20	.20	10.80
Nite Rate	3.00-1/15	1.50	1.00	1.00	17.90
Sno-King	1.00-1/7	1.40	.40	.50	14.80
Nite Rate	3.00-1/10	1.00	.40	.50	22.80
Sr. Citizen	1.00-1/5	1.00	.20	.50	10.80
Tac-Sea	1.00-1/13	1.30	.30	.25	13.90
County	500.00-1/5	100.00	20.00	0	1,480.00
Vista	1.20-1/6	1.20	.25	.50	13.00
6 PM-Midnight	1.20-1/7	1.40	.30	.50	15.00
Midnight - 6 AM	1.20-1/8	1.60	.40	.50	17.00

There were 161 different rates filed by 101 taxicab operators. The 10 mile fare is shown so that passengers can compare taxicab rates (assumes one passenger and no waiting time). The county rate was in effect for trips originating at Sea-tac Airport.

There was a general increase in passenger complaints of all types.

The consumer complaints have focused on confusion over rate disparity, as the public perception is one of being robbed when fares for a round trip were not identical. Concerns have also been expressed by the public and taxi owners, as to the safety and sanitary condition of the taxicab fleet. The taxi companies are also concerned about their ability to earn a livelihood when new taxi companies are not restricted from operating, thereby providing an over supply of taxis.<sup>33</sup>

Seattle's experience with taxicab deregulation was very similar to that of most other cities. One study examined more than 20 U.S. cities that deregulated taxicab entry or rates or both prior to 1983 and summarized the results as follows:

1. A significant increase in new entry;
2. A decline in operational efficiency and productivity;
3. An increase in highway congestion, energy consumption and environmental Pollution;
4. An increase in rates;
5. A decline in driver income;
6. A deterioration in service; and
7. Little or no improvement in administrative costs.<sup>34</sup>

According to the author of this study, the expected benefits of deregulation – especially lower rates and faster service response times – never materialized because the taxicab industry, “fails to reflect the perfect competition model described in micro-economic textbooks.”<sup>35</sup> A perfectly competitive market is characterized by: (1) a large number of sellers so that one seller cannot influence rates; (2) a homogeneous product so that advertising won't increase one seller's market share; (3) no barriers to entry (e.g., no limitations on the number of taxicab licenses); and (4) passengers have perfect knowledge of rates so that they won't pay more than the lowest rate. The taxicab industry in Seattle – and in most cities that deregulated - did not fit this model. For example, there were a large number of single owners in the taxicab zone segment of the market but 80% of the paid trips were ordered by telephone in the radio dispatch segment of the market where the number of sellers was very concentrated (the big three). Additionally, passengers could not easily compare rates because there were many different rates filed with different combinations of drop, mileage, and wait time.

<sup>33</sup> Director, DCLA memorandum to Mayor dated June 6, 1984, p. 2

<sup>34</sup> Paul Stephen Dempsey. “Taxi Industry Regulation, Deregulation & Reregulation: the Paradox of Market Failure” University of Denver *Transportation Law Journal*, Vol. 24, No. 1 (Summer 1996), p. 102

<sup>35</sup> Ibid., p. 101

In 1984, the City Council passed a new ordinance which partially reregulated the taxicab industry. The taxicab ordinance was revised to establish a rate ceiling 10% above the average of rates filed on January 1 of each year rounded to the nearest 10 cents. Entry remained open for the time being. Beginning in 1987, the City Council adopted a series of moratoriums on the issuance of new taxicab licenses. Eventually, the number was fixed at the active taxicab licenses on December 31, 1990 – 667 taxicab licenses.

There was argument on both sides of the deregulation debate whether Seattle's experiment with deregulation was a failure. Some studies concluded that the mistake was in treating the taxicab industry as one market instead of considering each market segment separately – radio dispatch (big 3 fleets) and taxicab stands (independents). Whether that approach would have been more successful remains an open question. What is certain is that the impact of deregulation was still visible over a decade later. The taxicab industry suffered from a surplus of supply for years, lost substantial business to competitors (e.g., shuttle vans, town cars) – particularly airport trips, saw a large shift from employee drivers and owner-drivers to lessee drivers, used increasingly older vehicles (usually police cruisers purchased at public auction), and witnessed a general decline in the quality of service. The City of Seattle had to address these issues in a comprehensive rewrite of its taxicab code in 1996.<sup>36</sup> The new taxicab code set a fixed rate (\$1.80 drop, \$1.80 per mile), continued closed entry, imposed stricter vehicle and driver standards, and required taxicabs to affiliate with licensed taxicab associations.

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<sup>36</sup> Ordinance No. 118341, passed by the City Council on October 21, 1996 (effective January 1, 1997), and amended by Ordinance No. 113080, passed on March 6, 2000.