

Austin Taxi/Pedicab/ELSV Study

Conducted By

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Table of Contents

Introduction.....	1
Why Regulate Taxis?	2
Taxicab Regulation in Austin	4
Austin Airport Taxi Service.....	8
Summary of Austin Situation	10
Framework for Analysis	11
Secret Shopper Reports.....	16
User Surveys	22
Sampling method	22
Austin Taxi Service Questionnaire Results	23
Descriptions of Existing Austin Taxi Companies.....	40
Yellow Cab Company.....	40
Data Analysis	42
Austin Cab Company.....	51
Data Analysis	52
Lone Star Cab Company.....	55
Data Analysis	57
Comparative Austin Taxi Company Statistics.....	60
Austin-Bergstrom International Airport Taxi Service	66
Comparison with Other Cities	71
Austin Taxi Companies – Summary Observations	76
Probable Future of Austin Taxi Operations	77
Fractionalization	80
Legacy Permits.....	81
Austin-Bergsten International Airport	86
Capping of Taxi Franchise Lease Rates.....	87
Weekend Evenings and Special Event (Peak Demand) Taxi Services.....	90
Peak Demand During the week.....	91
Peak Demand during Special Events	92
Why 100 Peak Demand Permits?	94
Drivers Unwilling to Accept Dispatch Calls	95
Driver Appearance and Qualifications.....	95
Driver Safety	95
Additional Recommendations.....	97
Comparison of Regulations and Taxicab Stats with Other Cities.....	97
Observations and Recommendations Facing Austin Pedicab Operations	100
Issues and Recommendations Facing ELSV	108
Appendix A.....Detailed Explanation of Types of Taxi Companies	
Appendix B.....Secret Shopper Survey Reports	
Appendix C.....Austin Taxi Service Questionnaires	
Appendix D.....Modern Taxi Dispatch Systems	

Introduction

The following report has been compiled by the Tennessee Transportation and Logistics Foundation under contract with the City of Austin, Texas. The project was initiated in early May 2011 and comprised three months of surveys, interviews, and data analysis. While the primary emphasis of the regulatory review was to concentrate on taxi services, the study was also to review pedicab and electric low speed vehicles (ELSV) as part of an overall plan for ground transportation services within the City of Austin.

Urban taxicabs and the level of service by them provided have become a significant problem for many communities. Most typical are issues of not being able to obtain taxi services when desired, the condition of the vehicles and the attitude of the drivers. Also common are the desires of independent contractor taxi drivers to have a greater voice in their working conditions, taxicab rates, and relationship with the taxi companies they associate with or driver for.

More recently, city officials and city-elected representatives have been asked to validate new forms of ground transportation in the form of pedicabs, shuttles, electric low speed vehicles, and even rickshaws. These new forms of ground transportation, often limited geographically to downtown areas, are nevertheless considered by taxi company officers and taxicab drivers, to be “pirates” – stealing away trips that are rightly taxicab business.

It is often within this background that city officials are seeking answers for how these services should be provided, who should provide these services, their appropriate rate structure, and how best to develop these needed forms of privately provided public transportation. Since taxicabs constitute the largest number of vehicles involved in these disputes, they will be discussed first in this report.

Local taxi companies, like many other industries, have changed their structure and workforce policies significantly over the years. This report attempts to provide a rationale for why it is in the public’s best interest that taxicab service and other forms of private ground transportation is regulated and what this regulatory policy and structure should be. Where applicable the addition of new, but current, technology for these services will be incorporated into recommendations of the study.

Why Regulate Taxis?

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

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

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

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

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

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

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

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

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

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

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

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

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

Taxicab Regulation in Austin

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Austin Airport Taxi Service

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

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

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

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

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

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

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

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

Summary of Austin Situation

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

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

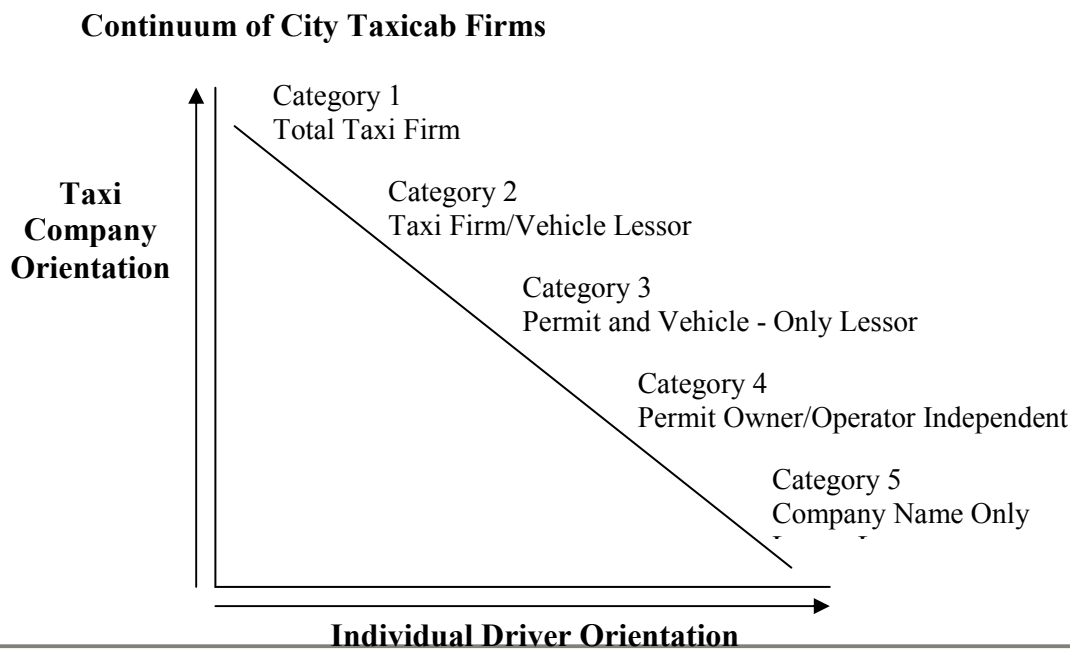
The objective of this study will be to identify to what extent these frustrations, written reports of poor treatment of drivers, and concerns for taxi services during the weekend and special events are real. The study will determine the sources or reasons for these assertions,, and recommend what steps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

Framework for Analysis

Unfortunately, there is considerable confusion today as to the definition of a taxi company. While the City of Austin has done a credible job of defining a taxi company, the general public sees a car with a dome light on top, the name of some company on the side of the vehicle and the letters “taxi”, and assumes that it has a meter, is regulated somehow. And that there is a company in back of the service they are calling, hailing, or stepping into at the airport or hotel. Taxi companies today can be, and often are, very different – even within the same community.

A thorough knowledge of the Austin taxi service first requires some detailed explanation of the types of taxicab firms found in North American communities in general. The North American taxi industry can be perceived as a continuum ranging from a comprehensive full service taxi firm to single independent taxi driver(s) acting as a taxi firm. At one end of this continuum, there is an orientation toward the taxi company as the provider of service and at the other end is the reliance on the independent owner-operator taxi driver as the provider of service. (Figure 1) A detailed explanation of these taxi company categories can be found in Appendix A. (Note that this typology of taxi companies and their description developed by this typology has appeared previously in other TTLF published works.)

Figure 1



As shown, this continuum of taxicab firms ranges from the total full service taxi firm, which adds significant economic value to the communities' taxicab permit, down to a simple permit holder who leases a city property (the taxi permit) to the highest bidder. At the upper end of this continuum, the total or **full service** taxi firm is adding significant value to the community permit using their own employees, commissioned or independent lease drivers, which they hold themselves out to manage through compliance with local ordinances and company policies.

As we move toward the concept of the 'independent driver' who owns his/her own permit and vehicle, the community inherits a much greater role in the management of these taxi drivers on a day-to-day basis. As an "independent contractor" driver, the taxi company cannot "control" the actions of the driver by forcing him/her to accept a radio call, unless this is required through local ordinance or a taxi driver permit requirements. Typically, the taxi radio dispatcher or taxi company computer may only "offer" the business to a driver.

Taxi companies using traditional (old) radio equipment will simply announce the opportunity over the radio and all drivers have a shot at the business. If it is a lucrative trip, they jump on it – even misstating how close they are presently to the pickup. If it is a short trip to the grocery store, they may simply not respond if they feel the cost of gas is too much for them to take the trip; they do not want to leave the stand they are on; or they simply want to wait for a better fare. However, for those taxi companies using newer GPS/radio technology, they can limit the call to the closest taxicab or the one in the closest zone whose turn it is to receive a trip. Of course, this driver can turn it down and then it goes to the next in line within that zone. If no one picks it up, the zone is expanded to include adjacent zones until a driver picks up the call.

Unfortunately, most city regulatory systems are set up as if they still had either Category 1 or Category 2 - full service taxi firms. As such, city officials often assume very little management role of the taxi drivers at first, assuming the taxi company owner or the permit holder will exercise management over the driver. In many cities and with many so-called taxi companies, this is not the case. Over time, unless a community is vigilant, through their responsibility for reissuing of taxi company franchises, driver's

permits, vehicle inspections, daily citations for violations of city/airport taxi ordinances, etc., the city or their airport becomes the day-to-day supervisory management for the community's taxi operations.

This framework is an appropriate template upon which the Austin's taxi firms can be placed. Fortunately, taxi firms in Austin, would fall into Categories 2, and 3 respectively. All three of these taxi firms have a separate business facility and provide extensive or limited radio dispatch services. However, only one of these taxi franchises firms has an extensive school and other voucher or taxi contracts. Another has limited voucher and contract business while the newest and smallest operator has few if any such company business to offer its drivers. Two of these taxi franchise firms lease significant numbers of their vehicle fleets to drivers, as opposed to having all owner-operator drivers.

All three firms have a physical facility, which includes a 24 hour manned dispatch operation, maintenance facilities, offices, training room(s), and driver area. However, as will be shown later in this report, there is a vast difference in the level of these attributes. Within the taxi industry, two of these firms, Yellow Cab Co. and Austin Cab Company, would be considered "Full Service Taxi Companies". There are, of course, varying degrees of just how full service each firm is. More detail of the similarities and differences among these firms is presented in a later section of this report.

Austin is fortunate to have not permitted its taxi service do devolve into a Category 4 or 5 taxi operations, which is typically the case with open entry deregulation where applicants only have to prove they are fit and able. Category 4 or 5 taxi operations can also emerge when regulatory authorities create special taxi driver permits which are known by several names such as taxi medallions, Ambassador taxi permits, individual taxi decal owners, etc.

Category 4 and 5 taxi operations would be so called taxi firms being dispatched primarily from the drivers' homes and/or cell phones while they themselves are driving. These types of taxi operations may have a common insurance package they offer those drivers who drive under their colors, but they provide no community wide dispatching or other services. Hence, most of the taxis in Category 4 or 5 firms serve only the airport and other public taxi stands. A Category 5 taxi firm for example would provide no

insurance coverage, dispatching, voucher business, credit card processing, etc., but only lease its “colors” and to owner-operators that would have their own permit.

A typical problem associated with such devolution of the taxi industry is that then cities and airports are required to assume a managerial role over drivers since taxi company officials of some Category 3 and all of Category 4, and 5 taxi firms do not. Community regulatory agencies are left to screen the driver applicants, issue driver permits, fine violators for not following the operating rules, inspect the meters, inspect the vehicles, and ultimately determine the economic conditions within which the taxi drivers operate.

If a community permits its taxi operations to sink to this stage of devolution, community leaders are often lobbied by drivers or their representatives, that granting individual medallions or new taxi companies to the drivers themselves will improve the service. Only later do they realize that they have created an even worse situation, making the community responsible for all aspects of taxicab operation and regulation. Instead of trying to manage a few large taxi firms, they are dealing with a few hundred medallion owned taxi firms, each composed of one or a few vehicles. Attempts to require these operations to be efficient, serve all calls, use cleaner, more efficient vehicles, and provide ADA compliant services become exceeding difficult if not impossible.

In Austin, many of the “airport only” taxicabs would fall into the classification of being a Category 4 or 5 type of taxi operation if they refuse to accept dispatch calls from the taxi franchise firm they lease from. These taxis and their drivers prefer to serve only the airport – considering it “their” market. Forsaken are other needed taxi services in downtown, suburban, and low density areas in general. These areas may be in need of taxi service but go unfulfilled as these taxi drivers prefer to spend long hours at the airport holding lot. As will be shown in this report, Austin City officials must answer the question of whether a permit to drive a taxi within the City of Austin and the surrounding area requires an individual to service the entire area or just those markets he or she chooses. Answering this question will go a long way to determining future taxi regulations, service accessibility, and economic welfare of the taxi industry in Austin.

Additional issues surrounding ground transportation in the City of Austin were questions regarding the use and safety of other forms of ground transportation – primarily

pedicabs and electric low speed vehicles or ELSV's. Pedicabs have proliferated in the downtown areas of Austin and were recently regulated through City Ordinance. However, there are questions about their safety, appropriate longer run regulations, and integration with other forms of ground transportation in Austin.

ELSV's were also introduced into Austin but forced to suspend services until the City has had a chance to review their operating safety, experiences in other cities, and appropriate integration with other ground transportation and their regulations.

In order to assess the quality of taxicab services within the Austin Metropolitan area, and address the issue of pedicabs, two different types of customer surveys were undertaken as a part of this analysis. These were Secret Shopper reports and frequent user surveys. The results of these surveys are summarized and analyzed in the following section. Since there were no ELSV's operating at the time of this study, use surveys and secret shopper reports were not possible but a review of the safety, regulatory, and experiences of other cities with these operations was undertaken to address their issues.

Secret Shopper Reports

In order to augment data from mailed surveys, individual taxi company data analysis, and taxi dispatch information, Secret Shoppers were employed to randomly call metro Austin taxi companies to request a cab, determine the time required for the cab to arrive, take a trip, offer a credit card, and report on the quality of their taxi experience. These mystery shoppers were engaged to take trips during April, May, and June 2011. Reported in Appendix B are their experiences, average ratings, and trip write-ups. In addition, Secret Shopper trips on pedicabs taken during busy weekend evenings in June were also undertaken. These individual reports are also contained in Appendix B.

Secret Shopper reports are useful for gathering unbiased opinions as to what customers of local taxi services experience in a normal day when using these services. These reports are written by trained professional personnel who often do these reports on a full or regular part time basis. While they may have some preconceived attitudes, they are able to put them aside and provide an objective and quantifiable analysis of the quality of service(s) they and others are receiving. A note of caution is added. These reports are not typically generalizable to the entire population unless a clear and obvious pattern is evidenced by the majority of the Secret Shopper reports. However, the written descriptions of services received is often quite revealing to taxi regulators and company owners alike.

As shown by these Secret Shopper reports, the "shoppers" experienced considerable difficulty in using telephone service from one of Austin's three taxi companies. A number of their calls to this operator was not answered in a timely fashion or they were put on hold until the caller just gave up. Some of the telephone operators for this taxi company appeared to be bothered by the task of answering the customers' calls. Note however, this was not always the case, and in other calls both the telephone operator and taxi drivers performed as would be expected.

The Secret Shoppers were instructed not to take all trips out of the central business district or any one area, but since there was concern about weekend and evening services, primarily in the downtown area, there was an emphasis on the downtown hotels and Sixth Street activities and the willingness of cab drivers to accept credit cards. Most

of the drivers for the taxi franchise companies were willing to accept credit card payments even for small amounts of \$10 or less, but several did so with some aggravation and some indicated they “were out of slips” or “the computer isn't working”. This is not surprising. When compared to other North American cities of similar size, credit card acceptance by taxi drivers is at best difficult, if not impossible, for short intracity trips. In this regard, Austin taxi drivers get good marks. Note however, not all taxi drivers accepted credit cards. Some simply lie, saying that the company computer is down or they do not have the equipment while others simply say, “No way for an amount that small!” Though not being overly critical, such refusals and lying indicate a poor level of service from some taxi drivers.

Other concerns that a reviewer might ascertain from reading these Secret Shopper reports might be that some drivers are rude, poorly dressed, and in one instance, a little frightening to a female passenger. Following are a few of the quotes from the secret shopper reports:

- **Time of call:** 12:01am
- **Time it took for the taxi to arrive:** Total wait time 1 hour and 2 minutes
- 7. **Overall, how was the service? Please describe your trip in detail**
- *When he arrived, the driver apologized for the delay, said they were busy tonight. I told him my destination and he asked what I was out doing tonight. He was polite and friendly, and interested in me. When we stopped at my destination, the meter read \$4.95, when he told me the price, it read \$5.41, so I paid him. When I objected, he said he hadn't looked at the meter when we stopped. I asked if he took credit cards and he said, “Sure” and swiped my card in the machine. He asked if I needed a receipt and I said yes. I asked for a cab receipt and he said my credit card print out was the only receipt he had for me. I punched in the amount and tip on the machine and handed it back to him. He gave me my receipt and I got out of the cab. The driver had his music on very loud and it hurt my ears.*
- **Time of call:** 12:02 am
- 7. **Overall, how was the service? Please describe your trip in detail**
- *The driver asked how we enjoyed our evening and how the bar was, that it had only been open a couple of months. I asked him to tell me how the dispatch service worked, because I had been waiting for a cab for well over an hour. He said that in the central business district, on a busy night like tonight, they generally don't put the calls out, but people just flag down cabs in the street. He said that he is punched in as being in a certain zone, and the GPS system is*

supposed to offer him calls in his zone, to the nearest cab, but his experience with the system is that he is often pretty far away from where the customer call actually is. He said even if my call was taken by the dispatcher, he doubted it was put out into the system. At the end of the ride I asked the driver if he would take a credit card and he said he would although he said he would prefer cash.

- *After I reached my destination, I called Austin Cab Company, who said there was over an hour wait. I then called Lone Star Cab, who told me they did not have any available drivers and to call one of the other cab companies in town.*
- *Based on the above, I ascertained that I was not going to be able to get a cab by calling one of the cab companies, so I went home.*

- **Date:** 6/24/2011

- **Time of call:** 10:10 a.m.

- a. Time for operator to answer the phone: 2+ minutes _____
- b. Were you scheduled for a taxi trip? ☒ yes ☐ no
- c. If yes, time estimate for cab to arrive? 20 minutes

- **Q: Please describe the telephone call. Was the operator friendly?** *The operator was efficient, not friendly*

- 2. **Note: If taxi does not arrive within stated time, please call back and ask why it has not arrived. If you have to do this, please relate response on following lines.** *I called back at 22 minutes and was told the cab was 10 minutes away; the cab did not arrive. I called again at 12 minutes, was told the cab was still 10 minutes out. The cab did not arrive. I called again and was told "10 minutes." By 11:00AM the cab had still not arrived. As it had been nearly an hour and 3 additional calls I could not wait longer.*

- 7. **Overall, how was the service? Please describe your trip in detail** *This was my second attempt with this company. The service was disappointing*

- **Date:** 7/6/11

- **Time of call:** 9:01 pm

- *The driver picked me up and when I told him where I was going, he said that was the first time he'd ever picked someone up at a coffee shop and taken them to a grocery store. On the way, he talked about how he often got green lights on this street, and then while we were stopped at a stop light at Oltorf, he talked about how he wasn't looking at the woman in the car next to him, he was looking at the traffic. He said he wasn't looking at her breasts, but that she was scantily clad, but he was just looking at the traffic and she thought he was looking at her. He then made a comment about how people don't know how to dress these days. I was a bit offended at what he said initially, and thought his comments were unprofessional. When it was time to pay he took my credit card payment but did*

seemed disappointed I was not paying cash. He said he would take the card if that was all I had. I asked him to fill out a receipt for me but he just gave me a blank receipt.

However, not all Secret Shopper reports were negative. Many were like the following:

- **Date** 6/22
- **Time of call:** 11:05
- **a. Time for operator to answer the phone:** ____3 rings____
- **b. Were you scheduled for a taxi trip?** ☒ yes ____ no
- **c. If yes, time estimate for cab to arrive?** within 20____minutes
- **Q: Please describe the telephone call. Was the operator friendly?**
- *Yes. She just asked for my location and if I was ready to be picked up. She called back in a minute and a half and said that the driver was near.*
- **3. Time it took for the taxi to arrive:** ____2____ minutes
- **7. Overall, how was the service? Please describe your trip in detail** (Please include your conversation during the ride, and the greeting and parting comments from the driver).
- *When I opened the door, I said, "That was the fastest service ever!" He said, Well, that 's because I'm the best at what I do", with a laugh. This driver was very friendly and polite. He created small talk during the ride. We discussed Macy's closing down at Highland Mall and talked about the cooler weather today due to last night's rain. He was very willing to take my credit card and in parting he said, "Have an awesome day!"*

It is typically very difficult to generalize from a set of Secret Shopper taxi reports. Typically, they have to be read in detail and an overall impression gained. It is thus suggested that readers spend a few minutes to read through the reports contained in Appendix C. Based on experience, these Austin Secret Shopper reports rank “fair” when compared to other cities. One of the franchised taxi companies and their drivers poorly fared in this unscientific sample, but steps should be taken by each of the taxi franchise companies to determine if these reports were the result of a very limited sample or an indication of how some of their drivers act as a group.

Secret Shopper reports on pedicabs were generally very favorable with the exceptions being safety and fare issues. Following however is one report that should be troubling on a number of different levels.

Pedicab Company used: Independent

Date: 7/17/11

Time of use: 12:43 am

Location: Fado's Irish Pub, 214 W. 4th Street

Pedicab #: 1 (asked him)

Q: Please describe the interaction between you and the pedicab driver. Did the driver approach you or did you approach the driver? Was the operator friendly?

I approached the driver and asked if he was available and he said sure, get in. I walked around the back of the cab to see his cab number and did not find one. He said I was smart, that I checked the back of the cab to make sure his lights were working. He asked where we were off to and I said the Driscoll Hotel.

Q: Did the pedicab driver inform you of the fare or how much the ride would cost?

He said they liked to get 5-10 dollars per trip, and that they worked for tips.

Q: What was the description of the driver and what clothing was he/she wearing?

Male, Caucasian, 5'10", late 50s to early 60s, gray hair. He was wearing a grey t-shirt, red shorts and a white baseball cap.

Q: Was the pedicab clean? Were there any improvements that could be made to the cleanliness of the vehicle?

The cab was clean and the design was such that there was a beveled handrail in front of the seat I could grab on to get in and out of the cab. There was also a lower step on each side, making it very easy to get in and out of the cab.

Q: Did the pedicab driver obey all the normal traffic rules such as stopping at stop signs, driving on the correct side of the street, and stopping for traffic?

No. When we started out, he drove half-a-block against traffic on the left-hand side of the road. He rode through two red lights and did not stop at two stop signs, although he did stop at a 3rd sign.

Overall, how was the service? Please describe your trip in detail.

I came up and asked if he was available and he said sure. I inspected the back of the cab for the number and it was not listed. I got in and he said I was smart to inspect the cab and make sure the lights worked, most people did not do that. He asked where we were off to and I said the Driscoll. I asked him his cab number, and he said, well he was number 1. I said his cab wasn't like any of the others and asked which company he worked for. He said he owned his cab, that he was independent. I asked how business was and he said it was good when he started two years ago, hardly anyone was doing it, but now there are several companies and a lot of people working and it has really impacted his business in a negative way. He asked where I was in town from and I said I lived here, I was just meeting some people at the Driscoll. He said how amazing it was that some blocks down here the music was incredibly loud and some not loud at all. I

asked him how much I owed him and he said they liked to get 5 or 10 dollars per trip. I handed him ten dollars and he said thank you. I got out of the cab and he rode away.

Similar to the caution of attempting to generalize from such a small sample of taxi Secret Shopper reports, readers should not generalize from this one report but rather read through all of the pedicab Secret Shopper reports. In general, they are quite good with exceptions of not really knowing the fare, unsafe driving and behavior, and the tendency for tipping over of some types of pedicab vehicles.

User Surveys

Sampling the frequent user's opinions in terms of the price, service and vehicle appearance is helpful in gaining an understanding about how they feel about the current taxi or pedicab service, the individual provider companies, and any concerns they may have for the future of taxicab and pedicab services within their community.

In this study, mailed questionnaires (see Appendix C) were utilized to obtain these users' opinions. The questionnaires were mailed to managing individuals by name in community service institutes, restaurants, entertainment facilities, and hotels within the Austin Metro Area. The up-to-date contact information of the owner or manager of the entities contacted was supplied by the Austin Convention & Visitors Bureau.

Sampling method

The convenient sampling method was used in this study. Surveys were mailed with a cover letter and a self addressed stamped envelope for easy return. Six hundred and eighty three (683) surveys were mailed to hotels, motels, restaurants, social service agencies, hospitals and senior citizen facilities – any type of establishment that may have frequent need for taxicab services. For pedicab analysis, only downtown hotels, restaurants, and bars were surveyed. A total of 135 usable surveys were returned for a general response rate of 20%. As one might expect, for downtown hotels, which cater to the Austin visitor, the response rate was 36%. These response rates would be considered good for a general attitude survey of this type. In summary, this survey provides a sampling of the opinions regarding local taxi and pedicab services in the Austin Metro area by individuals calling for or using taxicabs on a frequent basis.

The questionnaires included several types of questions. The first part asked respondents to tell us which companies they used most often. The second part included a series of close-ended questions with attitudinal (order) choice. These questions were used to seek their view of arrival time, driver professionalism, vehicle quality, and so on. The last part consisted of open-ended questions asking respondents for any comments they may have regarding their local taxicab and/or pedicab service. Following is a summary of the results of these surveys by user type.

Austin Taxi Service Questionnaire Results

The following is a summary of the responses and rating of local Austin taxi operations and their companies from both downtown and then other hotels. Since there is great concern for taxi service to be available at hotels for visitors, hotels were specifically broken out of the study responses. A summary of each category of survey respondents will be presented first with their evaluations and then a summary of their comments regarding current taxicab services in the Austin metropolitan area.

Austin TAXI Service Questionnaire Results (Hotels)**Question 1 Summary**

Which taxicab companies do you regularly call for service?

DOWNTOWN HOTELS:

Austin Cab Co.	6
Lone Star Cab	2
Yellow Cab Co.	11

NON-DOWNTOWN HOTELS:

Austin Cab Co.	11
Lone Star Cab	4
Yellow Cab Co.	47

COMBINED:

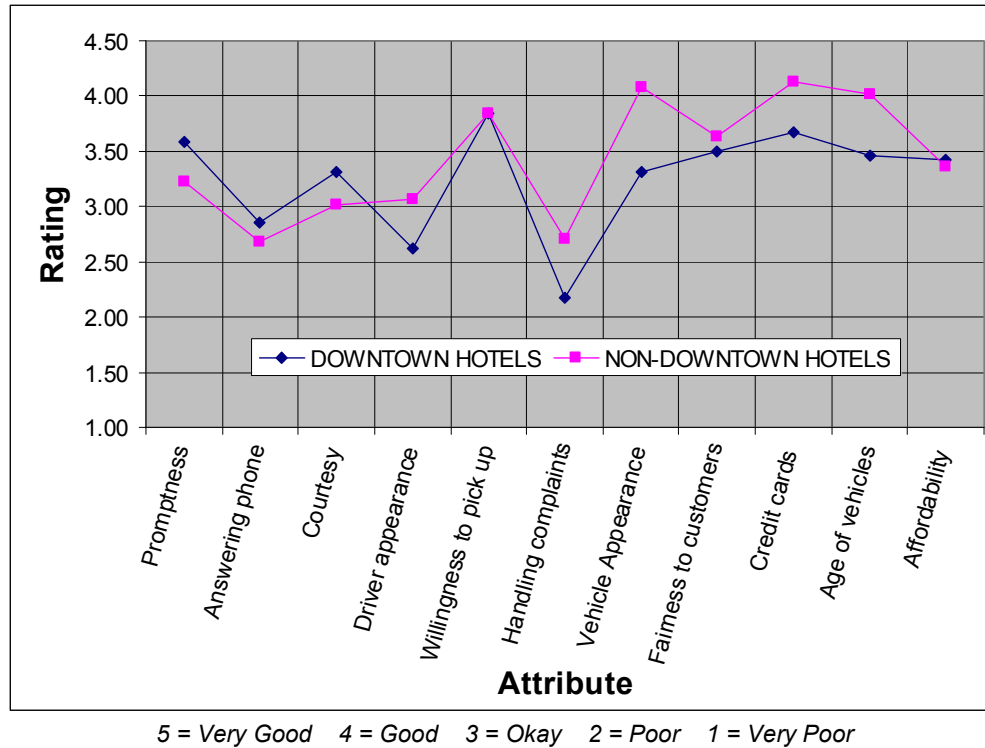
Austin Cab Co.	17
Lone Star Cab	6
Yellow Cab Co.	58

Other cab companies mentioned: J&G, Ace, Roy's Charter, Austin Awaits

Question 2 Summary

What is the average wait time for a taxicab to arrive after being called?

DOWNTOWN HOTELS:		%
Less than 5 minutes	4	33%
5-10 minutes	3	25%
10-15 minutes	3	25%
15-20 minutes	0	0%
20-30 minutes	2	17%
More than 30 minutes	0	0%
NON-DOWNTOWN HOTELS:		%
Less than 5 minutes	1	2%
5-10 minutes	11	21%
10-15 minutes	18	35%
15-20 minutes	7	13%
20-30 minutes	9	17%
More than 30 minutes	6	12%
COMBINED:		%
Less than 5 minutes	5	8%
5-10 minutes	14	22%
10-15 minutes	21	33%
15-20 minutes	7	11%
20-30 minutes	11	17%
More than 30 minutes	6	9%



Question 4 Summary

Do you arrange airport transfers for your guests?

	Yes	%	No	%
DOWNTOWN HOTELS:	11	92%	1	8%
NON-DOWNTOWN HOTELS:	34	69%	15	31%
COMBINED:	45	74%	16	26%

COMPANIES MENTIONED: Yellow Cab Company(27); Super Shuttle (25); "cab" (7); "courtesy shuttle" (6); Austin Cab Company(3); Lone Star Cab (3); R&R Limo (3); J&G (2); Ace Taxi (1); Aus-Tex Limo (1); Execu-Car (1); Roy's Charter (1)

ARRANGEMENTS: by phone (31); online or by e-mail (22); by front desk or guest services (10); by appointment (1)

Question 5 Summary

Do you provide your guests with other forms of ground transportation such as courtesy shuttle services?

	Yes	%	No	%
DOWNTOWN HOTELS:	2	15%	11	85%
NON-DOWNTOWN HOTELS:	20	43%	27	57%
COMBINED:	22	37%	38	63%

Question 6 Summary

Do you arrange shuttle, limousine, bus or van service for your guests?

	Yes	%	No	%
DOWNTOWN HOTELS:	13	100%	0	0%
NON-DOWNTOWN HOTELS:	34	74%	12	26%
COMBINED:	47	80%	12	20%

COMPANIES MENTIONED: Super Shuttle (28); R&R (10); J&G (4); Yellow Cab Company (4); Austin Awaits (3); Execu-Car (3); Blue Shuttle (2); Corey Limo (2); AAA Limos (1); A-1 (1); Austin Charter Service (1); Blue Van (1); City-wide Express (1); Crown (1); D-man (1); Elite (1); Larry Price Limo (1); Lone Star Cab(1); Longhorn Limo (1); Metro Bus (1); Mobile Jet (1); Roy's Charter (1); "cab" (1); "courtesy shuttle" (1); "sedan" (1); "shuttle" (1)

ARRANGEMENTS: by phone (28); online or by e-mail (9); by front desk or guest services (5); by guest (3); by appointment (1); "armbands" (1)

This following question represented an opportunity for respondents to provide any written comments regarding Austin's taxi service and taxi companies. These comments

are broken down into positive, negative, and neutral comments. As shown, some comments appear to offset each other's experiences. One respondent may praise a company highly while another feels it needs considerable improvement.

Overall, however, the vast majority of these comments are negative regarding taxi service. The most negative comments appear to be coming from other than downtown hotels and restaurants – or the segment of taxi users we would call “visitors”.

Question 7 Summary

Please list any comments you would like to make regarding taxicab or ground transportation services in Austin:

Downtown Hotels:

+	-	n/a	#	Comments
	1		1	Yellow Cab Company was awful for a while; not answering calls, not picking people up, etc.; lately it seems a little better; the other cab companies take too long to pick people up; probably because they have smaller fleets
	1		2	Some non-smoking cabs have drivers that smoke in the cabs
		1	3	All should accept credit cards
		1	4	Super Shuttle is clean & provides far greater service than cab companies
	1		5	Sometimes when cabs are busy they take their phone off the hook
	1		6	Taxi-cabs only want fares that go to the airport; most of the cab drivers get mad & rude to our guests if they are not going to the airport; also on nights that are busy, cabs decide to take off of work
	1		7	Yellow Cab Co. can be very unreliable & on multiple occasions guests have waited a few hours for a cab
	1		8	Improve cleanliness inside vehicles; better appearance of drivers in grooming & attire; hire drivers who are knowledgeable of local destinations
	1		11	Drivers can use better knowledge of area so guests don't pay money for drivers' errors
	1		12	Improved training for drivers so they can get to commonly asked destinations; appears to be frequent cell phone usage by drivers
	1		13	In general most of the drivers are completely inept navigating the city; a high number are not proficient in English; a high number are rude or unwilling to provide transportation to close destinations
0	9	2		
0%	82%	18%		

Non-downtown Hotels:

+	-	n/a	#	Comments
	1		2	During large events or holidays, cabs will go on over 1-2 hour wait; the phone lines of Yellow Cab Co. are very undependable
	1		4	Special events severely strain the system with the worst case scenario having the guest call back every 15 min. to say they still want the cab; sometimes the cab companies' phone system gets overloaded to the point it won't accept calls or will automatically drop calls
	1		6	Busy holidays it can be impossible to get a cab

1			7	Yellow Cab Co. has been overall a good taxi company; my only complaint is that often guests are waiting for over 30 min. for a shuttle; the customer service reps on the phone are extremely helpful
	1		8	There is sometimes discrimination; if a customer doesn't appear "American" they are often driven the long way to their destination & if guests are drunken this also occurs; e.g. \$80 from Parmer Lane to 6th St. is a common fee for party goers
	1		9	Poor customer service; a cabby missed pulling up to the back door so he backed up very fast & my husband (holding our 19 month old daughter) had to dodge from getting hit
	1		10	Taxi cabs are extremely difficult to get hold of on weekends (Fri & Sat) & especially during major events - impossible! Appearance of cab drivers is sometimes SCARY!
	1		11	Yellow Cab Co. drivers often arrive for a guest & do not announce that they are here; if they do it is usually rudely; some wait times on a normal day way too long. During major events (SXSW etc..) extremely poor service
	1		12	Taxi service during Austin's big events is embarrassing; our guests are shocked at the lack of drivers & wait times, not to mention cost; drivers during this time often leave without letting us know they are here, or pick up the wrong riders
	1		15	City of Austin transportation officials changed their interpretation of city ordinances; the city officials do not work with stakeholders & preferential treatment is given by ground transportation officers to cab companies
		1	19	More taxis for special events (SXSW, Halloween, New Years)
	1		21	On Friday & Saturday nights, taxi service is terrible; long waits & phone calls are not picked up
	1		22	Taxi drivers have a terrible attitude taking guest from the airport to the hotel; the taxi drivers feel it is too short a drive & not worth their time; they are also rude as hell to our customers
	1		23	Since we are so close to the airport our guests often comment on how rudely they were treated by the driver because of low fare
1			24	Have a good service
		1	26	A set rate for airport service would be appreciated; the cabs fluctuate between \$35 & \$55 right now
		1	27	Please inform on-line reservations when there is an issue so that we may call to order
		1	29	Yellow Cab Co.'s website w/hotel departure tab extremely helpful; wish there was a way to cancel/adjust cabs on-line as well
	1		30	Getting any taxi to come to the hotel after 7pm on Friday or Saturday nights is nearly impossible; wait times are astronomical & often they just don't show up at all
	1		31	Not enough cabs
1			32	Due to the low volume of work week traffic for taxi services, Austin cab companies frequently seem over matched during high volume event periods; Yellow Cab Co. though occasionally noticeably backed up, is extremely reliable & fair & account for the majority of taxi service from our hotel in part due to user friendly website
		1	33	Yellow Cab Co. drivers are always happy to accept credit cards; Austin Cab Company is rarely so accepting; otherwise section 3 is the same for both companies
	1		34	During large events there are not enough taxis nor are they willing to travel "outside" the downtown area
	1		35	Unfortunately the reliability of the taxi service in Austin has caused serious issues with missed pickups & pushed us away from using any taxis
	1		36	During peak times there are never enough taxis available
	1		37	Some drivers get upset if they have to come from the airport & pick up a guest & take them back; very hard to get someone by phone; very poor service for a cab company which we give a lot of business to
	1		38	Taxi drivers want to argue about fare in front of our guests - their customers; it's embarrassing; more prompt service from Yellow Cab Co. when taxi is ordered on-line vs. over the phone
	1		39	To be more prompt to pick up

	1		41	Yellow Cab Co. should have a way to cancel on-line; cabs often have stuff all over the front seat making it hard for parties of 4 to sit; arrival time needs to be improved
		1	42	During SXSW & ACL it is nearly impossible for our guests to get a cab, & in my opinion is embarrassing to the city of Austin; all the other times it's great - I have no complaints about it most of the time when events aren't happening; except that I wish Yellow Cab Co. would offer an online cancellation option; we can book on-line but if we need to cancel we have to call and by the time we get through, the cab has already shown up & the cabby is angry with us that we didn't cancel
		1	45	Satisfied with service; occasionally we have a driver attempt to eat at our buffet or take coffee which we report to cab company; should not be doing this
	1		46	During busy times in Austin, specifically South by Southwest cab drivers try to rip off customer by driving out of their way & say the credit card machine is not working; very unprofessional
3	22	7		
9%	69%	22%		

COMBINED:

+	-	n/a
3	31	9
7%	72%	21%

Surveys were also sent and received from additional establishments such as restaurants, entertainment venues, shopping centers, and facilities where taxis might be expected to be called by the establishments for the benefit of their users. Following is a summary of their responses.

Austin TAXI Service Questionnaire Results (Restaurants)**Question 1 Summary**

Which taxicab companies do you regularly call for service?

DOWNTOWN RESTAURANTS:

Austin Cab Co.	11
Lone Star Cab	6
Yellow Cab Co.	39

NON-DOWNTOWN RESTAURANTS:

Austin Cab Co.	5
Lone Star Cab	1
Yellow Cab Co.	13

COMBINED:

Austin Cab Co.	16
Lone Star Cab	7
Yellow Cab Co.	52

Other cab companies mentioned: Discount Cab, "pedicabs"

Question 2 Summary

What is the average wait time for a taxicab to arrive after being called?

DOWNTOWN RESTAURANTS/BARS:		%
Less than 5 minutes	2	4%
5-10 minutes	5	11%
10-15 minutes	9	20%
15-20 minutes	3	7%
20-30 minutes	25	54%
More than 30 minutes	2	4%
NON-DOWNTOWN RESTAURANTS/BARS:		%
Less than 5 minutes	0	0%
5-10 minutes	3	20%
10-15 minutes	2	13%
15-20 minutes	3	20%
20-30 minutes	5	33%
More than 30 minutes	2	13%
COMBINED:		%
Less than 5 minutes	2	3%
5-10 minutes	8	13%
10-15 minutes	11	18%
15-20 minutes	6	10%
20-30 minutes	30	49%
More than 30 minutes	4	7%

Question 3 Summary

How would you rate the taxi service you presently receive?

	DOWNTOWN RESTAURANTS/BARS	NON-DOWNTOWN RESTAURANTS/BARS	COMBINED
Promptness	3.29	3.20	3.2
Answering phone	2.88	3.67	3.3
Courtesy	3.31	4.00	3.7
Driver appearance	3.13	3.71	3.4
Willingness to pick up	3.68	3.80	3.7
Handling complaints	2.64	3.29	3.0
Vehicle Appearance	3.59	4.00	3.8
Fairness to customers	3.51	3.55	3.5
Credit cards	3.41	4.08	3.7
Age of vehicles	3.42	3.85	3.6
Affordability	3.32	3.77	3.5

5 = Very Good 4 = Good 3 = Okay 2 = Poor 1 = Very Poor

Question 4 Summary

Do you arrange airport transfers for your customers?

DOWNTOWN RESTAURANTS/BARS:

Yes	%	No	%
4	10%	37	90%

NON-DOWNTOWN RESTAURANTS/BARS:	3	20%	12	80%
COMBINED:	7	13%	49	88%

COMPANIES MENTIONED: Yellow Cab Co. (5); Super Shuttle (1); Carey Limo (1); "pedicab" (1)

ARRANGEMENTS: by phone (4); online (1); by guest services (2)

Question 5 Summary

Please list any comments you would like to make regarding taxicab or ground transportation services in Austin:

Downtown Restaurants/Bars:

+	-	n/a	#	Comments
	1		2	Perhaps have some preference/priority for restaurant guests; pick-up during primetimes on weekend and busy nights; also credit card acceptance should not be made begrudgingly
	1		5	Taxi service gets overwhelmed during events - ACL, SXSW, big conventions; they don't or can't adjust
	1		6	Need a cab stand; cabs stop in middle of road and stop traffic all the time; need to be parked better
	1		7	The taxi waiting for customers at the Hilton Hotel (one block away) overflow their taxi stand and consequently take away all the parking spots on our block; our customers cannot access us anymore as there are no more parking spaces
	1		9	Difficult at times when needed most of course on Fridays & Saturdays
	1		10	Need for cabs available during downtown events and inclement weather
	1		11	During busy hours (weekend nights), they are easy to come by; however we have never had success in reserving a cab in advance and have difficulty on slow nights (Sunday-Tuesday) and after 1:35 am on weekends
	1		13	I think when business is slow you get prompt service; however, when it's busy some drivers refuse to do pick-up for short distances; this has happened to customers and to me personally several times; most if not all cab drivers have a problem with accepting credit cards even though it is posted on their cabs that credit cards are accepted
	1		14	Very hard to get the city to work out a cab stand for 2nd Street district; also when the city is busy, there are times every cab company is unreachable by phone
	1		16	Tend to be fewer cabs in early and slow parts of the week; which is when we usually have business travelers looking for transportation
	1		17	Most of the time we call cabs for our guests only on weekends; it's been my experience that the cab company doesn't even answer the phone and generally takes a long time for the cab to arrive if we do get through
	1		21	Yellow Cab Co. as well as other companies are known for taking a customer if the fare is going to take too long and not allow them to get back downtown fast enough
	1		23	There is a cab stand across the street; calling is a waste of time because they take too long to show up; we just send guests to 6th & San-Jac Northeast corner to grab a cab
		1	24	Average

		1	28	We would love to have phone numbers to call for a pedicab pick-up; downtown area by campus and capital needs more pedicabs
	1		29	It's as poor a quality overall service as any city I've ever seen or witnessed
	1		30	Car drivers (ordinary drivers - cab drivers) need to be more aware of and patient about pedicab and bicycle riders
	1		32	Cabs are more willing to take in hotel pick-ups rather than us across the street
1			34	So far, so good
	1		37	The taxi cab system in Austin is atrocious and by the far the worst in any metropolitan area I've ever seen; Austin has one of the highest DUI/DWI rates in Texas that I believe is supported by the lack of public transportation; I listed the average wait time at around 30 minutes but that is only when there is nothing else going on; throw SXSW or ACL into the mix and times goes well over an hour; even then oftentimes cabs will arrive and take the first rider they see instead of calling the person that has supplied their phone number; it is very apparent that transportation was an after thought in the grand plan in a city that has grown exponentially over the years, our state capital even; this is completely unacceptable; there are so many business owners and operators that feel this way; thank you for reaching out to our community; please let us know if we can help remedy this issue
	1		38	Yellow Cab Co. is typically very hard to get hold of; their drivers hate taking credit cards; they are not very nice and usually smell of cigarettes
	1		39	I strongly think there should be more taxicabs available in Austin; the city is growing and there are not enough cabs or options of transportation for people going out in the downtown area; there are also inconsistencies in the times of arrival when cabs are called; sometimes they arrive very quickly and other times they take over 30 minutes; if there were more companies or more cabs available in the city, this would make things more consistent
	1		40	The courtesy by the dispatchers lacks at times; an estimate on time that remains accurate would be helpful
	1		41	Yellow Cab Co. regularly does not answer when called for cab service; very poor
1	21	2		
4%	88%	8%		

Non-downtown Restaurants/Bars:

+	-	n/a	#	Comments
	1		3	An improvement in their attitude about accepting credit cards for payment
	1		5	We have a hard time reaching the cab companies on the phone during weekends and special events; during festivals such as SXSW. It is nearly impossible to get a cab as we are not downtown; we have resorted to calling an individual driver when needed, and he is always very reliable
		1	6	Would love to be a "Stop" for cabs coming this way or a bus from airports or even a city bus
	1		8	We simply need more taxis during peak weekends and during festivals, etc.
	1		11	Horrible service on weekends; cannot talk to anyone since everything is automated and cannot order a cab on-line since we have a firewall on our internet
	1		12	1) I do not often see the cab's condition nor driver's, and I don't know anything about payment; 2) haven't had to complain; 3) obviously during SXSW the wait can be 2-3 hours instead of 10-20 minutes and also during ACL, etc., high traffic times
		1	13	Wait times can be really long; cabs are less available in East Austin; late night cab service is nearly impossible; cab drivers in Austin are more friendly than anywhere in the U.S.
0	5	2		
0%	71%	29%		

COMBINED:

+	-	n/a
1	26	4
3%	84%	13%

Question 1 Summary**Which taxicab companies do you regularly call for service?****HOSPITALS:**

Austin Cab Co.	2
Lone Star Cab	0
Yellow Cab Co.	3

ASSISTED LIVING FACILITIES:

Austin Cab Co.	2
Lone Star Cab	0
Yellow Cab Co.	7

COMBINED:

Austin Cab Co.	4
Lone Star Cab	0
Yellow Cab Co.	10

Other cab companies mentioned: Discount Cab, "pedicabs"

Question 2 Summary**What is the average wait time for a taxicab to arrive after being called?****HOSPITALS:**

		%
Less than 5 minutes	0	0%
5-10 minutes	1	20%
10-15 minutes	0	0%
15-20 minutes	2	40%
20-30 minutes	0	0%

More than 30 minutes	2	40%
ASSISTED LIVING FACILITIES:		
		%
Less than 5 minutes	0	0%
5-10 minutes	2	20%
10-15 minutes	5	50%
15-20 minutes	0	0%
20-30 minutes	3	30%
More than 30 minutes	0	0%
COMBINED:		
		%
Less than 5 minutes	0	0%
5-10 minutes	3	20%
10-15 minutes	5	33%
15-20 minutes	2	13%
20-30 minutes	3	20%
More than 30 minutes	2	13%

Question 3 Summary

How would you rate the taxi service you presently receive?

	HOSPITALS	ASSISTED LIVING FACILITIES	COMBINED
Promptness	3.50	4.10	3.8
Answering phone	4.00	3.78	3.9
Courtesy	3.60	4.10	3.9
Driver appearance	3.60	4.11	3.9
Willingness to pick up	4.00	4.40	4.2
Handling complaints	3.00	4.13	3.6
Vehicle Appearance	4.00	4.30	4.2
Fairness to customers	3.60	4.22	3.9
Credit cards	3.33	3.88	3.6
Age of vehicles	3.50	4.00	3.8

Affordability	3.40	3.50	3.5
---------------	------	------	-----

5 = Very Good 4 = Good 3 = Okay 2 = Poor 1 = Very Poor

Question 4 Summary

Do you arrange airport transfers for your customers?

	Yes	%	No	%
HOSPITALS:	1	17%	5	83%
ASSISTED LIVING FACILITIES:	4	40%	6	60%
COMBINED:	5	31%	11	69%

COMPANIES MENTIONED: Yellow Cab Co. (2); America Southwest (1)

ARRANGEMENTS: by phone (2); by staff (3)

Question 5 Summary

Please list any comments you would like to make regarding taxicab or ground transportation services in Austin:

Hospitals:

+	-	n/a	#	Comments
1			6	Yellow Cab Co. is very good at arriving on time; drivers are very courteous with our guests here at the Seton League House
1	0	0		
100%	0%	0%		

Assisted Living Facilities:

+	-	n/a	#	Comments
1			2	Never had a problem
1			6	Wait time could be better; there are some drivers that are very good - just don't get them all the time
		1	7	We usually call days before to schedule pick-ups
		1	8	Rarely call on cab service; expensive for residents

		1	9	Austin needs more cabs that are wheelchair accessible, especially with the population aging. It is currently a need and will become even more in the future.
2	0	3		
40%	0%	60%		

COMBINED:

+	-	n/a
3	0	3
50%	0%	50%

As noted, while it would appear that there has been some improvement in the appearance of taxicabs and their drivers, these comments would indicate that many still find the service to be less than desirable, and, in some cases, embarrassing for the community and the impression it gives visitors.

Comparative Analysis:

Following is a table depicting values from a similar study performed in other cities:

Service	Dallas	Orlando	Orlando	Miami	Winnipeg	Regina	Saskatoon	San Antonio	Austin
Promptness	3.54	3.44	4.44	3.5	2.8	3.9	3.5	4.17	3.4
Answer Phone	3.61	3.77	4.77	3.9	2.9	3.9	3.3	4.36	2.8
Courtesy	3.02	3.69	4.69	3.4	3.3	3.7	3.8	4.04	3.2
Appear/Driver	2.69	3.61	4.61	3	3.4	3.4	3.7	3.68	2.8
Willingness	3.87	3.85	4.85	3.5	3.2	4.5	4.1	4.2	3.9
Handling	2.7	3.33	4.33	2.9	2.7	3.5	3.3	3.21	2.4
Appear/Vehicle	3.31	4.05	5.05	3.3	4	3.8	4.4	4.38	3.7
Credit Cards	3.25	3.62	4.62	3	3.2	NA	3.6	4.39	3.9
Fares/Costs	3.1	3.1	4.1	NA	3.5	NA		3.96	3.4

very good:5 / good:4 / Okay:3 / poor:2 / very poor:1

As shown by these comparisons with other cities, Austin cabs rank generally lower than taxi companies in other cities with regard to answering their phones, driver appearance, and handling of complains. Only the frequent taxi users of Dallas, Texas had

slightly lower driver appearance ratings. On the positive side however, Austin taxis as a whole ranked high on willingness to pick up and the acceptance of credit cards.

One should bear in mind that these were ratings across all taxicab companies in a community. Individual taxi company scores could be significantly different than their group scores for a community.

As shown by these summary statistics, written responses, and comparisons with other cities, there would appear to be considerable dissatisfaction with Austin taxicabs expressed by the frequent user groups represented in this survey. A 70 to 82% negative comment score on these scales could be taken as an immediate need for the community to address the issues raised by this survey. However, these negative results should not be viewed out of context. Readers should note that these respondents are individuals that could be expected to call for a taxi numerous times but not use it themselves. These frequent users are mostly in the hospitality industry where high levels of customer service are not only important but necessary for survival. Their attitudes and expectations are typically more demanding than the casual taxi user. However, their comments and valuations indicate serious problems exist with taxi service availability in the downtown area and elsewhere when there is a special event in town and on most weekend evenings. This correlates well with the results of the Secret Shopper reports.

While one could consider each question in detail, compile statistical comparisons, and attempt to point out minor differences within each group and across the other cities, it is typically more helpful to examine the general tone of the respondents and their overall attitudes within a specific city. As suspected, downtown hotels in Austin are perceived as receiving greater service levels than hotels outside of the downtown. Out-of-the-downtown hotels also report experiencing greater wait times when it is necessary to call a taxi and these hotels are more likely to arrange alternative transportation due to difficulties they may have experienced with taxis.

One common theme that comes up again and again is the problem of the short trip and unwillingness of drivers to provide the short trip when it is known ahead of time. This problem was never mentioned by the downtown hotel responses but was expressed time and time again by others in the study, especially those located close to the airport.

Another frequent and related issue appeared to be “no shows” when a party had been told by the dispatcher that a taxi had been dispatched. It would appear that a driver is accepting the call but if someone flags him on the way or a better opportunity comes up, the original call will be abandoned. This attitude of some drivers depicts a total lack of respect for customers and resulting ill will.

Other problem areas identified by the surveys were driver courtesy, driver appearance, and difficulty in getting through to the operator to request a taxi. The driver’s appearance and courtesy are obviously tied to their attitudes about how they should treat customers and how they care to be perceived by their customers. These are ranked as poor or only okay by the many of respondents and demonstrate a general feeling that improvements are necessary for some company drivers.

A final common problem depicted by these surveys was the complaint that drivers did not speak English or appear to be able to understand their customers. This “problem” has apparently been recognized by the City of Austin officials.

Descriptions of Existing Austin Taxi Companies

During the past several months interviews were conducted with officials of all Austin taxi franchise firms. Following is a brief description of these taxicab firms, their facilities, their owners' concerns, and summary of operational data where available.

Yellow Cab Company

Yellow Cab Co. is owned as one of the operating companies of Texas Taxis, a holding company. Texas Taxis is owned by Steve Harter. He is a long time financier and investor in transportation companies. Other major taxi companies owned by Texas Taxis would include large operations in San Antonio and Houston. The holding company prefers to invest in taxi companies where they can obtain 50% or more of the available taxi permits. They then apply considerable capital and management expertise to modernize vehicles and facilities as well as investing in additional personnel to provide marketing and expansion of the taxi market opportunities. This holding company, has successfully repaid its initial acquisition debt back to Main Street Capital Corporation in 2005 and appears to be successful at operating at a profit and reinvesting profits back into their operations.



Major Maintenance and Dispatch Facilities





The above pictures depict the high degree of taxi dispatch technology utilized by Yellow Cab Co. They have the ability to track each taxi via GPS and offer the requested trip to the closest taxicab or the taxi that has been in a particular zone the longest time and is in line to be first to either accept or reject the next trip. Dispatchers can view maps of pickup and drop-off points, and driver locations, thereby providing turn-by-turn directions of where to go should a driver require the assistance.

Such computerization also permits the taxi company to access the number of trips per taxi if the meter is utilized, locations of their trip origins, and provide important managerial and required regulatory information on the number of taxis needed on the streets, their best locations, and which cab is closest to the customer for swift and accurate service.

Data Analysis: Yellow Cab Company of Austin

Yellow Cab Co. of Austin has extensive electronic data that could be used to verify service area coverage, response and service times. Yellow Cab Co. maintains a

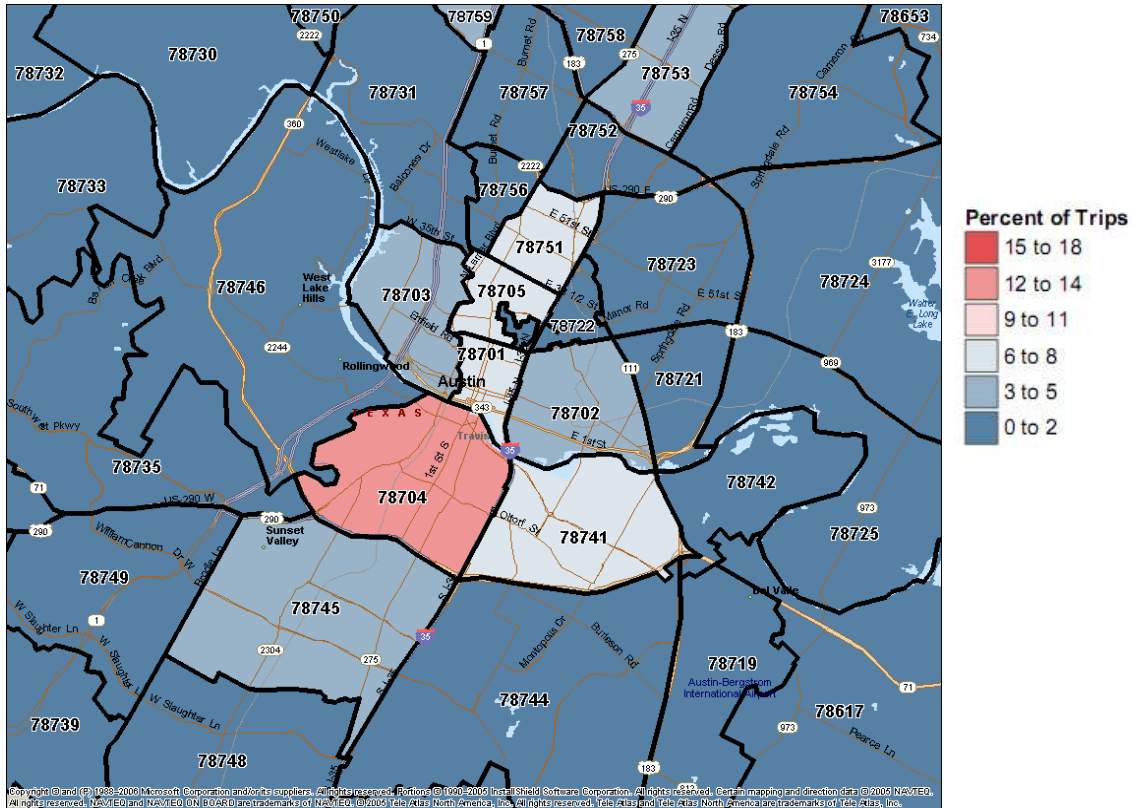
historical database of every call and data surrounding the disposition of that call for service. Electronic data for the entire year of 2010 was provided by the firm for this study. While they maintain their data by company zones, it was possible to overlay their zone areas roughly with zip code areas to determine the number of trips per zip code, average trips duration, average wait time, and the range of wait times. This data is presented below. Following is a statistical summary of Yellow Cab Co. and a Map-Point picture of their service density.

Number of Vehicles in Dispatch Data	464
# of Vehicles in All Meter Data	585
% of Vehicles with No Dispatch Trips in 2010	21%

Trip Type	Avg. # of Daily Trips	Std Dev
Dispatch Only	7.54	5.35
Dispatch & Flag	13.55	11.01

As shown, Yellow Cab Co. had a total of 585 vehicles in operation at some time during 2010 with 464 vehicles having both dispatch and “flag” trip data available. From this data base it is possible to generate Yellow Cab Co.’s service area for dispatched calls shown below. As one might expect, the largest percentage of Yellow Cab Co.’s calls, for taxi service come from the downtown and surrounding areas. However, as shown, Yellow Cab Co. does receive and service a significant number of service requests from all zip codes shown.

Yellow Cab Co. of Austin's Demand by Zip Code



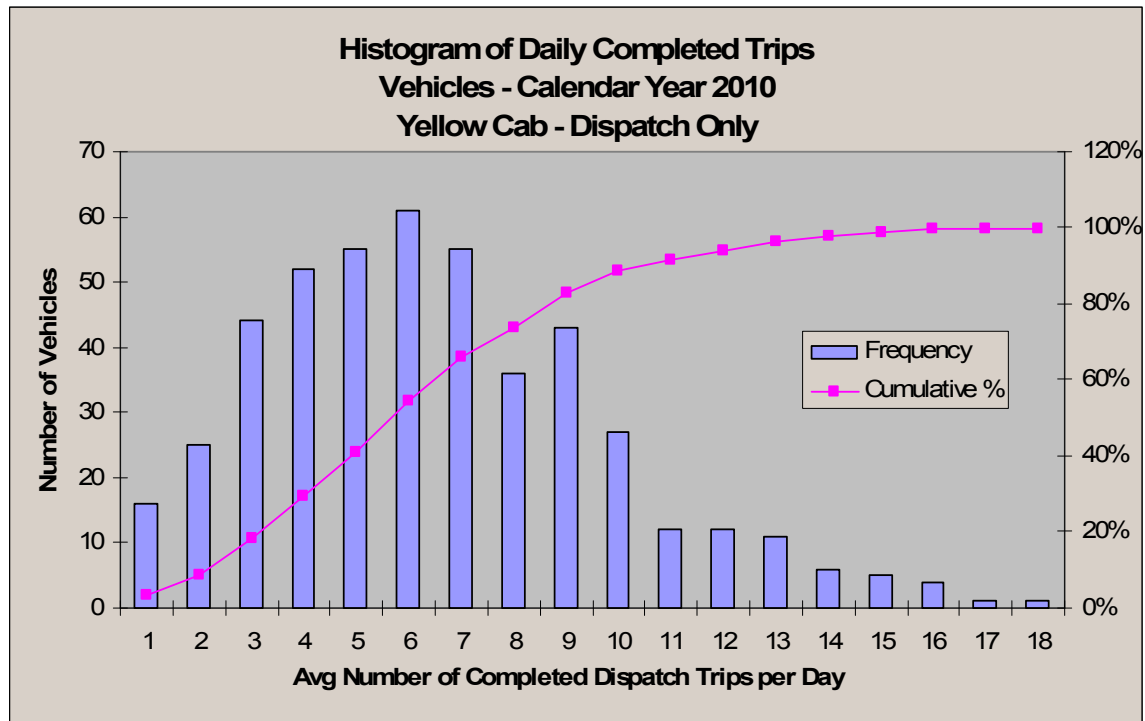
Average Wait

- 40 to 70
- 35 to 39
- 30 to 34
- 25 to 29
- 20 to 24
- 15 to 19
- 10 to 14
- 5 to 9

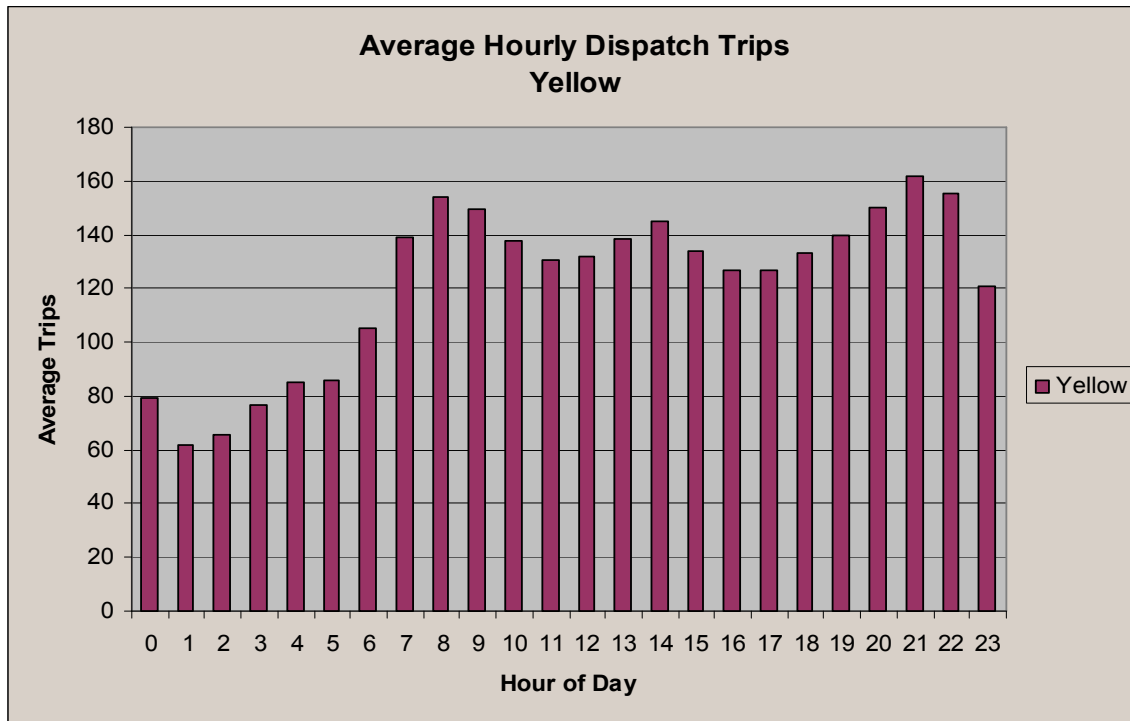
Copyright © and (P) 1998-2000 Microsoft Corporation and/or its suppliers. All rights reserved. Portions © 1990-2000 Intel®. All rights reserved. Certain mapping and direction data © 2005 NAVTEQ. NAVTEQ and NAVTEQ are trademarks of NAVTEQ. All other trademarks are the property of their respective owners.

As shown below, the “average” Yellow Cab Co. taxi made 7.54 dispatch trips per day and another 6.01 flag trips for a total of 13.55 trips per day. This statistical average is somewhat misleading because it does include a small number of vehicles that were double shifted and it does include some vehicles that were driven for a limited number of

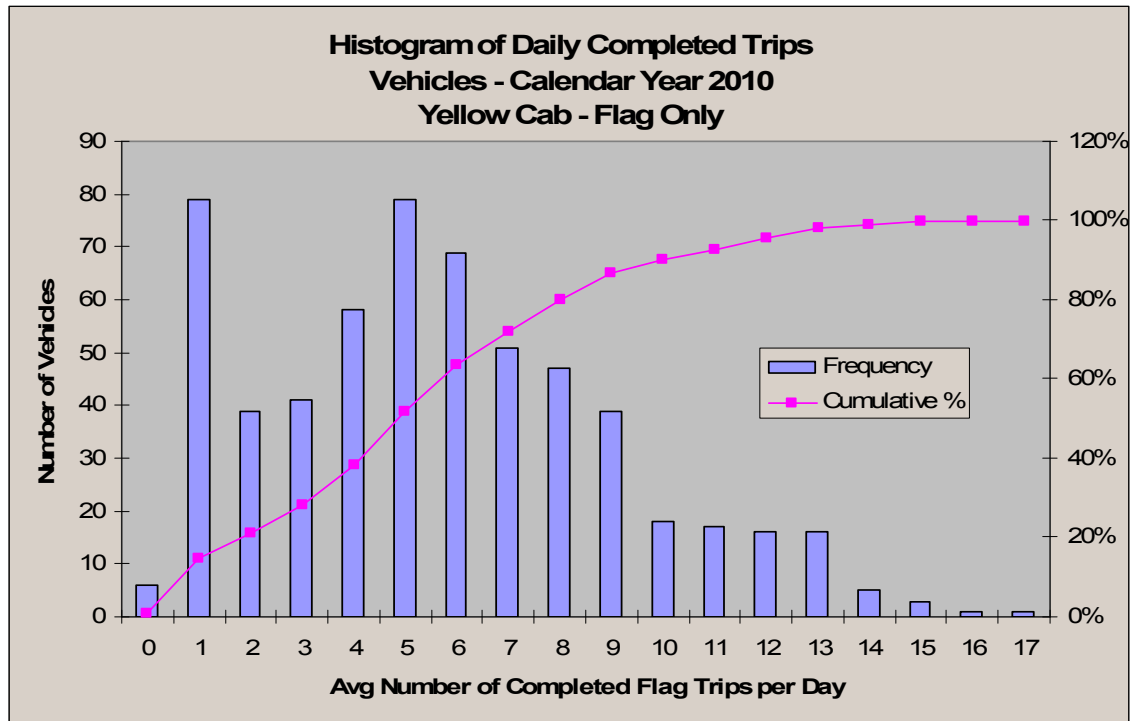
days. Most importantly, as will shown on the following histogram, this average does not reflect the wide range of trips per day achieved by some drivers and the lack of daily trips achieved by other drivers. The amount of economic activity a cab driver achieves is highly dependent upon how he or she works.



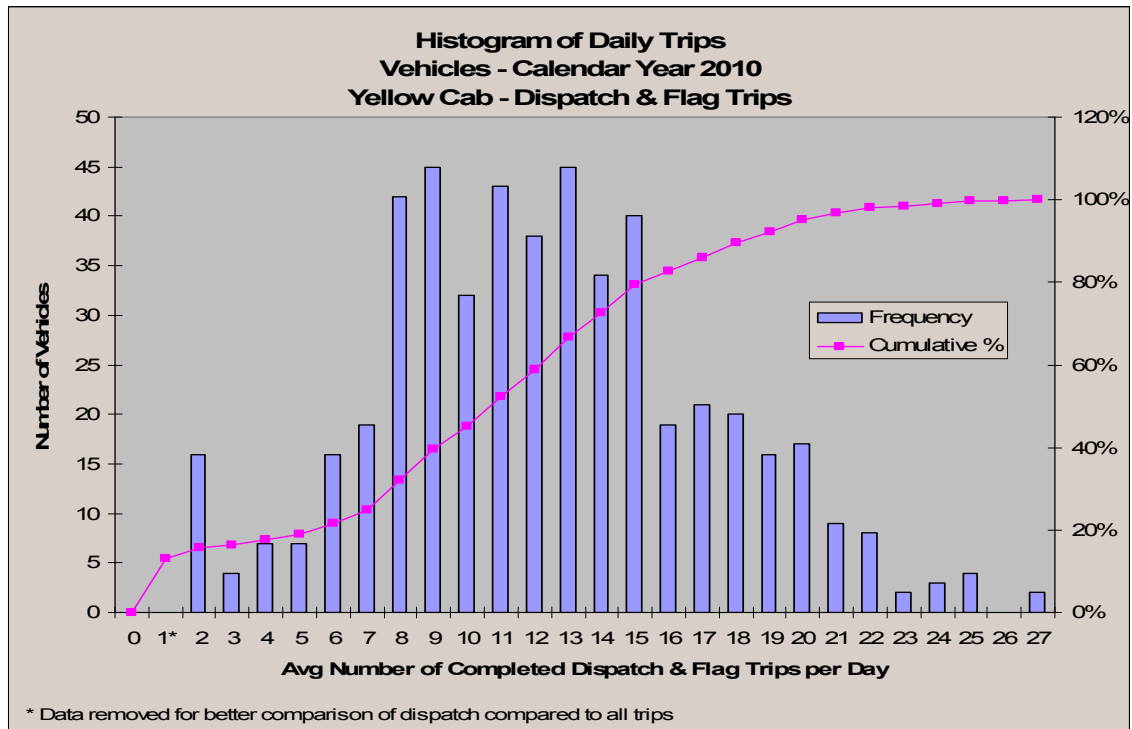
While this average number of dispatch calls per day per vehicle is between 6 and 7 trips, the range is all the way up to 18 calls per day, but only a few vehicles are able to achieve this high rate of productivity. Readers should note that 100 or more vehicles are averaging 9 or more dispatch trips per day.



As shown by this chart, dispatch call activity for Yellow Cab Co. of Austin remains strong throughout most of the day, averaging between 120 and 160 calls per hour.



In addition to dispatch calls, most Yellow Cab Co. drivers also participate in flag trips, which are recorded on their meter but are not dispatched. These may be airport, hotel, or other taxi stand pickups or hails on the street. As shown however, there is a wide range of averages per vehicle. Some apparently work dispatch exclusively and do not wait on taxi stands or the airport. Approximately 120 vehicles are operated this way. However, most Yellow Cab Co. drivers do participate in flag trips, averaging another 6 or 7 trips in addition to their flag trips. One should also note that some of these drivers, about 100 vehicles, achieve 10 to 17 flag trips per day in addition to their dispatch trips.



Combining both dispatch and flag trips for those vehicles used full time during the year 2010 results in the average of 13.55 trips per day. This also demonstrates the wide variation in trips possible under a Yellow Cab Co. of Austin permit lease. Some 20% of their vehicles achieve seven or fewer trips per day. With seven trips per day, the average revenue per trip of approximately \$16 with gratuities, this represents a gross income estimate of \$112 before expenses of \$50 per day for their lease (\$300 per week/6 days – assuming a six days week for the driver). Vehicle depreciation and gas which will vary but may average another \$30 to \$40 per day. Thus, in a worst case scenario, a driver could work a 12 hour shift and could make only \$32 for the day or \$2.67 per hour in an occupation that has no health benefits, paid days off, or company supported retirement program. It is hardly a job worth keeping!

But this seldom happens for long. Either a driver learns how to use their time more effectively or they quit the industry. Thus, there is always a high turnover of drivers who simply don't make enough money driving a cab and they leave the industry. Like any industry that requires a combination of skill and effort, there are those who excel and those who fail.

On the other hand, some 20% of Yellow Cab Co.'s vehicles average between 16 and 27 trips per day. With a conservative estimate of 22 trips per day, the vehicle would generate \$352 per day. After the same \$50 per day lease fee and \$40 for gas and other vehicle operating expenses per day, the residual remaining for the driver would be \$262 per day for a job that has no health benefits, paid days off, or company supported retirement program. For most, this represents a before tax income of slightly more than \$75,000 per year - a good job worth keeping!

Of course, 60% of Yellow Cab Co. of Austin drivers fall somewhere between the bottom and the top 20%, but most appear to make a decent livable wage if they can average 15 trips per day which would mean revenues of \$240 per day and expenses of up to \$80. Many Yellow Cab Co. drivers appear to try for somewhere between \$150 and \$200 per day in "take home" revenue. If they can make this in 6, 8, or 10 hours of driving and running personal errands, they go home. Most prefer not to double shift their vehicle and may work at different times of the day and evening when taxis are most busy.

A final point needs to be referenced with regard to the permit fees that a driver pays to Yellow Cab Co. of Austin for the its daily use. The \$300 per week covers vehicle insurance, marketing of the Yellow Can Co. brand, and most importantly dispatch calls. The \$50 per day a Yellow Cab Co. driver pays for permit also includes 6.5 dispatches per day or \$104 worth of business from dispatch alone.

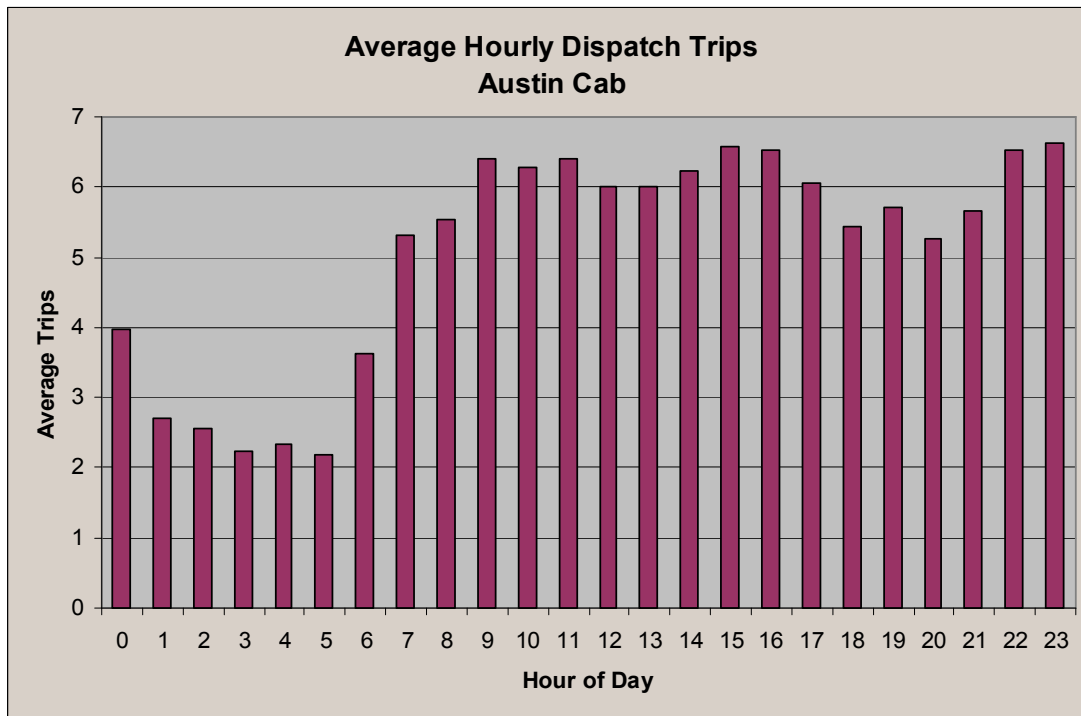
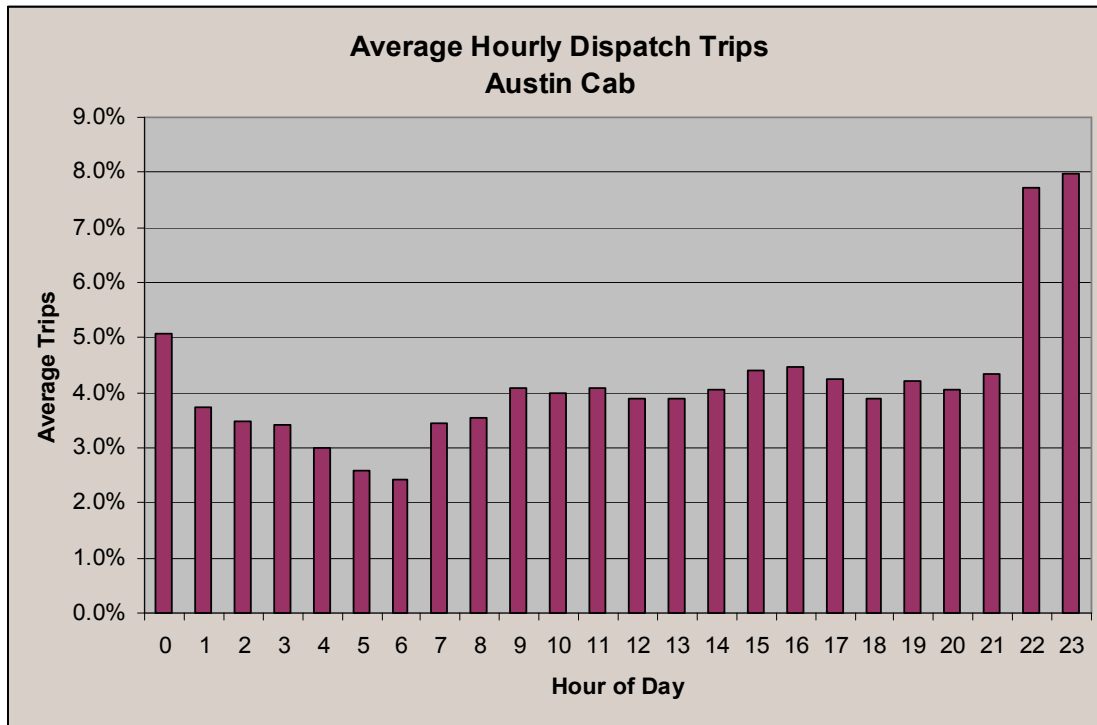
Austin Cab Company

Austin Cab Company is a well established, minority family owned cab company that has been in business nearly 40 years and has served the local community very well over its years of existence. As shown in the photos above and below, the firm has a computerized dispatch system, modern facilities, a driver lounge, on-site owner managers, and a professional appearance/orientation for both its taxi and limousine/van division. It has received many awards for its service to the community over the years. However, since most of its vehicles are driven by owner-operator drivers, its garage and repair/maintenance facilities are limited.



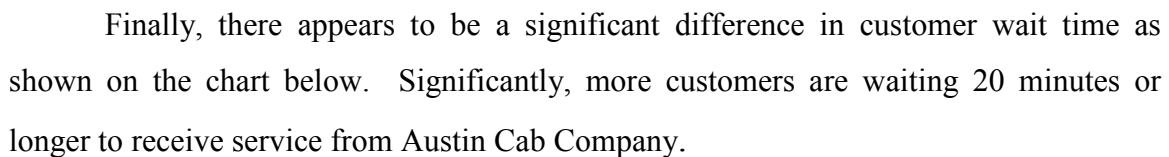
Data Analysis: Austin Cab Company of Austin

However, Austin Cab Company, operating with 159 taxis as opposed to Yellow Cab Co.'s 455 is unable to generate nowhere near the number of dispatch calls of its larger competitor. As shown below, while Yellow Cab Co is generating between 120 to 160 calls per hour for taxi service, Austin Cab Company processes only 6 to 7 calls per hour during normal business hours from 7a.m. to 12p.m, with a significant portion of these trips being requested between the hours of 10 to 12 midnight.

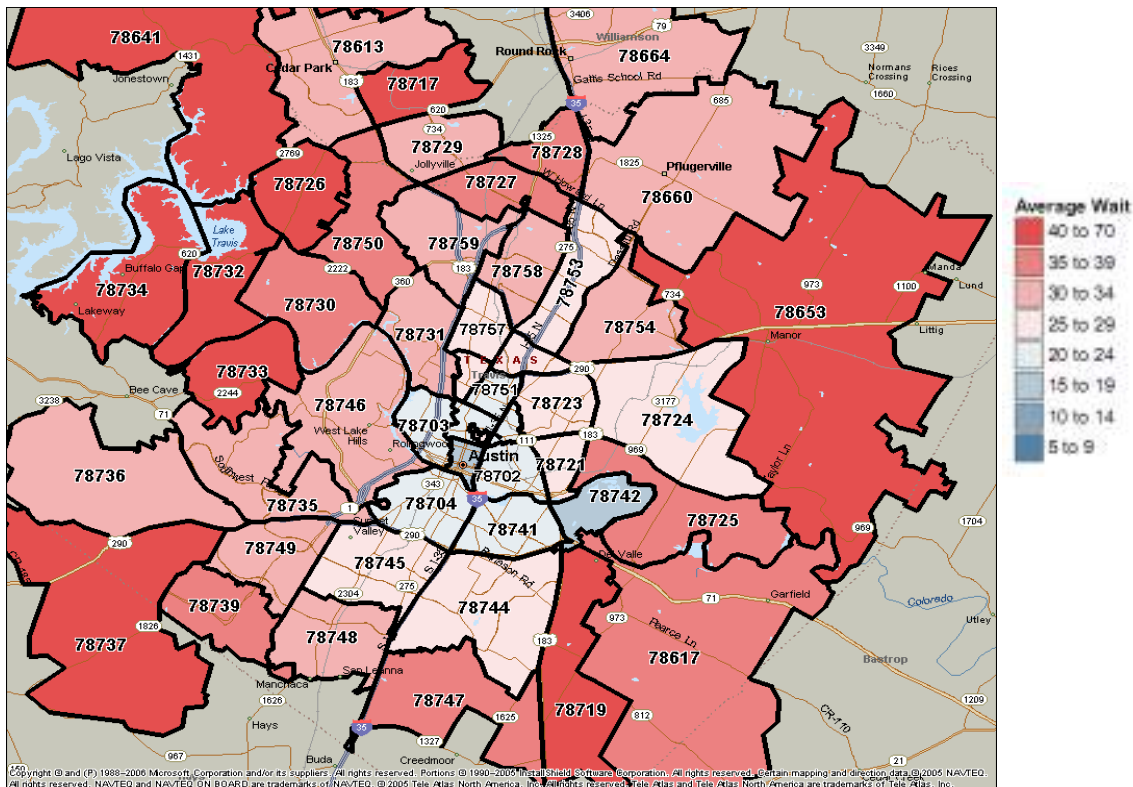


Another significant difference between Yellow Cab Co. of Austin and Austin Cab Company is their primary service areas. While Yellow Cab Co. has spread their

Austin Cab Company Demand by Zip Code



Austin Cab Co. Wait Time in Minutes by Zip Code



Lone Star Cab Company

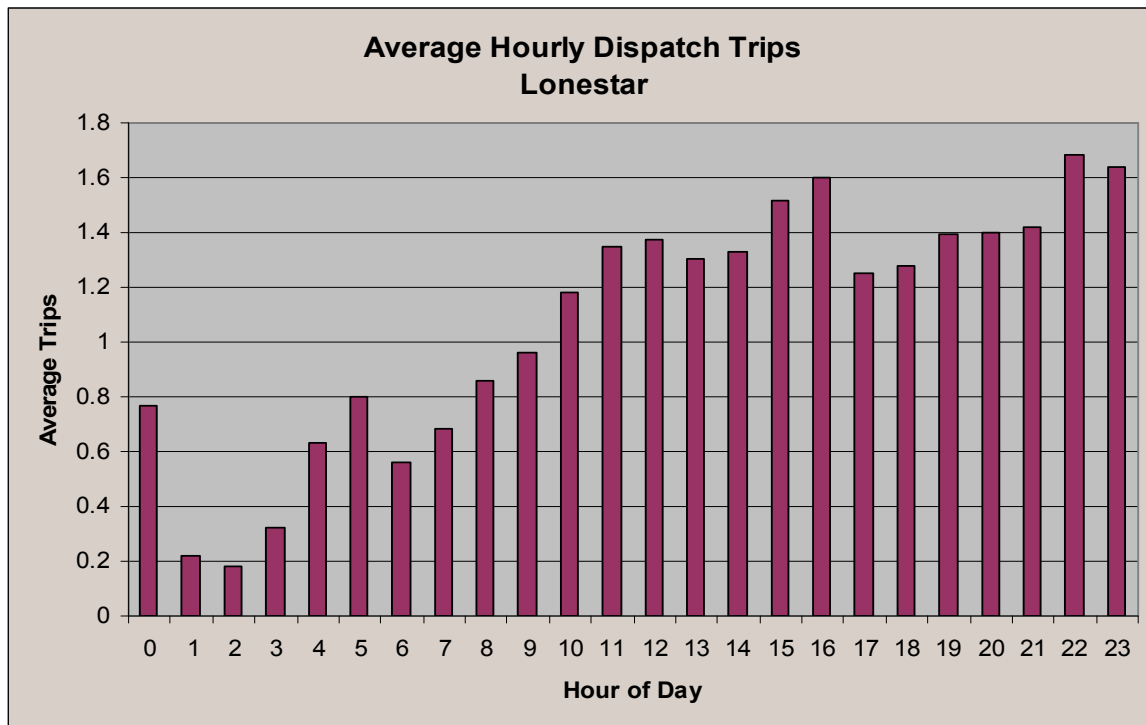
Lone Star Cab is the youngest cab company in Austin, having been recently been formed by action of the City Council for the creation of a third taxi company for the City. The City initially granted Lone Star Cab 50 taxi permits and the firm has been able to add several more permits for a present total of 55 permits. Originally projected to be a taxi owner association, it quickly became a regular taxi franchise operation similar in organizational structure to Yellow Cab Co. of Austin and Austin Cab Company.

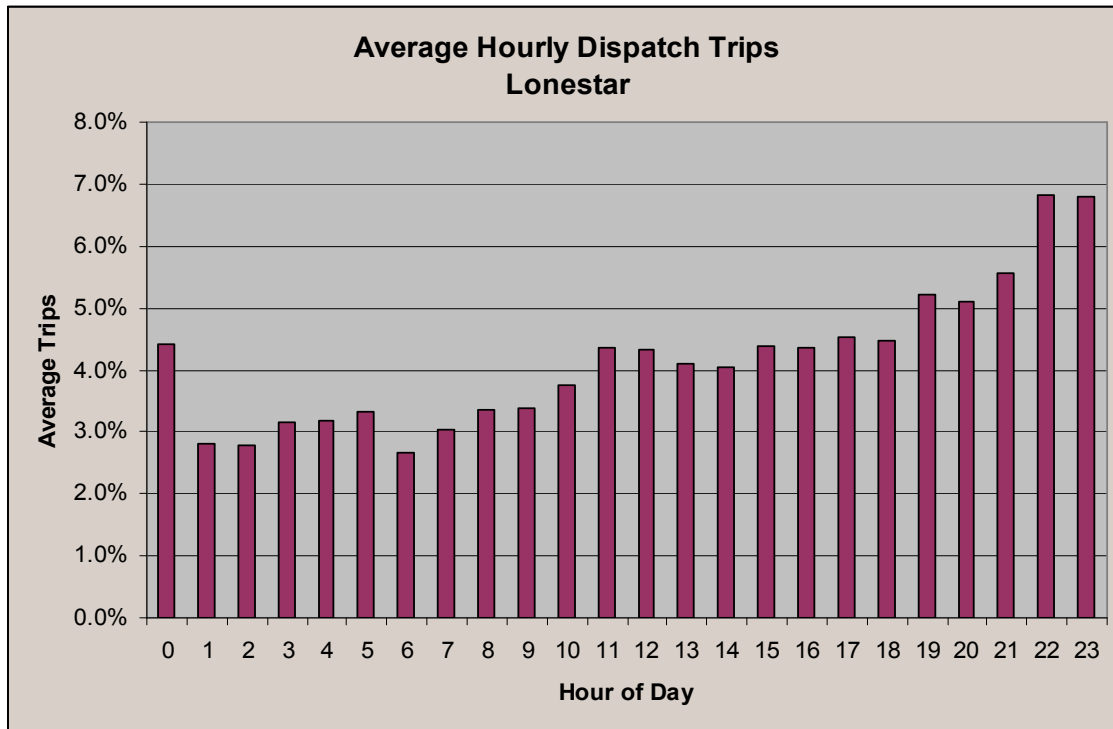
As shown, the operation is housed in clean, modern facilities with space available for dispatch, driver's training area, and for light maintenance on their vehicles.



Data Analysis: Lone Star Cab Company of Austin

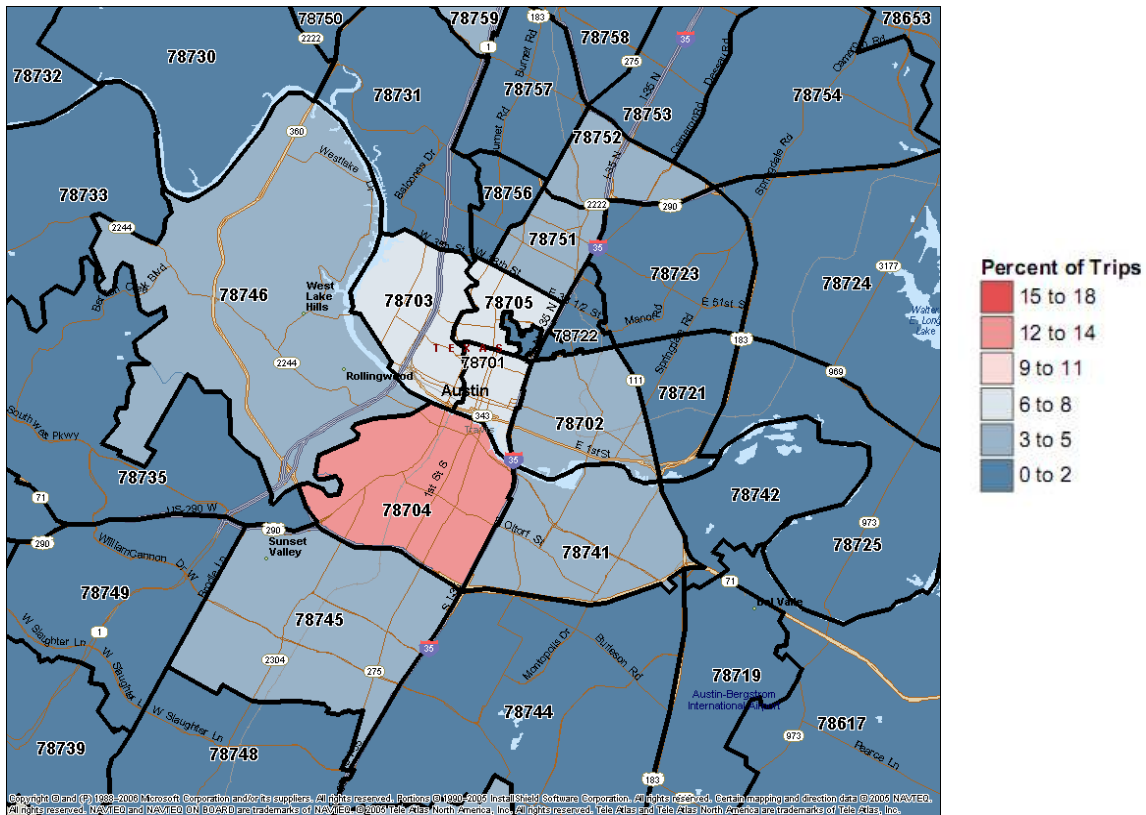
However, unlike the larger corporate financing available to Yellow Cab Co. and the family owned firm of Austin Cab Company, there appears to be a lack of funding for further development of Lone Star Cab. The operation is managed by a single individual and several dispatch operators, which leaves little time, money, and personnel to develop dispatch or other taxi business for the firm. As shown below, the firm is barely able to generate an average of 1 dispatch call per vehicle for their drivers.





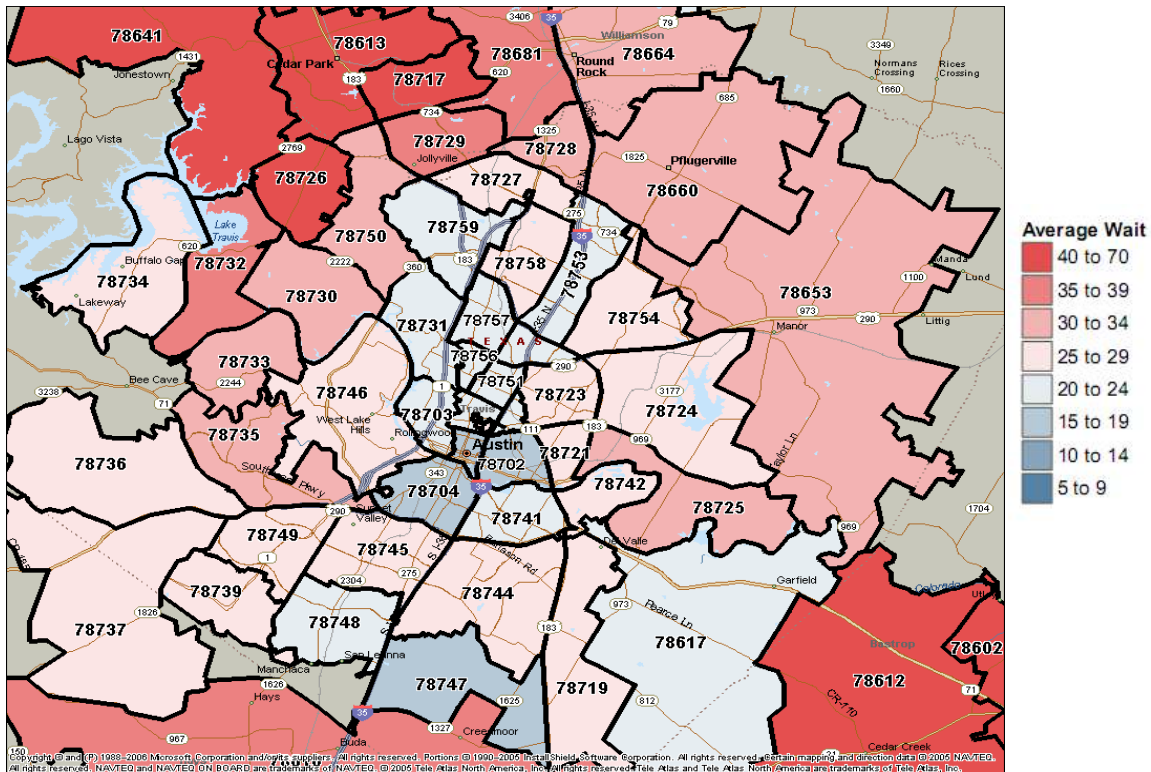
The service area for these calls appears to be at the center on the downtown area, with few requests for service in the outer zip codes as shown by the following chart.

Lone Star Cab Demand by Zip Code



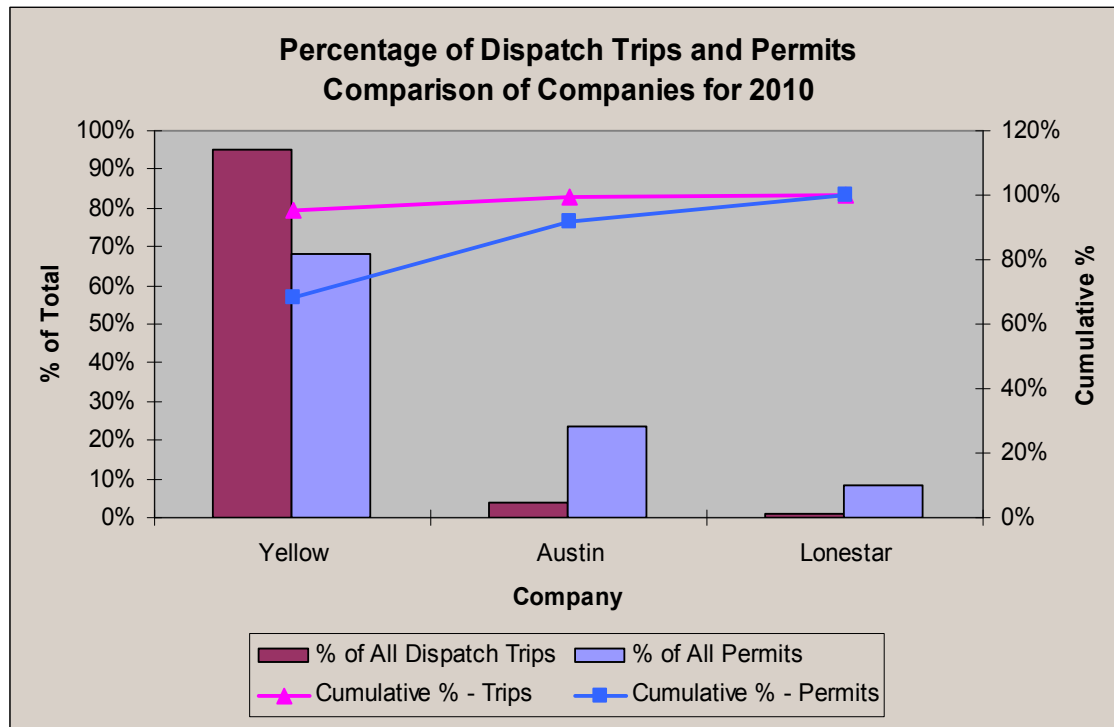
Finally, customer wait times appear to be longer for Lone Star Cab than its competitors as shown by the following chart derived from its dispatch data.

Lone Star Cab Wait Time in Minutes by Zip Code



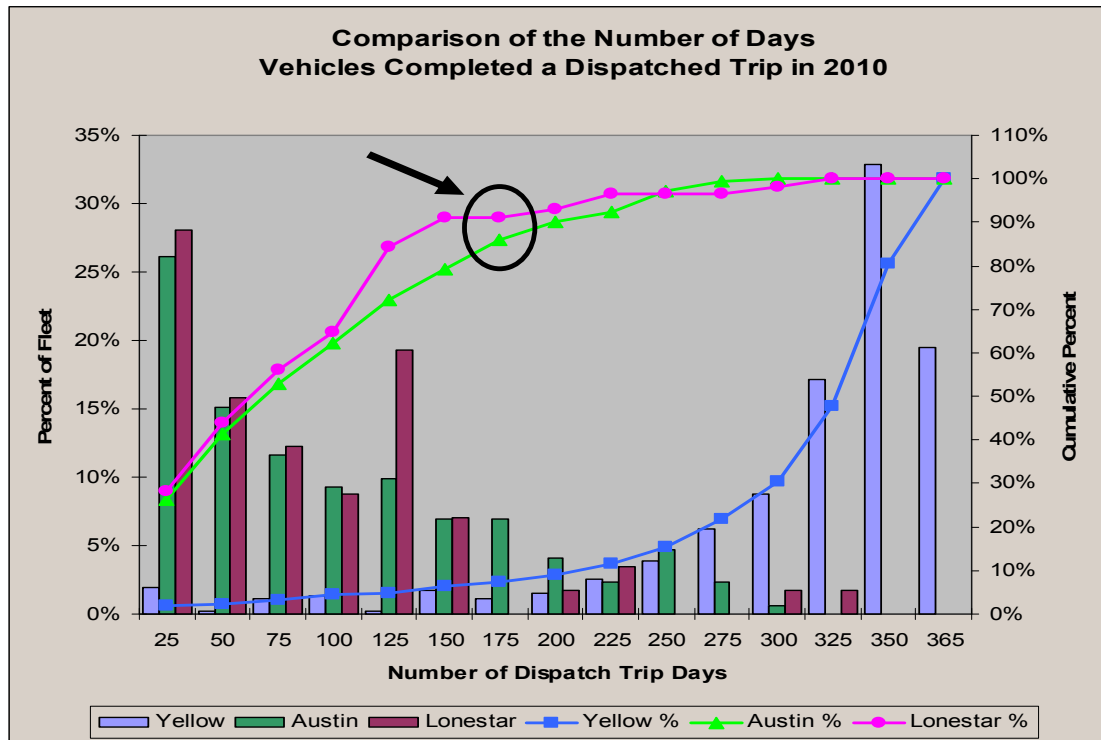
Comparative Austin Taxi Company Statistics

The best way to see operational differences among Austin's three taxi companies is to place their operating statistics on the same graphs and charts. For example, following you will find a comparison of the number of permits per company and the number of trips per day generated by their respective firms' marketing programs.

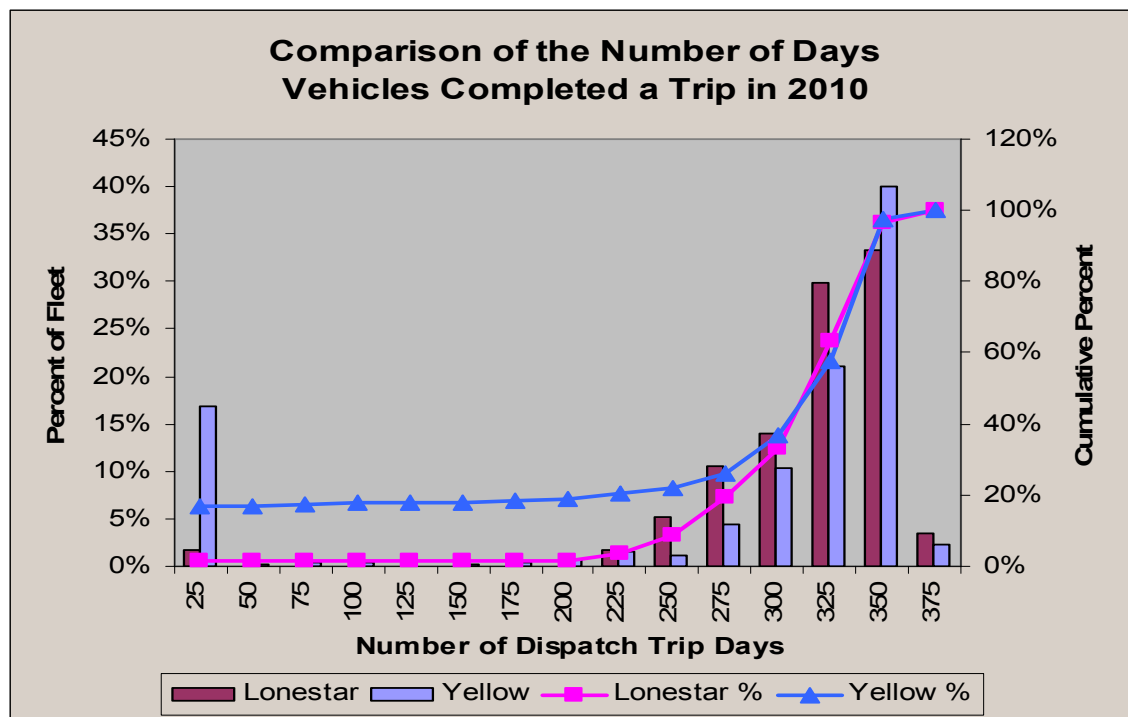
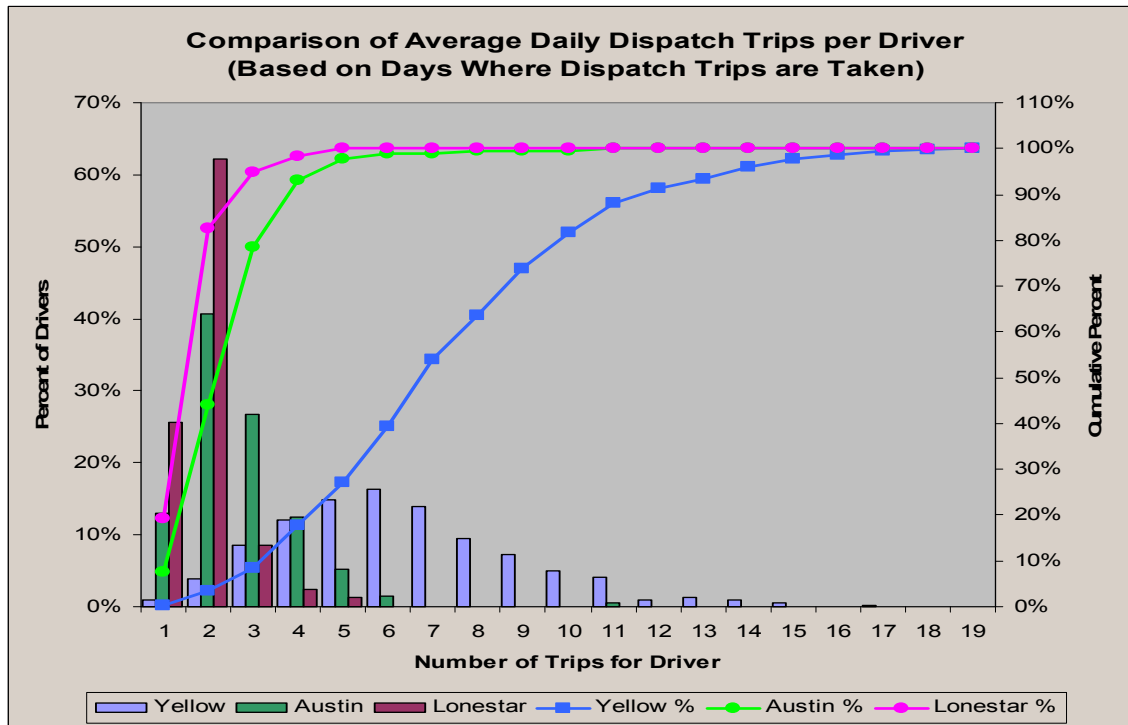


As shown, Yellow Cab Co. has slightly more than 68% of the permits but services 97% of the calls for taxi service. Austin Cab Co. has 24% of the permits but services only 2% of the calls while Lone Star Cab has 8% of the permits but services less than 1% of the community calls for taxi services.

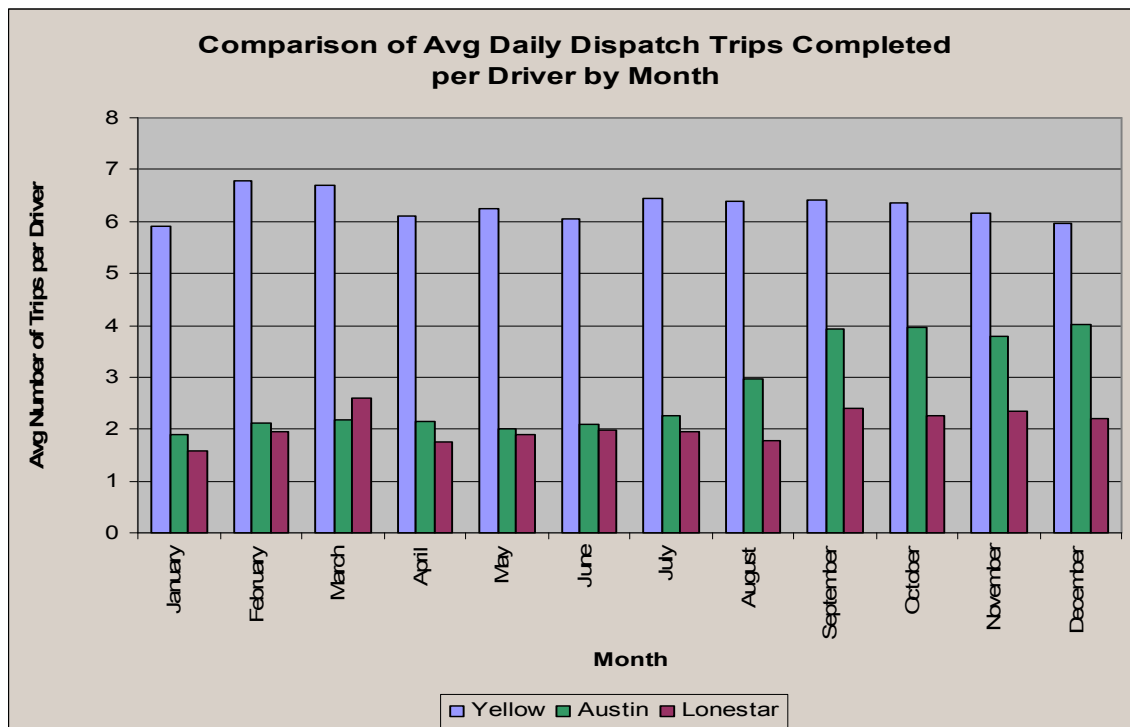
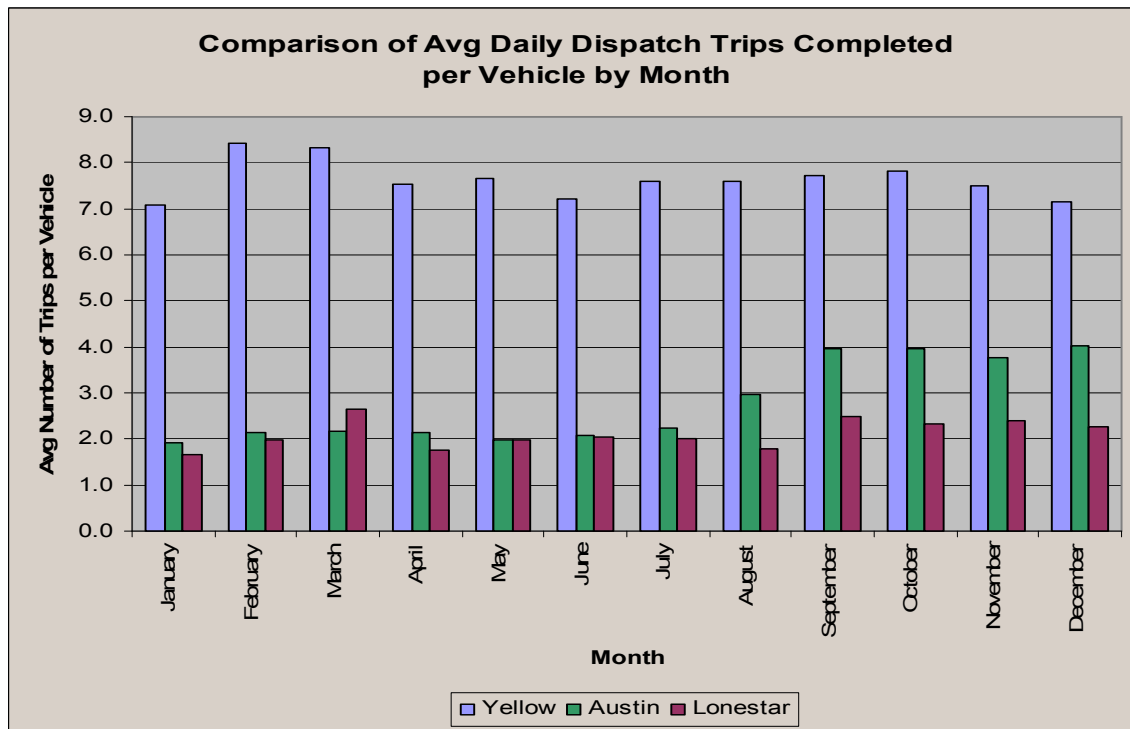
In fact, there are many days that both Austin Cab Co. and Lone Star Cab taxis serve no calls at all. As shown below, these two taxi companies have drivers that service dispatch calls less than half the days of the year.



It is obvious from this data, that Austin Cab Co. and Lone Star Cab drivers work elsewhere – primarily the airport, taxi and hotel stands. As expressed by dispatchers for both of these taxi companies, drivers simply refuse to accept the calls as they are offered. Even for Austin Cab Co. and Lone Star Cab drivers that do accept calls, the number of calls available to them appears lacking. As the following chart shows, even for those drivers accepting dispatch calls, they average only one or two dispatch calls per day.



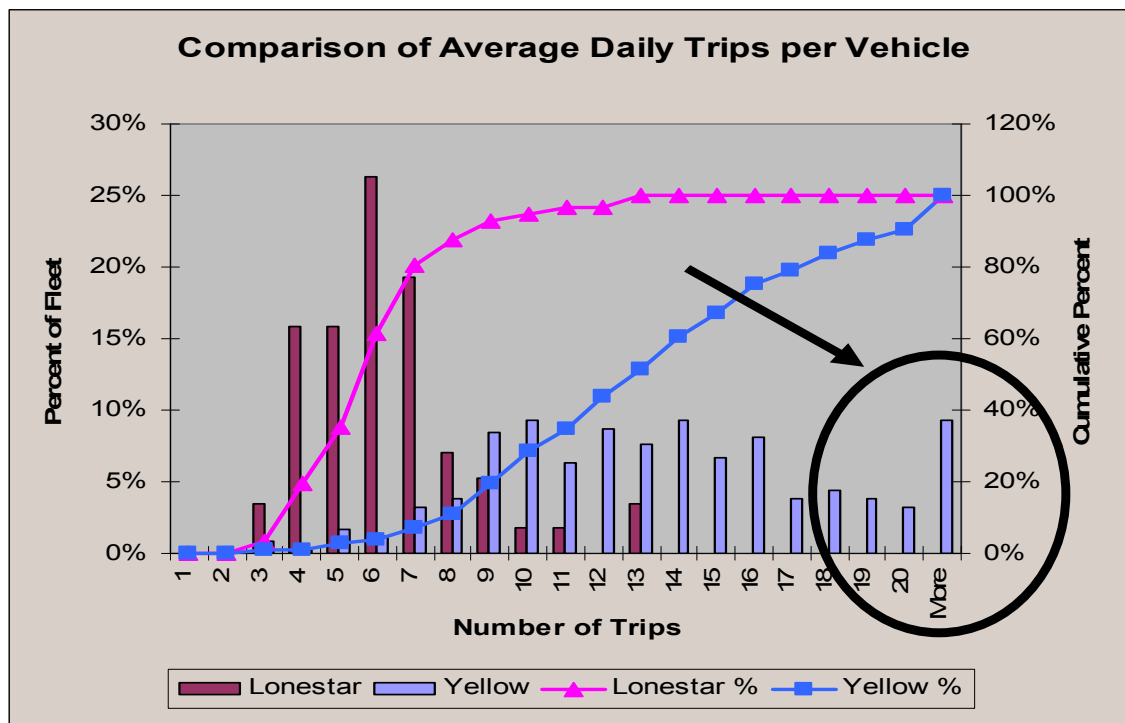
This lack of calls and willingness to accept calls can be seen better in the following bar chart which depicts the difference in dispatch call activity and acceptance among Austin's three competing taxi companies.



Readers should note that while the average number of trips per vehicle and driver for Yellow Cab Co. appears to be declining somewhat for the months of September

through December 2010, there was a marked upturn in the average dispatch calls per driver/vehicle accepting calls for Austin Cab Company for those drivers accepting dispatch calls.

Unfortunately, total trip data which is comprised of both dispatch and flag trips was not available for all three taxi companies. Austin Cab Co.'s computerized dispatch system was not capable of collecting metered flag trips so the following comparison is made with data from only Yellow Cab Co. and Lone Star Cab.



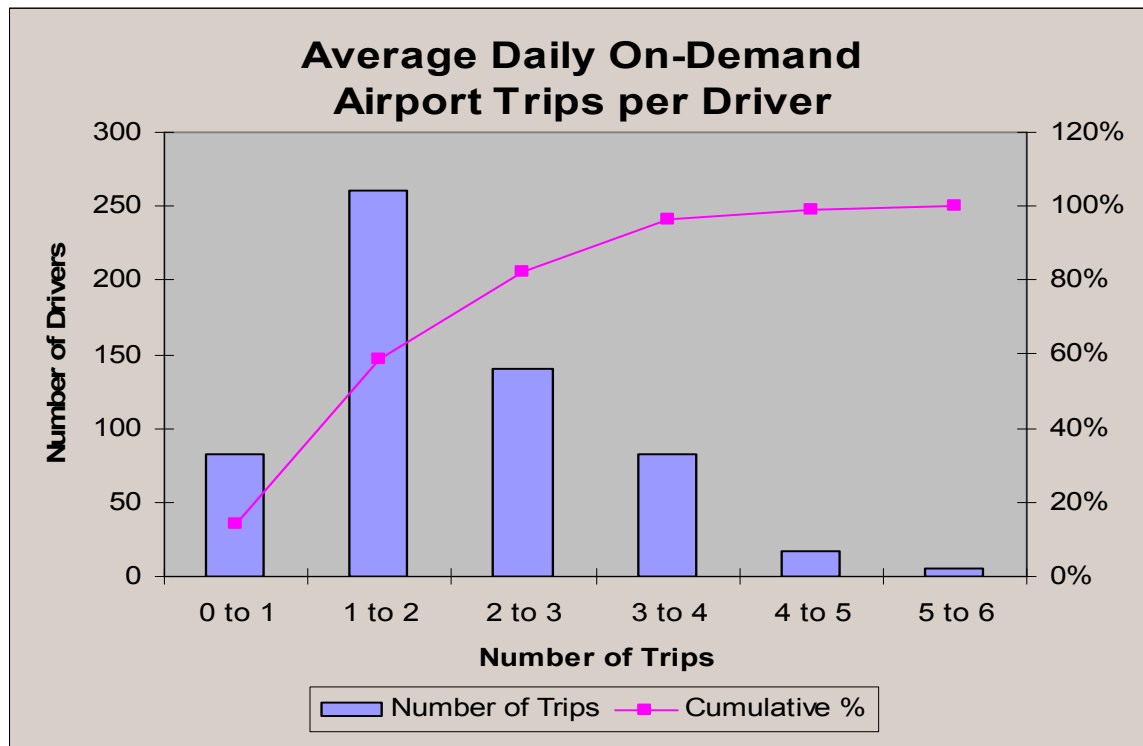
As this data above reveals, 90% of Lone Star Cab vehicles complete 9 or fewer trips per day on the average while only 20% of Yellow Cab Co.'s fleet averages 9 or fewer trips per day. More importantly, at the other end of the scale, some 20% of Yellow Cab Co.'s fleet achieves 20 or more trips per day on the average.

Austin-Bergstrom International Airport Taxi Service



Austin – Bergstrom International Airport is served by an “open” taxi line. This means that any taxi permit and driver can and must register with the airport if they wish to pick up as part of the on-demand taxi waiting line at the airport. Taxicab drivers from any of Austin’s three cab companies can register with the airport to be in this line at the airport. As long as these drivers obey the airport regulations regarding the proper condition and operation of their vehicles and treatment of taxi passengers, they are permitted to remain in the taxi pick up line and participate in the airport taxi business. Any taxicab driver can drop off passengers at the airport without having to be registered to pickup at the airport.

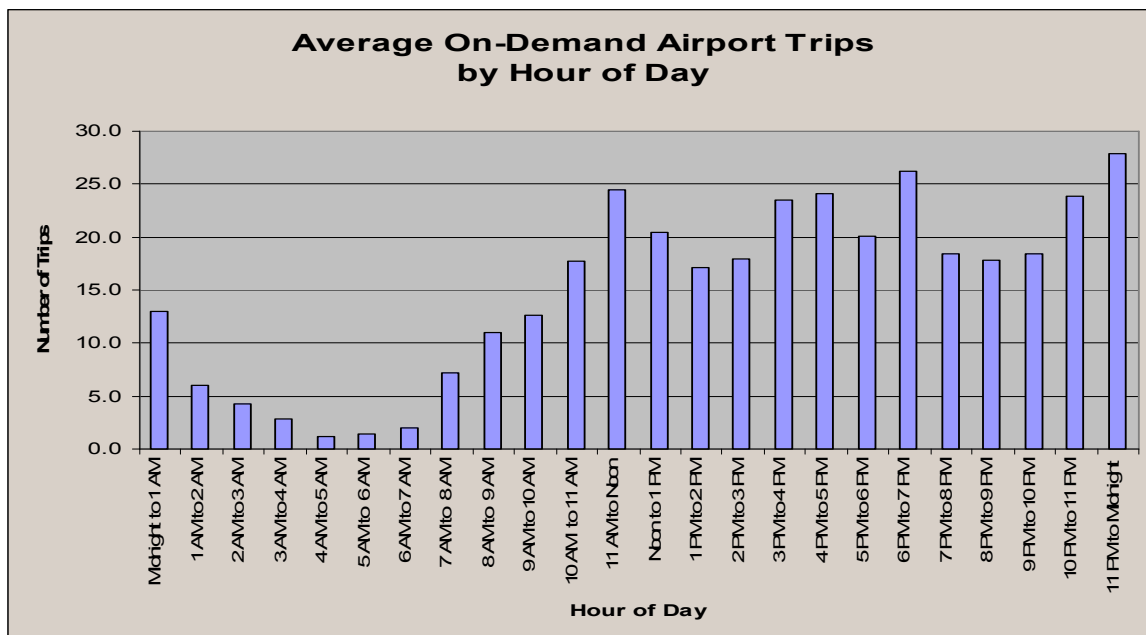
The advantages of airport taxi trips are obvious. The fares are generally larger - \$25 to \$30 vs. \$16 to \$20 for the city; the clientele is a more professional class; and each passenger is typically a one time user you probably will not see again. The disadvantages of the airport taxi market is that many other taxi drivers want the same trip so the number of trips per day that can be had from the airport are few and far between – meaning significantly long wait times for these trips. As shown by the figures below, only a very few of taxi drivers are able to average 5 or more airport departure trips per day.

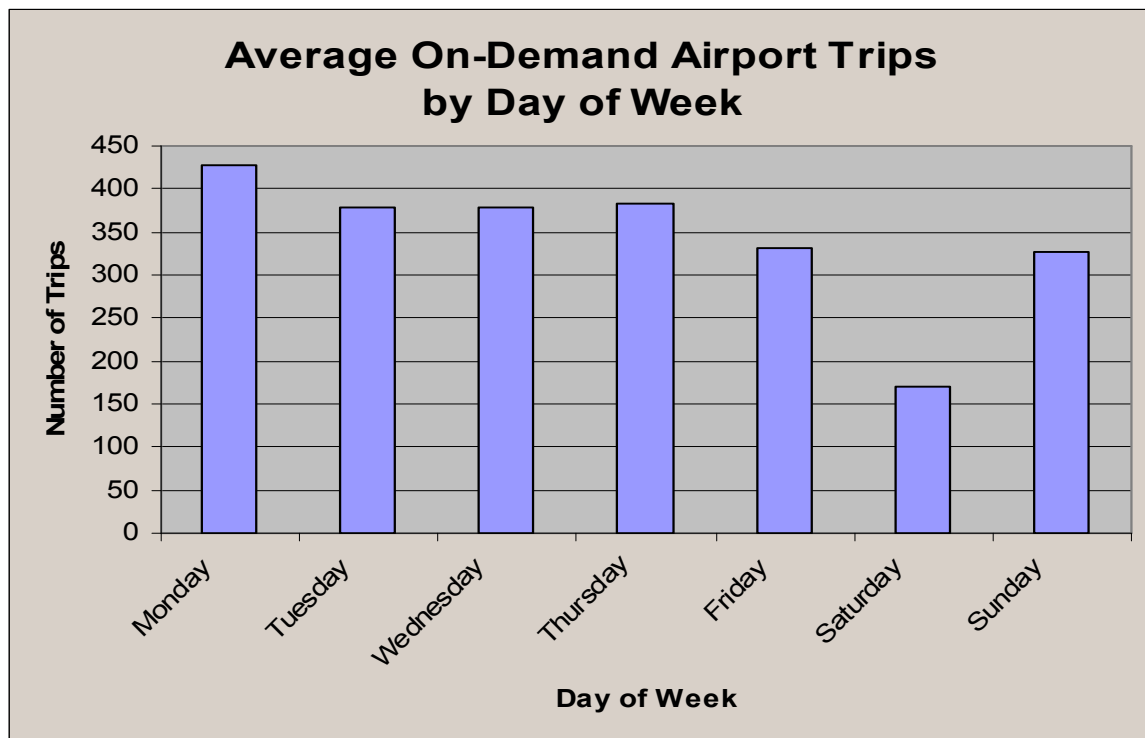


This chart also indicates that a large number of taxis – probably some 325 or so, average one trip per day at the airport. These drivers are the ones who typically get into the airport pickup area when they know the wait will not be terribly long. These drivers also go to the airport when they suspect it will be a busy day there or they are called by dispatch to inform them that there are few cabs in the airport holding area. These are cab drivers who work the airport, their dispatch calls, personals they may have, and the cab stands as well as cruising for business.

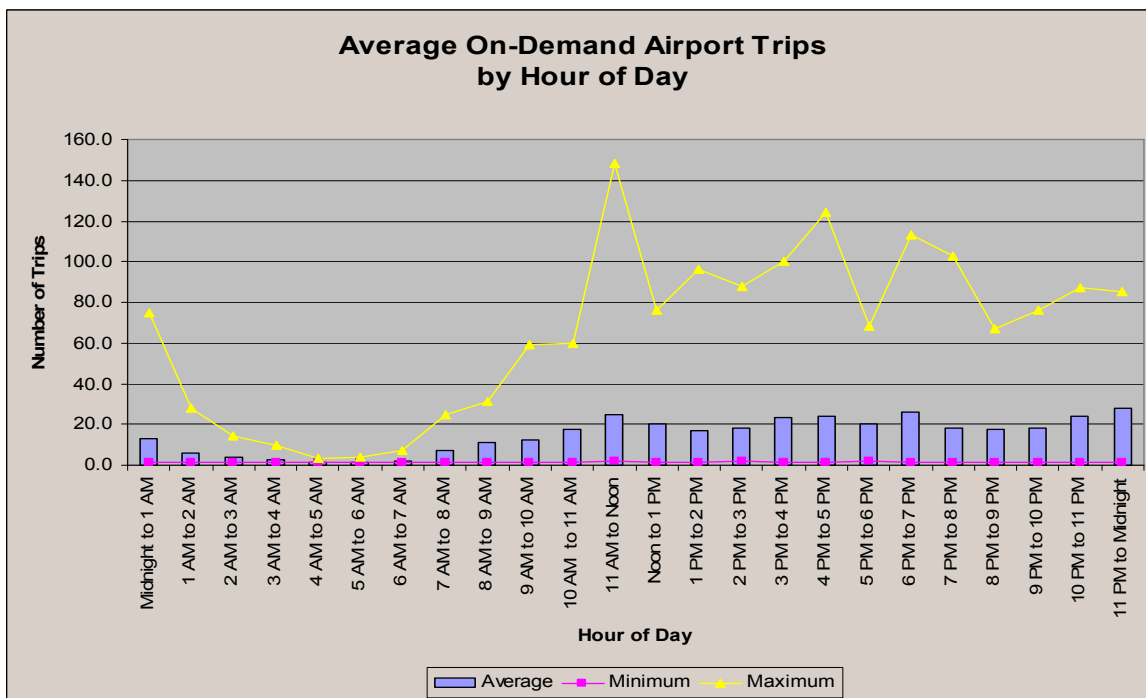
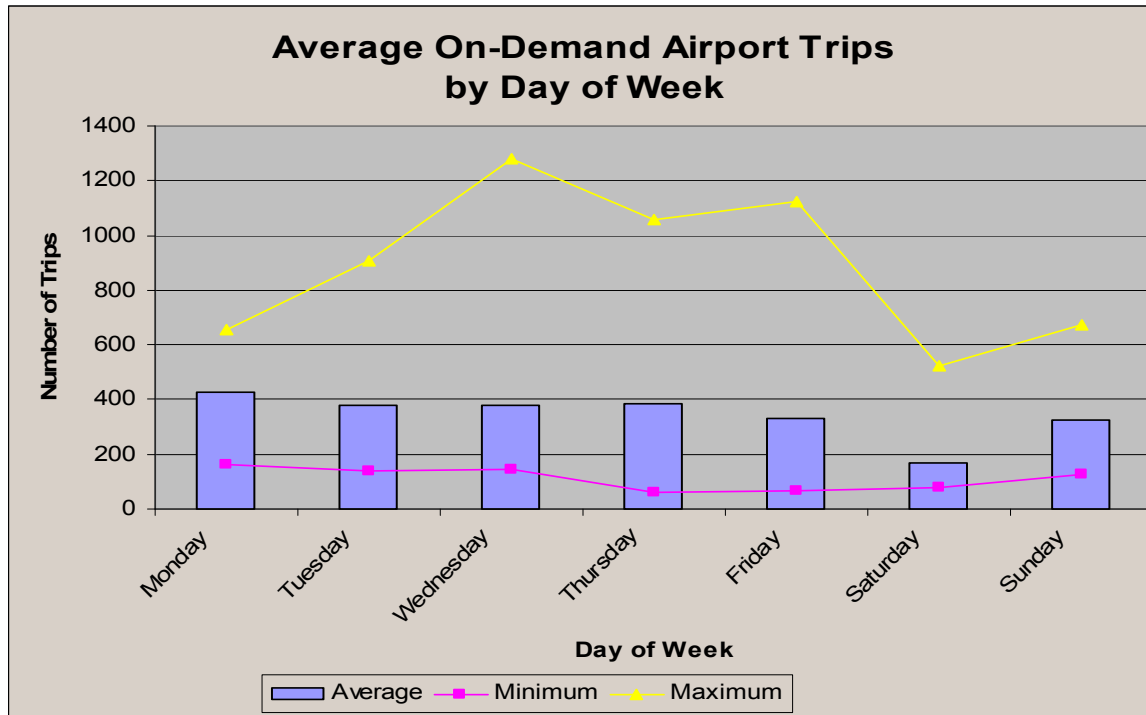
A second type of cab driver is also ascertained from this data -- the driver who gets into the airport line early, gets a fare and returns immediately to the airport to get a spot in the waiting line. Although this wait may be hours long, the driver prefers to work his or her lease in this manner. On some days, these drivers do fine, but as shown by the chart above, the “average” number of airport taxi trips per hour by these airport only drivers is simply not that great – 4 or fewer.

On the average, the airport generates between 25 and 30 taxi trips per hour and typically no more than 400 taxi trips for the entire day.





Since a taxi can make the trip from the airport and return to the airport typically in an hour during non-rush hours, one might be tempted to believe that 40 cabs could easily handle the demand if it were level through the day and days of the week. However, an extremely high degree of variation on taxi dispatches at the airport (see charts below) exists per day depending upon activities going on in Austin. As shown, the number of taxis required at the airport will vary considerably.



As the maximum delta line shows in the above graphs, the maximum number of taxi trips observed on a Wednesday in 2010 was nearly 1300 trips, while the lowest number of trips observed on all other Wednesdays in 2010 was about 175 taxis – a very wide margin.

The same is true for variation in hourly need of taxis at the airport. The largest number of taxis dispatched from the airport in any one hour was about 150 vs. the lowest number that was around 10 for the same hourly peak. As such there will be many times that the total number of taxis at the airport will seem to be well in excess of what is needed. However, if the demand is there that is expected by the taxi drivers, the taxi line can be quickly exhausted. Unfortunately, the days of little or no traffic far outweigh the peak days observed.

Comparison with Other Cities

Following is a brief review of the experiences of other cities in their attempts to regulate taxicabs with appropriate citing for readers who may want to probe deeper into these collective experiences with taxicab deregulation. (Note that this section has been used in other TTLF reports to inform readers of the academic literature surrounding the operation of urban taxicabs.)

As previously noted, there is always a question of why do we need to limit the number of taxi permits in a city? Why shouldn't drivers have their own permit and drive for whomever they want to? Fortunately, the failure of the U.S. taxicab industry open entry deregulation and, to a lesser extent the use of independent medallion or individual operator permits is well documented. Dr. Sandra Rosenbloom of The University of Texas, and Dr. Roger Teal of The California State University have separately concluded that taxi deregulation has failed to demonstrate any substantial benefits to drivers, taxi firms, or users.^{1,2} Dr. Paul Dempsey, in summarizing the empirical data from these researchers' studies and other commissioned studies³, listed the results of taxi deregulation in 21 major U.S. cities prior to 1983. These were:

1. A significant increase in new entry;
2. A decline in operational efficiency and productivity;

¹ Rosenbloom, Sandra The Taxi in the Urban Transport Systems, The Private Challenge To Public Transportation (Charles Lane, ed., 1984)

² Teal, Roger & Berglund, Mary, The Impacts of Taxicab Deregulations in the U.S.A., Journal of Transportation Economics of policy, Volume #37, (Jan. 1987)

³ Dempsey, Paul Stephen, " Taxi Industry Regulation, Deregulation & Regulation: The Paradox of Market Failure" Transportation Law Journal, University of Austin, College of Law, Austin, Texas, Volume 24, #1, Summer 1996, p.102

3. An increase in highway congestion, energy consumption and environmental pollution;
4. An increase in rates;
5. A decline in driver income;
6. A deterioration in service; and
7. Little or no improvement in administrative costs.⁴

Other notable authors having once advocated taxi deregulation by removing the maximum number of cabs authorized to provide service and recognizing single owner/drivers as a cab company have since changed their minds based on the empirical evidence and the failure of their own recommendations.

"The taxicab industry has undergone significant changes in the last decade or so. It passed from a regulated industry to a deregulated one in many cities and municipalities and back again to the regulated environment. A lot of economists who were arguing that regulation causes perverse effects on taxicab industry performance have changed their minds after having observed this industry operating without entry and fare regulations and have invoked back the regime of regulation."⁵

An entry proponent of taxicab deregulation, Professor Teal writes:

"By the late 1980's, the returns were in on the taxi deregulation experiences. These took two forms. The first was actual data on the post-deregulation experiences, obtained in part through studies sponsored by the U.S. Department of Transportation (Gelb, 1982; Gelb, 1983a; Gelb, 1983b; Teal et al., 1984). The second involved the responses of the local governments which had initiated the regulatory changes, namely continuation, modification, or abandonment of these policies.

"Both analytically and politically, economic deregulation fared relatively poorly, particularly compared to the expectations of its proponents. The local governments which had adopted the most far-reaching forms of deregulation eventually either completely abandoned this policy or sharply scaled back the most significant features of deregulation. In addition, the only comprehensive empirical study of the deregulation experiences came to the conclusion that the benefits of deregulation were "insubstantial" in most locales (Teal and Berglund, 1987). While some economists continue to argue on theoretical grounds for deregulation, apparently not willing to concede to the empirical evidence (Frankena and Pautler, 1984 is an early example; Travers Morgan, 1988 a more recent example), the political debate appears to be largely over. No large American city has deregulated its taxi industry during the past several years, and

⁴ Dempsey, Op. Lite, p. 102

⁵ Gentzoglakis, Anastassios, "The Taxicab Industry: Theoretical and Empirical Evidence from (De) Regulation," Proceedings; International Conference on Taxi Regulation, Montreal, Canada, 1992, p.57

the issue has essentially disappeared from the active urban transportation policy agenda."⁶ (Original citing from 1992, but is still viable today.)

The deregulation and then re-regulation of taxicabs in the city of Seattle is indicative of the taxicab deregulation experienced by many major U.S. cities. James J. Buck, Manager of Seattle's King County Division of General Services, writes:

"In 1979, the Seattle City Council adopted legislation which eliminated the population ratio as an entry limitation for taxicab licenses. You could license as many cabs as met the licensing requirements, i.e., application fee, insurance, inspected and approved vehicle and taximeter, approved name and color scheme, and approved ownership. At the same time, rates were whatever the licensee filed with the City, as long as the rate followed the prescribed form and was reflected on the taximeter.

"Did the market regulate entry and rates? NO. Were there problems? YES. Rate gouging. Short haul refusals. Surly and discourteous treatment of passengers. Fights at cab stands at the Airport. Experiential data concerning accidents and safely became very damaging, impacting insurance rates and coverage. Government regulators were constantly barraged by industry complaints that "deregulation" wasn't working, they couldn't make any money, unsafe vehicles on the street, tension and animosity among drivers with the potential for violence, etc. Pleas for reviews were frequent.⁷

By 1984, taxicab deregulation in King County was dead --completely reversed with fixed limit on taxicab licenses.

By far, the most comprehensive analysis of taxicab deregulation and re-regulation was prepared by Price Waterhouse's Office of Government Services.⁸ Six U.S. cities that had deregulated their taxicab previously through open entry were examined in depth. The executive summary of this Price Waterhouse report concludes:

"Deregulation introduced several immediate changes in taxi supply, price, and service quality in the six cities for which detailed case study information is available (Berkeley, Oakland, Phoenix, Portland, San Diego, and Seattle.) The experience of these cities generally indicates that the benefits of deregulation were devalued by unanticipated and unattractive side effects:

⁶ Teal, Roger F., "An Overview of the American Experience with Taxi Deregulation" Proceeding IATR, Montreal, Canada, 1992, p. 123

⁷ Buck, James J., "The Seattle U-Turn" Proceedings, International Conference on Taxicab Regulation, Montreal, Canada, 1992, p.141-142

⁸ Analysis of Taxicab Deregulation and Re-regulation, Price Waterhouse, Office of Government Services, Washington, D.C., 1993

"Although the supply of taxi services expanded dramatically, only marginal service improvement were experienced by consumers. Within a year of deregulation, the supply of taxi services increased an average of 23%. Because most new entrants were independent operators and small fleet owners with limited capability to serve the telephone-based market, most new service was concentrated at already well-served locations -- such as airports and major cabstands. Customer wait times at these locations, already short, were reduced further. Response times in the telephone market were similar to pre-deregulation performance. Trip refusals and no-shows, however, increased significantly.

"Prices rose in every instance. Paradoxically, the influx of new entrants did not invoke the price competition typically experienced in other newly-deregulated industries. Prices rose an average of 29% in the year following deregulation. There appear to be two sources of this unexpected event. First, fare increases prior to deregulation had consistently lagged cost increases. Veteran operators thus corrected prices at the first opportunity. Second, new entrants generally charged higher fares than the veteran operators. The cabstand markets on which these operators focused their services are generally price insensitive and, because of the first-in first-out nature of taxi queues, comparison shopping is discouraged. For these reason, the new entrants had no incentive to introduce price competition.

"Service quality declined. Trips refusals, a decline in vehicles age and condition, and aggressive passenger solicitation associated with an over-supply of taxis are characteristic of a worsening in service quality following deregulation.

"The negative aspects of deregulation were especially evident at airports and major tourist attractions. **These effects were most closely associated with cities that implemented an "open entry" policy that enabled influx of independent owner-operators that were unaffiliated with companies or taxi cooperatives.**

The airport taxicab system might have an impact on low-income and residential users - the primary market for non-airport taxicabs. Professor Gorman Gilbert, one of the country's foremost writers on taxicabs, former commissioner of the New York City Limousine and Taxi Authority, writes the following:

"The increase in taxicab fares in residential areas produces a particularly bitter impact on low-income persons. A major and increasing proportion of residential taxicab business originates in low-income or minority neighborhood....this is not surprising since residents in these areas are often dependent on taxicab service for mobility. These trips are for essential purposes, such as trips to grocery stores and medical factories. In contrast, the trips from airports and downtown hotel stands are made by persons who are clearly more affluent business persons, vacationers, and conventioners.

"Increasing fares to residential areas means that the impact of more taxicab is borne disproportionately by low-income persons. In other words, *those who can least afford to pay would be charged the most*... Those who follow the academic argument of 'letting the market decide' taxicab fares are really 'letting the poor pay more.'"⁹

With such overwhelming evidence against taxi deregulation through open entry of taxi licenses, it is hard for some to understand why cities and airports, which currently have managed taxi systems, would even contemplate open entry deregulation. There are probably numerous reasons why this occurs, but two prominent ones are usually advanced. First is the political or emotional decision-making vs. an informed decision. The second is the unintentional deregulation approach.

The emotional decision is the result when city and/or decision makers fail to consider the consequences and impacts of their taxicab system. What harm can there be in letting an entrepreneurial individual- probably an existing taxi driver - buy his own cab instead of leasing one? Or, what harm can there bring in letting one more small (5-7 vehicles) cab company into the market? "Let the marketplace decide who shall offer service" is often the over simplistic and uninformed view put forward. Public sentiment goes out for the little guy who "just wants to make a living." Or the small firm that "just wants to expand." No matter that study after study concludes that driver's wages suffer, fares increase and poorer service, especially in economically disadvantaged urban area, results from unlimited entry of taxicabs.

It is therefore incumbent upon the community to design a taxi system that offers a fair income opportunity to drivers and obtains maximum utilization from vehicles, so as to offer and maintain a high level service at reasonable rates to residents and visitors alike.

⁹ Gilbert, Gorman, Effect of Open Entry and Variable Fares on the Cost of Taxicab Service to Residential Areas, 1984

Austin Taxi Companies – Summary Observations

Austin has three modern taxi franchise companies that employ computerized taxi dispatch technology to serve the on demand taxi market(s) of the greater Austin metropolitan area. Each firm primarily uses an owner-operator form of driver where the individual independent contract driver owns or leases his/her own vehicle but leases his/her permit, insurance, dispatch calls and other services from them. These firms are regulated by the City of Austin's Transportation Department using a "managed competition" form of regulation whereby the City permits the drivers who are sponsored by one of the three taxi franchise companies and enforces and enforces the taxi driver operating ordinance on the city streets. The taxi ordinance has been established to protect the interests of the travelling public and to ensure the community of the availability of safe, readily available, and affordable public taxicab services. The City expects the franchise firms to provide this service and to manage the delivery of these services.

The relative size of the three taxi franchise firms is reflective of the market segment each firm attempts to serve. Yellow Cab Co. of Austin is the largest firm with 455 permits and it attempts to serve all areas of the Metro area with highly responsive dispatch services. Austin Cab Company with its 159 taxi permits appears to split its efforts between the traditional minority area of the City of Austin and the airport market. Finally, Lone Star Cab Taxi with 55 taxi permits focuses primarily on the airport walk-up market with little dispatch call business.

The primary service problem faced by these companies is the inability to provide weekend evening service and lack of capacity during special events in Austin. At these times, as evidenced by our Secret Shopper reports and industry surveys, it was next to impossible to obtain taxi service within a reasonable time frame – if at all.

A non-service problem area for Austin taxi drivers is the lack of income generated by some (primarily airport) drivers who feel that by having their own taxi permit (referred to as Legacy Permits) they would be able to improve their incomes and better serve their public. It is felt by these drivers that they could purchase their own insurance, dispatch services, and thereby avoid taxi franchise company lease fees. Similarly, drivers would like to achieve a similar result by having the City set maximum lease rates the taxi franchise companies could charge them.

Probable Future of Austin Taxi Operations

Unless significant changes are enacted, one can expect the general level of good regional taxi service to continue, but Austin will continue to be underserved at times of special events and normal weekend evenings. The exception to this would be the taxi drivers serving the airport. They will continue as they currently are, but with growing driver complaints that prearranged sedan and shuttle van trips are taking more and more of their business. There would be increased demand to increase the minimum departure fares at the airport to make up for this short fall in their income. Ironically, as the airport finishes a new facility to house waiting taxi drivers in a comfortable air-conditioned and heated building, it can be expected that more taxi drivers will be attracted to the airport, thereby decreasing the average trips per day an airport exclusive driver can expect.

This would cause considerable frustration to these existing drivers. There would be constant pressure to make the few airport trips really count. The result would be a greater tendency to take the longer route, overcharging the passenger with phony additional bag charges, insist on higher minimum fares, and press for an even higher flat rate to downtown or all of the above.

Another threat to the service levels and health of the Austin taxi industry is the setting of lease rates by the City of Austin. As shown, there is considerable difference in the lease rates between Yellow Cab Co. of Austin and its two competitors. Yellow Cab Co. charges \$300 per week for the lease of their permit while Austin Cab Co. and Lone Star Cab charge between \$50 to \$60 dollars less per week. The difference in these lease rates depicts the value each driver feels he or she receives from the taxi franchise company he/she selects as a sponsor. Drivers pay substantially more for the Yellow Cab Co. lease because they receive 6 or 7 dispatches per day representing business opportunities of somewhere between \$100 and \$150 per day.

Setting a limit on permit lease rates would take away the taxi franchise company's initiative to generate more business for its taxi drivers because there would be no additional returns for these efforts. Just the opposite could and might happen – taxi franchise companies would lessen their marketing and trip generations, saving money but continuing to charge the maximum lease rate, thereby lessening the value of the permit to the drivers. As long as individuals continue to apply for the right to lease a permit or

permit and vehicle, management has no financial incentive to continue many of the marketing and service characteristics of a full service taxi company such as marketing, creating proposals or bids for taxi services, dispatch technology expenditures, and even paying for good, professional management.

It should be obvious to readers and even economists that Austin taxi lease rates are set not by cost but by the market opportunity that each company provides its potential drivers. Lease rates are not a simple matter of calculating the company's costs and allocating them to their various leases. This is a very difficult process and goes to the heart of managerial decision making of the taxi firm.

For a regulatory body to set taxi lease rates, it would have to be assumed that it could also determine accurately the market opportunity available with that lease, and that each driver would have the same income under their lease arrangement. This is simply not the case. As shown by the data, individual drivers prefer to work more or less at their own pace; some prefer mornings or nights, weekends or not, depending upon their personal preferences and skill at being a taxi driver.

While each driver may have the same market opportunity in return for the type of lease he or she purchases, how they work that lease is highly dependent upon their personal initiative, knowledge of the area, and ability to generate personals of their own. Thus, the setting of lease rates by the regulatory body would not achieve any aim to generate some predetermined income for drivers and could very well significantly increase taxi rates to the Austin community and decrease the level of income of some drivers.

Several other major metropolitan areas in the United States set taxi company lease rates. These are Boston, Philadelphia, New York, Minneapolis, and the City and County of San Francisco. Newspaper accounts report their experiences have not been encouraging. After just a few years of implementing a policy of setting taxi lease rates, the City of San Francisco, for example, has been forced to raise taxi rates to a flag drop of \$3.20 and 40 cents per 1/5 of a mile thereafter. Lease rates average \$91.50 per 10 hours shift and one controversy after another concerning taxicab service, cost, driver rights, or medallion owner operations is constantly before the regulatory Board and City Council.

The City of San Francisco and its transit system which regulates taxi service, is now being asked to assume the cost of driver health insurance and become deeply involved in the day to day operations of the taxi industry, thereby becoming the personnel department for all its independent owner-operator cab drivers. There are calls to further raise taxi rates once again due to increased gasoline prices, insurance costs, etc. – any reasonable issue that may be seen as raising driver incomes.

The common problem associated with cities that do regulate taxi company lease rates appears to be simple in nature. Instead of focusing on ways to become more efficient and even lower rates to attract more business, owners of taxi firms attempt to cut out as many services and marketing as possible, creating the largest amount of margin possible from the lease rate they are legally permitted to charge a driver.

While not wanting to thoroughly argue the pros and cons associated with regulatory efforts to set taxi driver lease rates in this report, it would suffice to say they have, for the most part, been highly controversial, failed to provide improvements in taxi services, and ironically resulted in significantly higher lease rates for the drivers.

As these increases in lease rates drive increases in taxi fares, it makes it easier for competitors in the van, sedan and limo markets to attain more of the traditional taxi market from taxi providers – especially at the largest single taxi market – the airport. This effect also forces airport officials to dedicate more physical curb space and personnel to overseeing the loading of more shuttle van and prearranged ground transportation and less on-demand taxis. This devolution cycle of the traditional taxi market has been played out in many North American communities – especially those where the city attempted to fractionalize the industry through individual driver medallions and lease rate setting.

Without assurances of a level playing field where all competitors are required to provide the same level of taxi service, it could be expected that full service taxi companies would be tempted to discontinue their vehicle ownership, maintenance facilities and even dispatching in order to lower their costs. And they simply collect “rents” from the independent taxi owners who wish to operate under their colors. It can be expected that independent taxi drivers will wish to own their own medallions or form

their own taxi companies, thereby avoiding the payments they make to someone else for little or no marketing or other services.

Such devolution of the local taxi industry is relatively easy to predict given the experiences of other communities cited above. Thus, unless public policy makers of Austin want the same outcomes for their taxi industry, they should seek to preserve the full service taxi companies and managed competition presently in operation and seek ways to improve their ability to provide a superior level of service deserved by the community.

Given the foregoing research of data analysis, Secret Shopper reports, major taxi user surveys, and personal interviews with taxi drivers, managers, and users, the following list of taxicab regulation priorities and recommendations is being made.

Priority of Austin Taxi Issues

1. Potential fragmentation of the taxi industry in Austin due to driver's desire to own their own permit
2. Distorted public image of taxi industry and drivers due to well written but factually incorrect reports
3. Lack of double shifting of existing taxis
4. Lack of service on Friday and Saturday evenings
5. Drivers unwilling to accept dispatch trips
6. Not all taxi companies collect data on all trips
7. Lack of ability to base additional permits on hard data such as total dispatch trip demand, flag trips, and stand utilization
8. Lack of ability to base fares on taxi service actual utilization

Each of these is discussed more fully below.

Fractionalization

Preventing the Austin taxi industry from fractionalization and devolution would be for the City to recognize that worldclass taxi service requires full service taxi companies. It requires taxi company officials who have a longrange view of their firm and the community, professional management, modern technology, sufficient

capitalization and a legitimate profit motive in their ability to serve and expand taxi market opportunities.

There are bound to be those who believe just the opposite – that more taxi companies, more taxis, more drivers, rate flexibility, and less regulatory oversight would be the solution to Austin’s taxi frustrations. Some would develop elaborate econometric models of generic corporate competition definitely proving that more competition is needed to avoid drivers having to pay “monopolistic rents” (lease rates) to taxi companies for the right to drive. They feel that the marketplace, through more competition, will take care of taxi service needs in the long run – just like any other industry. These same “experts” would argue that taxi drivers should be able to pick and choose whatever markets they desire to serve. If they want to be only airport operators, then so be it; others can serve the other parts of the community.

These individuals will argue that additional taxi firms will be available to serve the other under served taxi markets of the community and this is how it should be. But, as seen by officials in numerous other cities, the taxi industry is not “just like any other industry.” Users do not shop, compare and weed out the poor providers; customers at airports take the first cab in line; visitors have no information about the quality of the taxi company; an individual taxi driver may not have a long run view of his/her customer – only that he/she needs to make a certain level of income that day.

The North American taxi industry is one where the inferior service operators, once created through a fractionalization of full service taxi companies, will dominate and drive full service companies and their financial capital from the marketplace. The most common form of taxi operation fractionalization is through the issuance of individual driver permits, medallions, or, in the case of Austin, the issuance of “Legacy Permits.”

Legacy Permits

The recommendation for Austin’s more senior taxi drivers to receive their own individual taxi permit as a reward for driving a number of years in the city is proposed in a document submitted by the Taxi Driver Association of Austin or TDAA. This document, submitted to the City on May 20, 2010 is the outgrowth of recommendations developed earlier in a report to Austin’s City Council regarding Resolutions 20100225-060 and 20100527-055. The original research and documentation of taxicab service,

Driving Austin, Driving Injustice (A Report on the Working Conditions of Taxi Drivers in Austin) was produced through the efforts of the Texas Rio Grande Legal Aid, which receives most of its funding from Federal and State taxpayer appropriations.

This legal aid association has a long history of providing free legal assistance and aid to those, especially workers, who cannot afford legal representation. They have been responsible for many successes in making the voice of the migrant workers and others heard, and working conditions improved. Unfortunately, their work on Austin's taxi drivers and conditions, while extremely well written, was seriously flawed and filled with incomplete and misleading information.

The economic assumptions about the life of Austin's taxi drivers made by the Texas Rio Grande Legal Aid writers were based on a survey of 66 drivers they interviewed. This is an 8% percent; non-random self reported survey sample, which they then project to all of Austin's taxi drivers! Needless to say, such extrapolation of data without strong caveats as to the lack of ability to generalize this to the entire population is extremely unprofessional and obviously intended to mislead.

One also has to ask where and under what conditions the Legal Aid researchers interviewed these drivers. The interview process would take considerable time and where would they find 66 drivers willing to sit and answer sensitive questions regarding their working hours and incomes? The largest number of interviews (29 drivers) took place at the airport during normal working hours. Another 23% were conducted at hotel taxi waiting areas and the rest (33%) were conducted at the bus station or their offices. Indeed, within their document (p. 17) the authors admit they conducted their interviews during "weekday" timeslots only, thereby possibly missing evening and weekend drivers. Furthermore, only a handful of drivers (25) were interviewed in depth for this report.

On the other hand, the data in this TTLF Consulting report, was generated from the 2010 computer records of 100% of the Austin taxi drivers' taximeter activity. Based upon electronic data from this activity, it reports driver income from trips provided by the vast majority of drivers and greatly exceeds what the self-reporting interviewed drivers of the Legal Aid survey provided. It also shows that the vast majority of Austin's taxi drivers did not work 360 days per year as reported by the Legal Aid writers. In fact,

since this report consists of 100% of the drivers, the data completely refutes that of the Texas Rio Grande Legal Aid self report of 66 taxi drivers.

In addition to the lack of credibility and generalizability of the Texas Rio Grande Legal Aid report, their taxi franchise holder analysis was unduly biased and also significantly misleading. Their report goes to great lengths to indicate that Yellow Cab pays only \$400 per year for each of its 455 taxi permits for a cost of \$182,000, but that it leased these out to drivers at \$290 per week, for a revenue stream of \$6,861,400, or \$15,080 gross income. Only in the small print do they cite this as “gross” income. From City records they had available to them from the Transportation Department, they could have shown that Yellow Cab of Austin spends 91% of this gross to generate business for their drivers, for a profit margin of 9%, or approximately \$27 per week per car.

Nor did they report that for this lease fee of \$290 per week the Austin taxi driver purchased not just insurance and a taxi permit, but company voucher business and between 6 and 7 dispatch trips per day at a value of between \$100 to \$150 worth of business -- on a 6 day work week, a weekly business referral of between \$600 to \$900. True, a Yellow Cab driver can go to the airport and wait every day for three or four trips, making little after lease payments and gas, but he or she can also work their dispatch, move to locations where business can be expected, and otherwise earn a respectable living as a Yellow Cab driver. This data was readily available to the Texas Rio Grande Legal Aid writers – they just chose to NOT include it.

The material and rationale for not including a balanced picture of Austin taxi drivers’ current situation may stem from some of the other reports cited in their work. The other taxi studies mentioned contained reports from New York, Chicago, Los Angeles, Washington, D.C., Denver, and Toronto. A common thread running through these reports is the objective of the group which calls itself the Taxi Worker’s Alliance. This group has currently organized the taxi drivers of New York and Philadelphia. It also has supported the drives for individual taxi driver permits in Los Angeles, Denver, and elsewhere. More recently (August 3, 2011) the largest U.S. labor association, the AFL-CIO Executive Committee and the Taxi Worker’s Alliance made a joint announcement about the AFL-CIO welcoming the Taxi Worker’s Alliance into the AFL-CIO as a full

member, with the intent of providing organizing monies to the Alliance to recruit taxi drivers into their association.

Their philosophical view is that independent contractor drivers such as those in the taxi industry should be able to organize into a union and provide a collective voice to the city in which they drive. However, most taxi drivers, including (probably) those in Austin, prefer to be an independent contractor driver and have no desire to be an employee, and an even larger desire to not pay union dues.

In addition to those points above, the granting of legacy permits or any other type of taxi permits to individual drivers almost always ends up as a permanent property right for the driver. Even where it is specifically spelled out that the permit is temporary and will remain the property of the city, the end result is that after a period of time, drivers and their families view these as their property right which they have earned as a right of having served the city for so many years.

The most famous of all the legacy type permits is that of the Ambassador Taxi Program developed in the City of Toronto, Canada more than ten years ago. The Legacy Permit proposal that TDAA is modeled from is almost identical to the Toronto Ambassador program. Now, after ten years, the Ambassador taxi drivers are demanding that their permits be made permanent and the non-Ambassador taxi drivers are demanding that, to be fair, they also should receive Ambassador permits. Thus, unless the City of Austin wants ultimately to provide permanent individual taxi driver permits which will quickly turn into taxi medallions to be bought and sold, they should not adopt the Legacy Permit proposal.

To be fair, the Texas Rio Grande Legal Aid report, while factually incorrect and very misleading does address some issues that require the City's attention. One is the need for regulation of other forms of transportation, especially pedicabs. Another is the need to insure that taxi drivers can make a decent income from driving a taxi. Both of these observations are addressed within this report.

Finally, when the question of Legacy Permit, as proposed by the ATDD, is considered, the City of Austin needs to consider two significant questions. One would be who will manage these Legacy Permit holders? If their intention, as stated, is to have an "affiliation" type dispatch system similar to San Antonio's taxi system then substantially

more Transportation Department personnel would be required to manage these permits and their drivers. The City of San Antonio, with a similar number of taxi permits, has two “driver association type” dispatch systems that provide little in the way of dispatch or other services but do meet the minimum qualifications of having a dispatch operation. However, the City of San Antonio has no fewer than six full time ground transportation personnel assigned to provide street level regulation of these drivers.

Also facing the City of Austin would be the legal issue of a “public taking” of existing taxi permits from present taxi franchise companies and giving them to Legacy Permit drivers. While this is a legal question beyond the scope and qualifications of this study’s authors, it would most probably be in the area of what attorneys refer to as “unsettled law,” meaning there has not been a similar case in the State of Texas. Thus, any movement toward the issuance of Legacy Permits could and probably would result in lengthy and costly litigation with the outcome unknown.

A final and perhaps overriding question Austin lawmakers should consider is what public interest does the concept of Legacy Permits serve? As shown by electronic data from Austin’s three taxi franchise firms, the City of Austin currently receives excellent taxi call service with 95+% of calls being serviced within 20 minutes and 50% being serviced within 10 minutes. Would Legacy Permits improve this? Most likely not. In fact, where individual taxi medallions are utilized, call service typically deteriorates significantly.

In conclusion, it is strongly recommended that the City of Austin should not implement a Legacy Permit system. It would be legally challenged, expensive to manage, do nothing to solve the lack of taxi service on weekends and at other peak times, add political pressure for substantially higher taxi fares and, in all probability, significantly deteriorate the taxi call business in the City of Austin.

Austin-Bergsten International Airport

Unless significant changes are enacted, one can expect the general level of good regional taxi service to continue, but the City of Austin will continue to be underserved at times of special events and normal weekend evenings. The exception to this would be the taxi drivers serving the airport. They will continue as they currently are, but with the opening of the airport's new ground transportation facility, there is likely to be an increase in the number of taxi drivers that wish to serve the airport. There would also be an increased demand by airport oriented drivers to increase the minimum departure fares at the airport to make up for this short fall in their income. Ironically, as the airport offers a new facility to house waiting taxi drivers in a comfortable air-conditioned and heated building, it can be expected that more taxi drivers will be attracted to the airport, thereby decreasing the average trips per day an airport exclusive driver can expect.

This will cause growing driver complaints that prearranged sedan and shuttle van trips are taking more and more of their business. There will also be complaints that there are too many taxicabs serving the airport. This would cause considerable frustration to these existing drivers. There would be constant pressure to make the few airport trips really count. The result would be a greater tendency to take the longer route, overcharge the passenger with phony additional baggage or other charges, insist on higher minimum fares, and press for an even higher flat rate to downtown, or all of the above.

However, as shown by the data and through interviews with both airport officials and airport orienting drivers, there is no current pressure to take immediate actions. There apparently is enough airport traffic on busy days to at least maintain drivers who wish to serve only the airport pick-up line. A report by City of Austin's Task Force Report on Taxicab Issues – Executive stated that:

“Even/odd day access for taxicabs at Austin Bergstrom International Airport (ABIA) is not recommended by ABIA vehicles for hire staff. This is a practice at some larger airports around the country to reduce the wait time for drivers. The concept is to reduce the number of vehicles in queue at the airport leading to shorter waits for drivers and more trips per day for those drivers allowed to work that day. There are drivers who primarily work from the airport and they would be significantly impacted if a change is implemented. Current wait times do not warrant the change based on data collected by ABIA. This practice could be an option in the future.”

This research team agrees that there is not a current pressing need for changes such as odd/even days for ABIA taxis now but it needs to be considered if taxi wait times at the airport begin to exceed two and half hours. Two and a half hours per wait on the average was selected because an airport taxi driver would still be able to achieve four trips per day on the average. However, if times get longer than this, the average would slip below the minimum amount needed to sustain a driver.

Capping of Taxi Franchise Lease Rates

Another threat to the service levels and health of the Austin taxi industry is the setting of lease rates by the City of Austin. As shown, there is considerable difference in the lease rates between Yellow Cab Co. of Austin and its two competitors. Yellow Cab Co. charges \$300 per week **for** their permit while Austin Cab Co. charges \$260 and Lone Star Cab charges \$250. The difference in these lease rates depicts the value each driver feels he /she derives from the taxi franchise company he/she selects as a sponsor. All drivers receive the use of a city taxi permit, insurance, and the business derived from their sponsor's dispatch and marketing efforts.

Yellow Cab Co. taxi drivers pay substantially more for the Yellow Cab Co. lease (\$60 or \$65 more per week) because they receive 6 or 7 dispatches per day, representing business opportunities of somewhere between \$100 and \$150 per day in just dispatch calls alone. At \$125 per day, this would mean a book of business worth \$750 per week for the extra \$40 or \$45. On the other hand, an Austin Cab Co. or Lone Star Cab driver who pays \$60 or \$65 less per week to their taxi franchise firm may only be gaining one or two trips per day from dispatch, valued at \$50 per day or \$300 per week. While averages can be misleading, the driver who wants to work dispatch will pay the extra \$60 per week to receive the extra \$450 in revenue opportunity. The driver who prefers to work the airport and hotel stands, or has numerous personals, will prefer to pay less for their weekly lease fee. Naturally, any driver would prefer to pay a lesser amount for his/her insurance, permit lease, dispatch and company marketing efforts, but charging a lease fee is the only method the taxi franchise company has for recovering its costs of operation.

Setting a limit on permit lease rates would take away the taxi franchise company's initiative to generate more business for its taxi drivers because there would be no

additional returns for these efforts if lease fees could not be increased as a result of generating more business for the drivers. Just the opposite could and might happen – taxi franchise companies would lesson their marketing and trip generations, saving money but continuing to charge the maximum lease rate permitted by the City, thereby lessening the value of driving a taxi in Austin.

It should be obvious to economists that Austin taxi lease rates are set not by cost but by the market opportunity each company provides its potential drivers. Lease rates are not a simple matter of calculating the company's costs and allocating them to their various leases. This is a very difficult process and goes to the heart of managerial decision making of the taxi firm.

For a regulatory body to set taxi lease rates, it would have to be assumed that it could also determine accurately the market opportunity available with that lease, and that each driver would have the same income under their lease arrangement. This is simply not the case. As shown by the data, individual drivers prefer to work more or less at their own pace; some prefer mornings or nights, weekends or not, depending upon their personal preferences and skill at being a taxi driver.

While each driver may have the same market opportunity in return for the type of lease that he or she purchases, how they work that lease is highly dependent upon their personal initiative, knowledge of the area, and ability to generate personals of their own. Thus, the setting of lease rates by the regulatory body would not achieve any aim to generate some predetermined income for drivers and could very well significantly increase taxi rates to the Austin community and decrease the level of income of some dispatch orienting drivers.

The experiences of other major metropolitan areas in the United States that set taxi companies' lease rates have not been encouraging. These cities are Boston, Philadelphia, New York, Minneapolis, and the City and County of San Francisco. After just a few years of implementing a policy of setting taxi lease rates, the City of San Francisco, for example, has been forced to raise taxi rates to a flag drop of \$3.20 and 40 cents per 1/5 of a mile thereafter. Lease rates average \$91.50 per 10 hours shift and one controversy after another concerning taxicab service, cost, driver rights, or medallion owner operations is constantly before the regulatory Board and City Council.

Additionally, the City of San Francisco is now being asked to assume the cost of driver health insurance and become deeply involved in the day-to-day operations of the taxi industry, thereby becoming the personnel department for all its independent owner-operator cab drivers. There are calls to further raise taxi rates once again due to increased gasoline prices, insurance costs, etc. – any reasonable issue that may be seen as raising driver incomes.

The common problem associated with cities that do regulate taxi companies' lease rates appears to be simple in nature. Instead of focusing on ways to become more efficient and even lower rates to attract more business, owners of taxi firms attempt to cut out as many services and marketing as possible, creating the largest margins possible from the lease rates they are legally permitted to charge a driver.

It would suffice to say that setting driver lease rates have, for the most part, been highly controversial, failed to provide improvements in taxi services or driver incomes predicted, and ironically resulted in significantly higher lease rates for the drivers.

Finally, as these increases in lease rates drive increases in taxi fares, it makes it easier for competitors in the van, sedan and limo markets to attain more of the traditional taxi market from taxi providers – especially at the largest single taxi market – the airport. This effect also forces airport officials to dedicate more physical curb space and personnel to overseeing the loading of more shuttle van and prearranged ground transportation and less on-demand taxis. This devolution cycle of the traditional taxi market has been played out in many North American communities – especially those where the city attempted to fractionalize the taxi industry through more but smaller taxi companies; individual driver medallions; lease rate setting; or all the above.

Without assurances of a level playing field where all competitors are required to provide the same level of taxi service such as dispatch trips per vehicle, it could be expected that full service taxi companies would be tempted to discontinue their vehicle ownership, maintenance facilities, and even dispatching, in order to lower their costs. They would simply collect “rents” from the independent taxi owners who wish to operate under their colors. It can be expected that independent taxi drivers will wish to own their own medallions or form their own taxi companies, thereby avoiding the payments they make to someone else for little or no marketing or other services.

Such devolution of the local taxi industry is relatively easy to predict given the experiences of other communities cited above and elsewhere in this report. Summarizing, unless public policy makers of Austin want the same outcomes for their taxi industry, they should seek to preserve the full service taxi companies and Managed Competition regulatory framework presently in operation and seek ways to improve their taxi franchise firms' abilities to provide a superior level of service deserved by the community.

Weekend Evenings and Special Event (Peak Demand) Taxi Services

A major problem consistently observed through interviews, Secret Shopper's reports, hotel and restaurant surveys, and discussions with city employees was the lack of taxi services on weekend evenings and during special events. Those periods of peak demand are generally Thursday, Friday and Saturday nights or during special events hosted by the City of Austin or University of Texas.

Ironically, this lack of service was not due to a shortage of taxicabs in Austin but rather, the unwillingness of most owner-operator cab drivers to double shift their cars during these periods. Data from the three taxi companies showed that the vast majority of taxis operated in Austin are owner-operated. Interviews with these drivers indicated that they preferred to not sublease their cabs for a variety of reasons. While payment of another daily lease fee for double shifting their vehicle was mentioned several times, others simply stated that it was too much of a hassle and too problematic to get a second driver who would not tear up the cab. And since they felt they could not make much from it, they preferred to drive their vehicle at different times of the day and night when it was most profitable for them to do so. This time did not always coincide with a 12 hours shift.

Finally, many owner-operators make enough money driving during the day and they elect to not sublease their vehicles to avoid the personal inconvenience of trading their cars or risking damage to their car that may be caused by a sub-contractor. They also elect to not drive during the evening hours in order to avoid dealing with passengers who have potentially been drinking.

Given the identification of this serious service problem, each of the three taxi franchise companies were requested to provide what they considered to be a solution to

this peak time service problem. While all three provided useful suggestions, only one provided a detailed proposal in writing. Following is a combination of the industry's proposal with modifications made by our research team for the City's consideration.

It is proposed that the City of Austin issue one hundred (100) Peak Demand Taxicab permits to accommodate increased request for taxicab service during periods of peak demand.

1. These permits would be designated for lease purposes during periods of peak demand. Historical periods of heavy taxicab demand include Thursday, Friday and Saturday nights from 7pm to 3am during the calendar school year and SXSW, ACL, Halloween, New Years Eve, UT Football home games and the upcoming F1 Race weeks.
2. These permits will not be authorized to stage at the airport but would be allowed to drop off at the airport. Disallowing these vehicles from staging at the airport will cause there to not be a negative impact on current independent contractor drivers who elect to service only the airport.
3. These specially permitted vehicles would not count against the permits currently available to each franchise and would not count against the City formula deciding how many taxicabs are needed in the city of Austin to meet normal demand. (They would be specially marked to be easily identifiable by a large 12 inch color strip running from sided to side between the front and back doors)

Peak Demand During the week

From company data it was determined that an average of 2150 trips per night are dispatched through Yellow Cab Co.'s Call Center during the weekly peak business hours (7pm-3am, Thursday, Friday and Saturday night.) Within the Yellow Cab Co. owner-operator fleet of 455 vehicles, less than 300 cabs routinely operate during these peak business hours. Only one-third or 150 of 455 ICD-Owners routinely sublease their vehicles, thereby causing the average wait time during this period to rise from the average 11 minutes of other evenings.

An evaluation of trips dispatched during the weekly peak demand period (7pm – 3am Thursday, Friday and Saturday) between February 2011 through April 2011 by officials of Yellow Cab Co. of Austin indicates that, roughly 50% of the requests are in the downtown/central Austin area, and the other 50% are requested outside of this area and generated around the rest of the city.

Downtown/ Central Austin					All other zones
501	502	503	504	Total	Total
15856	10425	13530	6660	46471	46302

From this data, Yellow Cab Co. has determined that there would be a need for peak demand permits 37 out of 52 weeks a year. Considering that The University of Austin has a reduction of its student population for the summer months and winter holidays but the month of June will be hosting a new event, Formula One racing. Independent contractor drivers (non-owners) would decide when to lease the cabs on a daily, weekly and monthly basis, which will keep supply and demand in check.

It was also suggested that Peak Demand Permits should also be eligible for utilization on certain Sundays during the year. The Sundays after special events have a tendency to have fewer ICD's who choose to operate because they have extended their hours of operation during the special events.

Peak Demand during Special Events

There are also recurring special events in Austin that will cause the average wait time to increase. SXSW, ACL, Halloween, New Years Eve, UT Football Home games and the impending F1 Race for example from Yellow Cab Co. dispatch data below one can see the impact of these special events on calls for taxi services.

Special Event Trip Request Increase

Event	Disp.	Flag	Total
Dates	Trips	Trips	Trips
11-Sep	4337	4980	9317
23-Oct	4616	4537	9153
30-Oct	4211	5579	9790
13-Nov	4500	4902	9402
20-Nov	4437	3935	8372
31-Dec	4167	4706	8873
8-Oct	4856	7017	11873
9-Oct	5210	7095	12305
10-Oct	4348	6185	10533
12-Mar	4659	2802	7461
13-Mar	4617	3334	7951
14-Mar	3290	3316	6606
15-Mar	3264	2036	5300
16-Mar	3034	1905	4939
17-Mar	3176	2036	5212
18-Mar	3940	3038	6978
19-Mar	5355	5046	10401
20-Mar	5772	5926	11698
21-Mar	5041	6112	11153
22-Mar	5460	5586	11046
23-Mar	5552	6393	11945
24-Mar	4726	7844	12570
25-Mar	4783	8474	13257
26-Mar	4679	9572	14251
27-Mar	5398	9792	15190
28-Mar	4931	6005	10936
29-Mar	4094	2151	6245

Spc Evt

AVG	4535	5196	9732
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2010			
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AVG	3175	2236	5411
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The numbers above indicate a 180% increase in demand for service during Special Event Periods, a 143% increase in dispatched trips and a 232% increase in flagged trips.

During the course of a normal business week, twice as many trips are dispatched per hour during the peak demand hours (7pm-3am Thursday, Friday and Saturday night).

In 2010 SXSW had nearly 37,000 registered visitors and many more came to Austin for the 2 week festival, all prior attendance records were broken with 80,000 paying attendees at ACL 2010 and 2011 anticipates a record breaking number of visitors to Austin for Formula One racing at 110,000 or more.

Why 100 Peak Demand Permits?

1. 100 Special Shuttle service permits were issued by the City of Austin during the most recent SXSW festival. Issuing those permits to the taxicab franchises (Yellow Cab Co., Austin Cab Co. and Lone Star Cab) allows for the availability of more experienced drivers during special events and provides a solution to the weekly peak demand problem.
2. There is 43% more demand for dispatch service during special events.
3. There are twice as many trips dispatched per hour during weekly peak demand times, especially from 8 pm -10 pm when passengers are presumably going out and between 1am - 3 am when the bars are closing and passengers presumably are heading home.
4. These permits should be made available to lease between the hours of 6 pm and 6 am, allowing for pull-out and return functions to be implemented by each of the franchises.
5. For example, Yellow Cab Co. Austin currently has a waiting list of more than 70 independent contractor drivers seeking the opportunity to be owners. The Peak Demand Permit creates the opportunity for them to remain more actively engaged with the business until the opportunity to become an ICD-owner presents itself.
6. 100 Peak Demand Permits will create up to 100 additional opportunities for Austinites to service the city and make a living.

Drivers Unwilling to Accept Dispatch Calls

Current City of Austin Taxi Ordinance 13-2-345 requires all taxi drivers to respond to their dispatch calls if they are a “reasonable distance” from the pick up point. This provision reads, “While operating a taxicab, a driver shall respond to service requests from the driver’s dispatch terminal when the location for pick-up is within a reasonable distance from the location of the taxicab.” The use of the term “reasonable distance” is extremely vague and open to wide interpretations. This provision should be altered to read “...when the GPS location for pick-up indicates that he/she are the closest taxi to requested service”.

In addition, each of the taxi franchise companies should be required to establish a log of drivers who refuse this service offering and provide a quarterly report to the Austin Transportation Department. Drivers refusing three or more trips per quarter should be suspended for one week on their first offense, one month on their second offense, and have their driving permit revoked upon a third offense over a two year period.

Driver Appearance and Qualifications

Each taxi franchise company and its drivers should develop a dress code that identifies that driver with the company. This dress code is to be approved by the City. Such a dress code need not be a uniform, but each taxi franchise company should be required to enforce a city requirement that each taxi driver have a proper customer appearance representing the taxi company they are driving for.

Each new applicant for a taxi driver’s license in the City of Austin should be required to have a minimum of two years driving experience in the United States and a minimum of 6 months driving experience in the City of Austin.

Driver Safety

Technology also has a role to play in taxi driver safety. While Austin taxi drivers have not experienced the level of robberies, assaults, and even deaths of fellow drivers in other North American cities, the time to stem any rise in these activities is now. Individuals in the community need to know that the fastest way to spending time as a

guest of the province in one of its jails is to rob a cab driver. In order to do this, drivers need to be protected from random acts of violence.

Within the industry, taxi driver safety is enhanced through several methods. One is to shield the driver from passengers through a partial shield (surrounding the driver's seat only) or a full partition shield which protects the front compartment of the vehicle where the driver is from the back seat where passengers typically ride.

Other driver safety methods are much less intrusive and they include a simple panic button which the driver can hit when he or she is in distress. This will cause all the lights and horn of the vehicle to be activated and blinking on and off. There is also the panic button which is tied to the GPS dispatch system and which immediately alerts the police and all other drivers that a taxicab driver is in trouble and exactly where he/she is.

Finally, there is the use of on-board cameras within taxicabs which may not seem like much of a physical deterrent when compared to shields, but if police and city follow through with aggressive prosecution of offenders, they become very effective. As one might expect, there are arguments as to which method or methods are most effective against crimes against taxicab drivers.

Each has its drawbacks. Shields, especially full partition shields create a cage atmosphere for the user making the taxi trip more than just slightly uncomfortable. On the other hand, the partial shield surrounds the driver making his or her work environment extremely cramped and uncomfortable. Finally taxicab shields have been utilized mainly on large sedan vehicles. Their application on the newer smaller vehicles utilized as taxicabs only worsen the feeling of being in the back of a police car.

Panic buttons are extremely useful but are always after the fact and may cause altercations between the police and the criminal with the cab driver in the middle. It is for these reasons that taxi on-board cameras have become one of the most effective ways, in combination with silent panic buttons, to protect the taxi driver and lead to prosecution of the criminal. These onboard cameras, which capture videos of both what can be seen through the windshield and what is happening in the cabin of the taxi. In cases where an individual may become ill and throw up in the cab, a taxi driver can capture this and request the individual be responsible for the vehicle clean up cost.

Additional Recommendations

1. Require all Austin taxi companies to electronically capture and record all trips taken by their taxis. Appendix D provides examples of modern taxi dispatch systems and their costs.
2. Require that within one year all full service taxi companies dispatch calls with GPS turn-by-turn instructions for the driver.
3. Require all taxi companies to reach a minimum number of five trips per shift of the taxi or be required to reduce the number of taxis in their fleet.
4. Base additional permits on demonstrated utilization of permit.
5. Set incremental goals for each taxi company of a 20% increase in trips.
6. Allot increases in operating permits as a result of actual demand in the form of increased trips generated for drivers on a 1 for 2 basis. For each 20% increase in trips, the taxi company would be permitted to add 10% more taxis, thereby allowing drivers to increase business at a rate faster than additional taxis added to the system.

Comparison of Regulations and Taxicab Stats with Other Cities

As noted in the “Why Regulate” section of this report, the experiences of other cities in their attempts to extensively regulate taxicabs has not been generally favorable to drivers, the industry, or those who frequently utilize taxicab services.

Following is a comparative listing of North American cities which have populations from 750,000 to 1.5 million people. As shown by the chart below, tourist, government or major university oriented cities with major convention centers such as San Diego, California and Orlando, Florida have similar or even a slightly higher ratio of taxicabs to population. Other metropolitan areas with similar populations, such as Memphis and Milwaukee, which do not have major convention centers and tourist areas, have considerably fewer cabs per 1,000 populations than Austin.

Also as shown, like Austin, San Antonio taxi rates are considerably below the average for flag drop, additional miles, and waiting times. The average for this grouping of cities is \$3.01. The cost of additional miles is currently \$2.30 with the average for this group of comparable cities being \$2.26, so there is little difference at the current time and the recommendation would be to keep the current rate as it exists – adjusting for inflation every two years. The City of Austin currently has a gasoline cost escalator in the ordinance that will increase the fare as the price of gasoline increases, so unless there is some overriding increase in costs such as a dramatic increase in liability insurance, there should be no need to adjust taxi fare rates above the general cost of living.

Population .75M - 1.5M: Number Licensed 20 - 1,825

City, State	Pop. /000/	Lic.	Drop Charge \$	Charge mile	Add'l. Charge \$	Add'l. Mile	Cost of First Mile	Cost of Second Mile	Waiting Time \$/min.	Date of Increase	Legend
Austin, TX	790	668	2.65	1/5	0.46	1/5	4.49	2.30	0.45	Feb -10	
Bayside (Queens), NY	1100	500	6.00	1st zone	10.00	3rd 15.00				Apr-06	
Birmingham, AL	1000	182	3.00	1/4	0.25	1/8	4.50	2.00	0.33	Apr-08	SUR 670
Boston, MA	1000	1825	2.60	1/7	0.4	1/7	5.00	2.80	0.4	Sep-08	100
Broward County, FL	1250	625	2.50	1/6	0.4	1/6	4.50	2.40	0.4	Apr-08	275
Dayton, OH	1065	90	2.00	1/2	0.2	1/10	3.00	2.00	0	Apr-02	230
Fairfax County, VA	1000	576	3.25	1/5	0.4	1/5	4.85	2.00	0.35	Oct-08	SUR 935
Fort Lauderdale, FL	1350	672	2.50	1/6	0.4	1/6	4.50	2.40	0.3	Sep-05	5
Memphis, TN	1200	300	2.00	1/9	0.2	1/9	3.60	1.80	0.33	Apr-07	795
Milwaukee, WI	1000	325	2.75	1/8	0.25	1/8	4.50	2.00	0.25	May-06	380
Montgomery County, WD	1000	720	4.00	1/4	0.5	1/4	5.50	2.00	0.47	Feb-09	875
Orlando, FL	1434	1000	2.20	1/4	0.55	1/4	3.85	2.20	0.55	Feb-08	
Pomona, CA	1000	140	2.20	1/10	0.22	1/10	4.18	2.20	0.4	Apr-05	
Rock Island (Quad Cities), IL	1000	20	6.00	1 mile	2.5	1 mile	6.00	2.50	0	May-07	1015
Sacramento, CA	1200	450	5.00	1 mile	0.2	1/11	5.00	2.20	0.41	Feb-02	195
Salt Lake City, UT	1000	268	2.25	1/11	0.2	1/11	4.25	2.20	0.37	Jul-08	1010
St. Louis, MO	1500	1200	2.50	1/10	0.2	1/10	4.30	2.00	0	Jun-08	SUR 930
San Antonio, TX	1300	820	2.00	1/7	0.3	1/7	3.80	2.10	0.35	Jun-08	SUR 680
San Diego, CA	1000	1000	2.40	1/13	0.2	1/13	4.80	2.60	0.36	Apr-07	65
San Jose, CA	1000	475	3.50	1/10	0.25	1/12	5.70	3.00	0.4	Oct-08	190
Seattle, WA	1000	643	2.50	1/10	0.25	1/10	4.75	2.50	0.5	Oct-08	UR 135
	1205	613	2.00	1/5	0.45	1/5	3.80	2.25	0.3	Jun-08	SUR95
22 cities Avg	1124	592.6	3.01	Avg	0.42	Avg	4.52	2.26	0.31		

Overall Rate Increase Effect

The overall effect of a taxi rate increase hits low income and transportation disabled members of a community the hardest. Often these individuals live on a fixed income and significant increases in taxi fares mean a reduction in their overall mobility and enjoyment of frequent travel. Thus, significant increases in taxi fares should not be permitted and other increases held to a minimum if it is possible at all.

This general philosophy of keeping local fares as low as possible should be encouraged through the appropriate use of taxi permits. Increasing the number of taxi permits when existing demand is already being covered does not decrease the taxi fares as some economists have predicted. As shown, just the opposite happens – fares go up, not down and service in the suburbs deteriorates as too many taxis are permitted into the taxi network.

Taxi service is a derived demand. That is, no one takes a taxi ride because of its price, but rather because they need to go from point A to point B. Taxi fares in Austin can be held to a fair level, for both users and taxi drivers, by limiting the number of taxi permits to those that provide the maximum number of rides per day and only increasing that number when it can be shown that demand is reaching the capacity of the existing permits a taxi franchise company may have.

Observations and Recommendations Facing Austin Pedicab Operations

In order to observe first hand the operations of the pedicabs in Austin, project researchers visited Sixth Street several evenings during this project. On one Friday night in July, from 11p.m. until 3a.m., one researcher photographed their operations and engaged in four mystery shopper-type trips with the pedicabs. This firsthand report was filed as the result of that evening.

“There are usually two pedicabs waiting for passengers parked at each block of 6th Street on the cross street. In addition, there are several pedicabs in a queue about half a block up the cross street. As a pedicab leaves with a passenger, the next in line comes down to fill the opening. A majority of pedicabs were from a single company with many others that appeared to be independent companies.

There were two basic types of pedicabs. The first is a pedicab that was built specifically for the purpose of carrying passengers. The second is actually a bicycle that has a makeshift cart attached to the frame of the bicycle. In one notable case, the cart was attached to the bicycle using a piece of angle iron between the cart and the bicycle. The appearance was questionable in terms of professionalism and user safety for both the driver and passenger. These makeshift pedicabs would be extremely difficult to stop using typical bicycle brakes, thereby endangering both driver and passenger when it becomes necessary to stop.

The appearance of drivers varied greatly from one to another. In some cases, the driver would dress according to their own style. With others, the driver would appear to “dress up” to look attractive. There was even one gentleman who was wearing nothing but a pair of shorts and sandals. Considering the heat that night, this was not necessarily surprising.

While the researcher’s primary focus was 6th Street, it was also discovered that there are two additional nightlife spots nearby. The first is what was referred to as West 6th Street. This is an area about 6 blocks West of Congress Ave. Unlike 6th Street, this section of 6th Street is not closed. The third area was referred to as the Warehouse District located in the vicinity of 4th Street and Colorado. While the majority of pedicabs were working the 6th Street area, there were pedicabs in each of these nightlife areas.

There seemed to be a constant flow of pedicabs leaving with passengers. Passengers seemed to use the pedicabs for a variety of purposes such as a short trip for

fun/romance, getting to a nearby hotel, and going to/from the various nightlife areas. There was anywhere from one to three passengers who would ride.

In one case, the driver of one pedicab had to push another pedicab to help get it moving. It appeared that the primary reason was that the pedicab was one of the converted bicycles hauling three persons. Unlike the actual pedicabs, the conversions are not as stable because the bike can actually be laid on its side. As the researcher experienced on one trip, the driver actually had to jump off the bike when it became too difficult for the driver to make it up a steep hill. Comparatively, these bicycle type pedicabs are greatly inferior to actual pedicabs where a driver can come to a complete stop at a light and never put a foot on the ground.

With regards to the fare, the pedicabs are to have a sign posted for passengers. For most, it basically states that a pedicab can be hired at a rate of \$60 per hour. Otherwise, the driver works solely for tips. If asked what a fare tip would be, most of the drivers say they try to get \$5 per person but it is up to the passenger.

In the four trips that the researcher took, there were drivers with different amounts of experience. One was relatively new while others had been working pedicabs for years. With one in particular, he quickly offered his knowledge of the area when he discovered the researcher was not from Austin. He acted as a tour guide by sharing his knowledge of the area. However, all the drivers seemed to enjoy engaging in conversation during the trip. All drivers obeyed the rules of the road at red lights. The ones that drove the converted bicycles would do a rolling stop at stop signs to avoid putting their foot down. The actual pedicabs would stop completely for a brief second since they did not have to worry about balance issues.

Also, there does appear to be a potential safety issue with the converted bicycles. First, there is the issue of balance. A driver cannot stop without putting their foot down. In addition, when boarding one of these, the cart tends to roll to the side unless the person steps into the middle. Finally, on the trip where the driver had to jump off to the side, the researcher actually felt the need to put his foot out of the cart to the pavement as well. Second, there was not consistency with the ways that the bicycles were converted. There were different carts and attachment methods. It is difficult to believe that these differences could all be inspected for proper safety, as there is no apparent standard method of construction or assembly. Future pedicabs authorized should be required to be the ones manufactured specifically for the purpose of hauling passengers.

Another recommendation would be with respect to the fares. It is the belief of this researcher that there should be some form of a fare structure established. This fare could then be supplemented by tips if the passenger desired to pay extra for good service. This rate could then be posted where potential passengers would see them before engaging a pedicab for service. In addition, the pedicab should clearly identify whether they are accepting credit cards or cash only. Some are capable of accepting credit cards using their smart phones to process the transaction.

One possible fare structure could be done by breaking up the area where pedicabs are permitted into zones. Fares would be set according to travel within and between the zones. It is important to note that what might be considered a short distance from 1 block on 6th Street to another point on 6th Street, at night is increased substantially since drivers are not allowed to travel on 6th Street and 5th Street is a one-way. Also, a flat street is better than one with hills. Therefore, setting a fare based on blocks may not be the best way since six blocks can easily become ten at some times of the day.

The appearance of pedicab drivers does not appear to be an issue. In talking with several drivers, many indicated that they will change their appearance based on what event is happening at the time. In addition, it also appeared some might have been dressing based on the temperature. Shorts and a tank top seemed appropriate considering how hot and muggy it was.

Finally, the pedicabs in Austin serve an important role. Especially with the closing of 6th Street and the large number of persons at 6th Street, the pedicab offers an easy way to get from one point on 6th Street to another or even other locations. It also offers a way to get to a point where one could then hail a taxi to go to a destination further away.”

The 6th Street Crowd



The Pedicabs









Given this report and observations/comments provided by Secret Shoppers, hotel and restaurant surveys about pedicabs, it would appear that there currently exists a lack of ability to vigorously enforce safety standards among all these different types of pedicab operators and vehicles. In addition, numerous auto and transportation agencies have determined that bicycle-type pedicabs are considered unsafe and should be banned from commercial use.

Also, it was determined that roadway violations are numerous by some operators and that on-street enforcement and fining of violators is needed to eliminate this reckless and potentially lethal behavior. It is recommended that a Transportation Enforcement Officer be on duty until 3 a.m. on weekend nights in order to observe and fine violators.

There also appeared to be a lacking any plan to require or encourage consolidation of the of the pedicab industry in Austin for improved safety and fairness to visitors or others who may not know the going rate for pedicab rides. It is extremely difficult, time consuming, and expensive, to regulate this large number of pedicab companies, so a recommendation of this report would be to grandfather in all existing pedicab companies that are determined to be operating in a safe manner with appropriate commercial equipment, but to halt any new entries into this industry until there has been a consolidation of the industry into fewer operators. There is little doubt that this approach would be in the best long-term interest of the public and their use of pedicabs as a mode of short distance transportation.

Consolidation of the pedicab industry could be accomplished by first giving existing operators one year to phase out any type of pedicab except those designed to be commercial pedicabs -- meaning no pedicabs pulled by a bicycle. In addition, after one year, all new entries into the pedicab market would be required to have at least 10 vehicles and provide the City with a management plan as to how they were going to manage their drivers and enforce their own safety procedures and inspections.

The setting of pedicab rates should also be a function of the City Transportation Department. A simple system such as a minimum \$5.00 per ride per person could be placed into the ordinance. A more complex system could be established by setting the rates based on three zones, as has been suggested, and posting these rates in the affected areas. This would assist customers and make them aware of the fares before getting into

the pedicab. The current lack of uniformity suggests that the fare should be a “negotiation”. Often the users of this mode of transportation have no experience in the use of pedicabs and thus have no idea what the fare should be or are under the influence and in no shape to enter into negotiations.

Issues and Recommendations Facing ELSV

Low speed, open-air type vehicles have become popular modes of transportation in retirement villages, beaches, resort communities, and elsewhere. As a shuttle mode, ferrying groups of people in amusement parks, airports, and other venues, they have also proven to be most effective. They have most recently gained considerable interest due to their use of electricity instead of small gasoline engines. There is considerable interest in using these vehicles in congested urban areas as a means to mitigate the effects of the common automobile and its combustible engine. Thus, a special category of vehicles and regulations have been developed for what has become known as Electric Low Speed Vehicles, or ELSVs.

Unfortunately, and for good reasons, highway safety experts argue that these vehicles are extremely dangerous when utilized in mixed modes of urban traffic – especially at highway speeds greater than 25mph. Safety experts are concerned that these vehicles are not typically equipped with most of the modern day safety devices found in the automobile such as airbags, side airbags, crush resistant occupant designs, proper braking systems, dependable steering, lighting, acceleration, etc. – a very long list. Indeed, a lengthy study by the Federal Government concluded that while there were only nine reported deaths involving golf cart vehicles on highways, eight of them, or nearly 90%, were the result of a collision of the golf cart type vehicle with an automobile or truck.

Common sense tells us that even a well constructed ELSV does not offer much protection to the occupants when struck by a 2500 lb. automobile – even at low speeds. Therefore, states and cities have moved cautiously when considering the use of these vehicles in highly congested areas and mixed (with automobiles) modes.

However, using electrically powered engines instead of a gasoline engine, environmentalists and others have argued their benefits far out way safety concerns.

Prompted by manufacturers such as Chrysler and Bombardier, the Department of Transportation (DOT) through its Federal Motor Vehicle Safety Standards Program has conducted extensive study studies on these low speed vehicles and has added a section to their regulations, *Standard #500, Low Speed Vehicles*, or C.F.R. Section 571.500. These standards provide minimum safety standards for low speed vehicles and include detailed minimum requirements for each vehicle used on public highways. These standards were all incorporated into a draft of a ELSV ordinance prepared by the City Transportation Department.

Canada has also adopted their federal version of safety standards for low speed vehicles from a research report titled, *Safe Integration of Electric Low Speed Vehicles on Ontario's Roads in Mixed Traffic* (CSTT-HVC-CTR-074). Similar concerns to their U.S. counterparts were researched with the observation that there was very little data from which to make their recommendations. There was, and still is, concern for occupant safety and a collision with an automobile or truck in mixed traffic. However, the report indicated they should be approved, with limitations, on Canadian roadways for pilot programs. One such pilot program is that initiated in Quebec, which allows the operation of electric low speed vehicles on carefully selected public roads.

It should be pointed out that all the research and safety regulations promulgated for electric low speed vehicles was conducted under the assumption that these vehicles would be operated by individual owners utilized for their personal use. None of the studies reviewed mentioned the use of these vehicles in commercial operations where the riders may not know of or clearly understand the potential safety problems. In addition, all these studies mention the lack of data and little information (on crashes) that they had in their databases. Electric low speed vehicles have simply not been permitted on public streets in the past and thus few incidents and even poorer record keeping identifying an accident as having involved an electric low speed vehicle, (i.e. golf cart) were available.

To be fair, it would also be biased to lump electric low speed vehicles in with accidents involving golf carts as some of these safety studies did. Today's electric low speed vehicles, especially those complying with FMC safety regulations, are a larger, more rugged and safety equipped than mere golf carts. But they still lack the safety

features of doors, front and side airbags, and just the metal around them for protection in the event of a serious crash with an automobile or truck – even at low speeds!

Closer to Austin however, is the Houston *REV Eco-Shuttle* system, that has been in existence since 2008 but only began operating with authority from the City of Houston in October of 2010 using four 6 passenger electric vehicles. *City of Houston, Municipal Code, Chapter 46, Article VII, Low Speed Vehicles*. They charge a flat fare (\$5.00) per zone and \$10 if they cross into another zone. The service is restricted to the downtown area and is not permitted on major thoroughfares. Users call for the service or now use a phone app for a ride. Locals and visitors alike appear to enjoy the open air ride as business is growing and their website boasts of no accidents. Much can be learned from this Texas experiment with electric low speed vehicles, but it should be pointed out that the City of Houston is moving very cautiously with the pilot program of only 4 vehicles.

After an extensive literature review on the all the issues surrounding low speed vehicles, it is for the above reasons of public safety that if the City of Austin desires to experiment with ELSVs, it should move slowly and carefully in the authorization of these vehicles on public streets and thoroughfares. The City of Austin needs to be even more cautious when authorizing their use as a commercial vehicle for hire to the general public and additionally require liability insurance in excess of \$1,000,000 to protect the City.

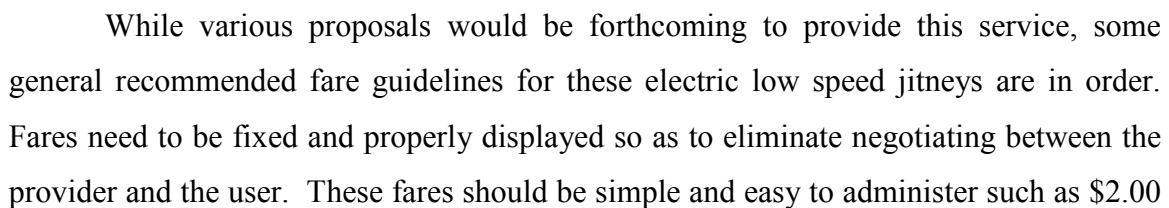
Currently an operator of these vehicles has requested permission from the City to be operated like pedicabs, picking up and dropping off customers in the downtown and University areas. Such an operating authority would provide these vehicles with the same flexibility and maneuverability as that of taxicabs, but in a restricted geographical area.

The City should not accept this application. The City of Austin should first consider a pilot program with a limited number of ELSV's in a restricted mode so as to learn more about these vehicles and their potential to assist the City with traffic and parking congestion in the entertainment districts of the City. The last thing City police need is another explosion of non-automobile type vehicles on their downtown streets. The pedicab population has reached over 200 vehicles at times and the traffic mix of pedicabs, ELSV's, taxicabs and private automobiles would be difficult to manage.

Should a pilot program be initiated, the City should follow through with all the safety requirements in the current draft of an ordinance to permit ELSV's as vehicles for hire. But the City should issue an RFP for an ELSV operator to run a maximum two ELSV shuttle routes as fixed route jitney systems for a minimum of one year so experience on city liability issues and safety data can be compiled. The selected operator should be permitted to run 4- or 6- passenger ELSV's as long as each complies with the C.F.R. Section 571.500 safety requirements. Each route could have between two and four vehicles operating at various times. The successful operator should be able to petition the City Department of Transportation for more vehicles if demand exceeds the ability of four jitneys per route.

So as to not run afoul of the Americans with Disabilities Act, these vehicles would be required to operate on an approved route but not on a fixed time schedule. Thus, being a vehicle with an automotive type body, they would not be required to have their vehicles equipped with an ADA approved wheelchair systems.

The suggested routes would be modified versions of the routes abandoned recently by Cap Metro, which served the downtown area, outlying parking garages, and the many restaurants, hotels, and bars associated with the Sixth Street entertainment district. The modifications include shifting the Moonlight Dillo route to travel along 4th Street's Warehouse District. The Starlight Dillo route was modified to allow the ELSV to pass the Austin Convention Center and other hotels. In addition, this proposed route has two versions. One would allow the ELSV to travel down 6th Street when open for traffic. Otherwise, the route would proceed up to 8th Street during the shut-down of 6th Street.



or \$3.00 cash per person per ride, which would include a free transfer coupon to the other jitney route. Credit cards could be accepted but probably not required.

The public's interest is served in a number of ways from such a proposed service. First, the City gains operating experience with these new types of electric vehicles and their safety capabilities. Hopefully, there may be additional routes and venues these vehicles can provide services for such as sporting events, restaurant/hotel shuttles, special entertainment programs, etc. In time, if and probably when these vehicles and their operation in Austin prove to be safe for use as commercial operations, their operating authority can be expanded to provide route deviation service, whereby the jitney would go off the required route by a block or two to pickup or drop off a passenger but return immediately to the route. Eventually, within the downtown area such jitney services might evolve to a point-to-point transportation provider with authority to operate via hail or call in the downtown area from or to any point within this designated area. This would however, require a different fare system, and for all intents and purposes, they would be operating as a taxi service, and therefore be required to follow taxi fare regulations.