



MEMORANDUM

TO: Mayor and Council

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

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

DATE: March 20, 2012

SUBJECT: Taxicab Franchise Permit Allocation Formula

Austin City Council has passed, on two readings, an allocation of 30 permits to Lone Star Cab and 15 permits to Austin Cab. The third reading for each action is scheduled for March 22, 2012. During the second reading, Council requested that additional discussion take place during the scheduled third reading regarding the current formula for allocation of taxicab permits.

In addition to the above referenced distribution, Council has directed staff to bring additional ordinances before Council in June 2012 to provide Lone Star Cab with an additional 20 permits and to provide Austin Cab with an additional 10 permits.

City Staff has provided below a brief history of the current formula system, including changes made to better address growth. Table 1 provides a summary of the proposed distributions by Council relative to a straight formula distribution.

In 1984, six taxi franchises operated in Austin, accounting for a total 413 taxicab permits. The formula used to allocate these permits has been changed twice in the last 20 years. In 1988, the formula was set at one permit per 1,200 residents of the City. From 1988 to 1994 there was no growth in the number of franchises or permits allocated. However, the following year (1995), the number of taxi franchises decreased from five to three. Austin's population growth over the following eight years led to the allocation of 151 additional permits, for a total of 565 allocated permits in 2002.

What was considered a noticeable change in additional permits led to the adoption of a revised method to calculate the number of permits. The formula was revised in 2003 to acknowledge that the airport is a major source of taxicab trips. The revised method averages the growth in population and the growth in taxicab trips dispatched from the airport. In addition, Council adopted an ordinance that set aside a portion of any permits made available to a reserve pool for a future franchise.

ATD has calculated the formula for 2012, which shows a 2.6% growth in population and a 13.4% increase in airport departures, from 290,833 in 2010 to 329,054 in 2011. The formula resulted in an 8% increase in the number of taxi permits, which equals 51

additional permits. Typically, the allocation would require setting aside 25% (13 permits) to reserves, and distributing the remaining 38 permits equally to the eligible franchises. In this case, that would mean allocating 19 permits each to Lone Star Cab and Austin Cab.

Distribution Analysis of Taxi Franchise Permits

(Not including special handicap permits)

Franchise Holder	Existing Distribution of Taxi Permits		2012 Projected Formal Distribution		2012 Council Directed March Distribution		2012 Council Directed June Distribution*	
Yellow Taxi	433	67.8%	433	62.8%	433	62.8%	433	61%
Austin Taxi	151	23.6%	170	24.6%	166	24.1%	176	25%
Lonestar Taxi	53	8.3%	72	10.4%	83	12.0%	103	14%
Formula based permits held in reserve	2	0.3%	15	2.2%	8	1.2%	-22	NA
Subtotal Allocated Permits	639	100%	690	100%	690	100%	712	100%

* note: percentage distribution calculated on allocated permits

Staff Recommendation:

Moving forward, additional options are available to determine future permit allocation processes, including:

- Return to existing formula distribution, replenishing the reserve of non-allocated permits prior to further distribution.
- Suggested from the TTLF (Mundy) Report, the future allocation of additional permits to increased trips generated for drivers. This would require the franchises to electronically capture and record all trips taken by their drivers. The Mundy Report suggested that for every 20% increase in trips, the franchise would be permitted to add 10% more taxis. This could align the interests of the City, the franchise holders, and the taxi drivers.
- Discussions during the last renewal of the Yellow and Austin Cab Companies included developing a profile of what an Austin Taxi Company should look like, possibly including fleet fuel mileage, dispatch responsiveness, accessibility of fleet, driver turnover, trips per driver shift, safety, etc. Each current franchise would be graded and future allocation of permits would be contingent on the franchise's progress toward achieving the goals of the profile. The metrics and methods would have to be worked out with the stakeholders.
- Incorporate growth and additional factors, into the existing formula that may affect the need for more permits. In a review of the City's allocation process by the City Auditor, it was found that no two peer cities have similar processes.
- Allocate additional permits in inverse proportions to the currently allocated permits for franchises. The franchise with the fewest permits would get the most additional permits.

We anticipate the market for taxi permits to continue to grow such that the current formula would again be appropriate for use in 2013. Staff recommends that using the existing

formula that the reserve permits be replenished first, requiring the first 22 new permits in 2013 to be reserved for future franchise establishment. Additional permits beyond those needed for the reserve would be distributed equally between all eligible franchise companies. Staff will continue to meet with stakeholders of this issue to discuss modifications to the formula based on the options listed above and would bring further recommendations forward to Council prior to the 2013 proposed distribution.