CITY OF BEVERLY HILLS
STAFF REPORT

Meeting Date: **February 5, 2013**

To: Honorable Mayor & City Council

From: Chad Lynn, Director of Parking Operations

Subject: Taxicab Regulatory Options

Attachments: 1. Taxicab Service Study

INTRODUCTION

In response to questions that have been raised regarding the quality and levels of service the community is receiving from the City's taxicab service providers, the City initiated a Taxicab Services Study (Attachment 1). The purpose of this study was to engage an industry expert to specifically examine the current regulatory environment and to provide recommendations which could lead to improved services. To gather the necessary information to make such recommendations the study examined the following:

- Economics of the taxicab industry and the Beverly Hills taxicab market
- Surveys of the Beverly Hills senior citizen community, including members of the City's taxicab coupon program
- Surveys and meetings with local hoteliers that are provided taxicab services by the City's taxicab service providers
- Meetings with the City Council Traffic & Parking Liaison Sub-Committee
- Meetings with the management of the City's current taxicab service providers
- Meetings with taxicab owners and operators permitted to operate in the City of Beverly Hills
- Meetings with regional taxicab service providers (by request) that have expressed interest in providing services, but do not currently operate, within the City

Nelson/Nygaard Consulting Associates, Inc., was selected to study the City's taxi market based on their experience, including taxi studies conducted for the City of Los Angeles and the City of Santa Monica. Representatives from Nelson/Nygaard will be available, in person, during the study session.

DISCUSSION

The City of Beverly Hills regulates the operation of taxicab services for trips originating within the City limits. Chapter 4 of Title 7 of the Beverly Hills Municipal Code (BHMC) provides for the following:

- Conveys a privilege to organize and operate taxicab vehicles and drivers only to those companies which have been issued a Certificate of Public Convenience and Necessity by the City
- The permitting of the taxicab vehicle associated with a taxicab company that has a valid Certificate of Public Convenience and Necessity
- The permitting of taxicab drivers associated with a taxicab company that has a valid Certificate of Public Convenience and Necessity
- Sets the rates for all taxicab services related to trips originating within the City of Beverly Hills

Taxicab regulations are significant, as these services are an extension of the City's transportation system for visitors and residents, such as the elderly or disabled, who do not drive or have access to a personal vehicle. Due to the nature in which most taxicabs are engaged for service, many users may not have immediate access to resources or may have limited experience within the community to make comparisons between taxicab service providers at the time service is needed. In some cases, riders may not have any access to pertinent information such as the age and condition of the vehicle or the potential criminal history of an operator.

The Taxicab Services Study provided the following information (Attachment 1):

- There are three (3) companies, and a total of 140 taxicabs, permitted to originate trips within the City of Beverly Hills (listed in alphabetical order):
    - 56 Cabs - Beverly Hills Cab Company
    - 56 Cabs - Independent Taxi Owners Association (ITOA)
    - 28 Cabs - United Independent Taxi Drivers (UITD)

- During the study period of June-August 2011, there were approximately 90,000 trips, totaling over 476,000 miles traveled, and generating $1.7 million in fares

- Generally, there are taxicabs available for immediate response when service is requested

- Median response time for service ranged from 3.7 to 10.8 minutes based on the service provider

- The City's taxicab rates are currently ten percent (10%) below the regional market

- Seventy-Six percent (76%) of coupon users surveyed responded that a 10% rate increase would be no problem, not much of a problem, or some problem but acceptable and twenty-four percent (24%) responded that it would be a significant or major problem

- Surveys indicate desired improvements are:
    - Dress code
    - "Green" initiatives
    - Credit card terminals for use by the passenger

- City enforcement staff indicated their concerns were:
    - Use of a higher rate associated with adjacent Cities
    - Use of a metered rate (including that of an adjacent City) instead of flat rates for trips to LAX

- Approximately 23 official customer complaints were made to the City between 2010 and 2011[1]

- Limitations of the current regulatory environment
    - Compliance is based on BHMC or promulgated rules and regulations based on the BHMC, and is usually at the drive or vehicle level
    - No routine reporting requirements
    - Lack of authority related to "green" initiatives
    - General customer service issues:
        - Service response time and activity requirements
        - Method of credit card acceptance (driver versus passenger operated terminals)
        - Driver appearance and conduct

Information from the report indicates four options for moving forward with a change in the regulatory environment:

- Create Franchise Operations
- Upgrade the Current Certificate Program
- Create a Medallion Program
- Maintain the Status Quo

Franchise Alternative

Based on the information gathered, and the responses from members of the community related to the types of improvements they wish to encourage ("green" initiatives, dress codes, etc.), a franchise system would be the suggested method of regulation. Franchise operations create a contractual relationship in which the City can regulate and uphold standards for the services provided to the community. Through the use of a competitive proposal/award process, regional taxicab providers could compete for the opportunity to provide services to the community and may include options such as "green" initiatives and other non-legislative standards, such as customer service levels, response times, management/organizational structure and driver appearance. As a franchised service provider, the City may also require reporting requirements and an escalating series of penalties to the taxi organization for violations by individual drivers. Since this is a franchise relationship with a defined term, the City will need to conduct a competitive proposal processes at the end of each franchise term.

Award of franchises to taxicab companies other than the current incumbents will need to be properly communicated to the public in an effort to mitigate confusion among patrons (individuals and businesses) that have developed long-term relationships with the incumbent companies. Transition to this type of regulatory environment will also require substantial changes to the current BHMC and additional consulting services to develop and conduct the initial selection process. One-time cost allocations will be required to transition to this program, and the ongoing requirements will take additional staff time, although it is anticipated that such work can be conducted within the existing staffing levels and organizational structure of the Department of Public Works & Transportation.

As a franchise service, the City would be eligible to receive franchise fees based on use of the public right of way and not based upon the cost recovery model. This does not limit the City's authority to regulate taxi rates charged to the consumer. Franchise

[1] Although this is a relatively low number compared to the number of trips, it does not count complaints made directly to the taxicab companies, and there is further concern that complaints may be underreported due to the transient nature of taxicab users, consideration that a user may not know they have been mischarged, and that users may be unaware of how or to whom to make a complaint.

agreements are currently the method of regulation in the neighboring cities of Los Angeles, West Hollywood and Santa Monica.

Other Regulatory Alternatives

Alternatively, the City may also choose to upgrade the current regulatory process related to the Certificate of Public Convenience and Necessity. Specifically, it is suggested that a definitive term be included as part of the certificate, with an automatic renewal for subsequent pre-determined term, unless otherwise notified. This would require updates to the BHMC and to the rules promulgated by the Department of Public Works & Transportation. While upgrades would be expected to provide some level of service improvements, the City as an enforcement agency would still be challenged to hold taxicab companies responsible for actions of specific drivers. Additional enforcement may create marginal improvements, but would not be expected to address many of the service concerns that are not legislative in nature, such as "green" initiatives or the method of credit card acceptance.

With the exception of a request for additional enforcement resources, if so directed, the costs associated with upgrading this program would be borne under the current operations and budget. This does not limit the City's authority to regulate taxi rates charged to the consumer.

A medallion program, such as the one used in the cities of New York, convey an ownership right to the ability to operate a taxicab. At this time neither City staff nor the City's consultants recommend a medallion program, as it may create complex entitlements, may create a secondary market for the medallion, and may complicate individual owner/operators relationships with taxi cooperatives in operating environment that has a high percentage of usage related to telephone and radio dispatched calls for service versus on-street hailed taxicabs. Concerns have also been raised related to the dilution of both the City's and taxicab organizations' ability to uphold standards because of medallion ownership.

FISCAL IMPACT

If the City chooses to pursue a franchise system as the method of taxicab regulation, the total estimated cost, including consulting services and public outreach to assist with the transition process, will be approximately $85,000 including contingencies. It is expected all associated costs of this transition will be recovered over the life of the franchise agreements through associated revenues.

If implementation within the current fiscal year is directed, a mid-year adjustment would be required to allocate additional funding or funding would need to be transferred from other programs within the General Fund.

If delayed implementation is directed, additional one-time funding will be requested as part of the 2013/2014 budgeting process.

The staff costs associated with the franchise program or the upgrade of the current certificate program are not substantial and can be performed based on the current budget allocations.

RECOMMENDATION

Staff is seeking direction related to the type of regulation taxicab regulation (franchise, upgraded certificates, etc.) and implementation priority of such applicable changes.

Staff recommends at a minimum upgrading the current BHMC to include a defined term for current and future certificates, including an automatic renewal process.

If non-legislative service improvements are desired, such as "green" initiatives and customer service improvements, staff recommends transitioning to a franchise agreement in the following manner:[2]

- Re-engage the current consultant to develop a scope the franchise and to assist with the transition plan, including updating of the BHMC
- Award a limited term (12-24 months) franchise to the three (3) current certificate holders to begin the transition process
- Concurrent with the limited term franchise, staff will conduct a competitive Request for Proposal process to be awarded at the end of the limited term agreement
    - Maintain the current number of companies operating taxicab services:
        - This may not be the current incumbents, but it is recommended that the total number of companies awarded franchise agreements does not exceed the current number of companies operating in the City
    - Maintain the current number of taxicabs permitted to operate in the City

Dave Gustavson
Approved By

[2] Each step in the purchasing, agreement and RFP award will require the approval of the City Council at a future meeting.

Attachment 1

Beverly Hills Taxi Service Study

DRAFT REPORT

CITY OF BEVERLY HILLS, CALIFORNIA

Nelson\Nygaard Consulting Associates, Inc.

San Francisco, California

in association with

DemandTrans Solutions

Wilmette, Illinois

October 2012

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EXECUTIVE SUMMARY

The City of Beverly Hills commissioned a study of taxicab service to assess the quality and availability of service and to determine whether changing the City's current method of regulating taxicab service is appropriate to bring about improvements.

Why Regulate Taxis

California law requires cities to have some degree of taxicab regulation. More importantly, taxicabs are an important part of the transportation system for many visitors to Beverly Hills and for residents who do not drive or do not have access to a car. Beverly Hills residents who rely on taxicabs include many people who are elderly, have disabilities, or have limited incomes. For visitors to Beverly Hills, taxicabs are a convenience. With limited experience in Beverly Hills, visitors typically have no way to compare the taxi companies in the city, yet a visitor's experience riding taxis may form an important part of their overall impression of the city. For these reasons, it is very much in the City's interest to ensure that residents and visitors alike can count on good service no matter which of the Beverly Hills licensed taxicab companies they choose.

Taxi Service in Beverly Hills

Beverly Hills has three taxi companies that operated a combined total of 140 cabs as of July 2011 when analysis for this report was initiated.* Beverly Hills Cab serves about 67% of all taxi trips in the city, while the Independent Taxi Owners Association (ITOA), marketed as "Independent Cab Co.," serves about 28% of trips. The third company, United Independent Taxi Drivers, Inc. (UITD), marketed as "United Independent Taxi," serves just 5% of trips. Looking at "dispatched trips" (those ordered by telephone rather than found at a taxi stand or on the street), Beverly Hills Cab has 86% of the market, ITOA has 11%, and UITD has 3%.

The City establishes the number of cabs that each company may operate based on "public convenience and necessity." The City also sets fares, licenses drivers after they pass background checks and a drug test, and issues vehicle permits after inspections for safety and appearance. Taxi vehicles cannot be more than seven years old. The City allows taxis licensed in Beverly Hills to be licensed in West Hollywood but not in any other jurisdiction. An exception is made for wheelchair accessible taxis which can be licensed in Los Angeles. Currently taxi fares in Beverly Hills are $2.45 for the first 1/7 mile and

* Since then the companies have added five more cabs.

$2.45 per mile thereafter. This rate is lower than the rate in Los Angeles, West Hollywood, and Santa Monica.

Beverly Hills provides discount taxi coupons for residents age 65 and older and disabled residents with certain medical conditions. Each month participants can buy one coupon book worth $24 in taxi rides for only $6. A maximum of $12 worth of coupons may be used per taxi ride. About 700 participants took 5,267 discounted taxi trips in fiscal year 2011.

Availability and Service Quality

Beverly Hills enjoys excellent availability of taxi service, while service quality is at least typical of other communities. Customers who call either of the two companies that provide 97% of dispatched taxi service can expect a taxi to arrive within 20 minutes at least 93% of the time (98.5% in the case of the largest company). At all times of day, there is an adequate supply of unengaged taxis available to serve demand. The City does receive occasional complaints about long response times. Complaints have also been received about drivers not accepting the City's senior taxi coupons, refusing trips, and refusing to assist passengers. However, the number of complaints is not large, especially considering that the companies provide on the order of 360,000 trips per year.

A survey was sent to all 708 taxi coupons users as of December 2011; the 232 coupon users who responded rated taxi service in Beverly Hills between 3 and 4 on a 1-to-5 scale, where 1 = "poor" and 5 = "excellent." This range is typical for taxi service in U.S. cities. The most essential factors, such as safe driving, knowledge of the area, and taxis dispatched to the proper location, were rated about 4 on average. Much lower ratings went to driver courtesy, willingness to accept a coupon or credit card, and help with luggage or packages. The most common comments from the coupon users who responded to the survey concerned drivers not wanting to or refusing to take coupons, driver behavior, and drivers not wanting to take short trips.

Many hotels in Beverly Hills have exclusive arrangements with certain taxi companies. Staff of four hotels interviewed for this study all expressed satisfaction with the service their guests receive from taxi companies.

A review of warnings and citations issued by Beverly Hills Parking Control Officers showed that the most common issues concerned waiting for passengers and picking up or dropping off where it is not permitted. These included double parking, waiting at meters or white zones, parking in residential areas, and, most common of all, "taxi driver outside of vehicle standing in traffic lane." There were 19 citations and 22 warnings issued in the first half of 2012. Taxi companies note that there are few legal places to stop in front of many medical offices, and this leads to complaints from customers as well as violations.

According to the enforcement staff, it is common for drivers to use the higher West Hollywood rate in Beverly Hills and to run the meter for trips to LAX instead of using the flat rates established by the City. The taxi companies claim that having different rates in Beverly Hills and West Hollywood makes it likely that drivers will sometime use the

wrong rate without intending to. Also, having different rates in Beverly Hills and Los Angeles means that customers traveling between the two cities will experience one rate going and a different rate returning. Having different rates creates a situation that ensures a need for enforcement activity and some level of customer dissatisfaction.

Economics of the Taxi Industry in Beverly Hills

Based on analysis of detailed trip-by-trip data provided by the companies, taxi drivers on average carry just 9 to 12 trips in a ten-hour shift. By working ten-hour shifts, an average of six days a week, drivers are able to earn an average of about $2,755 per month after expenses, or about $11.79 per hour. About 25% of drivers have net earnings, after expenses, of less than $8 per hour and about 25% have net earnings of more than $14.50 per hour.

Most drivers pay a lease for use of their vehicle, and for the right to operate using the name, colors, and dispatch service of one of the three licensed companies. The companies earn money by leasing out taxicabs. These companies are cooperatives of taxi owner-drivers, some of whom drive in Beverly Hills but many of whom drive in Los Angeles and lease out a taxi in Beverly Hills. The vehicle owners are able to keep their taxis leased out 72% of the time for the largest company and 89% of the time for the second largest company, indicating that the supply of taxis is reasonably well balanced with the supply of drivers who want to lease.

Administration and Enforcement

The City's taxicab rules and regulations are administered and enforced by a group within the Parking Services Division of the Department of Public Works & Transportation under the overall direction of the Director of Parking Operations. In all, less than two full-time equivalents of time are devoted to taxi issues, including on-street enforcement, issuing licenses, investigating complaints, and coordinating with the taxi companies.

The current level of effort limits the City's ability to work with the taxi companies to improve service quality. In addition, the current regulations give the City limited control over taxi service quality. Enforcement actions against individual drivers are time consuming and have limited effectiveness, but there is little ability to hold companies accountable for service quality issues. Currently, the City does not receive routine reports with which to monitor trends in response times or to assess the need for more taxis or for a fare increase. City staff would have very limited ability to make effective use of such reports with current staffing levels.

An alternative method of regulation involves granting franchises. Los Angeles, West Hollywood, Santa Monica, and several other Southern California cities use this system, under which the cities periodically take proposals from interested companies and determine which ones will have the right to provide service for a specific number of years. These franchises are similar to ones often used for public utilities or garbage collection; they are similar to the concessions under which many airports award exclusive rights to certain companies to serve the airport.

Franchises give a city much greater ability to hold companies accountable by assessing penalties for failure to meet service standards specified in a franchise agreement. The periodic selection process create an incentive for companies to commit to service features beyond the City's basic requirements. Franchises also have potential to generate revenue to fund a higher level of enforcement since franchise fees are not subject to California constitutional limits that limit fees for licenses and permits to cost recovery.

Beverly Hills has no defined process for considering whether taxi rates should be changed. In recent years, rates in Beverly Hills have lagged behind those in nearby cities. These cities tend to align their rates with those in Los Angeles, which uses a formal Taxi Cost Index to evaluate rate increases.

Recommendations

The following recommendations are explained in more detail in Chapter 6 of the report.

Regulations

- Beverly Hills should adopt a franchise system of taxicab regulation, in which time-limited grants of authority to operate taxicab service are awarded through a competitive process.
- Franchises should be for a term of five years, with automatic extensions up to ten years unless the City elects to conduct a new selection process.
- The process for selecting franchisees should take into account companies' prior record of service to Beverly Hills residents, businesses, and visitors.
- Franchisees should be required to provide the City with quarterly and annual reports of response times, taxicab utilization, changes in operations, response to complaints, and other matters to be determined.
- Franchise fees should be set to at least partially fund administration and enforcement of the City's taxicab program.
- A schedule of penalties should be established that can be assessed against franchise companies based on continued poor performance or rule violations.
- Whether or not a franchise system is adopted, the City should adopt requirements for reporting, wheelchair accessible vehicles, credit card acceptance, 24-hour dispatching, a response time standard, and distinctive color schemes.

Number of Taxicabs

- The City should maintain current limits on numbers of permitted taxicabs.
- The City should continue to allow Beverly Hills taxis to operate in West Hollywood.
- Within two years after a system of reporting on response time and service availability is in place, the issue of allowing Beverly Hills taxicabs to operate in Los Angeles or other cities should be revisited.

Number of Companies

- Beverly Hills should have at least two taxi companies and a maximum of three.

Fares

- Beverly Hills should bring meter rates to parity with nearby cities, either as soon as possible or the next time Los Angeles raises rates, depending on when it appears that Los Angeles will next raise its rates.
- At the same time that meter rates are adjusted, the City should set the flat rate for trips to LAX at a level that is comparable to the average meter rates for these trips.
- The City should establish a general policy of coordinating its fare setting with nearby cities in order to create regional uniformity in taxi rates. For this purpose, Los Angeles rates should take effect automatically in Beverly Hills unless the City elects to conduct a rate review within 30 days of a change by Los Angeles.
- If Beverly Hills elects to conduct its own review of rates, it should include the Los Angeles Taxi Cost Index as well as data about service utilization and market trends in Beverly Hills.

Staffing

- A function of Taxicab Administrator should be established with overall responsibility for regulatory oversight.
- If the City wishes to significantly improve taxicab service, an additional 0.5 full-time equivalents of staff time should be devoted to taxicab administration. If the City adopts a franchise system of taxi regulation, an additional 1.0 full-time equivalent of staff time, compared to current levels, should ideally be devoted to taxicab administration, including administration of company penalties or incentives.

1 INTRODUCTION

The City of Beverly Hills commissioned a study of taxicab service to assess the quality and availability of service and to determine whether changing the City's current method of regulating taxicab service is appropriate to bring about improvements.

Taxicabs are an important part of the transportation system for many visitors to Beverly Hills and for residents who do not drive or do not have access to a car. Beverly Hills residents who rely on taxicabs include many people who are vulnerable due to age or disabilities, many of whom live on limited incomes. For visitors to Beverly Hills, taxicabs are a convenience. With limited experience in Beverly Hills, visitors typically have no way to compare the taxi companies in the city, yet a visitor's experience riding taxis may form an important part of their overall impression of the city. For these reasons, it is very much in the City's interest to ensure that residents and visitors alike can count on good service no matter which of the Beverly Hills licensed taxicab companies they choose.

The current regulations have been essentially unchanged for many years. In this time there have been major changes in the way that taxicabs are operated, in the market for taxi services, and in the City's expectations for taxi services. Nearby cities, notably Santa Monica and West Hollywood, have implemented major changes. As part the consideration of regulatory methods, the study has examined:

- How and whether the City should control the number of taxis and taxi companies
- Whether the number of taxis or companies should be adjusted
- Whether and how fares should be adjusted
- Whether Beverly Hills taxicabs should be allowed to operate in other cities

The study has used a variety of data sources, including:

- Permit and complaint files provided by City staff
- Records of taxicab trips and revenues provided by taxicab companies from their automated dispatching systems
- Records from the City's taxi coupon program for seniors and people with disabilities
- A survey of taxi coupon users

An attempt was made to survey taxicab drivers but it was met with an extremely limited response. A plan to survey taxicab riders in general was abandoned after no practical distribution method could be identified. While the taxi companies were reluctant to share some of their available data, they eventually shared extensive information that goes well beyond the data that the consultants have had access to in prior studies.

Opinions and perspectives were obtained in meetings with the presidents of Beverly Hills neighborhood associations and a liaison committee of City Council and Traffic and Parking Commission members, and from interviews with:

- Managers of the three taxi companies permitted to operate in Beverly Hills
- Managers and representatives of other taxi companies in Los Angeles and nearby cities that have expressed an interest in providing service in Beverly Hills
- Staff of local hotels
- Staff of nearby cities with responsibility for regulating taxicabs
- Beverly Hills Parking Control Officers assigned to enforce taxicab rules

2 TAXI SERVICE IN BEVERLY HILLS

TAXI COMPANIES SERVING BEVERLY HILLS

Three companies are permitted to operate taxicab service in Beverly Hills. These companies and the number of cabs operated by each as of July 2011, a portion of the study period, were:*

- Beverly Hills Cab – 56 cabs
- Independent Taxi Owners Association (ITOA)– 56 cabs
- United Independent Taxi Drivers, Inc. (UITD) – 28 cabs

The number of taxi drivers is not limited and fluctuates, since many cabs are operated by more than one driver. As of mid-2011, the three companies had about 200 drivers licensed to operate in Beverly Hills.

ITOA uses the marketing name of Independent Cab Company and UITD markets its services as United Taxi or United Independent Taxi. The three companies are all "associations" as defined by the Beverly Hills Municipal Code (BHMC): "an organization which provides taxi service, and the taxi vehicles are owned and operated by individual members of such organization" (Sec. 7-4-20(H)). Furthermore, the companies themselves are owned by members who are taxi owner-drivers.

As in nearly every other community in North America, the companies do not employ taxi drivers. Instead the drivers are independent contractors who pay various fees to the companies for the right to operate a cab as part of the company's system. The implications of this arrangement are that:

- The companies have more limited control over the drivers than they would over employee drivers.
- Drivers' income depends on the amount of fares that they are able to collect.
- Within certain limits, drivers are free to seek out business as they see fit.
- The companies' revenue depends on the fees that they charge drivers.

All three companies also serve Los Angeles, West Hollywood, and many other cities in the Los Angeles area. However, Beverly Hills does not allow taxicabs permitted in Beverly Hills to operate in any other city except for West Hollywood; an exception is made for wheelchair accessible cabs, which can also be permitted in Los Angeles. (It appears that this restriction is relatively recent, since a resolution from 2000 restricts only 12 of UITD's cabs to operation in Beverly Hills and West Hollywood, and a 1997 resolution restricts only 10 of ITOA's cabs to operation in Beverly Hills and West Hollywood.)

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* Since then a total of five additional cabs have been added, with four more for Beverly Hills Cab, two more for ITOA, and one less for UITD.

With some variation, the current arrangement has been in place since 1978. The following timeline is based on a review of City resolutions:

- 1967 – Checker Cab Co. receives a certificate to operate 50 taxicabs.
- 1978 – ITOA receives a certificate to operate 50 taxicabs. At some later date, the number of authorized cabs was automatically reduced to 18 because many permits were not used.
- 1978 – UITD receives a certificate to operate an unknown number of taxicabs. At some later date, the number of authorized cabs was automatically reduced to 17 because many permits were not used.
- 1979 – Checker Cab Co.* changes its name to Beverly Hills Cab.
- 1997 – ITOA is authorized to increase its permitted cabs from 18 to 50, based on an estimate that only 13 to 19 of the additional cabs would be operating in Beverly Hills at any one time. ITOA is required to operate 10 of its permitted cabs in Beverly Hills only.
- 2000 – UITD is authorized to increase its permitted cabs from 17 to 28, based an estimate that only 5 to 8 of the additional cabs would be operating in Beverly Hills at any one time.

The automatic reductions in permits for ITOA and UITD were based on Section 7-4-110 of the Municipal Code, "Reduction of number of vehicles upon failure to procure public transportation vehicle permits." It appears that, at some point after 2000, the number of permits authorized for Beverly Hills Cab and ITOA was increased and the restriction on vehicles operating in cities other than Beverly Hills and West Hollywood was added.

At various times, City staff have estimated how many taxicabs are needed in Beverly Hills. According to the text of the resolutions awarding permits, in 1988 staff estimated that 106 permits were needed, and in 1997 staff estimated that 130 were needed.

MARKETS SERVED BY BEVERLY HILLS TAXI COMPANIES

The three taxi companies serving Beverly Hills have strikingly different levels of market penetration and service focus. As Figure 1 shows, Beverly Hills Cab is the dominant company in the city, handling two-thirds of all trips and earning a comparable revenue share. The company also has exclusive rights to serve three hotels.

ITOA has a 25% to 30% market share of all Beverly Hills trips, with its trips predominantly originating at cab stands (including major hotels) and with more long trips than Beverly Hills Cab. ITOA has exclusive rights to serve the Beverly Hilton and the Peninsula Hotel. The average trip length of ITOA's cabstand trips—which represents over 80% of its Beverly Hills trips—is approximately nine miles, compared to an average trip length of about four miles for Beverly Hills Cab. It is likely that most of the destinations of these trips are outside of the city, for example to LAX. ITOA management

* Not Los Angeles Checker Cab or United Checker Cab Company which currently operate in Los Angeles.

described their business as mostly tourists, then business travelers, then people going to medical appointments. The company also has a number of large accounts for medical services, human service agencies, and a television show, mostly not in Beverly Hills.

UITD carries only about 5% of Beverly Hills taxi trips. Its average trip is about 6.5 miles.

Figure 1. Market Share of Taxi Trips in Beverly Hills, June-August 2011

Three-month totals

Company	Taxis	Trips	% of Trips	Fares	% of Fares	Miles	% of Miles
Beverly Hills Cab	56	60,594	67.1%	$1,142,752	65.2%	227,344	47.8%
ITOA	56	25,023	27.7%	$516,023	29.4%	218,720	45.9%
UITD	28	4,629	5.1%	$94,155	5.4%	29,961	6.3%
Total	140	90,246	100%	$1,752,931	100%	476,025	100%

Source: Data on taxi trips originating in Beverly Hills provided by the taxi companies.

The market for radio dispatched trips in Beverly Hills (excluding cab stand trips) is even more strongly dominated by Beverly Hills Cab. Figure 2 shows each company's market share of trips originating within Beverly Hills that are ordered by telephone and radio dispatched. Nearly seven out of eight of such trips are handled by Beverly Hills Cab. ITOA's share is about 11%, while UITD carries only about 3%, with just 13 trips per day.

Figure 2. Market Share of Daily Radio Dispatched Trips, July 2011

Average dispatched trips, fares, and miles per day

Company	Taxis	Trips	% of Trips	Fares	% of Fares	Miles	% of Miles
BH Cab	56	397	86.4%	$7,468	85.1%	1,669	79.8%
ITOA	56	50	10.8%	$1,070	12.2%	349	16.7%
UITD	28	13	2.8%	$241	2.7%	75	3.6%
Total	140	460	100%	$8,779	100%	2,093	100%

Source: Data on taxi trips originating in Beverly Hills provided by the taxi companies.

Another perspective on how the three companies serve Beverly Hills is provided by calculating what portion of each company's business for their cabs that are licensed in Beverly Hills is obtained from radio dispatched trips in Beverly Hills. These vehicles also obtain business from cab stands and are also able to pick up in West Hollywood. Figure 3 shows the percentage of all trips by these cabs that were radio dispatched and begin in Beverly Hills. Most of these trips go to destinations within the city or to adjacent areas of

the City of Los Angeles or West Hollywood. As Figure 3 shows, nearly 60% of Beverly Hills Cab's overall business comes from such trips, whereas a much smaller portion of ITOA's and UITD's business is devoted to this type of service. Most of ITOA's and UITD's business for Beverly Hills-licensed cabs consists of trips from West Hollywood and cabstand-generated trips from within Beverly Hills, and most have destinations outside of Beverly Hills.

Figure 3. Portion of Each Company's Business from Radio-Dispatched Trips Originating in Beverly Hills

As a percentage of all trips by each company's cabs licensed in Beverly Hills including non-dispatched trips and West Hollywood trips, July 2011

Company	Taxis	Trips	Fares	Miles
BH Cab	56	58.3%	58.9%	66.2%
ITOA	56	9.6%	9.2%	9.5%
UITD	28	6.0%	5.4%	6.2%
All companies	140	32.4%	30.5%	28.3%

Source: Data on all taxi trips by Beverly Hills licensed cabs provided by the taxi companies.

Even considering only taxi trips originating in Beverly Hills, the portion of ITOA's and UITD's business that is comprised of radio-dispatched trips (which would include all residential trips) is quite low. Figure 4 shows that such trips make up 17% of ITOA's business within Beverly Hills and 26% of UITD's low level of patronage within the city. It is clear, therefore, that only Beverly Hills Cab has a major stake in that portion of the Beverly Hills market that includes residential trips. As the last row in Figure 4 indicates, radio-dispatched trips, including all residential trips, account for 46.5% of all taxi trips originating in Beverly Hills.

Figure 4. Beverly Hills Radio-Dispatched Trips

As a portion of each company's total Beverly Hills business, July 2011

Company	Taxis	Trips	Fares	Miles
BH Cab	56	60.9%	60.8%	68.3%
ITOA	56	17.3%	14.1%	13.6%
UITD	28	25.7%	22.9%	22.0%
All companies	140	46.5%	41.9%	39.2%

One more way to view the companies is the percentage of all business by their Beverly Hills-permitted vehicles that consists of trips originating in Beverly Hills, whether

dispatched or from cab stands. As shown in Figure 5, Beverly Hills Cab's vehicles obtain almost all of the business in Beverly Hills, while a little over half of the service provided by ITOA's Beverly Hills-permitted vehicles originates in Beverly Hills. UITD's Beverly Hills vehicles get less than a fourth of their business in Beverly Hills. The rest of the trips carried by these vehicles begin in West Hollywood or, for the few wheelchair accessible vehicles, in Los Angeles.

Figure 5. Portion of Trips Originating in Beverly Hills

As a portion of total trips carried by each company's vehicles permitted in Beverly Hills, July 2011

Company	Taxis	% of Trips
BH Cab	56	96%
ITOA	56	54%
UITD	28	23%

TAXI COUPON PROGRAM

Beverly Hills residents age 65 or older and disabled residents with certain medical conditions may purchase, each month, one taxi coupon book worth $24 in trips for only $6. A maximum of $12 worth of coupons may be used per taxi ride. The program is administered by a private company, which also administers a very similar program for West Hollywood. In Fiscal Year 2011, a total of 5,267 trips were subsidized through the coupon program. The average reimbursement to the taxi companies was $8.24 per trip, which would be the fare for a 2.5-mile trip. About 700 people participate in the program.

The coupon trips account for about 1.3% of the companies' business in Beverly Hills.

Ninety percent of coupon trips are taken on Beverly Hills Cab, 7% are taken on ITOA and 3% on UITD. On average the trips taken are less than three miles long.

All taxicabs in Beverly Hills are required to accept Beverly Hills taxi coupons. The City currently pays 100% of the meter fare, up to the maximum of $12. Prior to 2007, the City only paid 90%. The change was made in 2007 in response to complaints that many taxi drivers would not accept coupons. Note that some of the coupons in question could be from programs not administered by Beverly Hills, but rather by other cities and non-profit organizations.

TAXICAB REGULATION IN BEVERLY HILLS

Taxicab regulations in Beverly Hills include provisions that apply to companies, vehicles, drivers, and service provision.

Regulation of Companies

In order to operate a taxicab business in Beverly Hills, an applicant must obtain a "certificate of public convenience and necessity" as prescribed by Sec. 7-4-100 of the Beverly Hills Municipal Code. The Code provides the following criteria to be used in determining whether to grant a certificate:

A. Whether the taxi service proposed by applicant is required by the public convenience and necessity considering the number of taxis presently operating in the city;
B. Whether the increased taxi service in the city will adversely impact on local traffic conditions;
C. Whether the applicant has the financial capability to ensure performance of the proposed taxi service;
D. Whether the applicant has been convicted of a felony or misdemeanor involving moral turpitude and has not demonstrated rehabilitative characteristics;
E. Whether the applicant meets requirements and conditions designated by this code. (BHMC Sec. 7-4-104)

The Traffic and Parking Commission is required to hold a public hearing on any application and make a recommendation, based on the criteria, to the City Council, which is required to hold its own public hearing before making a decision. As specified in Sec. 7-4-102, applicant qualifications are to:

A. Provide and maintain a minimum of thirteen (13) and a maximum of sixty (60) taxi vehicles for operation in the city; provided, however, that the transportation official shall require that a minimum of three (3), and may require that a maximum of ten (10), of the taxi vehicles shall be wheelchair accessible and ADA certified.
B. Provide and maintain a physical location for holding of vehicles and operation of the business within ten (10) miles of the city.
C. Provide and maintain a telephone number which is toll free from any location in the city.

Provisions for a physical location in or near the city are common to allow for City staff to make site visits and for residents to retrieve property left in cabs. Of the companies that currently serve Los Angeles, only Yellow Cab is not within ten miles (using straight line measurement) of Beverly Hills City Hall.

Certificates of public convenience and necessity to operate taxicab service have no expiration date, but can be relinquished and can be suspended or revoked by the City. A certificate may not be transferred to any other person or entity without prior City Council approval; the Council has to follow the same procedures as for granting a new certificate. (BHMC Sec. 7-1-107)

Vehicles

Each company can obtain permits for vehicles up to the maximum permitted by its certificate. Taxis operated in Beverly Hills may also have permits in West Hollywood but not in any other jurisdiction, except for wheelchair accessible vehicles which may also have permits in Los Angeles.

Vehicles must be issued a Public Transportation Vehicle Permit before being operated as a taxicab. The Code limits taxicabs to a maximum age of five years from the date of manufacture, but with special annual inspections the age can be extended to seven years from the date of manufacturer. There are a variety of other rules, either in the Code or in rules adopted by staff as authorized by the Code.

- Vehicles must be inspected annually. The City reserves the right to additional inspections at any time.
- Taxicabs must be mechanically maintained, clean, with operating safety equipment and climate controls, and with matching wheels and tires. Dents and scrapes must be repaired.
- Taximeters must be inspected by the County of Los Angeles Department of Weights and Measures. (They must also comply with a standard established by the National Institute of Standards and Technology.*)
- Taxicabs must have the name and telephone number of the taxi company on both sides of the vehicle, along with a number designating the specific taxicab; the taxicab number must also appear facing the rear of the vehicle.
- Each cab must display a rate schedule showing all of the rates that the meter is capable of using, including which rate corresponds to each rate number displayed by the taximeter.
- Each taxicab must be equipped with a computer dispatch system capable of two-way voice communication and two-way data communication with the organization's base computer dispatch system, from all locations within the city limits. The computer dispatch system must be in operation at all times that the vehicle is in service.
- A taxicab service evaluation notice, identifying the telephone number to contact in the event of passenger complaint or comment, in the form required by the city, must be conspicuously displayed in the taxicab vehicle.
- Advertising on taxicabs is not allowed.

These provisions are similar to those that apply in many jurisdictions.

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*National Institute of Standards and Technology, "Handbook 44 - 2007 Edition: Specifications, Tolerances, and Other Technical Requirements for Weighing and Measuring Devices," Section 5.54 Taximeters.

Drivers

There is no limit on the number of drivers that can obtain a permit to drive a taxicab in Beverly Hills. Taxicabs are commonly driven by multiple drivers, for example by the owner and by another driver who leases from the owner at night, on certain days, or when the owner is on vacation.

In order to obtain a permit to drive a taxicab in Beverly Hills, a driver must present a letter of employment from a Beverly Hills taxi company, have a negative test for drugs and alcohol, pass a written exam, be photographed and fingerprinted, and pass a police records check. There is a $165.50 fee for the application process plus $32 for the photo, fingerprinting, and background check. The permit is valid for three years.

If a taxicab permitted in Beverly Hills is owned by someone who does not drive it, the owner must obtain an "absentee ownership" permit. The procedure is the same as for a driver permit, but without the exam.

Drivers must wear a shirt with a collar, long or short-sleeved; full-length trousers; and closed shoes and socks. Ladies must wear a blouse or shirt, long or short-sleeved; slacks or skirts; closed shoes and socks or stockings. T-shirts, jerseys, shorts, sandals, or shoes without socks are not acceptable. Drivers are not allowed to smoke while transporting a customer or anytime the taximeter is activated. Drivers must comply with any passenger request to lower or turn off the radio or recorded music.

Drivers must display their City permit ID in a permit holder mounted on the taxi's dashboard so as to be visible to passengers and regulatory personnel.

Service Provision

The Municipal Code and rules contain a variety of provisions that regulate the day-to-day operation of taxicabs, covering fares, how and where passengers can be picked up, parking, routes of travel, etc.

Fares. The current fare structure includes an initial ("drop") charge of $2.45, which includes the first 1/7th of a mile, plus $2.45 per mile, which is charged as $.35 for each 1/7th of a mile or fraction thereof. There is also a charge of $.35 per 47.5 seconds of waiting time. Trips to LAX pay a flat rate of $38. These rates were proposed in 2007 to make fares similar to those created by a recent City of Los Angeles rate increase. (Since then Los Angeles has raised rates again to a level about 9% higher than rates in Beverly Hills, and is likely to raise rates again soon.) Los Angeles had adopted a $2.65 drop charge, which included $.20 enforcement fee.* The flat rate from Beverly Hills to LAX was set with input from the taxi companies. Since taxis in Beverly Hills also operate in West Hollywood, which has different rates, Beverly Hills requires that vehicles have a

* Since then, Los Angeles has increased the drop charge (still including the $.20 enforcement fee) to $2.85, while the distance included in the drop change has been reduced from 1/7th mile to 1/9th mile. Similarly, the distance rate has been increased from $.35 per 1/7th mile ($2.45/mile) to $.30 per 1/9th mile ($2.70/mile).

notice explaining all of the rate codes that taximeters display to indicate which rate the meter is using. An example of these codes are:

1 – Beverly Hills

2 – Beverly Hills airport flat rate

3 – West Hollywood

4 – West Hollywood airport flat rate

Cruising. The operator of the vehicle shall not cruise streets for the purpose of soliciting passengers, shall not leave the vehicle for the purpose of soliciting passengers, and shall not solicit passengers in a tone of voice louder than ordinarily used in conversation.

Taxicab zones (cab stands). More than one taxicab from each franchisee may simultaneously stand in a queue in any designated taxicab zone unless one or more taxicabs from a franchisee or franchisees which are unrepresented in the taxicab zone approach to park at the taxicab zone.* In such event, the taxicab which is standing last in the queue in the taxicab zone and which is represented by the same franchisee shall relinquish its space to the taxicab which is not represented in the taxicab zone. Every driver shall remain inside their cab while waiting at a taxicab zone. The City has established five taxi stands in the downtown area. In addition, there are four taxi stands on private property at the Beverly Hills Hotel, Beverly Hilton, and Peninsula Hotels.

Routes of travel. Drivers are to take the most direct route to the destination, unless otherwise directed by the passenger. The routing shall avoid using single family residential streets when main arterials and collectors are available.

Waiting and stopping locations. Taxis cannot wait for passengers at parking meters or customer loading zones, except for continuing fares, with the taximeter running, and if the appropriate amount has been deposited in the parking meter. Taxis can use yellow and white zones for up to three minutes to load or unload passengers or baggage only. Taxis are not allowed to park or take breaks on any residential streets.

Additional passengers. A taxi shall not take additional passengers without the express permission of the first passenger.

ADMINISTRATION AND ENFORCEMENT

The City's taxicab rules and regulations are administered and enforced by a group within the Parking Services Division of the Department of Public Works & Transportation. Three Parking Control Officers (PCOs) under the Parking Services Manager have responsibility for on-street enforcement of the taxi rules and regulations, including issuance of permits and vehicles inspections. Under the Proposed Budget for Fiscal Year 2012/13, the level of effort devoted to taxicab administration and enforcement is:

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* The Code uses the term "franchisee" in this section but nowhere else in connection with taxicabs. It does not imply that the companies are franchisees in the same sense as used later in this report.

Position	Full Time Equivalents	Duties
Director of Parking Operations	Less than 0.1	Policy oversight and development, budget
Parking Services Manager	Approx. 0.2	Oversight of enforcement and special projects
Parking Control Officers (3)	Approx. 1.0	Enforcement
Supervisor	Approx 0.3	Special projects

In other divisions, a Transportation Planner administers the contracts related to the senior taxi coupon program and various Customer Service Representatives take customer inquiry and complaint calls, oversee taxi driver testing and reporting and also assist with annual taxi inspections.

The vehicle inspections that the PCOs are able to perform are necessarily limited, but include checks that meters are properly hooked up, with no apparent fare rigging devices, and with the approved Beverly Hills rates. They check that the engine starts normally and runs without unusual noises, and that brakes appear to function properly. They also check the operation of doors, windows, air conditioning, and horns, and that the vehicles are free of visible damage or cosmetic defects.

On the street, the PCOs observe taxis in operation, sometimes engaging them as they leave from hotels. They look for use of incorrect meter rates, since the Beverly Hills rate is currently lower than the West Hollywood rate that most cabs also have on their meters. They also look for proper display of current, valid permits.

INTERFACE WITH NEARBY CITIES

The neighboring cities of Los Angeles and West Hollywood, and the nearby city of Santa Monica, all have different fares and different systems of taxi regulation than Beverly Hills, although there is considerable overlap in taxi companies. These cities all have franchise systems, under which the cities periodically take proposals from interested companies and determine which ones will have the right to provide service for a specific number of years.

- Los Angeles has nine franchise taxi operators, including all three companies that serve Beverly Hills, operating more than 2,300 taxis.
- West Hollywood has seven franchise operators, again including all three companies that serve Beverly Hills, operating 530 cabs. The West Hollywood franchise system was established in 2004. Before that, there were four companies operating under a regulatory structure similar to the one in Beverly Hills.
- Santa Monica has five franchise operators with 300 cabs. Of the Beverly Hills companies, only ITOA has a franchise to operate in Santa Monica. Santa Monica adopted its franchise system in July 2009, although franchise taxi operations

were not launched until March 2011. Previously there was an open-entry system with numerous small companies charging a wide variety of rates.

These cities allow taxicabs to have permits from other jurisdictions, while Beverly Hills prohibits cabs with Beverly Hills permits from having permits anywhere else except for West Hollywood. All three of these nearby cities currently use the same meter rates, which are somewhat higher than Beverly Hills' rates as shown in Figure 6.

The current Los Angeles meter rate is $2.85 for the first 1/9th mile ("drop charge") plus $.30 per 1/9th mile ($2.70 per mile). This rate became effective on July 16, 2011. Previously the rate was $2.65 drop and $2.45 per mile, and this is what the current Beverly Hills rates are based on, after deducting $.20 from the drop charge that funds a bandit cab enforcement program in Los Angeles. West Hollywood indexes its taxi rates to those of Los Angeles, except for the flat rate to LAX. Santa Monica also generally follows Los Angeles in its rate setting. Note that, since Los Angeles regulates taxicabs at LAX, cities other than Los Angeles have no ability to set flat rates *from* LAX, although they can set flat rates *to* anywhere, including the airport.

Since Beverly Hills, West Hollywood, and Santa Monica are all quite small in area, there are numerous taxi trips back and forth among all of the cities and Los Angeles. Given the overlap in taxi companies, there are many opportunities for confusion and for cheating. Aside from illegal operation of vehicles permitted in a neighboring city but not in Beverly Hills, the main issue is charging an incorrect fare.

Figure 6. Taxicab Rates in Beverly Hills and Nearby Cities

Fare Element	Beverly Hills	Nearby Cities
Drop	$2.45	$2.85 (including $.20 enforcement fee in L.A.)
Distance	$2.45 per mile	$2.70 per mile
Waiting	$.44 per minute	$.49 per minute
Flat rates	Beverly Hills to LAX: $38	Los Angeles: $46.50 downtown to/from LAX. W. Hollywood: $40 to LAX. Santa Monica: North of I-10 to LAX $35 maximum. South of I-10 to LAX $30 maximum. To Bob Hope Airport $75 maximum.
Senior subsidy	Coupons	LA: Cityride cards W. Hollywood: Coupons S. Monica: none

EFFECT OF FARE DIFFERENCES WITH NEIGHBORING JURISDICTIONS

Taxi fares rates in Beverly Hills for a three- to five-mile trip are approximately 9% less than in West Hollywood, Los Angeles, and Santa Monica. Beverly Hills Cab, ITOA, and UITD provide service in Los Angeles with a different fleet of vehicles than those permitted to operate in Beverly Hills, except for a few wheelchair accessible vans, but the cabs permitted in Beverly Hills vehicles are also authorized to serve West Hollywood. When serving trips in Beverly Hills, drivers are required to use a different set of meter rates than for trips in West Hollywood, and the taximeters are capable of calculating the fare based on either set of meter rates.

The need for drivers to use two sets of fare rates creates the possibility that the driver may select the wrong—higher—rate for a trip originating in Beverly Hills. Some drivers may deliberately select the wrong meter rate setting and hope that the passenger will not notice the difference. Others may make occasional honest mistakes. But whatever the reason for such incorrect meter settings, the fact that the wrong fares are possible creates problems including: a) discontent, confusion, and suspicion on the part of the public; b) diversion of effort by City enforcement staff that could be spent on other issues; and c) a perception on the part of taxi drivers that working in Beverly Hills is inferior to working in other areas.

Even assuming that drivers always use the correct rate, a round trip from an origin in Beverly Hills to a destination in a neighboring city will result in a noticeable fare disparity between the outbound and the return trip. This will be a source of confusion for anyone using taxis, but especially for visitors. This can then result in complaints to the City and dissatisfaction with service.

Lower Beverly Hills taxi rates may also make the city a less attractive working location for taxi drivers, even taking account of lower crime rates in Beverly Hills than in many other areas. As a result, more experienced drivers may work elsewhere if they can. It is noteworthy that UITD drivers who work in Beverly Hills and West Hollywood have just 23% of their trips from Beverly Hills and ITOA drivers only have 54% of their trips from the city. The companies believe that lower rates in Beverly Hills make it hard for them to find and keep qualified drivers, although the economic analysis found that levels of lease utilization are reasonable, at least under current condition. As the economy improves, it does seem likely that the companies will have real difficulty finding and keeping drivers.

Setting Beverly Hills rates at the same levels as in nearby jurisdictions would eliminate a significant source of confusion and conflict with customers, allow enforcement to focus on other improvements, and increase the attractiveness of the city to the most experienced drivers.

Following the lead of Los Angeles would also take advantage of the process that city has used for many years. Los Angeles has a reasonably objective, data-based system for determining when a taxi fare increase is appropriate. Los Angeles devotes considerable resources to this process, resources that would be infeasible for Beverly Hills. The

analysis is based on a Taxi Cost Index (TCI) that incorporates changes in the cost of fuel, maintenance, insurance, and vehicle purchase, as well as prevailing wages for comparable work and taxi rates in other cities around the U.S. Moreover, this analysis is published for all to see and has been in use since 1999. This data and formula-based approach, which is relatively uncommon in the taxi industry, minimizes the contentiousness and lobbying efforts by multiple parties that frequently accompanies proposals to increase taxi rates.

An analysis by LADOT staff in April 2012 found that the TCI had increased 6.02% compared to the previous baseline established in 2008, which is the basis of the current Los Angeles fares. All of the increase occurred in 2010 and 2011, after a period of decline. The 2008 TCI was 10.9% over the level of 2006. The April 2012 analysis recommended no fare increase because of opposition by several taxi companies, weak demand, a recent increase in the LAX surcharge, and concerns about competition from non-taxi operators. A potential fare increase for Los Angeles taxi service has been deferred for later consideration. As noted earlier, depending on circumstances, much of the increased revenue from a fare increase can be offset by a drop in demand.*

While there are positive aspects to the possibility of aligning Beverly Hills taxi rates with those of the nearby communities, there is also a clear negative impact of any such action, notably that Beverly Hills residents and visitors would pay more for taxi trips than they do now.

Those most burdened by such a fare increase would probably be low-income seniors using taxi coupons from the City's coupon program. A survey of coupon users, described in the next chapter, asked this group about their response to a fare increase of the magnitude that would align Beverly Hills rates with those in Los Angeles and West Hollywood. Of the respondents, 76% indicated that a 10% fare increase would be either "no problem at all," "not much of a problem," or "some problem but acceptable." On the other hand, 24% said it would be a significant or major problem. Moreover, basic economic theory states that if the price of a good or service is increased there will be less consumption of that good/service, so a taxi rate increase would result in some reduction in the number of taxi trips taken. In the case of coupon users, the City would have the option of changing the coupon prices or coupon values to maintain the purchasing power of each dollar spent by the participants.

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* This relationship is expressed by the fare "elasticity." There is very little research about taxi fare elasticities. The available literature suggests that, depending on circumstances and the city, the elasticity could range from -.22 (little decrease in demand as prices are raised) to -1.55 (very strong decrease in demand as prices are raised, to the point where revenue actually decreases). See Bruce Schaller, "Elasticities for taxicab fares and service availability," *Transportation* 26: 283-297, 1999.

3 ISSUES AND CONCERNS

A variety of issues and concerns about taxicab service have been raised by riders, including coupon users, by hotels, by the taxi companies, and by City staff.

RIDER ISSUES

Evidence about rider issues comes from complaints received by the City, from records of citations and warnings, and from a survey of coupon users conducted for this study.

Complaints

City staff provided records of a total of 23 official complaints received from residents and other taxi riders during 2010 and 2011. The most common issues were:

- Unwillingness of drivers to accept coupons, in some cases involving extreme rudeness and attempts to extract cash payment
- Taxis not arriving in a reasonable time
- Drivers refusing trips, or demanding to know the destination before accepting a trip
- Drivers refusing to assist passengers

Looking at these issues in more detail, driver reluctance to accept coupons can stem from a number of issues. Drivers turn the coupons in to the taxi companies for cash payment (and later reimbursement of the company by the City's contract processor). The coupons need to be accompanied by documentation. Drivers do not like the delay in payment or the need for documentation. Further, due to incomplete or improperly completed paperwork, reimbursement is sometimes refused. Also, since most coupon users have limited incomes, some do not tip.

A few of the coupon issues appear to arise from misunderstandings (by drivers or by customers) about the rules of the coupon program. In one case, a passenger was trying to use City of Los Angeles bus coupons. Other cases have involved coupons issued by private organizations, not Beverly Hills or any other city.

Note that issues about acceptance of coupons are not unique to Beverly Hills. Los Angeles had similar experiences with its taxi coupon program. When Los Angeles switched to the card-based Cityride system, that reduced the incidence of complaints concerning driver acceptance and eliminated opportunities for drivers to demand too many coupons as payment. Also, the City was able to enforce a requirement that companies not charge drivers for redemption of Cityride card charges as they formerly did for coupons. In exchange the City paid for necessary improvements to the companies' dispatch systems.

Concerning the second issue listed above, taxis not arriving in a reasonable time, an analysis of detailed data from the companies' dispatch systems (described in Chapter 4) indicates that calls to the two largest companies result in a taxi on-site within 20 minutes

at least 93% of the time, and within 98.5% of the time for the largest company. This performance, while very good, is still consistent with there being a significant number of occasions when response time was very slow or no taxi showed at all. Some complaints appear to stem from difficulties picking up at certain locations, notably in front of medical offices on Wilshire Boulevard.

Considering that the companies provide on the order of 360,000 trips per year, the number of complaints is not excessive.

Coupon User Survey

A survey was sent to all 708 Beverly Hills residents registered for the City's taxi coupon program as of January 2012. The 232 responses received provide information about how the respondents use the coupon program and about their experiences with and opinions of taxi service in Beverly Hills. Since coupon trips account for just 1.3% of the companies' business in Beverly Hills, the survey results are in no way representative of all taxi users, but they do indicate the experiences of a key segment of Beverly Hills residents.

Figure 7 summarizes how the respondents rated the service they received on their most recent taxi ride and their opinion of taxi service overall.

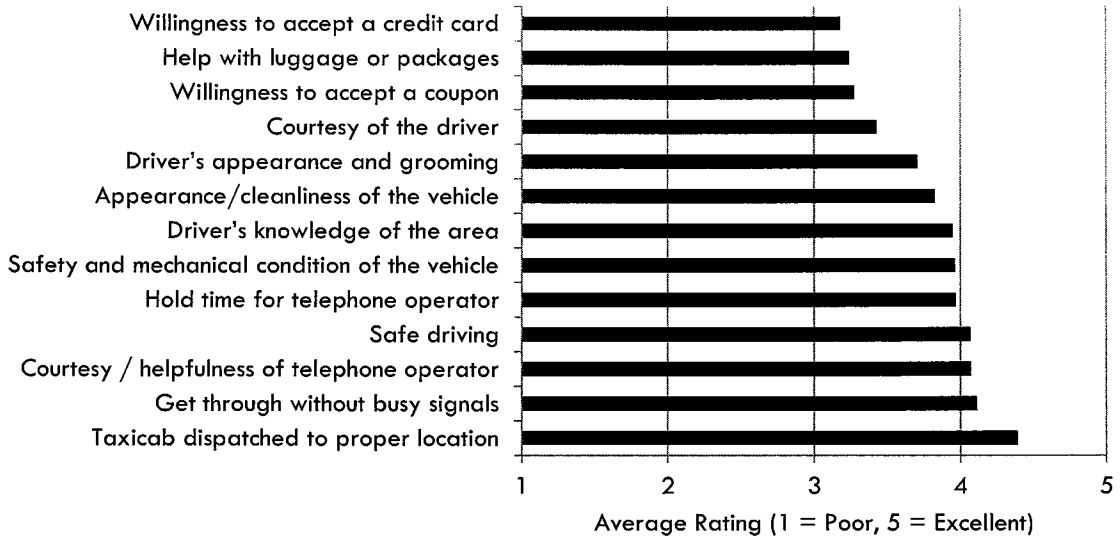
The highest ratings were for what might be described as the essential, practical aspects of service, including getting a taxi dispatched to the proper location, various aspects of telephone service, safe driving, safety and mechanical condition of the vehicle, and drivers' knowledge of the area. Ratings were lower for customer service during the ride, including the courtesy of the drivers, willingness to accept a coupon, help with luggage or packages when needed, and willingness to accept a credit card.

Most items scored between 3 and 4 on a 1-to-5 scale, where 1 = "poor" and 5 = "excellent," or somewhere between "okay" and "good." This range of ratings is typical for taxi service in U.S. cities.

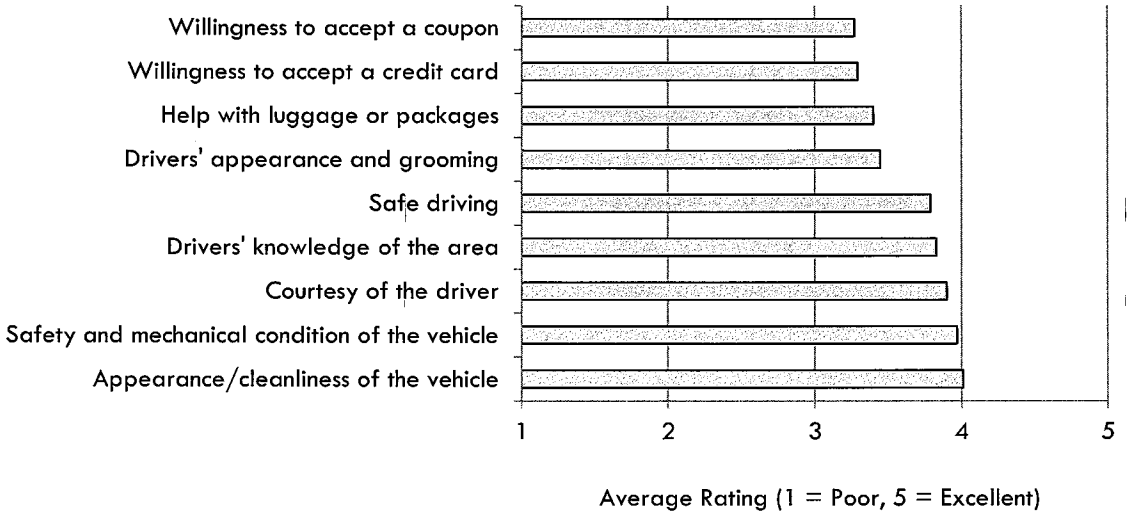
The coupon users also provided 150 open-ended comments, which are summarized in Figure 8.

Figure 7. Opinion of Taxi Service

Experience on the respondent's most recent ride



Overall opinion of taxi service in Beverly Hills



Source: January 2010 survey of Beverly Hills Taxi Coupon users.

Figure 8. Comments by Coupon Users

Comment Type	Number of Responses	Pct. of Respondents
Drivers don't like or won't take coupons	45	19%
Driver behavior (rude, lack of assistance)	25	11%
Drivers don't like or refuse short trips	19	8%
Positive comments about taxis	16	7%
Need more coupons or other changes to the program	10	4%
Positive comments about the coupon program	5	2%
Taxis arrive late or don't show at all	4	2%
Treatment of disabled	4	2%
Luggage/packages issues (no help, rough treatment)	4	2%
Drivers take long route	3	1%
Vehicle condition	2	1%
Unsafe driving	1	0.4%
Can't get a wheelchair taxi	1	0.4%

Source: Coupon User Survey

Desired changes to the coupon program include allowing more coupons per trip to be used, selling more coupons, and selling more than $24 worth of coupons for the current price of $6 per book. In addition to the comments shown, there were 11 comments that did not fit into categories. These included remarks that some drivers were very good and some less so, suggestions for revising taxi regulations (e.g. county-wide), complaints about drivers' poor English, and difficulty entering through the rear door of sedans.

Some other findings from the coupon user survey:

- For 87% of respondents, a taxi arrived within 20 minutes for their most recent cab ride.
- 81% of respondents felt their driver drove to their destination directly by an efficient route; 10% felt the driver did not take an efficient route, and the rest were unsure.
- 92% of riders felt they were charged the correct fare; 8% thought the driver may have overcharged.

The coupon users were asked for their opinion of four possible changes to taxi rules. The most positive responses were for more "green" cabs (CNG or hybrid) and more wheelchair cabs. Fewer respondents were positive about "a uniform or dress code for drivers" or "credit card terminals in the back of each cab" (Figure 9). At least in the case

of driver dress code, it appears that some respondents may have thought they were rating the way that drivers currently dress, and responded negatively.

Figure 9. Ratings by Coupon Users of Possible Taxicab Changes

Item	% Rating 4 or 5 on a 5-point scale
A uniform or dress code for drivers	43%
Credit card terminals in the back of each cab	51%
More "green" cabs (CNG or hybrid)	60%
More wheelchair cabs	62%

Source: Coupon user survey

Regarding the coupon users' use of taxis:

- 63% had taken a taxi within the last month.
- The most common trip purposes for the most recent trips were medical (51%), social visits and recreation (18%), shopping (7%), and errands or personal business (7%).
- 84% of respondents used Beverly Hills Cab for their most recent taxi trip, 6% used UITD, and 3% used ITOA, and 7% were unsure.
- 85% of respondents called the taxi company to request their most recent taxi trip, 9% had someone else call, and 5% found a taxi at a stand or hailed one on the street.
- Most trips were short: 95% had a total reported fare of $8 or less, 66% had a reported fare of $4 or less. Since $4 would not even pay for a one-mile trip, it is likely that many respondents misunderstood this question and reported the cash amount that they paid, not the total meter amount. Average City reimbursement amounts for FY 2010-11 imply an average trip of 2.5 miles costing $8.24. Any amounts that users paid with cash would add to the average trip length.
- 97% paid with some combination of coupons and cash; only 3% used a credit card.
- 60% consider themselves regular customers of the taxi company they used.
- 74% use taxis between two and 20 times per year.

The "typical" coupon user is a woman (72% of respondents), 80 years of age or older (67%), with an annual income under $50,000 (61%). More detail is provided in Figure 10.

Figure 10. Age and Income of Coupon Users

Age	% of Respondents
18-49	<1%
50-59	3%
60-69	7%
70-79	23%
80 or older	67%
Total	100.0
Annual Income	**% of Respondents**
Under $30,000	43%
$30,000 to $49,999	18%
$50,000 to $74,999	16%
$75,000 to $99,999	10%
$100,000 or higher	13%
Total	100%

Source: Coupon User Survey

The coupon users that responded were asked about the possibility of a 10% fare increase to match the fare in West Hollywood and Los Angeles. Specifically they were asked: how much of a problem would this be for you, assuming the price of coupons would not change? Of the 217 who responded, 24% said it would be a "significant problem" or a "major problem." The most common responses (Figure 11) were "not much of a problem" (21%) or "some problem, but acceptable" (38%).

Figure 11. How Much of a Problem Would a 10% Fare Increase Be?

Response	Percent of Respondents
No problem at all	17%
Not much of a problem	21%
Some problem, but acceptable	38%
A significant problem	15%
A major problem	9%
Total	100%

Source: Coupon User Survey

The City staff person who oversees the coupon program was interviewed, as was a manager at the company that processes coupons under contract to the City. The coupon processor gets complaints, mostly about drivers not accepting coupons, which they forward to the City. The complaints are spread among the various companies, even though 90% of coupon trips are taken on Beverly Hills Cab. The mechanics of coupon processing mostly work smoothly, despite occasional issues with incomplete paperwork. The City staff person noted that complaints about drivers not taking coupons are spread among many customers. She also noted some coupon users are afraid of not getting service if they complain. As remarked earlier, the type of complaints received about the coupon program are not unusual for this type of program and are similar to complaints received by the City of Los Angeles, especially before it was converted to a more automated card payment system.

Some complaints about drivers taking coupons stem from customers attempting to use coupons from other cities and from private organizations, and some relate to attempting to use coupons for trips returning to Beverly Hills that originate in Los Angeles or other cities.

HOTELS AND OTHER BUSINESSES

Hotels guests comprise one of the main groups of taxi users, and hotel management usually takes an interest in the quality of taxi service available to guests. City staff provided contacts at seven of the principal hotels in Beverly Hills plus a major retail destination. Initially the hotels were asked to facilitate a survey of their guests. They declined to help with a survey, but four of them made staff available for interviews. The four hotels ranged in size from 35 to 208 rooms and in style from mid-market to luxury. The staff interviewed were those who worked directly with guests or who supervised the bell staff.

All of the hotels interviewed have one company they used exclusively. In at least two cases, there is a formal contract and the cab company pays for access. Three of the hotels use Beverly Hills Cab and one of the larger ones uses ITOA. Of those interviewed, three were fully satisfied with the taxi service they receive. One of the larger hotels has had some complaints, including handling of lost articles and response times. The manager interviewed noted that it was difficult to communicate with taxi company management. They considered switching companies but after making some moves in this direction were able to meet with management and found that service improved.

A manager at a hotel who was very satisfied with the taxi service his guests receive noted that he gets complaints about drivers not telling passengers about the flat rate to LAX. (It would be a simple matter for hotels to inform their guests about taxi rates.) He also noted the service was much better than he has seen from other companies at hotels in other cities.

Three of the hotels indicated that they have a space for taxis to wait. One of these requires taxis to be waiting at busy times; this hotel indicated that, when they have to

call, a taxi usually arrives within two minutes and they expect one within five to ten minutes by using their direct line to a nearby hotel's private cab stand.

None of the hotel staff interviewed felt that it normally took more than five to ten minutes for a cab to come when called.

The manager of a large retail complex in Beverly Hills had no direct experience arranging taxi service for shoppers, but noted that a lot of people seem to use taxis for shopping, that cabs were generally available at two nearby cab stands, and that the cabs seem pretty well kept up. They don't get complaints about cabs.

The Interim Executive Director of the Beverly Hills Chamber of Commerce during the study period said that taxis have never come up as a topic at meetings of the Chamber. At her invitation, a notice soliciting comment was placed in the Chamber's e-newsletter. Only one response was received, from a small business owner who said that most cabs are clean and efficient but the prices are too high. She reported apparent overcharging: having to pay up to $10 for a two-mile ride.

CITY ENFORCEMENT ACTIVITY

Between 2005 and 2010, Beverly Hills Parking Control Officers issued 47 citations and 110 warnings to taxicabs.* The most common issues were related to waiting for passengers ("staging") and picking up or dropping off where it is not permitted. These included double parking, staging at meters or white zones, parking in residential areas, and, most common of all, "taxi driver outside of vehicle standing in traffic lane." There were 19 situations involving missing, expired, or improperly displayed vehicle or driver permits and four for missing or obscured rate stickers. The remaining few warnings and citations were for vehicle condition (body damage, hubcap missing, middle brake light not working), improper dress (shirt without collar), and traffic violations (illegal left turn, illegal U-turn). There were two warnings to one driver for using the West Hollywood meter rate instead of the lower Beverly Hills rate. (An issue about a variance between the City's adopted rate structure and federal standards for taximeters, which were remedied in 2010, may explain why warnings were issued instead of citations.)

In an interview, City enforcement staff noted the following issues:

- It is common for drivers to use the higher West Hollywood rate in Beverly Hills. Recent enforcement efforts have uncovered cases of drivers using the West Hollywood rate.
- Drivers often don't use the LAX flat rate. Some drivers like to leave the meter running on these trips in case the passenger requests an intermediate stop, even though this practice violates Beverly Hills policy.
- Some drivers have their meters in locations where it is hard for enforcement officers to see it.

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* More recently, there were 19 citations and 22 warnings issued in the first half of 2012.

- The Beverly Hills driver permits are smaller and less visible than those of other cities.
- Sometimes drivers with no Beverly Hills permit use the ID and dispatch log-in password of a Beverly Hills driver. There is no way to check this from inspection of the electronic records that the cab companies provide to the City.
- Beverly Hills Cab, but not ITOA or UITD, has a specific number sequence that distinguishes a cab licensed in Beverly Hills from other cabs.

TAXICAB COMPANIES

Managers of all three taxicab companies were interviewed.

ITOA

ITOA's concerns included the lower meter rates in Beverly Hills compared to other cities, what they see as excessive restrictions on parking and pick-up locations, and the length of time it takes to get a driver permit. As a result of the meter rates, and possibly because cabs are restricted to serving a small area, it is harder to find lease drivers for Beverly Hills than other areas. As a result, ITOA mostly has cabs driven by owner operators; these owners can then also lease the cab out for a night shift if it also has a West Hollywood permit.

On the issue of parking and pick-up restrictions, ITOA management noted a lack of places to stop in front of many medical offices. They noted that Los Angeles allows cabs to pick up and drop off in red zones. They believe that relaxing current parking rules would help improve response times. They also feel that Beverly Hills officers are overly restrictive about cabs stopping in front of residences.

Regarding the time it takes to get a driver permit, ITOA management noted that the City gives its driver test monthly instead of weekly as in Los Angeles. They also note that Beverly Hills waits for background check results before issuing a permit, while Los Angeles issues the permit and then revokes it if the check reveals negative information.

ITOA management was very positive about the work that Beverly Hills parking control officers do dealing with unlicensed cabs. In their opinion, because this function is done by parking control officers instead of police, Beverly Hills is the only city that does a good job of dealing with unlicensed cabs. They see the main problem as being cabs from other jurisdictions rather than true bandits, i.e. completely unlicensed cabs. They suggested having an ordinance against impersonating a city-licensed cab.

ITOA management feel that the company has enough cabs for its current level of business at most times. In January, when the Golden Globes are held at the Beverly Hilton, where the company has exclusive rights, they call in back up from Beverly Hills Cab and limousines.

ITOA reported that it has three wheelchair accessible minivans in Beverly Hills, of which two are also licensed in Los Angeles.

ITOA management believes that the company does a good job ensuring compliance with City rules. Drivers have to come to the company office to have their licenses checked, and the insurance company checks DMV pull notices quarterly. Drivers whose license or drug test has expired cannot log in to the dispatch system. Drivers with complaints against them have to appear before a discipline committee. A driver who comes before the discipline committee three times is suspended. A few drivers have been kicked out for overcharging or picking up without a license. Drivers can also be excluded from specific accounts. ITOA runs reports from meter data that will show if a driver has tampered with the meter to overcharge customers.

UITD

UITD reported similar efforts to enforce driver compliance as ITOA. The company has ten road supervisors who respond to accidents and investigate violations. (Presumably these supervisors cover their entire service area, not just Beverly Hills.) The road supervisors have the power to de-authorize a driver. The company also does pre-inspection of vehicles (i.e. before inspection by the City) plus one re-inspection per year. Drivers are required to wear a white shirt and black pants, or a green polo shirt with the company logo. They run reports from meter data that will show if a driver has tampered with the meter to overcharge customers.

UITD management reported that the company had a shortage of drivers working in Beverly Hills at the time of the interview. They noted that it is difficult for a driver to make money in a small city with a low meter rate and no airport. As a result, drivers generally prefer to work in West Hollywood. Also a Beverly Hills lease commands a much lower rate than a Los Angeles lease, roughly $400 per week instead of $600.

Like ITOA, UITD was concerned about the time it takes to get a taxi driver permit in Beverly Hills, and also mentioned the cost. A driver can get a West Hollywood license in two days but takes much longer in Beverly Hills. Also, a Beverly Hills permit costs much more. The requirement for a test every three years also seems excessive to them.

UITD also had concerns about pick-up locations and parking restrictions. They specifically mentioned no stopping on Wilshire Blvd. as a problem and noted that in Los Angeles taxis can stop in a red zone if they are not blocking traffic. They use call-outs (automated phone calls) to alert customers that a taxi is on the way so the customer can be ready to board. They feel that enforcement is getting stricter and traffic is getting worse.

In their opinion, Beverly Hills does a very good job with bandit cabs. However, they feel that the biggest problem is "TCP vehicles," i.e. state-licensed limousines and town cars. Some of these vehicles are fakes, which are not actually licensed, but the State does not enforce these rules.

Despite the limitations of business in Beverly Hills, they would like more Beverly Hills permits. They think the market could absorb 50 more. They would like some taxis, other than wheelchair accessible minivans, that can also operate in Los Angeles.

UITD reported that it has seven wheelchair accessible cabs that are permitted in both Beverly Hills and Los Angeles.

Beverly Hills Cab

Beverly Hills Cab management mentioned many of the same issues as ITOA and UITD but also some different ones. They also stressed the company's commitment to serving Beverly Hills residents. With their current fleet size, they see their commitment to residential service as limiting the amount of hotel work they do, and believe that they could do more hotel work if they had more permits.

On the topic of enforcing compliance, Beverly Hills Cab noted that it has about 20 road supervisors (presumably for its entire service area) and a very active vehicle inspection program. Each cab is called in for inspection monthly or bi-weekly by the Operations Manager. Cabs are checked for cleanliness, safety issues, dashboard lights, tires, heater, air conditioning, etc. Cabs that don't pass can be taken out of service. All of the cabs are registered to Beverly Hills Cab Co., so the owner can't sell without the company's approval. The company also handles insurance.

Their main concern is Beverly Hills' $38 flat rate to LAX, which they feel is too low, leading to drivers trying to avoid it. They estimate that the meter rate from downtown Beverly Hills to LAX would be $40 to $45 and from the top of Mulholland Dr. it would be over $55. (A trip from Beverly Hills City Hall to the farthest point of the LAX loop is 14.3 miles by the most direct route, which would have a fare of about $39 assuming no charges for waiting. In typical traffic, waiting charges could easily bring the typical fare to $40 to $45.) They stressed the importance of the LAX rate, since they feel that these trips are the principal money maker for drivers.

Other issues include parking citations, lack of cab stands, and red curbs with no place to stop to pick up or drop off without getting a ticket. They believe that the City does let UPS and FexEx stop at red curbs. As one example, they noted the red curb at the 401 N. Camden medical building. In general, medical buildings do not have waiting areas for taxis. Regarding cab stands in general, they noted that some were removed on Rodeo Dr. for the trolley.

On the issue of bandit cabs, they remarked that some have colors that look like Beverly Hills Cab and with numbers that look similar. This is a big problem at night when these taxis can cruise for fares. They see this as a problem that the City is not effectively addressing. Regarding the dangers of bandit cabs, they cited a case of one customer who had a debit card PIN number stolen by a bandit posing as a Beverly Hills Cab. They noted that one way to spot bandits is by looking at their license plates; bandit cabs do not have commercial plates.

Beverly Hills Cab managers feel that having different Beverly Hills and West Hollywood rates is confusing. They claim that 90% of cases of charging the wrong rate are honest mistakes. They also believe that customers find it confusing that a trip home from Los Angeles costs more than a trip to Los Angeles.

The company has six wheelchair accessible cabs and could use more. However, it appears that the main utility of these vehicles is as non-accessible vans which can also operate in Los Angeles. They noted that on Thursday and Friday there are a lot of LAX runs for which people request vans. In response to a question and the demand for accessible service, they estimated that there are only about 30 actual wheelchair trips per month.

4 ECONOMIC ANALYSIS

This chapter provides an economic analysis to guide decisions about the appropriate number of taxicabs to serve Beverly Hills, appropriate meter rates, and related issues.

In a regulated environment, taxi service can be seen as a partnership between the taxi industry and the City. The City can expect the industry to provide a degree of community service and can demand certain minimum standards of service. However, this can only work if the local taxi industry is financially healthy. In practical terms, this means that: (1) the taxi companies providing that service are reasonably profitable; (2) the drivers of taxicabs can earn sufficient compensation such that adequate numbers of quality drivers are available from the local labor market; and (3) the level of taxi service to consumers is appropriate in terms of needs for coverage, responsiveness, and price for value.

The capacity (i.e. drivers and taxicabs) that can be profitably sustained must be balanced—in some approximate sense—with the demand for taxicab transportation. The key objective of public policy is to insure, to the maximum extent feasible, that a reasonable balance between demand and supply can be achieved by a private industry operating within the constraints imposed by government-regulated prices, industry size, and industry organization.

The following sections give an overview of how the market for taxi services is organized, since this is the framework for the analysis, followed by an analysis of regulatory influences on taxi industry economics, an analysis of taxi availability and utilization, and an analysis of driver earnings, taking into account demand levels and revenue from leasing vehicles.

STRUCTURE OF THE TAXI INDUSTRY AND MARKET

The contemporary taxicab industry is comprised of four primary market participants: (1) taxi companies, (2) owners of taxi vehicles, (3) taxi drivers, and (4) taxi customers.

Taxi Companies

The taxi company is the entity that holds the regulatory authority to operate in Beverly Hills (or in other jurisdictions), and is the umbrella organization for the provision of taxicab service. The taxi companies operating in Beverly Hills are organized as member cooperatives, where the members are the owners of the taxi vehicles that operate under the "brand" of the taxi company. While the cooperative members are taxi drivers, there are also many drivers, including most of those driving taxicabs in Beverly Hills, who are not members of the cooperative and who lease cabs from members. These companies essentially consist of a brand name, rights to a vehicle color scheme, one or more telephone numbers, and an organization that provides marketing, dispatch, and management services on behalf of the members. The three companies in Beverly Hills are Beverly Hills Cab, Independent Taxi Owners Association (ITOA, marketed as Independent Cab Company), and United Independent Taxi Drivers, Inc. (UITD, marketed as United Independent Taxi).

Each taxi company has a leadership structure and a management structure (which may or may not be the same), and generates revenue by providing services to its constituent taxi owner-members. The key services provided are centralized order taking, marketing, and computerized dispatching of trips to drivers. A variety of other management services are also sometimes provided, such as purchase of vehicle insurance for all owner-members. The members pay fees and, in some cases, a portion of vehicle lease revenues, to support these services. The taxi companies operating in Beverly Hills, in common with most of those in Los Angeles, do not own taxi vehicles. (In other cities in the United States, some taxi companies own taxi vehicles and some do not.)

Under this arrangement, financially successful taxi companies are those whose combination of brand plus operating infrastructure is able to attract sufficient customers so that owners of taxis will pay membership and other fees that exceed the cost of services provided to the owner-members. The "operating infrastructure" in this case is the actual technologies and services (telephone system and order takers, computerized reservations and dispatching system, radio dispatching technology, etc.) that make taxi service possible, including connecting customers to a vehicle and driver. If a brand is weak or service to consumers is poor, insufficient customers will be attracted and, as explained subsequently, the taxi company's revenues will be negatively impacted, albeit indirectly. This especially true if there is competition among companies, but it even applies when one company has an effective monopoly, since poor service will drive customers to other forms of transportation.

Taxi Vehicle Owners

The owners of taxicab vehicles hold most of the capital assets in each taxi operation, as each cooperative member owns one or more taxi vehicles. (The taxi company itself owns the capital assets of a computerized dispatching system and some type of operational base, which may simply be office facilities.) Taxicab owners make money in one of two ways, and sometimes both: (1) they may drive their own taxi vehicle and generate income via fares from customers; and (2) they may lease their vehicles to one or more drivers, usually via a weekly lease, but sometimes via a daily or half-day lease. An owner may also drive his/her vehicle during only a portion of the day or only on certain days of the week, and then also lease the vehicle to one or more other drivers at other times.

For owners who do not drive, taxicab ownership is profitable when the revenues generated by leasing the taxi exceed by some target amount the sum of membership and service fees charged by the taxi company, vehicle maintenance costs, and amortization costs. For owners who drive their taxi, ownership is profitable if they can make an adequate living from the revenues generated from customer fares, minus membership and service fees of the taxi company and ownership costs plus fuel costs associated with vehicle operation. Such owners may obtain additional income by leasing the vehicle as well as driving it, for example for a night shift or on weekends.

For taxi owners, a major factor in determining profitability is how remunerative taxi driving is. Even for owners who only lease their vehicle, and are not directly exposed to the consumer market for taxi service, there is a relationship between the lease fees they

can charge, their ability to keep their vehicle leased most or all of the time, and how much money taxi drivers can make. If taxi drivers can make little money at prevailing lease rates, then it is probable that at any point in time many cabs will not be leased, which will generate downward pressure on lease rates. Conversely, when drivers are able to do well financially, lease rates can be pushed up, with owners able to capture some additional revenues resulting from higher levels of driver net income. Thus owners' financial circumstances are impacted by both the revenue generation capabilities of the taxi company and the "profitability" of taxi drivers.

Taxi vehicle owners typically favor higher fare rates, since they believe that higher rates will result in higher driver gross revenues, which in turn enable owners to set lease fees at higher levels. Note that taxi owners also generally favor increasing the number of taxi permits available to their company, since this enables them to generate more income from leases to drivers. However, if there are too many taxicabs allowed, the amount they can charge for each lease will be reduced. Further, since many vehicles owners also drive, their motivations on this issue are even more mixed. (The taxi companies serving Beverly Hills typically require that the owner-members drive a taxi, but not necessarily in Beverly Hills.)

Taxi Drivers

Taxi drivers are at the "bottom" of the taxi industry's revenue chain, even though they nominally retain all of the fares they collect from customers plus any tips. From these revenues, however, they must pay their weekly or daily lease fee or, in the case of owner-drivers, the various membership and service fees levied by the taxi company. In addition, drivers pay the cost of fuel used during their shift (whether they lease or own the vehicle), which has become a substantial expense with $4 per gallon gasoline prices.

For taxi drivers to make money, they must transport a substantial number of trips during their work shift, and those trips must yield an aggregate amount of fare revenue (plus tips) that exceeds their lease (or ownership) expenses plus fuel expenses by some target amount. Our analysis shows that many taxi drivers work 50 to 60 hours per week, often six and sometimes seven days per week, in order to obtain their target compensation level, a result that is similar to the situation we have observed in other cities.

Taxi drivers have only limited control over their revenue generation possibilities. In Beverly Hills, drivers obtain trips from three sources:

1. First, drivers are assigned telephone order trips by the computerized dispatch system—which processes all telephone order trips for the taxi company—in rough proportion to how many hours a day they work and the number of drivers that are logged into the computerized dispatch system at any time. The number of daily telephone orders reflects the overall level of demand for taxi service in Beverly Hills, which the driver is not able to directly impact. Since the dispatch system typically assigns trips at least mainly on the basis of location, very experienced drivers have some limited ability to increase their business by positioning themselves in locations where they are most likely to be assigned

telephone orders. Alternatively some drivers may choose a strategy of positioning themselves where there is less competition from other drivers.

2. Second, drivers can obtain cabstand trips, typically by waiting in a queue of taxis at a cabstand on the street or at a hotel or near business establishments (restaurants, night clubs, etc.). A driver waiting in a queue of taxi vehicles at a hotel or downtown Beverly Hills cabstand will eventually get a trip, but often only after queuing for a substantial period of time during which they generate no fare revenue. Drivers have limited ability to influence the total number of cabstand trips they obtain, other than by strategically choosing when and where to wait for business. From the perspective of the individual driver, this is true even at hotel cabstands where one company has exclusive access, since the drivers are in competition with each other.
3. Third (and the source of trips over which individual drivers have the most influence) are "personals," which are trips for which a customer contacts the driver directly on their mobile phone and arranges for transportation. Drivers who have accumulated a substantial roster of personals are likely to generate more income than those relying exclusively on dispatched orders and/or cabstand trips.

Since driver compensation is strongly dependent on the difference between the amount of fare revenues generated and the level of lease fees (or owner member fees), drivers want lease fees to be as low as possible and taxi fare rates to be as high as feasible—although they recognize that if rates are too high, there will be fewer customers and their revenues may decline.

In contrast to taxi owners, lease drivers are likely to oppose increasing the number of permits in a jurisdiction, sometimes even if the permits are assigned to the company for which they drive, since this dilutes their ability to earn income.

Taxi Customers

The final participant in the taxi market is the customer, who ultimately provides all of the revenues that are divided among taxi drivers, taxi owners, and taxi companies. Taxi customers basically have two desires.

- The first is for a highly available, highly responsive, good quality taxi service. In practical terms, this means that they should be able to order a taxi and have it arrive quickly, the vehicle should be of good exterior and interior quality, and it should be driven by an individual who is competent at their job, courteous (or at least polite), and can efficiently and safely deliver them to their destination. Alternatively, they want to be able to easily find a taxi on the street or at a place of business.
- The second desire of customers is that fares be as low as possible, since taxi transportation is relatively expensive. For example, roundtrip taxi fare between Beverly Hills and LAX, including 10% tip, is equivalent to about 23% of the

average roundtrip airfare from LAX according to statistics from the U.S. Bureau of Transportation Statistics.

REGULATORY INFLUENCES ON INDUSTRY ECONOMICS

Economic interactions among the four market participants in the taxi industry are mediated, to a large extent, by the regulating jurisdiction. In Beverly Hills, the City establishes meter rates, determines which taxi companies can serve the community, and determines the number of taxis each company is permitted to deploy within the community. The City both establishes an upper bound on the amount of taxi service that can be supplied to the local market and sets the price for that service.

Regulatory policies clearly can impact the functioning of the taxi market in Beverly Hills. For example, if taxi fares are set too low, then insufficient workers (or less desirable ones) will be attracted to the job of driving taxicabs, and the actual number of taxis in service may be substantially less than the number of taxis authorized to serve the community, especially at some times of day. Such an outcome would put downward pressure on lease rates, as some taxi owners would have difficulty finding drivers to operate their vehicles. If lease rates declined, owners would be less able to renew their vehicle capital investments, and the quality of taxi vehicles would begin to decline. In addition, if taxi owners make significantly less money, some may exit the industry for other financial opportunities, and the size of taxi companies may decline if new taxi owners do not purchase the vehicle(s) and membership stakes of those leaving the industry. For taxi customers, the end result would be less service available or at least poorer quality service.

Conversely, at substantially higher fare levels, there would be a reduction in taxi trips by consumers. Drivers may generate more fare revenue, but it is also possible that there will be little or no increase in fare revenue—the higher fares may be offset by a reduction in trip volumes.* Even if fare revenues increase, taxi owners may attempt to capture for themselves—in the form of higher lease fees—some portion of the increased revenues, in which case only a fraction (and possibly a small fraction) of the additional revenues pass through to the drivers. In fact, several major cities are now also regulating taxi lease fees to prevent or mitigate this possibility. Because higher fare levels are generally beneficial for taxi owners, they are also beneficial to the taxi company, whose members are financially strengthened and which itself thus becomes more financially viable. It is also possible that higher fares could perversely result in poorer availability of taxi service, if some drivers found they could meet their needs by working fewer hours and chose this option instead of attempting to increase their income.

Regulations that determine the number of taxi companies and taxi vehicles authorized to serve the market can also have positive or negative impacts on the local taxi industry.

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* See note, page 15. Also note the example, described on page 15 of taxi companies in Los Angeles declining a fare increase for fear for reducing revenue.

Decisions by cities about the level of taxicab supply are often only loosely connected to knowledge about the actual demand for taxi service in a city; few cities have the extensive reporting requirements of the City of Los Angeles, which requires taxi operators to use technology that can record every trip and provide ridership data to the regulatory authority, nor do most cities have the staff resources to monitor and analyze data. Taxi companies may be eager to increase the number of vehicles they are authorized to operate because in doing so they can generate more income, in the form of more taxi owners paying fees for membership and services. But the result may be an over-supply of taxis, which depresses driver income, which in turn can result in lower owner income—since lease income declines due to a lower level of lease utilization or downward pressure on leasing rates or both.

It bears emphasizing that the impact of an under-supply of taxi vehicles is likely to be less negative for drivers, owners, and companies than an over-supply. If regulators have restricted market entry or the number of authorized taxicabs excessively, the detrimental effects fall mainly on customers. In such a situation, taxi users will find it more difficult to obtain a trip, since at certain times of the day or week there will be insufficient taxis to serve the market at "normal" response times, e.g., less than 15 minutes between the time a taxi is ordered and it arrives to pick up the customer. At certain times, response times may become so long that the service is effectively unavailable.

Taxi drivers in an under-supply situation will be heavily utilized, and their income level will be much higher than when supply and demand are in better balance. Some drivers may drive fewer hours, thus further reducing supply, because they can meet their income targets in fewer hours.

In addition, owners may be able to charge higher lease fees and thus be more profitable, and the taxi company will be financially stronger as a result. But if the demand level for taxi service is depressed by substandard operational performance resulting from an under-supply of taxis, then the industry may ultimately be impacted negatively.

It is apparent, therefore, that regulatory policies can make a positive or negative contribution to the performance of the local taxi industry and to the interests of each of the four market participants. In the following sections, we assess the current situation in the Beverly Hills taxi industry relative to the economic interests of the major market participants.

TAXI AVAILABILITY

A primary measure of the level of service provided by the local taxi industry is service availability. Taxi availability is a measure of the adequacy of taxi capacity. Taxi users who call for a trip want to have a vehicle arrive at their location as quickly as possible (if they are requesting immediate service), and the more taxis that are unengaged by other trips at the time of the trip request, the more likely is a rapid response. If only a small number of the taxis providing service in the community are available to respond to a trip request, then response times may be excessive. On the other hand, if too many taxis are available, that could be an indication of over-supply.

Using electronic data provided by the taxi companies, it was possible to measure taxi availability in Beverly Hills with some precision. The consultants had a complete set of records for trips in the month of July 2011 from all three companies. From this data, it could be determined how many taxis were in service at any point in time and how many of the in-service taxis were engaged by passengers at the same point in time. Those taxis that were in service but not engaged represented the number of available taxis. It was also known how many telephone order trips were generated at different times of the day, so the demand for the taxis in service could also be measured. Since this analysis required extensive manipulation of the data, the process was simplified by using only the data for Beverly Hills Cab and ITOA. Since UITD provides only 3% of the radio-dispatched trips in Beverly Hills, this simplification is not a significant limitation and, in fact, may make the analysis more realistic. The number of taxis engaged was calculated for each 15-minute period of the day.

The data convincingly demonstrate that taxis are highly available in Beverly Hills, to the point where it is possible that there are actually too many taxis, and certainly not too few. Figure 12 illustrates that between 8 AM and 6 PM, there are a minimum of 20 taxis, and during the middle of the day 30 to 45 Beverly Hills taxis that are in service but not engaged for rides. Note that an unengaged Beverly Hills taxi could be located some distance from the city, for example if it has just completed a trip to LAX, so it would be available for a pickup in Beverly Hills only after some delay. However, there are so many unengaged, in-service taxis, that it is safe to say that there are always more than enough taxis available to meet demand.

The available cabs are roughly equally divided between Beverly Hills Cab and ITOA. Only after 6 PM does taxi availability decline to the point where a taxi might not be immediately available, but the hourly volume of telephone order trips drops during evening hours as well, although overall trip volumes remain relatively steady until late in the evening.

Another way of assessing taxi availability is by calculating the *percentage* of in-service taxis that are not available to respond to a trip request at any point in time. This data is shown in Figure 13. As can be seen, less than 50% of the total taxi fleet in service is engaged—and therefore not available—at all times from 8 AM to 5 PM, and only after 10 PM does the percentage of taxis that are not free exceed 70%. In other words, more than 50% of the fleet actually in service is available for calls at most times.

The July 2011 data appear to be reasonably representative of conditions over the past few years. Beverly Hills Cab provided data for three years showing that total trip volumes in July 2011 were about average.

Figure 12. Number of In-Service Taxis Not Engaged by Time of Day

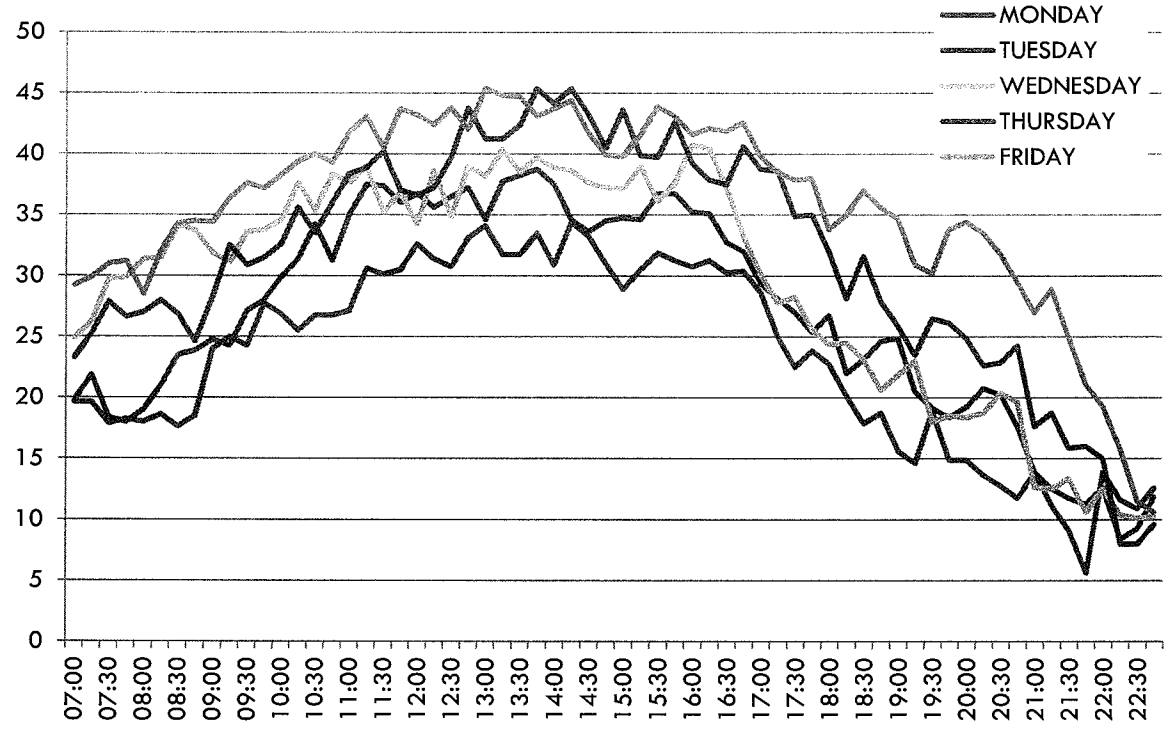
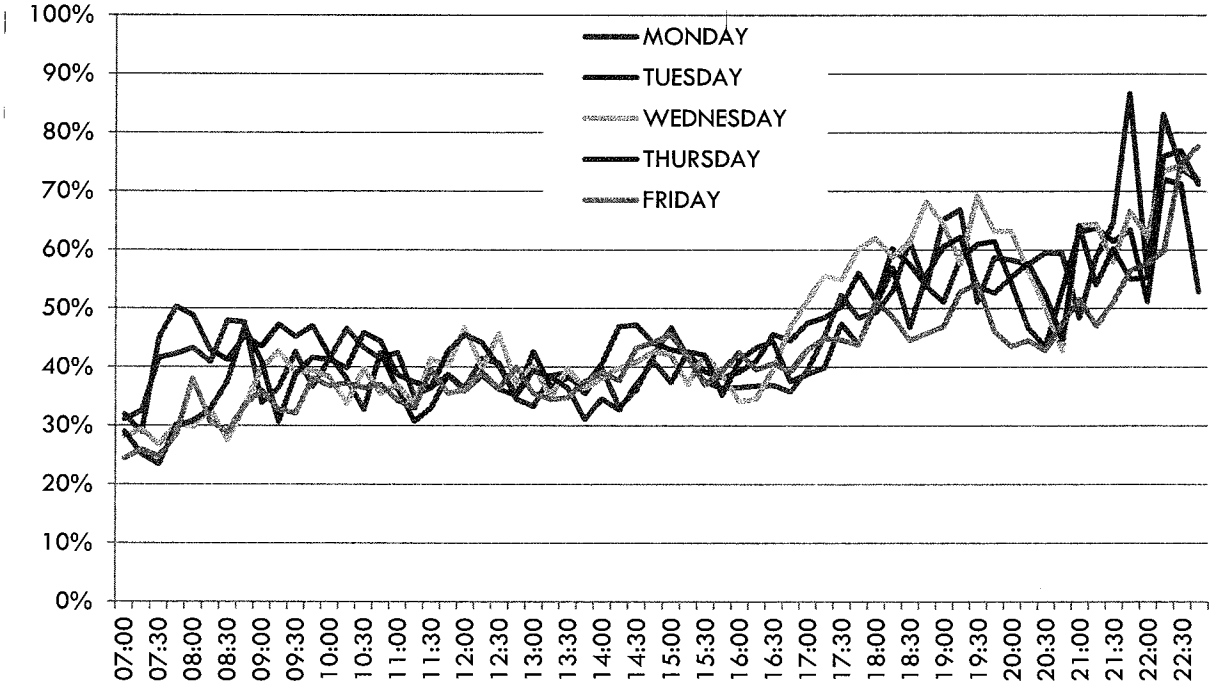
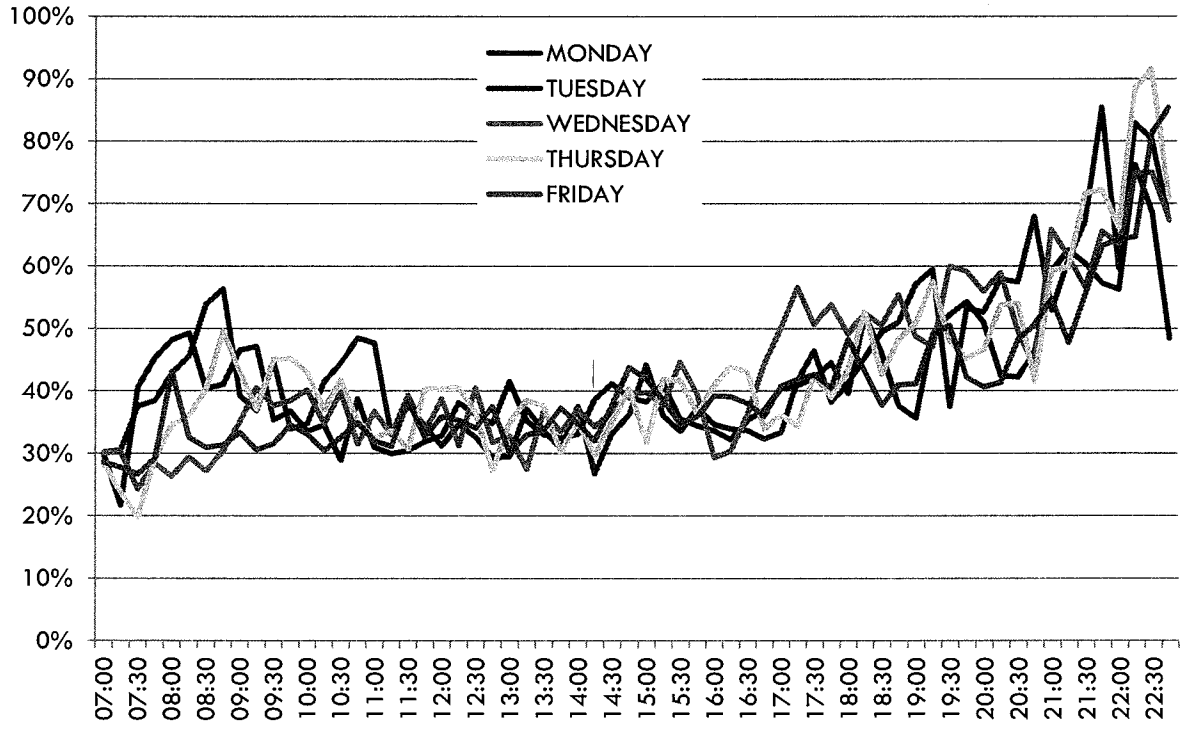


Figure 13. Percent of In-Service Taxis Engaged by Time of Day



Because Beverly Hills Cab provides the large majority of telephone order service in Beverly Hills, a case could be made that it is the availability of its taxis that is most noticed by taxi users in the city. That is, although ITOA taxis are theoretically available, few telephone orders are received for these cabs, which are most likely waiting at Beverly Hills hotels or looking for work in West Hollywood. Figure 14 demonstrates that the availability pattern for Beverly Hills Cab is virtually the same as for the overall taxi industry in the city. During the 8 AM to 6 PM period, 50% to 60% of its in-service taxis are not engaged—and hence available for service—at any point in time. This translates into 25 to 30 taxis that at any point in time are likely to be available. In summary, there are abundant available taxis from morning until late night.

Figure 14. Percent of Beverly Hills Cab Taxis Engaged by Time of Day



RESPONSE TIME

Another measure of taxicab availability is response time for telephone orders, measured as the elapsed time from placing a telephone order to having a taxi arrive. Analysis of response times, summarized in Figure 15, confirms that Beverly Hills enjoys exceptionally good taxi availability.

Figure 15. Response Time for Taxi Trips in Beverly Hills

July 2011

Company	Median Response Time*	Percentage Served within 20 Minutes
Beverly Hills Cab	3.7 minutes	98.5%
ITOA	6.0 minutes	92.8%
UITD	10.8 minutes	77.9%

*50% of trips served within x minutes.

Beverly Hills Cab responds very quickly to the approximately 450 to 500 telephone order trips that occur each day in Beverly Hills, with median response of 3.7 minutes, meaning that 50% of all requests produce a taxi on-location within 3.7 minutes; 98.5% of requests are served within 20 minutes. ITOA's median response time for its roughly 55 Beverly Hills calls per day is also very good at 6.0 minutes, and 92.8% of calls produce a taxi on site within 20 minutes. UITD had median response time of 10.8 minutes for its roughly 19 Beverly Hills calls per day and had a taxi on site within 20 minutes for 77.9% of the calls.

TAXI UTILIZATION

Taxi utilization, i.e., how intensively taxis are used by customers, is the other side of the coin of taxi availability. For any given number of taxis in a local market, the greater the availability of taxis, the lower their level of utilization by consumers. The higher the level of taxi utilization, the higher the level of driver income.

Taxicab utilization is relatively low in the Beverly Hills market, whether that is defined as only Beverly Hills or Beverly Hills plus West Hollywood. As can be seen in Figure 16, Beverly Hills Cab, the most utilized taxi company in the market, has under 12 trips per driver shift, or about 1.2 trips per driver hour, for all of its Beverly Hills taxis, including the trips that those cabs pick up in West Hollywood. The company averages about 11.2 trips per driver shift for Beverly Hills trips only. Utilization for ITOA and UITD cabs is significantly lower, less than one trip per driver hour on average.

The distribution of business among drivers is very uneven, with some carrying many more than others. Figure 17 shows the distribution of trips per day for those Beverly Hills Cab drivers who drove a taxi during July 2011. Ten of the 83 Beverly Hills Cab drivers served 15 or more trips per day (about 1.5 trips per hour or more), while a similar number served 8 or fewer trips per day. Note this calculation is based on the actual number of days and hours that each driver worked in the month.

It is not uncommon in well patronized taxi markets for taxis to serve at least 1.5 trips per hour, and taxi utilization levels of up to 2.0 trips per hour do occur. Thus Beverly Hills Cab's utilization levels are on the lower portion of the spectrum. The even lower

utilization levels for ITOA and UITD indicate the challenges that their drivers confront in generating a reasonable level of income for the hours they devote to their job.

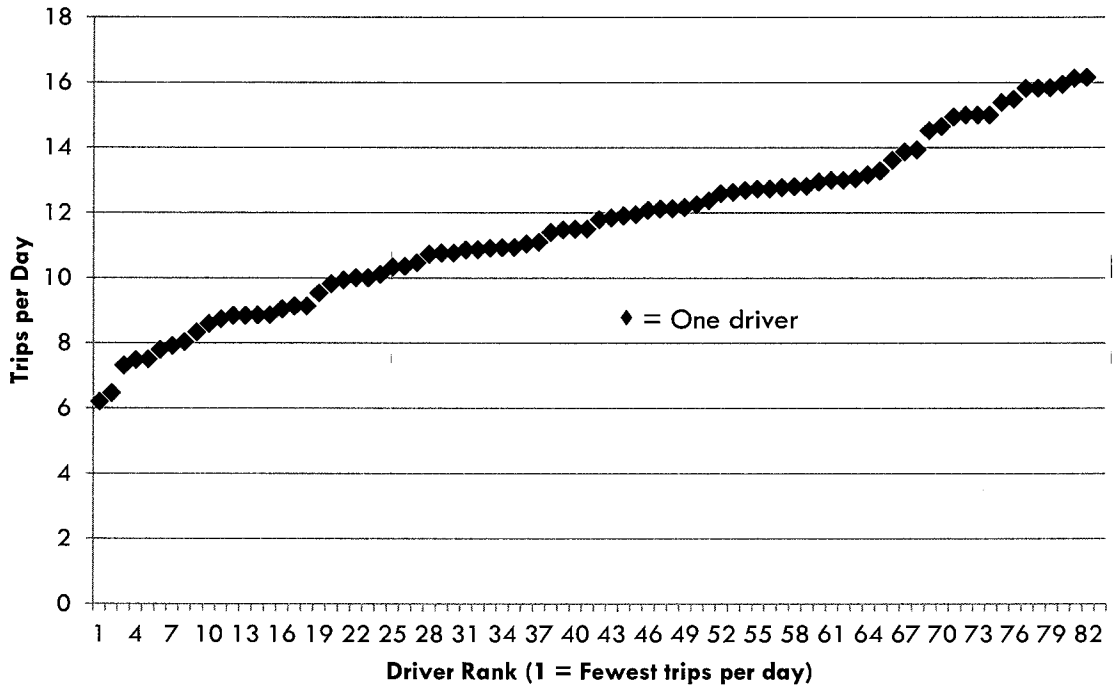
Figure 16. Passenger Utilization of Taxis in Beverly Hills

Trips by taxis licensed in Beverly Hills, July 2011

	Beverly Hills Only	All Trips (including West Hollywood)	
Company	Trips/Shift	Trips/Shift	Trips/Hour
BH Cab	11.21	11.71	1.16
ITOA	5.05	9.14	0.91
UITD	2.01	8.60	0.93

Figure 17. Trips per Taxi per Day for Beverly Hills Cab Co. Drivers

Average trips per driver per day during July 2011



The level of taxi utilization also impacts taxi owners, since at low levels of passenger utilization it may be difficult for owners to keep their vehicles fully leased. The ability of owners to keep their vehicles leased can be measured using a "lease utilization ratio"—defined as the number of times a taxi is leased divided by the number of opportunities for it to be leased. A taxi that is leased for an entire week would have a ratio of 1.0 for

that week, since it is leased for every day and for every potential half-day period (i.e. day shift and night shift) as well. A taxi that is leased on a half-day basis and was leased 10 times during a week would have a lease utilization ratio of 10 ÷ 14 = 0.714. Using the data provided by the taxi companies, we were able to measure how many times per week each taxi was in service and compare that to an estimate of the number of days or half-day periods when it could have been driven.

As Figure 18 illustrates, for Beverly Hills Cab there is a moderate level of lease utilization, taking into account that many of the taxis are driven exclusively or regularly by their owners. The analysis distinguishes three cases:

1. Taxis that were driven only by their owners: These taxis were driven 26.2 days on average out of the 31 days in July. Since these taxis were driven only by their owners, the number of shifts driven is the same as the number of days driven.
2. Taxis that were only leased: These taxis were in service an average of 34.7 shifts during the month, or 1.2 times per day on average. They were leased an average of 29.2 days of the month, or 94% of all possible days. Insufficient information exists about whether the owner leased the taxi to the driver for the entire day (or week) or only for a 12-hour shift, although many taxis that were leased had more than one driver on multiple days during the month.
3. Taxis that were driven by their owners and also leased out: The last three lines of Figure 18 show that owner-drivers who also leased their taxis were able to place them in service an average of 9.9 shifts per month in addition to the 27.8 days per month that the owner also drove a shift. The total number of shifts for these cabs adds up to 37.6. Interviews with the taxi company revealed that it is likely that many of the part-time leases were during evenings, particularly on weekends. Because the owner-driver generated income directly from driving the taxi, and typically worked during daytime hours, there may have been limited demand for leasing a taxi during weekday evening hours. Thus the lower lease utilization for this category is not surprising. Since owners and lessees drove many of the same days (e.g. for a day shift and a night shift), the number of days the two groups drive cannot be added. These vehicles were driven nearly every day of July (29.6 out of 31 days).

Figure 18. Beverly Hills Cab Vehicle and Lease Utilization, July 2011

Ownership/Use of Taxis	Number of Taxis	Days Driven	Shifts Driven
Taxis Owner Driven Exclusively	17	26.2	26.2
Taxis Leased Only	19	29.2	34.7
Taxis Driven by Owners & Leased			
Owner Utilization	20	27.8	27.8
Lessee Utilization	20	9.9	9.9
Combined	20	29.6	37.6

For all 56 taxis, only six were in service less than 25 days per month, and five of these were exclusively driven by owners, who presumably made sufficient income from their driving schedule that they did not need either to drive more or to lease their taxis at times or days when they were not driving. These driver-owners may also make additional income from other taxis that they lease either in Beverly Hills or Los Angeles.

Overall, assuming that taxis could be leased out 1.5 times per day (and 0.5 times per day for cabs leased out by owner-drivers), the Beverly Hills Cab taxis had a lease utilization rate of 72%.

Figure 19 presents comparable taxi/driver utilization data for ITOA:

1. Taxis that were driven only by their owners: These 13 taxis were driven 24.1 days on average out of the 31 days in July. Since these taxis were driven only by their owners, the number of shifts driven is the same as the number of days driven.
2. Taxis that were only leased: Of the 37 ITOA taxis that are exclusively leased, 22 are leased to a single driver for the entire week and 15 cabs that are leased to multiple drivers in a week. The 22 that are leased to a single driver for the whole week are effectively leased for a shift covering the entire day every day of the week, even if they are not actually operated. The 15 cabs that are leased to multiple drivers in a week (usually dual shifts during a 24-hour period, but other arrangements are also observed) are leased for about 73% of the total possible shifts, assuming the same 1.5 shifts per taxi per day factor that was used for Beverly Hills Cab.
3. Taxis that were driven by their owners and also leased out: Relatively few ITOA owners drive as well as lease their taxi and, in contrast to Beverly Hills Cab, these owners are as likely to be the secondary driver as the primary driver of the cab. Hence it is appropriate to use a factor of 0.75 for the number of possible lease shifts per day for the few taxis leased by owner-drivers, as there are more opportunities to lease the cab than at Beverly Hills Cab, where the owners are the primary drivers.

Figure 19. ITOA Vehicle and Lease Utilization, July 2011

Ownership/Use of Taxis	Number	Days Driven	Shifts Driven
Owner Driven Exclusively	13	24.1	24.1
Taxis Leased Only	37	26.3	30.2
Taxis Driven by Owners & Leased			
Owner Utilization	6	16.8	16.8
Lessee Utilization	6	17.0	17.0
Combined	6	29.2	30.4

Overall, the lease utilization rate for ITOA is 89%, using the factors specified above. This is significantly higher than for Beverly Hills Cab, and seems to reflect the differences between the predominant business orientation of ITOA owners—which is to lease—and that of Beverly Hills Cab owners—which is to drive. At Beverly Hills Cab, two-thirds of owners are the exclusive or primary driver of the taxi, whereas only one-quarter of ITOA owners are the exclusive or primary driver of their cab. (Many of the owners who do not drive in Beverly Hills do drive, but mostly in Los Angeles.) Of course, the ability of the ITOA owners who lease their taxis to achieve a relatively high rate of lease utilization is also an indicator that the financial condition of the taxi market in Beverly Hills (in combination with West Hollywood) is relatively good.

One implication of this analysis is that allowing Beverly Hills Cabs to operate in West Hollywood is making it possible for a larger supply of cabs to be available for Beverly Hills than would otherwise be the case. In normal circumstances, many of the ITOA and UITD cabs concentrate on West Hollywood, but when there are major events these drivers can easily shift to Beverly Hills. Further, since West Hollywood is very small and immediately adjacent to Beverly Hills, these cabs are available for dispatch calls. By comparison, if Beverly Hills taxis could operate in Los Angeles, they would frequently be working far from Beverly Hills and effectively unavailable to customers in the city.

DRIVER EARNINGS

The ability of taxi owners in the two dominant taxi companies in Beverly Hills to achieve a high lease utilization rate—or to be able to make sufficient income from driving for those who prefer to use their taxi in that manner—suggests that taxi drivers in Beverly Hills can make a reasonable financial return on their labor, since otherwise owners would have more difficulty keeping their taxis leased at current rates.

With the extensive data provided by the taxi companies, it was also possible to estimate driver earnings directly. Taxi driver income for each of the three taxi companies serving Beverly Hills was determined using available data on:

- How many trips each taxi driver transported over a one- to three-month period
- The total fares for those trips

- The total miles driven for these trips
- Whether the driver leased or owned their taxi vehicle

With these data, both driver revenue and driver costs could be estimated. Revenues consist of revenues from fares, plus any tips from passengers, and for owner-drivers, revenues from leasing out their vehicles to other drivers. Driver costs consist of:

- Lease fees for drivers who lease a cab
- Monthly membership fees for owner-drivers
- For owner-drivers, liability and accident insurance plus various assessments and fees, including those charged by the City of Beverly Hills
- For owner-drivers, vehicle maintenance costs
- Fuel costs for all drivers, which are a direct function of how many miles are driven

For drivers who lease, all ownership-related costs are reflected in the lease fee.

Driver income was estimated for each taxi company for July 2011. Meter fare revenue was available for each individual driver and taxi for Beverly Hills Cab, but only for all drivers and taxis combined for ITOA and UITD. For the sake of calculation, tips were assumed to amount to 10% of total meter fare revenue. During July 2011, the average cost of mid-grade gasoline in Los Angeles was $3.95 per gallon. Taxis were assumed to achieve a fuel economy of approximately 15 miles per gallon on average. Vehicle maintenance was estimated to cost $.063 per mile, based on data used by the Los Angeles Department of Transportation in their regulation of the Los Angeles taxi industry. Vehicle depreciation is estimated to be $2,100 per year ($175 per month) for the owner-drivers.

Based on this analysis, as summarized in Figure 20, a hypothetical average taxi driver in Beverly Hills makes about $2,755 per month. To earn this amount, drivers work, on average about 234 hours per month, which makes their hourly earnings about $11.79 per hour. The data indicate that the drivers, on average, work ten-hour shifts, six days a week.

The averages mask considerable variation among drivers. For one, as shown earlier, some drivers carry more trips per day than others. Accounting for variations in numbers of hours worked and actual revenue per shift, about 25% of drivers are making less than $8.00 per hour, while about 25% are making more than $14.50 per hour. Drivers who own their vehicle make more than drivers who lease a vehicle, and this is especially true for vehicle owners who lease their vehicles out part of the time. It appears that drivers for some companies make more than drivers for other companies.

Figure 20. Taxi Driver Earnings

Monthly Revenue per Driver

Meter Fares	$4,836
Tips (10%)	$484
Total Revenue	$5,320

Monthly Costs per Driver

Fuel	$761
Fees and vehicle costs*	$1,803
Total Costs	$2,564

Net Monthly Income per Driver	$2,755
Hours Worked per Month	234
Net Income per Hour	$11.79

*Includes leases for non-owner drivers. For owner-drivers includes membership dues, vehicle maintenance, and depreciation, less any income from leasing out for second shifts.

The estimates also depend on a number of assumptions. For example, if tips average closer to 15% rather than 10% as assumed, that would increase average driver earnings by about 9%, to around $12.82 per hour. The estimates are based on amounts recorded on taximeters, so they are missing any income that might go unrecorded if drivers work off the meter.

To put these results in perspective, the Bureau of Labor Statistics reports that the average service worker in private industry earned $11.65 per hour in the Los Angeles-Long Beach-Riverside area in 2010,* about the same as the estimated average Beverly Hills taxi driver. Jobs with similar earnings include entry-level healthcare support jobs ($11.28), security guards ($12.43), and building cleaners ($12.63). Some of these jobs would include benefits, while taxi drivers, as independent contractors, have no benefits. Another way of appreciating the relative income of taxi drivers is to note that it is comparable to the median income of users of the Beverly Hills taxi coupon program.

* U.S. Bureau of Labor Statistics, "Los Angeles–Long Beach–Riverside, CA National Compensation Survey," April 2010.

5 REGULATORY ALTERNATIVES

WHY REGULATE TAXICABS?

California Government Code Sec. 53075.5 requires every city and county to have some minimum level of taxicab regulation "to protect the public health, safety, and welfare." Required, minimum elements include:

- A policy for entry into the business of providing taxicab transportation service
- Issuance of taxi driver permits only to those employed as taxi driver
- The establishment or registration of rates for the provision of taxicab transportation service
- A mandatory controlled substance and alcohol testing certification program

However, there is no requirement to limit the number of companies or taxicabs. The rate requirement allows localities to set rates, but it also allows them to just register rates that the taxi companies choose.

It is tempting to suppose that allowing free competition among taxi companies with respect to rates, types of vehicles, and numbers of companies and cabs might result in better service and lower prices than if competition is limited by regulation. There is no limit on the number of grocery stores, restaurants, or shoe stores than can operate in a city (though there are licensing requirements and minimum standards), and the City does not set their prices or limit total numbers, so why should there be controls on taxicabs?

Based on similar reasoning, many cities loosened their taxi regulations in the 1970s and 1980s. Many of these cases have been studied with the conclusion that these experiments have had generally negative results.* The number of taxi companies and taxicabs does generally increase, but the added operators tend to be small operations, often with only one or two vehicles, with limited ability to offer telephone dispatch service. As a result, the new operators tend to focus on a few locations that already have adequate service such as airports, major hotels, and cabstands. Fights between drivers, aggressive solicitation, and congestion at popular locations may occur.

These new operators generally do not serve neighborhoods. If the competition they bring affects the business of the established companies, service to neighborhoods may actually deteriorate. The large number of small operators is very difficult to police. Trip refusals, no-shows, and various forms of price gouging may proliferate.

Paradoxically, prices actually tend to increase. Because of the increased competition, revenue per individual driver falls. Free to change rates at will, the one- and two-vehicle companies then raise their rates in an attempt to compensate. This can happen despite

* Links to many studies of deregulation, and some documents advocating deregulation, can be found at http://www.taxi-library.org/regulation.

market competition for multiple reasons. For one, it is very difficult to comparison shop when hailing a cab on the street or picking one up at a cab stand. There is no way to compare overall service quality, and vehicle quality also may not be immediately apparent. Even if prices are posted on vehicles, it is easy to hide extra charges or very high minimum charges. Rates are generally stated in ways that make it hard to compare. For example, here are actual fares charged by two companies in Santa Monica in 2008, when the City did not regulate fares:

- $2.65 for the first 1/12th of a mile and $.35 per each additional 1/12th of a mile.
- $1.90 for the first 1/15th of a mile and $.20 for each additional 1/15th of a mile.

Both of these rates are much higher than the rates in effect in neighboring Los Angeles at the time, which were $2.65 for the first 1/7th of a mile and $.35 for each addition 1/7th of a mile. The first example rate above appears to have been specifically designed to look like the Los Angeles rate, even though it is actually much higher.

Another reason rates can rise despite competition is that it is very easy to become a taxi driver and set up a new company. The capital requirements are low, no special skills are required, and there is no need to search for a good location or pay rent as with establishing other businesses. As a result, even if many of the new entrants go out of business, others take their place.

The experience of Santa Monica provides an example of the pitfalls of deregulation. In 2008 the City commissioned a study of taxicabs. The study found that the deregulated system in place at that time had produced an abundance of service, with many options to choose from for residents, tourists, and business travelers, but many problems as well. Specific issues that were documented include:

- Too many cabs, especially independents that rely for business on walk-ups at taxi stands and hotels
- Parking and traffic issues, downtown and on Santa Monica Pier
- A wide and confusing range of fares, including some very high fares
- Passenger complaints about high fares and overcharging
- Difficulty investigating complaints and enforcing rules, including insurance
- Driver behavior issues, especially downtown
- Low driver incomes, which exacerbate other problems
- Air pollution from old vehicles and from vehicles cruising for business
- Complaints from the City of Los Angeles about cabs using a Santa Monica license as a cover to operate illegally in Los Angeles

In addition to avoiding these negative outcomes, there are positive reasons for cities to regulate taxicabs. Cities have a legitimate interest in ensuring availability of reasonably priced transportation for their residents who do not drive or do not have access to a car. While the public transportation system serves many of their needs, many people cannot use transit or need a more personalized service at night, when carrying packages, to get to the airport, or after drinking at a party. Cities have a legitimate interest in ensuring

that such a service exists, that it is reasonably priced, and that it is safe and reliable. Cities also have an interest in presenting a positive image to visitors, in promoting clean and environmentally friendly practices, and in ensuring that service is available to people who use wheelchairs.

ALTERNATIVES FOR MODIFYING CURRENT TAXI REGULATIONS

The current taxi regulations appear generally to be working, but have not prevented some service issues arising, especially for the City's older residents. The issues being experienced in Beverly Hills are not unusual and do not indicate quality that is notably worse than in other areas. In fact, as will be seen later, some aspects of service quality in Beverly Hills appear to be unusually good. Still improvements may be possible, and there are options that could provide the City with better ability to monitor and influence service quality. A variety of modifications to the current taxi regulations are available. Four possible scenarios are considered in the rest of this section:

1. Status quo (i.e. no change)
2. Modifications within the existing regulatory structure
3. Franchises
4. Medallions

Status Quo

Key characteristics of the current structure of regulations include:

- Certificates of public convenience and necessity ("PC&N certificates") are issued and remain valid for an indefinite time period.
- The certificates specify the maximum number of cabs that each certificate holder may operate.
- A company can apply to the City for a new certificate or modification of its existing certificate at any time.
- The City can reduce the number of cabs allowed if it finds that there is an excessive number of cabs in the city.
- The City can revoke or suspend a certificate for violations of rules, regulations, or laws.
- Vehicles and drivers must have permits from the City and meet certain minimum requirements such as vehicle age and condition and the ability of drivers to pass a knowledge test and drug tests.
- Except for wheelchair-accessible vans, vehicles may only have permits for the cities of Beverly Hills and West Hollywood.
- Rules govern meter rates, where cabs may pick up and drop off, driver dress, participation in the City's coupon program, required notices in cabs, absence of advertising on cabs, and use of a digital dispatching system.

The existing structure appears to work reasonably well, but a number of issues have been identified as well as some gaps of a technical nature. These include:

- **Limited ability to enforce compliance by companies.** The only mechanism to hold taxi companies (as opposed to taxi drivers) accountable for failure to comply with City rules appears to be the possibility of suspension or revocation of the companies' certificates or reduction in their permitted vehicles. Not only is it difficult and expensive for City staff to enforce rules on hundreds of drivers, issuing infrequent warnings or citations to individual drivers is unlikely to have much effect on behavior overall. Even though the companies have limited ability to enforce behavior by independent contractor drivers, they do have the ability to require drivers to obey City ordinances, and already have mechanisms to do that through suspensions of drivers by discipline committees. The ability to penalize companies for consistent misbehavior by drivers would greatly increase the incentives for them to discipline and weed out problem drivers.
- **Reporting.** City staff sometimes request records from the companies to investigate reports of driver rule violations. However, there is no reporting that is routinely required of the companies. The companies have extensive digital records of every trip and every telephone call and the ability to summarize this data into a variety of reports that the City could use to assess service quality and trends in the number of trips supplied. The companies already provide similar reports to Los Angeles and other cities.
- **Limited revenue.** Fees from the taxi companies pay only for the cost of processing and issuing permits and do not pay for the cost of administering and enforcing taxi regulations. Some alternative regulatory structures have the potential for collecting additional revenue.
- **Environmental requirements** ("green" vehicles). Many cities have been requiring taxi companies to phase in vehicles with low emissions of pollutants or good performance on Federal tests for impact on greenhouse gas emissions. Local examples can be found in Santa Monica, Los Angeles, and Anaheim.
- **Wheelchair access.** Existing code provisions specifically permit City staff to set requirements for minimum numbers of wheelchair accessible taxicabs. The current rules allow companies to exceed their vehicle limit by four vehicles as long as those vehicles are wheelchair accessible and allow wheelchair accessible vehicles to be licensed in Los Angeles.
- **Credit card acceptance.** Most people have become accustomed to using credit and debit cards to pay for routine purchases, especially purchases that cost as much as many taxi rides. As required by Los Angeles, all of the companies serving Beverly Hills accept credit cards, at least for trips costing $10 or more, and have the ability to process credit card information electronically, with an automatic connection to the taximeter. They offer the same service in Beverly Hills, even though Beverly Hills does not have such a requirement.

- **24-hour dispatch service.** All of the taxi companies serving Beverly Hills operate 24 hours a day, and take calls to request service at all hours. However, there is currently no requirement for this in Beverly Hills.
- **Response time.** The current rules do not set any minimum standards for response times for dispatched trips. Response time standards are widely used, but difficult to enforce. Los Angeles includes response times to calls from various parts of the city as one element a multi-faceted Taxicab Service Index (TSI) which is evaluated twice per year. Companies that perform unsatisfactorily may be placed on probation, may be fined, and may be subject to non-renewal of operating franchises at the end of the current franchise term.
- **Distinctive color schemes.** In a city with many operators it is important to ensure that no company uses a color scheme, name, or design that could confuse the public about which company they are using. With a limited number of large, reputable companies, as is the case currently in Beverly Hills, this is not likely to be problem.

The following discussion describes possible modifications to the status quo and their potential for addressing issues.

Improvements within the Existing Regulatory Structure

Most of the issues with the current system could be addressed without establishing an entirely new regulatory structure, but with modifications to the existing system based on certificates of public convenience and necessity ("PC&N certificates"). Two possible exceptions are the ability to hold companies directly accountable and the ability to generate revenue for taxicab enforcement.

Holding companies accountable. The City's ability to enforce requirements would be limited unless companies become an active part of the process of upholding these requirements, which in turn requires that the City have the ability to hold the companies responsible for any failure to meet City requirements, including when the failure is caused by the actions of independent contractor drivers. There does not appear to be any reason why the City could not add provisions for company penalties or public performance reports to the existing codes. We know of at least one city (Charlotte, North Carolina) that has company penalties within a PC&N system like that in Beverly Hills, but in that case the penalty is based entirely on the amount of fines levied against the drivers of that company. Charlotte does not have company penalties for more general performance issues, such as poor response time. In general, company penalties within a PC&N system appear to be uncommon.

Generating revenue. On the matter of revenue, permit fees levied by California cities are limited to cost recovery. Specifically, voter approval is not needed for "a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof." (California Constitution, Article XIIIC, § 1(e)(3)). This appears to allow cities to include

the cost of enforcement when it imposes a permit fee*, but this is a matter that the City and its attorneys would need to determine.

Franchises

The Franchise Concept. A widely used alternative to the present regulatory system is one based on franchises. In a franchise system, a city awards a revocable grant of authority to one or more providers to serve a specific market, subject to government controls over their market conduct. Franchises are awarded for a specified number of years for a specified geographic area via a competitive bidding process, at the conclusion of which one or more companies are selected as the exclusive providers of that public service. As applied to taxicabs, franchises are similar to the concessions under which many airports award exclusive rights to serve the airport.

Franchises are common for public utilities or for public services such as garbage collection. Historically, franchises have been little used for taxicab service but they have become more common in recent years, especially in Southern California, where they are used by Anaheim, Los Angeles, Manhattan Beach, Redondo Beach, Santa Monica, and West Hollywood among others.

The franchise system has a number of advantages:

- By accepting proposals at specified times, the City has the ability to compare proposals from competing companies as part of an organized process, rather than considering requests for new certificates whenever they happen to arrive.
- Issuing periodic Requests for Proposals gives the City an opportunity to announce its objectives for taxi service. Responding taxi providers can compete in how they address the City's priorities and can offer additional options, exceeding the minimum standards, which then become part of the franchise agreement.
- The resulting franchise agreements can be revoked or the franchisee can be penalized in various ways if the service standards or other provisions of the agreement are not met.
- Franchises give the City added tools to enforce compliance by companies and drivers by means of assessing penalties paid in lieu of franchise suspension, which would be more flexible than issuing citations.
- The selection process can be conducted in many ways. The available number of permits can be divided according to points awarded in a formal evaluation process, with a limited number of companies receiving franchises, either based on a desired number of companies announced by the City beforehand, or achievement of a minimum score in the evaluation process. Proposers could also bid for the available permits, with the highest qualifying bidder receiving the most permits.

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*See League of California Cities, "Proposition 26 Implementation Guide," April 2011.

- Franchise fees are not subject to cost recovery limitations.

Flexibility to Remove Companies. In theory, limited-term franchises provide a mechanism for removing a company that provides poor service through the periodic competitive selection process. In practice, however, it is difficult to eliminate incumbent operators. Because franchisees have made an investment in the market, they are not likely to accept non-renewal without vigorous protest. For example, there have been few changes in the companies that have Los Angeles franchises.

In fact, without the power of incumbency, franchise systems would likely arouse far more intense opposition from companies than they have. This is because limited-term franchises eliminate the ability of taxi companies to build equity based on the long term value of their business. Especially toward the end of a franchise period, it may be difficult for companies and individual vehicle owners to obtain financing to purchase vehicles or improve dispatch systems.

Santa Monica, in its recent franchising process, did remove one major local company (i.e. a company that only operated in Santa Monica), two Los Angeles companies that operated both in Santa Monica and Los Angeles, and numerous smaller companies. However this was an extreme case in which even the largest incumbent under the previous open-entry system had only a 14% market share. Going into the selection process, the City had already decided on, and announced that there would be, a sharp reduction in the number of taxicabs that would be permitted.

Franchise Selection Issues. Franchises allow for a variety of methods for determining how many cabs each company can operate. No matter what method is chosen, it should be designed to be as fair and objective as possible. It is not unusual for losing firms in a high-value competitive selection process to protest the outcome. However, there is no reason why a franchise selection process in Beverly Hills would need to contentious. Given the natural power of incumbency, and since Beverly Hills currently faces relatively minor (though persistent) problems with taxi service, competitively bid franchises may produce only minor differences in which companies operate and their numbers of permits. Nevertheless, franchises offer the clear advantage of greater flexibility in fee setting and strong precedents from other cities in using them to hold companies accountable for service quality and adherence to operating requirements.

Medallions

A third type of regulatory system (but one that is *not* recommended) uses medallions. Each medallion confers the right to operate a taxicab in the city. The City could give medallions away (using a lottery for example, or, in the future, a waiting list) or could auction them. Usually medallions are transferrable at some market price, but some cities have also experimented with non-transferrable medallions. Medallion holders could be required to operate cabs themselves, but more commonly the medallion holder leases it out. Medallion holders may be required to participate in a dispatch association so that

they can serve telephone trip requests. In the past, and still in some cases, the medallion was an actual metal plaque affixed to the taxicab.

Medallions, sometimes just called permits, are common in large cities including San Diego, San Francisco, Seattle, Chicago, New York, and Boston. Recently they have been popular with elected officials because they offer a way for a city to raise revenue. Some taxi drivers in Los Angeles have also advocated for medallions to be issued to existing drivers. They see this as a way to improve the lot of drivers, since companies would then need to compete to attract medallion-holding drivers, and since drivers could sell their medallions.

From the point of view of a city, medallions greatly reduce the city's ability to enforce service standards. The control companies have over drivers is largely eliminated, so the city is in the position of having to work directly with drivers. If medallions are sold, which is the most common method of transferring them, the city effectively loses control over who has the right to operate a taxicab. Advocates of medallions claim that they can improve service since drivers have to compete to attract customers. However, as described earlier under the heading, "Why Regulate Taxicabs," this type of competition is not effective and creates worse rather than better service.

For Beverly Hills, medallions offer no advantages and are <u>not recommended</u>.

6 RECOMMENDATIONS

Recommendations are offered on several topics:

- Regulatory method
- Number of taxicabs
- Number of taxi companies
- Fares
- Administrative staffing

REGULATORY METHOD

Modifications to the City's method of regulating taxis have the potential to give the City better ability to enforce taxi rules and regulations, better ability to promote improved service quality, and the means to fund these activities. These aims can be achieved within a franchise system of the type used in several nearby cities. They could also possibly be achieved using modifications to the City's existing system based on certificates of public convenience and necessity. However, franchises have the advantage of having been proven in multiple nearby cities so that there is a body of experience to draw upon.

Beverly Hills currently enjoys excellent availability of taxi service, with quality that is at least typical of service in other communities. Franchises provide a mechanism that the City can use to improve service quality and, if desired, to achieve other goals, such as having an environmentally friendly fleet or increased accessibility for people with disabilities. With franchises, the City can:

- Hold companies accountable for service quality and adherence to rules by drivers
- Obtain regular reporting on service quality and other issues
- Fund implementation of improved taxicab administration.

Holding companies accountable, rather than just individual drivers, helps reduce the City's enforcement burden. Further, since a franchise is a contract, penalties can be assessed against companies. Individual driver violations would continue to be subject to citations or administrative actions such as suspension. Company penalties would apply to matters not attributable to specific drivers, such as response time, not meeting fleetwide standards such as for a percentage of green or wheelchair accessible vehicles, failure to submit required reports, or submittal of excessive amounts of improper coupon reimbursement documentation.

An essential part of a franchise system is a method for determining which companies will be awarded franchises. The process for selecting franchisees should take into account companies' prior record of service to Beverly Hills residents, businesses, and visitors. This part of the process can be based on objective information, including reports of service quality provided to the City on a regular basis during the franchise period. Records of complaints, enforcement activities, and comments from business owners can also be used in this part of the process. The result should be a strong incentive for companies to provide excellent, responsive service, while also allowing companies to

invest in their Beverly Hills operations with some assurance of continued long-term operation.

The term of a franchise should be at least as long as the life of equipment that would be used to provide service. In the case of vehicles, the life is anywhere from three to five years, depending on whether the vehicle is bought new or used. In addition, since the selection process can be contentious, the City may wish to avoid this process unless there is reason to reconsider which companies have franchises or to modify the terms and requirements of the franchises.

Whether or not a franchise system is adopted, the City could adopt requirements for reporting, wheelchair accessible vehicles, credit card acceptance, 24-hour dispatching, a response time standard, and distinctive color schemes. Requirements for environmentally-friendly vehicles are easier in a franchise system, but some incentives may be feasible even without one.

Regulatory Recommendations

- Beverly Hills should adopt a franchise system of taxicab regulation, in which time-limited grants of authority to operate taxicab service are awarded through a competitive process.
- Franchises should be for a term of five years, with automatic extensions up to ten years unless the City elects to conduct a new selection process.
- The process for selecting franchisees should take into account companies' prior record of service to Beverly Hills residents, businesses, and visitors.
- Franchisees should be required to provide the City with quarterly and annual reports of response times, taxicab utilization, changes in operations, response to complaints, and other matters to be determined.
- Franchise fees should be set to at least partially fund administration and enforcement of the City's taxicab program.
- A schedule of penalties should be established that can be assessed against franchise companies based on continued poor performance or rule violations.
- Whether or not a franchise system is adopted, the City should adopt requirements for reporting, wheelchair accessible vehicles, credit card acceptance, 24-hour dispatching, a response time standard, and distinctive color schemes.

NUMBER OF TAXICABS

The analysis of taxicab availability showed that the current supply of taxicabs is sufficient to provide excellent response times for telephone orders. Interviews with stakeholders indicate that hotel guests and shoppers can easily find a taxi at a cabstand. At the same time, the economic analysis shows that the supply is not excessive, in that it does not impair drivers' ability to find customers and earn an income, and vehicle owners are able to find drivers to lease their vehicles. Beverly Hills Cab and UITD

suggested that they could use more vehicles, but provided no evidence to support this suggestion. It appears that the added vehicles would be used to claim more market share from other companies. The companies generally agree that, although business has improved some recently, it is still down compared to several years ago.

For all these reasons, no change in the permitted number of vehicles is recommended.

A related issue is whether any Beverly Hills taxicabs should be allowed to operate in other jurisdictions, especially West Hollywood and Los Angeles. The analysis suggests that allowing Beverly Hills taxis to operate in West Hollywood has helped make Beverly Hills a viable market for companies and drivers while providing for excellent service availability. One reason that this arrangement works is because West Hollywood is small and immediately adjacent to Beverly Hills.

Since Los Angeles is so much larger than Beverly Hills, allowing all Beverly Hills taxis to operate there has the potential to dangerously reduce service availability. However, given the current excellent availability of service, it appears that a limited number of vehicles could be allowed to operate in Los Angeles without compromising availability in Beverly Hills. At present, however, the City would have no way of judging the effect of such a change. Once a system of reporting is in place, it would be possible to determine whether such a change was affecting response times and availability.

Recommendations about Numbers of Taxicabs

- The City should maintain current limits on numbers of permitted taxicabs.
- The City should continue to allow Beverly Hills taxis to operate in West Hollywood.
- Within two years after a system of reporting on response time and service availability is in place, the issue of allowing Beverly Hills taxicabs to operate in Los Angeles or other cities should be revisited.

NUMBER OF TAXI COMPANIES

The current three taxi companies allow for some measure of competition and give residents of Beverly Hills a choice. In practice, however, one company dominates the market for radio-dispatched trips and is the choice of Beverly Hills residents for most of the trips that they order by telephone. There does appear to be competition for serving hotels and cabstands, at least between Beverly Hills Cab and ITOA. At cabstands, customers will normally take the first cab, but in the case of hotels, hotel management chooses among competing companies. It appears that UITD is not adding significantly to customer choice; its cabs carry only about 5% of all taxi trips originating in Beverly Hills, and their Beverly Hills vehicles spend most of their time in West Hollywood.

The performance of the current companies need not determine the City's decision about how many companies to have, since many other companies have expressed interest in serving Beverly Hills and have the capacity to do so. Clearly there should be more than one company, to allow for competition and customer choice. Having a third company, at

least in principle, makes the competition more effective and gives customers another choice, but with regulated prices and service standards this added level of competition is not essential. Because the companies all operate in Los Angeles and elsewhere, it is possible to give customers a choice of three companies and still have all the services that only large companies can support, including computerized dispatch and record keeping. Further, there are many other companies that could compete in a franchise procurement and offer similar services.

In principle there could be four, five, or even seven companies serving Beverly Hills just as seven companies serve West Hollywood. However, adding companies increases the level of effort required for administration and enforcement, and it is clear that there would be no real benefit to the public from having more than three companies.

Recommendation about the Number of Companies

- Beverly Hills should have at least two taxi companies and a maximum of three.

FARES

Beverly Hills fares are about 9% lower than in nearby cities. Further, the nearby cities are likely to increase fares again in the near future, based on a recent analysis by the City of Los Angeles of its Taxi Cost Index. Bringing fares to parity with nearby cities would create regional uniformity in taxi rates, since these cities general follow rates set by Los Angeles. In conjunction with other measures to track service quality and availability, this policy would incentivize better service and eliminate an issue that confuses customers while also requiring enforcement activity. Basing future fare adjustments on a reasonably objective process, such as the Los Angeles Taxi Cost Index, would help Beverly Hills keep fares at an appropriate level. Concerns about the ability of low income residents to afford taxi service could be addressed through adjustments to the taxi coupon program.

One taxi company believes that the flat rate to LAX is too low and encourages cheating by drivers. The current flat rate to LAX is set at a level that corresponds to the mileage from downtown Beverly Hills to LAX, but does not take account of added mileage from some neighborhoods or waiting time in congested traffic. Based on a review of taxi data, it appears that the actual cost of a metered ride to LAX, including waiting time, would be higher than the current flat rate. In basing its flat rate on mileage only, Beverly Hills appears to be consistent with other cities; in particular, the flat rate set by Los Angeles also does not allow for waiting time. The Los Angeles flat rate applies only to trips between LAX and the downtown area, which covers about 3.7 square miles, while the Beverly Hills flat rate applies to trips between LAX and anywhere in Beverly Hills, which is about 5.7 square miles in area.

Fare Recommendations

- Beverly Hills should bring meter rates to parity with nearby cities, either as soon as possible or the next time Los Angeles raises rates, depending on when it appears that Los Angeles will next raise its rates.
- At the same time that meter rates are adjusted, the City should set the flat rate for trips to LAX at a level that is comparable to the average meter rates for these trips.
- The City should establish a general policy of coordinating its fare setting with nearby cities in order to create regional uniformity in taxi rates. For this purpose, Los Angeles rates should take effect automatically in Beverly Hills unless the City elects to conduct a rate review within 30 days of a change by Los Angeles.
- If Beverly Hills elects to conduct its own review of rates, it should include the Los Angeles Taxi Cost Index as well as data about service utilization and market trends in Beverly Hills.

ADMINISTRATIVE STAFFING

Currently less than two full-time equivalents of staff time are developed to taxicab issues, including enforcement, coordination with the companies, and regulatory oversight. Further, there is no one at a senior level who spends more than a small fraction of their time on taxicab issues. The current level of effort may be reasonable for a city the size of Beverly Hills but additional effort and more focus at a higher level would be appropriate if the City wishes to significantly improve taxicab service. In particular, additional effort would be needed to administer an enhanced program of taxi company oversight within a framework of taxi service franchises.

Staffing Recommendations

- A function of Taxicab Administrator should be established with overall responsibility for regulatory oversight.
- If the City wishes to significantly improve taxicab service, an additional 0.5 full-time equivalents of staff time should be devoted to taxicab administration. If the City adopts a franchise system of taxi regulation, an additional 1.0 full-time equivalent of staff time, compared to current levels, should ideally be devoted to taxicab administration, including administration of company penalties or incentives.