

CITY OF LONG BEACH

H-2

DEPARTMENT OF FINANCIAL MANAGEMENT

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May 1, 2018

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Receive and file the Biennial Report on Public Convenience and Necessity Regarding Taxicab Service and conclude the hearing; determine that the number of authorized taxicabs is sufficient for the needs of the City; find that Long Beach Yellow Cab Cooperative, Inc. (LBYC), is in full compliance with the terms and conditions of the current permit; direct that the period for filing of taxicab applications remains closed; and authorize the City Manager, or designee, to amend the permit with LBYC to approve a requested change in logo, vehicle branding, and vehicle color; and,

Receive and file the Report on the Taxi Regulation Modernization Pilot Program; extend the terms of the pilot program for a period of 12 months; and; authorize the Financial Management Department and City Attorney to work with LBYC to prepare appropriate revisions to the current taxicab ordinance (Citywide).

DISCUSSION

City Council approval is requested to determine that the City's current taxicab provider, Long Beach Yellow Cab (LBYC), is in full compliance with the terms of their existing permit and the number of taxicabs authorized to operate within their fleet is sufficient for the needs of the City, and to allow for changes in vehicle appearance. In addition, authorization is requested to extend the terms of the Taxi Regulation Modernization Pilot Program (Pilot Program) for a period of 12 months to allow LBYC to remain competitive among Transportation Network Companies (TNCs), such as Uber and Lyft. Although service is similar in nature, in Long Beach they operate on fundamentally different business models, with taxicabs facing stricter local regulatory standards. Extending the Pilot Program will allow LBYC the continued flexibility to operate under similar regulatory standards to TNCs.

In May 2000, the City Council adopted Resolution C-27694, closing the time period for the filing of taxicab applications until specifically opened by the City Council. This Resolution requires that the City Manager conduct an investigation into the public convenience and necessity regarding taxicab service every two years and recommend

whether the period for filing of applications should be opened or remain closed. If it is determined by the City Council that the number of authorized taxicabs is sufficient for the needs of the City, then the time period for the filing of applications shall remain closed. If, on the other hand, the City Council determines that the number of authorized taxicabs is insufficient for the needs of the City, then the time period for the filing of applications will be opened. Pursuant to the Resolution, new authorized taxicab slots shall be offered first to the current taxicab permittee, provided the permittee is in full compliance with all terms of the permit and the Long Beach Municipal Code (LBMC).

On June 9, 2015, the City Council amended LBMC Section 5.80.400, establishing the Pilot Program. The Pilot Program was adopted to ensure the public was provided with a broad range of economically competitive, safe, reliable, accessible and technologically innovative transportation options from the current taxicab provider, Long Beach Yellow Cab. The Pilot Program allows vehicles in the LBYC fleet to be subject to separate regulations, which include the use of: (1) Variable, demand-based rates; (2) Smart phone/internet based electronic application; (3) Hail-a-Cab Zones; and, (4) Expedited Driver Activation. The City Council may, after evaluation of the information, recommend expanding the Pilot Program, amending the Pilot Program conditions, extending the Pilot Program duration, or terminating the Pilot Program based upon its determination of the best interests of the City.

Investigation into the Public Convenience and Necessity

City staff conducted an investigation into the public convenience and necessity regarding taxicab service (Attachment A). The investigation finds LBYC is providing satisfactory service to both resident and non-resident taxicab customers, and the number of taxicabs authorized to operate in the City is sufficient.

The investigation conducted by City staff included four steps of review. First, City staff reviewed the complaints received from the taxicab customer service complaint hotline to identify any public concerns. Second, a taxicab customer service survey was performed in February 2017 and March 2018 to determine the quality of taxicab service provided in the City. The survey was distributed by email and in person to employees of 24 businesses and area associations who are responsible for contacting taxicabs for their customers at various hubs in the City (Attachment B). The survey results are included as Attachment C. Third, the Department of Financial Management, Fleet Services Bureau, conducted the annual Taxicab, Auto-for-Hire Inspection process January 9-11, 2018, and performed 157 inspections on LBYC vehicles at their facility in Gardena, CA. During the inspection, City staff checked for valid taxi driver regulatory permits and the posting of the required sign with the City of Long Beach customer service phone number for inquiries and complaints. Lastly, LBYC performed their own analysis of supply and demand for taxicab service in Long Beach and requests that no change be made to the number of taxicabs authorized to operate in their fleet, as their current fleet is meeting the demands of the City.

Based upon the investigation, City staff has concluded that LBYC is meeting the public convenience and necessity for taxicab service in the City. LBYC is currently operating 157 out of 199 authorized taxicabs, reflecting the current demand for taxicab service in the City. Quality in taxicab service has not decreased. LBYC continues to operate a compliant, clean fleet while maintaining the same level of customer service in previous years.

Evaluation of Taxi Regulation Modernization Pilot Program

City staff (Staff) also conducted an evaluation into the effectiveness of the Pilot Program (Attachment D). The evaluation finds that the Pilot Program regulations are beneficial to LBYC and its customers, however, the Pilot Program should be extended to continue to gather data on its effectiveness and perform further evaluation.

The Pilot Program was evaluated based upon a letter submitted by LBYC on February 28, 2018 (Attachment E), and the Pilot Program Report submitted by LBYC (Attachment F). First, LBYC submitted a letter to the City detailing the company's current fiscal position, improvements made in its operations, and requests for the City Council's consideration. The letter was provided for the Biennial Review on the Public Convenience and Necessity for Taxicabs and to provide an update on the success of the Pilot Program. Based on the letter, Staff recognizes the challenges faced by LBYC as a result of the increase in TNCs and also recognizes the Pilot Program regulations allow LBYC the flexibility to be competitive in the TNC-driven market. Second, LBYC provided available monthly data on increases and decreases in ridership, use of mobile applications and websites, and availability of fare notices. Additional information regarding the flexible tipping feature, use of promotions and discounts, and customer complaints is also included.

Staff has met and spoken periodically with LBYC regarding the Pilot Program. Communication with LBYC is ongoing in an effort to further improve the regulations of the taxicab industry in Long Beach. LBYC suggested Staff re-evaluate the current taxicab ordinance in its entirety. Continuation of the Pilot Program will allow staff to work with LBYC to review for potential recommended changes to the taxicab ordinance and regulations while allowing LBYC the continued flexibility to operate under the current Pilot Program conditions.

LBYC Requested Changes

LBYC has requested the following changes to their existing permit:

1. Taxicab vehicle branding – LBYC provided draft proposals for a new logo change and vehicle branding (Attachment G). The proposed change would allow removable, non-destructive branding on the vehicle and allow for vehicles with factory paint of varying colors to operate within the fleet.

Staff recommends City Council's support of this change allowing LBYC to re-brand its logo to "RideYellow Long Beach" and to allow taxicab drivers, who own their own vehicles and pay a weekly fixed operating lease to LBYC, to use vehicles of different, pre-approved factory colors. A taxicab operating with factory colors and removable branding would preserve the vehicle's value after it has retired from the taxicab fleet.

2. Insurance requirements – Due to operating costs, LBYC requests the required insurance limits on its vehicles be revised back to their prior policy limits.

City staff is looking into this issue and will work with LBYC and the City's Risk Management Bureau to explore options and formulate a recommendation to present to the City Council as a separate item, as appropriate.

Also requested was a review of the City's taxi regulations in their entirety with recommendations that would support LBYC's ability to remain competitive in the current TNC-driven market. Staff anticipates returning with additional proposed changes for the City Council's consideration to update the requirements of the LBMC. These changes will allow LBYC to operate on a competitive basis while ensuring the City and its residents are provided fair value and market-leading features for this essential service.

Recommendations

- Allow LBYC to re-brand its logo to "RideYellow Long Beach", allow for light, non-destructive branding on the vehicle, and allow for vehicles with factory paint of varying colors to operate within the fleet.
- Find that LBYC is operating in full compliance with terms and conditions of their existing permit.
- Keep the period for the filing of taxi permit applications closed given that the current number of permits authorized in the City is sufficient.
- Extend the Pilot Program for an additional 12 months to allow LBYC to operate under the current pilot program regulations while working with City staff to identify additional potential changes to the current taxicab ordinance.

SUSTAINABILITY AND TECHNOLOGY

LBYC is continuing to support efforts to promote environmentally sensitive business and lifestyle practices. LBYC has fully implemented their "green" taxicab fleet. Most of the taxicabs in their fleet are either compressed natural gas (CNG) or hybrid-powered vehicles. Currently, there are 138 hybrids or CNG-powered taxicabs in service. The remaining 19 vehicles are minivans or wheel-chair accessible minivans, which are exempt under the LBYC "green" fleet program.

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Additionally, several technological enhancements to improve service delivery and customer experience in 2017 have been implemented. Safety cameras in all 157 vehicles in the fleet have been updated to ensure the safety of passengers and drivers. All dispatch hardware was upgraded to Samsung tablets on the Verizon network and all credit card processing equipment was changed to VeriFone's Marquee terminals, which are typically familiar to consumers from retail stores. LBYC reports that it is one of the few taxicab providers in the industry to own its own technology center and be in control of the technology inside and outside the vehicle.

This matter was reviewed by Deputy City Attorney Amy R. Webber on April 16, 2018 and by Budget Management Officer Rhutu Amin Gharib on April 13, 2018.

TIMING CONSIDERATIONS

City Council action on this item is not time critical.

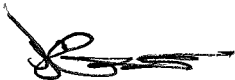
FISCAL IMPACT

LBYC paid their annual business license tax of \$85,820 due January 1, 2018. The business license tax was deposited in the General Fund (GF) in the Financial Management Department (FM). Additionally, Long Beach Yellow Cab Co-Operative, Inc., has also paid \$20,400, which was deposited in the Fleet Services Fund (IS 386) in the Financial Management Department (FM) as a full-cost recovery reimbursement to the City for City-incurred charges related to the three-day Taxicab, Auto-for-Hire Inspection process.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



JOHN GROSS
DIRECTOR OF FINANCIAL MANAGEMENT

JG:JM:SMC:JRR
K:\EXEC\COUNCIL LETTERS\05-12-15 CCL - TAXICAB BIENNIAL REPORT AND INSPECTION - REVISED 42915ARM.DOCX

ATTACHMENTS

APPROVED:



PATRICK H. WEST
CITY MANAGER

ATTACHMENT A

TAXICAB PUBLIC CONVENIENCE & NECESSITY:

STAFF REPORT

May 1, 2018

**STAFF REPORT TO THE CITY COUNCIL
ON THE PUBLIC CONVENIENCE AND NECESSITY
REGARDING TAXICAB SERVICE**

Background

In May 2000, the City Council passed Resolution C-27694 requiring a biennial report on the public convenience and necessity regarding taxicab service in Long Beach. The Resolution also provided that new taxicab companies may only apply to do business in Long Beach when the period for taxicab applications has been opened by the City Council. This is the eighth such report; it covers the period from 2014 through 2018 and contains a recommendation on whether the number of authorized taxicabs is sufficient for the needs of the City. By resolution, if the number of taxicabs is sufficient, the time period for filing applications shall remain closed. If insufficient, the time period for filing applications shall be opened. New authorized taxicab slots would first be offered to the current taxicab permittee, provided that the permittee is in full compliance with the terms of the existing permit and all of the provisions of the Municipal Code.

In October 2004, the City Council found that the 175 taxicab permits authorized in 2004 were sufficient and continued 175 taxicab permits through 2012. In May 2015, the City Council increased the number of authorized taxicab permits to 199. Of the 199 taxicab permits authorized, the current taxicab service provider is only utilizing 157 taxicab permits due to a decline in taxicab trip orders as a result of increased usage of other ride service providers (Uber, Lyft, etc.).

This report examines the taxicab service being provided to both resident and transient taxicab customers. It finds that Long Beach Yellow Cab (LBYC) is providing satisfactory service, finds that the public convenience and necessity is being served, that the present 199 authorized taxicab permits is still sufficient, and recommends that the period for filing of taxicab applications remain closed.

Investigation

The investigation into public convenience and necessity of taxicab service in Long Beach took four forms. First, along with approval from Resolution C-27694, the taxicab ordinance was revised to require each taxicab to display a customer service phone number for the City of Long Beach to receive inquiries or complaints. Second, a repeat of the customer service survey was performed in February 2017 and March 2018 to determine if there has been a change in the quality of taxicab service provided in the City of Long Beach. Third, the Department of Financial Management, Fleet Services Bureau, conducted the annual Taxicab, Auto-for-Hire Inspection process on January 9, 10, and

11, 2018, and performed 157 inspections on LBYC vehicles at their facility in Gardena, CA. Lastly, City staff reviewed a letter submitted by LBYC, which included LBYC's own analysis of taxicab supply and demand in the City.

The customer service line for taxicab complaints has been established since June 2000. During the investigation period, there has been only one complaint to the City from a LBYC customer, which was promptly addressed. In addition, there has been no indication that LBYC is not in full compliance with the Municipal Code and with the terms and conditions of their existing permit to operate 199 taxicabs in the City.

The survey conducted by the Business Services Bureau, which measured taxicab timeliness, cleanliness, courtesy, and overall satisfaction, had a favorable result. Business License Staff conducted the survey in person at hotels, hospitals, transportation hubs, and tourist attractions. They surveyed the employees at these locations who are responsible for calling taxicabs for their customers because their job responsibility involves day-to-day contact with customers who would have complaints, comments, and inquiries about the taxicab service in the City. Business License Staff also emailed the survey to key contact people who are affiliated with the business improvement districts and area associations throughout the City. Staff surveyed 24 businesses and organizations two separate times in 2017 and 2018 (Attachment B). The City received a total of 35 responses. The majority of responses showed satisfaction with the overall experience of LBYC taxicab service, with 30 responses in "Extremely Satisfied", "Moderately Satisfied", and "Slightly Satisfied". There were only a few responses that were less than satisfied, with 4 responses in "Slightly Dissatisfied" or "Moderately Dissatisfied", and 1 response in "Neither Satisfied or Dissatisfied". The customer service survey and complete 2017-2018 survey results can be found in Attachment C.

The Department of Financial Management, Fleet Services Bureau, conducted the annual Taxicab, Auto-for-Hire Inspection process on January 9, 10, and 11, 2018, and performed 157 inspections on LBYC vehicles at their facility in Gardena, CA. During these three days of inspections, 17 vehicles failed the initial inspection and one vehicle was not present for the inspection. Those 18 vehicles had to be reinspected. After the reinspection, all 157 vehicles passed the inspections and were found to be compliant with the requirements of the inspection process, including all taxicabs showing valid taxi driver regulatory permits and posting the required sign with the City of Long Beach customer service phone number for inquiries and complaints.

LBYC conducted their own analysis into the supply and demand for taxicab service in Long Beach. In a letter dated February 28, 2018 (Attachment E), they conclude that taxicab supply and demand are in balance and that the present 199 authorized taxicabs in Long Beach are sufficient.

Conclusions

1. Based on the surveys conducted of taxicab customers and from the minimal number of complaints taken over the City's taxicab complaint telephone line, Long Beach Yellow Cab is providing satisfactory service to City of Long Beach customers.
2. It appears Long Beach Yellow Cab is operating in full compliance with the Municipal Code and with the terms and conditions of the existing permit to operate 199 taxicabs. Of the 199 taxicab permits authorized, the current taxicab service provider is only utilizing 157 taxicab permits.
3. The number of taxicabs presently permitted in the City is sufficient to meet the needs of the City.

Recommendation

Since the present number of taxicabs permitted to operate is sufficient to meet the needs of the City, staff recommends that the City Council keep closed the period for the filing of taxicab permit applications.

BUSINESSES & ORGANIZATIONS SURVEYED

Business Services Bureau License Inspectors surveyed below venues in the City, based on their daily observation to rate the taxicab service at the following locations:

1. Hotels

- a. Queen Mary
- b. Hyatt Long Beach
- c. Renaissance
- d. Hilton Long Beach
- e. Residence Inn Long Beach
- f. Long Beach Marriott
- g. Westin Hotel
- h. Courtyard Marriott

2. Travel

- a. Catalina Express
- b. Greyhound
- c. Long Beach Airport
- d. Long Beach Convention & Visitors Bureau
- e. Carnival Cruise Terminal¹

3. Venues

- a. Long Beach Aquarium

4. BID

- a. Downtown Long Beach BIA
- b. Belmont Shore BID
- c. Fourth Street BID
- d. Zaferia (East Anaheim) BID
- e. Bixby Knolls BID

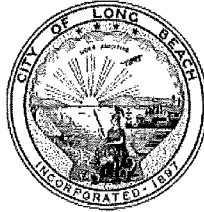
5. Hospitals

- a. Long Beach Memorial Medical Center
- b. St. Mary Medical Center
- c. Pacific Hospital Long Beach
- d. VA Long Beach Healthcare System
- e. Community Hospital of Long Beach

Note:

- 1. The survey was conducted in February 2017 and March 2018.
- 2. The February 2017 survey had 19 responses. The March 2018 survey had 15 responses.

¹ Carnival Cruise Terminal employees were not surveyed in February 2017.



City of Long Beach Taxicab Service Survey Result Summary 2017-2018

1) How accessible is the taxicab service in the City of Long Beach?

	RESPONSE %	RESPONSE COUNT
Extremely Accessible	37.1	13
Very Accessible	48.6	17
Moderately Accessible	11.4	4
Slightly Accessible	0.0	0
Not At All Accessible	2.9	1

2) How convenient and reliable is the use of a taxicab service in the City of Long Beach?

	RESPONSE %	RESPONSE COUNT
Extremely Convenient and Reliable	37.1	13
Very Convenient and Reliable	34.3	12
Moderately Convenient and Reliable	20.0	7
Slightly Convenient and Reliable	0.0	0
Not At All Convenient or Reliable	8.6	3

3) How would you rate the response time of the taxicab service in the City of Long Beach?

	RESPONSE %	RESPONSE COUNT
Extremely Responsive	32.4	11
Very Responsive	44.1	15
Moderately Responsive	17.7	6
Slightly Responsive	2.9	1
Not At All Responsive	2.9	1

4) How professional are the taxicab drivers in the City of Long Beach?

	RESPONSE %	RESPONSE COUNT
Extremely Professional	25.7	9
Very Professional	22.9	8
Moderately Professional	31.4	11
Slightly Professional	14.3	5
Not At All Professional	5.7	2

5) How presentable and clean are the taxicabs in the City of Long Beach?

	RESPONSE %	RESPONSE COUNT
Extremely Presentable and Clean	26.5	9
Very Presentable and Clean	44.1	15
Moderately Presentable and Clean	20.6	7
Slightly Presentable and Clean	5.9	2
Not At All Presentable and Clean	2.9	1

6) How often do you or your organization receive complaints about the taxicab service in the City of Long Beach?

	RESPONSE %	RESPONSE COUNT
0-5 Number of Complaints	79.4	27
6-10 Number of Complaints	14.7	5
11-20 Number of Complaints	5.9	2
21 or More Number of Complaints	0.0	0

7) Compare to other taxicab services that you have used, is the taxicab service in the City of Long Beach better, worse, or about the same?

	RESPONSE %	RESPONSE COUNT
Much Better	14.3	5
Somewhat Better	22.9	8
Slightly Better	5.7	2
About the Same	51.4	18
Slightly Worse	0.0	0
Somewhat Worse	5.7	2
Much Worse	0.0	0

8) Compared to other taxicab services that you have used, is the price of taxicab service in the City of Long Beach reasonable, less reasonable, or about the same?

	RESPONSE %	RESPONSE COUNT
Much More Reasonable	0.0	0
Somewhat Reasonable	32.4	11
Slightly More Reasonable	2.9	1
About as Reasonable	50.0	17
Slightly less Reasonable	5.9	2
Somewhat less Reasonable	5.9	2
Much less Reasonable	2.9	1

9) How would you rate your overall experience with the taxicab service in the City of Long Beach?

	RESPONSE %	RESPONSE COUNT
Extremely Satisfied	31.4	11
Moderately Satisfied	34.3	12
Slightly Satisfied	20.0	7
Neither Satisfied or Dissatisfied	2.9	1
Slightly Dissatisfied	2.9	1
Moderately Dissatisfied	8.5	3
Extremely Dissatisfied	0.0	0

10) Have you seen an increase for any other transportation service other than Long Beach Yellow Cab (i.e. Uber, Lyft, ride service providers, car service providers, or shuttle service providers)?

	RESPONSE %	RESPONSE COUNT
Yes, I have seen an increase	72.2	26
No, I have not seen an increase	27.8	10

The reason for utilizing another transportation service:

- Less expensive than taxicab service
- TNC services (Uber/Lyft) are more widely known and universal among customers
- TNC services are more convenient and have faster service

11) Comments:

1. I think it's sad that Lyft/Uber are taking away from the cabs by hiring inexperienced drivers with no experience to get clientele and take all the money.
2. Driver attitudes are poor as well as cleanliness. Yellow Cab buttons to call a cab are great.
3. Taxi drivers are rude. Working in a hotel industry, they make our service look bad. We use vouchers sometimes and taxi drivers will drive off because they don't want to accept it. We are about 1 mile from Long Beach Airport and the whole ride they complain to customers that they shouldn't order a taxi for a short drive. How else are they supposed to get here with their luggage?
4. I wish service was as responsive in Lakewood as it is in Downtown Long Beach.

ATTACHMENT D

**TAXI REGULATION
MODERNIZATION PILOT
PROGRAM:**

STAFF REPORT

May 1, 2018

**STAFF REPORT TO THE CITY COUNCIL
ON THE TAXI REGULATION MODERNIZATION
PILOT PROGRAM**

Background

On June 9, 2015, the City Council adopted Long Beach Municipal Code (“LBMC”) Section 5.80.400, establishing a Taxi Regulation Modernization Pilot Program (“Pilot Program”). The Pilot Program allowed the current taxicab provider, Long Beach Yellow Cab (“LBYC”), to operate under less strict regulations than previously allowed by the LBMC. The Pilot Program was designed to allow LBYC the ability to compete with Transportation Network Companies (TNCs), such as Uber and Lyft, which have significantly impacted the taxicab industry. Although the Pilot Program deregulates taxicab operations, the Pilot Program ensures the public is still provided with a broad range of economically competitive, safe, reliable, accessible and technologically innovative transportation options.

This report examines the effects of the Pilot Program on taxicab service and LBYC operations in Long Beach. Staff finds that the Pilot Program has been an effective tool for LBYC to remain competitive in the TNC-driven market while providing quality taxicab services to Long Beach residents and transients. Staff recommends extending the Pilot Program for a period of 12 months to allow LBYC to continue operating while working with the Department of Financial Management to identify recommended changes to the current taxicab ordinance.

Evaluation

The evaluation into the Pilot Program examined the success of each set of regulations, including: 1) Smart-phone/internet based electronic application, 2) Variable, demand-based rates, 3) Hail-a-Cab Zones, and 4) Expedited Driver Activation. Staff relied on a letter from LBYC dated February 28, 2018 (Attachment E), data provided by LBYC in their Pilot Program Report (Attachment F), and communication between LBYC and City staff to perform the evaluation of the Pilot Program. In the letter, LBYC provides updates on their current operations under the Pilot Program and possible suggestions for improvements to the taxicab ordinance.

Smart-Phone/Internet-Based Application

The Pilot Program gave LBYC the ability to establish a smart-phone/internet-based electronic application (app) for the public to book a taxicab. At a minimum, the app could allow pre-tipping, letting a customer to pay extra money to incentivize a driver to take a trip; allow a customer to pay a predetermined tip amount; allow LBYC to create a “no show” fee during peak service periods; and allow the customer to enter into a guaranteed ride agreement during peak periods by allowing the customer to communicate his or her intended tip amount for a ride.

Prior to the Pilot Program implementation, LBYC had developed a smart-phone application in May 2015. However, the app had limited features due to the strict regulations for taxicabs that were in place. After the Pilot Program was implemented, LBYC worked to develop an app that could accommodate the different features permitted in the new Pilot Program regulations. LBYC launched their new revamped app, RideYellow, in January 2016. The new app streamlined users' ability to book taxi trips on their phone in advance of a trip and allowed the customer to store their credit card information on file for future trips. Upon implementation of the app, LBYC immediately began offering rider discounts for using the app, including a 25 percent discount for rides booked through the app using a credit card, which is still in place today. In addition, the app allows customers to enter promotional codes for discounts on rides and allows customers to set default tip amounts or change the tip amount per ride.

Since the implementation of RideYellow in January 2016, orders placed using the app have increased and phone orders have decreased. However, the app has not replaced the traditional model of calling for a cab, as approximately 500 orders per month are placed using the app and around 6,000 orders per month are placed via phone orders. In 2017, LBYC took more than 400,000 orders for taxicab service. Of the 400,000 orders, 7% were placed using the RideYellow app.

Due to costs to design and maintain the app, LBYC did not implement all features that were permitted by the Pilot Program to be utilized through the app such as surge pricing or “no show” fees. However, LBYC is continuously updating the RideYellow app with the latest technological advancements. LBYC anticipates updating the RideYellow app in the near future to accept the passenger's destination and pre-price every app trip based on the meter algorithm and live traffic conditions. In addition to the app improvements made as part of the Pilot Program, LBYC is continuing to update the traditional method of phone ordering. LBYC's Interactive Voice Response System (IVR) will be integrated with

Google's voice-to-text capabilities and Google's place-picker capabilities to allow for an advanced, conversational automated ordering experience.

Fare Deregulation

LBYC was granted the ability to charge variable, demand based rates and offer discounts or promotions for LBYC customers within the Pilot Program. Upon passage of the Pilot Program, LBYC immediately began to employ the use of promotional codes and discounts for their passengers. In addition to the automatic 25 percent discount for customers who place orders through the RideYellow app with a credit card, LBYC offers promotional codes, such as \$15 off a customer's first ride, a 10% discount for senior citizens, and other promotional codes created for community events in Long Beach such as Ronald McDonald House Charity, Long Beach Pride, and We Love Long Beach. In 2017, LBYC reported to have given away \$20,000 worth of promotional code discounts to Long Beach riders. LBYC has such discounts posted through print materials, on their website, and inside the taxicabs via cab stickers.

Although LBYC was granted the ability to charge variable, demand-based rates, LBYC did not implement this component of the Pilot Program. LBYC maintained the meter rates and flat rates that were previously approved by the City Council. All rates are currently displayed on the LBYC website and inside the taxicab via cab stickers. Due to the lack of data on this component, City staff is unable to identify if a variable, demand-based pricing structure would have any positive or negative impacts on LBYC customers and the Long Beach community. City staff recommends giving LBYC the opportunity to charge variable, demand-based rates in the future once their business model can accommodate such change.

Hail-A-Cab Zones

The Pilot Program allowed the LBYC Fleet to pick up and discharge passengers in areas that are not official taxi stands, as designated by the City, except bus zones, for active loading and unloading of passengers. LBYC and the City chose not to implement this feature of the Pilot Program; however, staff anticipates working with LBYC to define areas of the city that can be deemed "hail-a-cab zones" under the extended Pilot Program. Hail-a-cab zones will give LBYC the opportunity to expand into areas of the City previously unavailable to them under the current taxicab ordinance.

Examination of Expedited Driver Activation

The Pilot Program requested the Long Beach Police Department (LBPD) examine the use of expedited driver background checks and licensing procedures for drivers, including private investigator background checks. Upon Pilot Program implementation, LBPD held meetings with City staff to discuss their current process for issuing taxicab operator permits to drivers and how this process could be expedited. LBPD could not identify any inefficiencies, as the current process allows for a taxicab driver to obtain a temporary taxicab driver permit while a regular permit is being processed. As a result of staff's evaluation, it is determined that there is no delay in the processing of taxicab driver permits.

Currently, taxicab drivers must pick up a taxicab driver application from LBYC. Once the application is submitted, LBYC will schedule an appointment for the new driver to conduct Live Scan fingerprinting at LBPD headquarters. The Live Scan appointment is typically scheduled to take place within a few days of the request made by LBYC. Prior to the Live Scan appointment, the LBPD Permit Officer will perform an initial background screening on the applicant using information provided by LBYC. At the Live Scan appointment, the drivers must pay Live Scan fingerprint and background investigation fees which currently cost around \$250. Once the Live Scan fingerprinting has been conducted and all fees have been paid, the driver will sit down with the Permit Officer for an in-person interview. The Permit Officer will discuss the laws and regulations regarding taxicabs in Long Beach, discuss the applicant's background and ask any applicable follow up questions. If there are no concerns, a temporary taxi driver permit will be issued on-site that same day. The temporary permit allows the taxi driver to operate a taxicab for a period up to sixty (60) days while the application goes through the LBPD approval process for the regular permit. On average, the time it takes to process a regular taxi driver permit is 30 days, which is well within the 60-day window.

While there is typically no delay in a taxi driver operating a taxi in the City once they apply for a permit, City staff is working with LBYC to determine what areas of driver onboarding can be improved. One area for potential improvement is the in-person onboarding requirements for taxi drivers. Currently, the Live Scan appointment and interview may only be conducted in-person at the LBPD headquarters. Allowing applicants to have their fingerprints taken at third-party Live Scan providers or eliminating the in-person component altogether may ease the burden on applicants and make the process more convenient; however, this process must be evaluated to ensure the public health, safety, and welfare is preserved. LBPD is considering these possibilities and staff will continue to bring forth ideas to LBYC for collaboration.

Summary

- The smart-phone app, RideYellow, created by LBYC provides an additional avenue for customers to conveniently book taxicab service in Long Beach. The app continues to be enhanced to provide better features for user experience.
- While LBYC did not implement variable, demand-based rates, LBYC continues to provide discounts and promotional codes to gain customers.
- Staff determined that taxi driver onboarding is expeditious and there are no delays in issuing taxi driver permits. However, staff is evaluating ways to make the onboarding process more convenient for taxi driver applicants.

Recommendation

Staff recommends extending the Pilot Program for a period of 12 months to allow LBYC to continue operating while working with the Department of Financial Management to identify recommended changes to the current taxicab ordinance. If the Pilot Program is extended, staff will meet with LBYC on a frequent basis to discuss their challenges and evaluate potential improvements.



February 28, 2018

VIA HAND DELIVERY

Ms. Sandy Tsang-Palmer
Purchasing and Business Services Manager
City of Long Beach
333 West Ocean Boulevard
7th Floor
Long Beach, California 90802

Re: Long Beach Biennial Review of Public Convenience & Necessity

Dear Ms. Tsang-Palmer:

Thank you for requesting Long Beach Yellow Cab Cooperative, Inc.'s input into the City's biennial analysis and determination of the public convenience and necessity of the taxicab industry.

Since the California Public Utilities Commission's creation of the TNC category in 2013, the taxi industry has been hard hit by competition from nearly totally deregulated competitors that subsidize their below-cost fares with Wall Street dollars. Long Beach Yellow Cab has suffered alongside the rest of the taxicab industry.

Although we have been able to maintain our high service quality standards, taxicab trip counts, both dispatch and street-hail, have dropped significantly. The cooperative has been able to supplement its regular taxi business by further developing its account work, which has helped mitigate these losses.

As you will see below, we recommend that the Council (1) find that that the Public Convenience & Necessity is being met by the existing taxi fleet, (2) recommend no change at this time, and (3) direct staff to meet with Long Beach Yellow Cab Cooperative to review the city's taxi regulations in their entirety and make recommendations, with the goal of eliminating regulations that are determined to be outdated or unnecessary, reducing costs, speeding driver onboarding and increasing business flexibility.

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Call Taking and Service Statistics

Long Beach Yellow Cab Cooperative took more than 400,000 orders for taxicab service in 2017. Adding street-hails, flag-downs, stand, airport and port business, where no reservation is placed, the fleet served more than 600,000 passengers in Long Beach in 2017.

Of the 400,000 orders, 28,000, or 7% were placed using the RideYellow app. Of those, three-fourths were placed by registered users who paid with their credit cards. Registered users who use the mobile device for payment receive an automatic discount of 25% off every trip. This amount is absorbed by the cooperative's members, so that the driver always receives 100% of the regular fare.

For orders placed for immediate service and advanced reservations, the fleet served 91% of orders on-time, which, for immediate response trips means served within 15 minutes, and for advanced reservations, means the ride was available at the ordered time.

Declines in call counts have been steeper at night compared to daytime. For this reason, since 2015, the fleet has paid subsidies to drivers to stay on the road and serve orders at night. This has helped to support the supply of taxicabs at night even when business has been slow.

Driver Supply

Across all types of transportation for hire, including taxis, limousines, airport shuttles and paratransit, the ability of companies to attract and retain drivers has been impacted by the TNCs. Driver shortages are now the norm.

Some contributing factors relate to regulations imposed by the City, while others do not. Let's face it: it's easy to become a TNC driver, and it's not very easy to become a Yellow Cab driver. We require fingerprint-based background checks and drug-testing; TNCs do not. We require a new driver to pay \$237 in LiveScan fees and license fees to the City; new TNC drivers pay nothing. We require training and orientation; TNCs do not. The taxi business model is based on a weekly, fixed-fee lease; TNCs do not, working, instead, on a commission basis.

For those regulatory items that impede our competitiveness, we need to work with the City to streamline the driver onboarding process while safeguarding the public safety. Allowing Long Beach Yellow Cab drivers to have their fingerprints taken immediately by private LiveScan providers who could send background check reports to the City, instead of requiring them to wait for an appointment to take a LiveScan at LBPD, is one area that would help. Reducing taxicab driver license fees would also help.

Number of Taxicabs on the Road

Due to the shortage of drivers, some of our owners have had difficulty keeping their taxicabs leased, which causes them extreme hardship. The Cooperative members recently voted to allow some members to “park” their shares, temporarily retiring their vehicles from service, as we search for ways to grow the fleet again. While a share is parked, the owner will not owe dues to the Co-op, but the taxicab cannot be operated. Because of this move by the Co-op, the number of cabs in service has been reduced recently from 172 to 157.

Fleet Composition

Out of Long Beach Yellow Cab’s current fleet size of 157, 89 vehicles are Toyota Prius Sedan Hybrids, while another 45 are Toyota Prius V Wagon Hybrids. We also have 3 remaining Ford Escape Hybrids and 1 Toyota Camry Hybrid, for a total of 138 Hybrids in our fleet. The remaining 19 vehicles are either minivans or wheelchair-accessible minivans.

Required Insurance

A critical area of the unlevel playing field that exists between the TNCs and taxis is insurance. Insurance has become the single largest expense associated with taxicabs. In 2017, Long Beach Yellow Cab was informed of the City’s earlier decision to increase the required insurance limits on taxicabs from \$100,000/\$300,000/\$100,000 to \$600,000 combined single limits. This one change drove up the cost of operation for each taxicab by about \$25.00 per week. Our vehicles must carry this insurance on a full-time, 24/7 basis. Contrast this with the TNCs, who avoid much of this expense with their almost unintelligible “app-on/app-off” insurance, which allows for the TNCs to escape liability for many of the claims that involve them, and which requires insurance only when the vehicle is actually engaged in the TNC business.

To give the taxicab industry needed relief, the City should consider reducing the required limits back to where they were before the revision. This is the same limit that is required by the City of Los Angeles. You should know that, as of this writing, San Diego is expected to enact a reduction in their required limits from \$1 million back down to \$350,000 combined single limit.

Technology Advancements

The challenges posed by competition from the ridesharing industry require the taxi industry to work harder than ever on technology. Long Beach Yellow Cab is almost unique in the US taxi industry in that it has its own technology center and is in control of the technology in the vehicle and outside of it.

Within the vehicle, in October 2017, we changed out all of the safety cameras in our vehicles. Then, in November 2017, we changed out all of the dispatch hardware to Samsung tablets on the Verizon network. Then just

one month later, we changed out all of the credit card processing equipment to Verifone's state of the art Marquee terminals that consumers frequently see in retail stores. All of these changes represent a continuous investment by the cooperative's members in the latest technology.

On the customer-facing side, the RideYellow app is continuously updated with the latest advancements. Our website is also updated frequently. More and more customers choose to place their orders through various automated systems, including our Interactive Voice Response System (IVR).

In the very near future, the RideYellow app will be updated to accept the passenger's destination and preprice every app trip based on the meter algorithm and live traffic conditions. Our IVR system will be integrated with Google's voice-to-text capabilities and Google's Place Picker capabilities to allow for an advanced, conversational automated ordering experience. We will also eliminate traditional separate taxi meters and move the meter onto the dispatch tablet.

Vehicle Markings and Branding

Another area of competitive advantage enjoyed by the TNCs is in the regulation of vehicle markings and branding. Of course, the PUC requires TNCs only to have temporary, removable identification posted in their windows. No permanent markings or changes to the vehicle are required. On the other hand, local taxi regulation requires the painting of a vehicle with an approved color scheme, the drilling into the vehicle inside and out for the installation of equipment, and stickers and announcements both inside and outside of the vehicle.

This difference has the effect of dramatically increasing the cost of being in the taxi business relative to TNCs. The cost of required equipment is high, the cost of converting a vehicle to a taxicab can run many hundreds of dollars, and, most importantly, once "hacked up" the vehicle no longer has any use other than as a taxicab. Thus, these rules require the contribution of an entire vehicle (along with its cost), compared to the TNC competition where the driver often donates his or her vehicle into the enterprise for free. This cost is repeated approximately every four years as the vehicle is replaced. Today, the decision whether to replace a vehicle is often the point at which our driver-owners decide to exit the industry. In this environment, many owners see no possibility of a return on their investment if they are required to purchase and contribute an entire vehicle into the taxi fleet.

All of this is entirely unnecessary. Across the globe, taxicab industries in cities in every country function perfectly fine using vehicles with factory paint of varying colors and non-destructive branding.

We propose that Long Beach allow light, non-destructive branding and signage on the vehicles, including the allowance for vehicles with factory paint of varying colors to operate within a fleet. Doing so would reduce the expense of replacing a vehicle and preserve the maximum amount of the vehicle's residual value at the end of its life as a taxicab, which therefore reduces overall depreciation expense. It also reduces risk for an owner, who can pull the vehicle out of service at any time and return it to normal use, just like a TNC vehicle.

New RideYellow Long Beach Branding

We also specifically request approval to change our branding on our vehicles to (1) RideYellow Long Beach, and (2) the allowance for our owners to choose between our current "highlighter yellow" or factory black, charcoal, silver or white paint.

Please see the attachments for examples.

Pilot Program Update

In May 2015, the Long Beach City Council passed a pilot program that relaxed a number of regulatory requirements on our company. The following is a report on the various aspects of the pilot program where we had responsibility.

- **Fares:** The pilot program allowed Long Beach Yellow Cab to begin to vary its rates. The fleet immediately began to employ the use of promo codes and discounts, which had been previously unavailable to us. Later, we instituted an automatic 25% discount within the app for all passengers who paid through the app with a credit card. This discount is posted on our website.
- **Fleet size:** Due to technological and insurance restraints, we have not yet been able to incorporate part-time taxis into our business model. We would like to retain the ability to experiment with them once we have solved these issues.
- **Expedited Driver Activation:** This has not yet been addressed. We would like to discuss this with staff to arrive at a mutually-acceptable arrangement that protects the public while allowing us to on-board drivers faster.
- **Reporting:** We have not yet started a more frequent reporting program. We would like to discuss this further with staff.

AB 1069

Finally, we need to draw your attention to AB 1069, which was passed by the legislature and signed by the governor in 2017. AB 1069 is intended to reduce the regulatory burden on taxi companies by limiting the number of jurisdictions where a taxi company must be regulated.

The most important provisions of AB 1069 are the following:

- Taxi companies must be regulated by (1) the city or county in which they are domiciled, and (2) the city or county in which they have the most trips. Once so licensed, the taxi company can service pre-

arranged trips throughout the county. Prearranged trips include phone orders, app orders and account work.

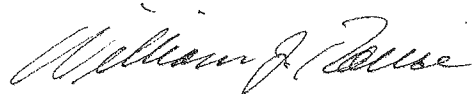
- The cities regulating the cab company must still require drug-testing of drivers and fingerprint-based background checks.
- All cities may, but do not have to, regulate and restrict non-prearranged taxi trips, such as those from street-hails, stands, hotels, cruise terminals and airports. In fact, airports are exempt from AB 1069 altogether.
- Cities may set maximum taxi fares only. Taxi companies are free to vary their rates below the maximum.

It is our belief that AB 1069's effect on Long Beach will be limited, with the one exception that we will start to see other taxi companies legally entering Long Beach to serve prearranged trips that originate within the city. Long Beach Yellow Cab must still be regulated by Long Beach because virtually all our trips take place here. The city can continue to regulate non-prearranged trips as it does today.

Thank you again for soliciting our comments. Long Beach Yellow Cab respectfully requests that the City determine that there is no change in the public convenience in necessity for its authorized taxicabs at this time. We further request, as noted above, a bottom-up review of the city's taxi regulations with a report back to Council with recommendations.

Please contact me if I can answer any questions or provide any additional information to you.

Very truly yours,

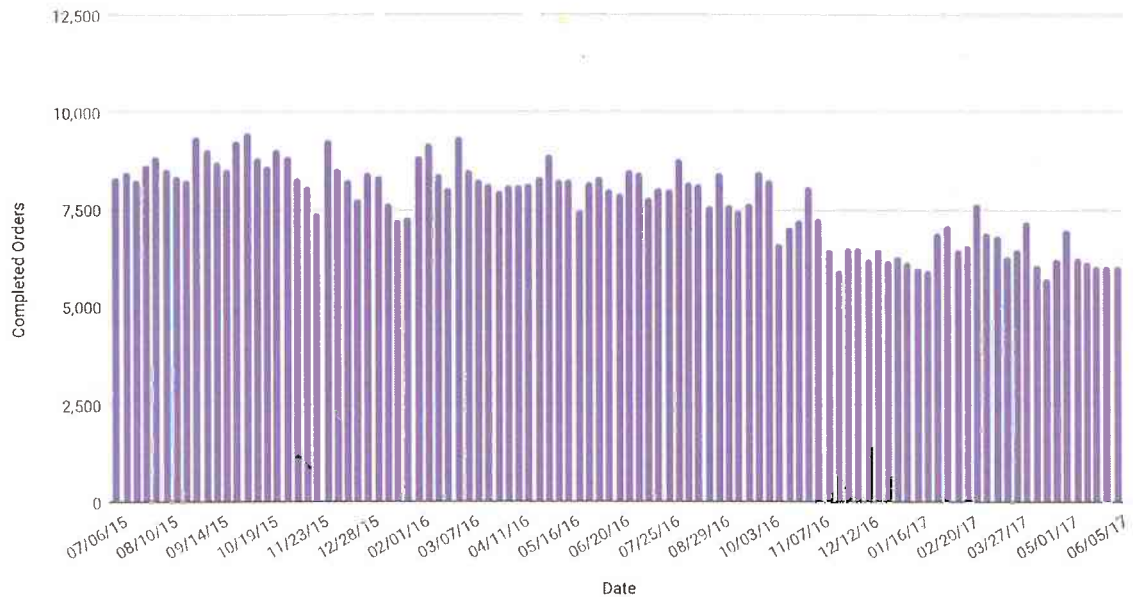


WILLIAM J. ROUSE
General Manager
Long Beach Yellow Cab Cooperative, Inc.

Orders

Phone Orders: Decrease from January 2014 to Present (graphed by week)

Completed Orders vs. Date



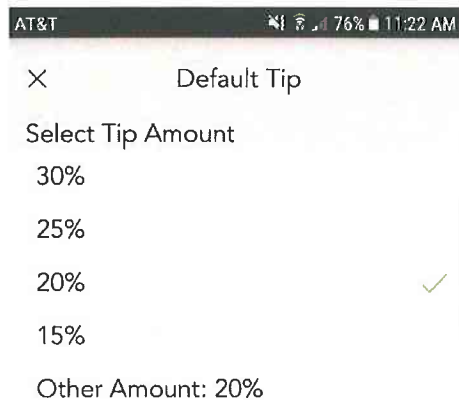
RideYellow App Orders: Increase from May 2015 to Present (graphed by week)

Completed Orders History



Tipping Feature

- App defaults to automatic 18% tip.
- User can update their default tip to any amount they desire via the default tip screen located in the Menu.
- User can also change their desired tip amount during an active ride via the “Change Tip” button on the active ride screen.



Variable Pricing Structure

Note 1: Promotions cannot be combined.

Description	Code	Rules
RideYellow App: \$15 off first ride	"FREERIDE"	Must be first ride. Must pay with stored credit card
RideYellow App: 25% off all rides	n/a	Must pay with stored credit Applies to all rides that are paid with a stored credit card.
10% senior discount	n/a	Must provide proof of being over 65 years old

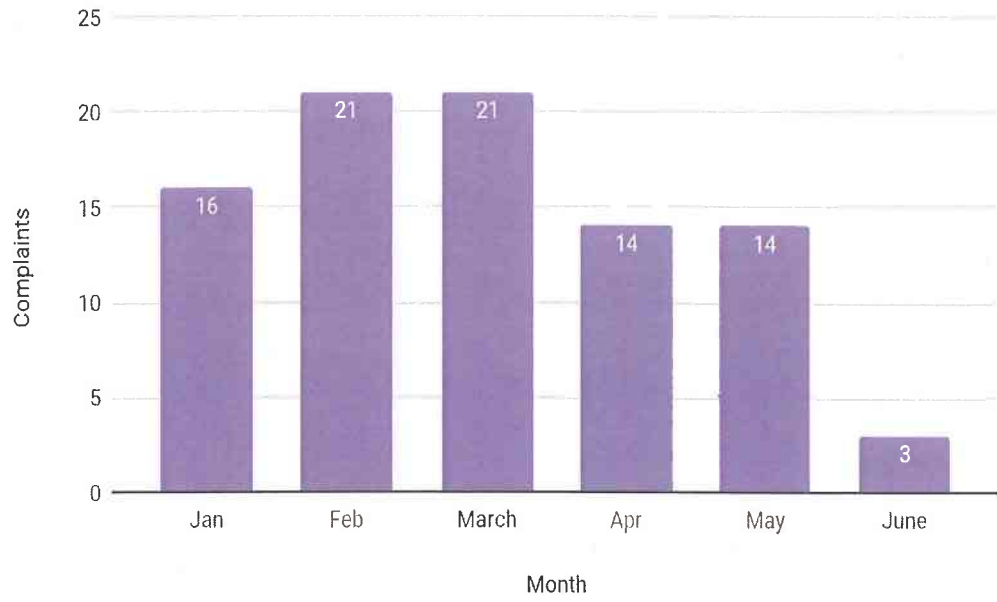
- \$20,000 worth of promo code discounts given away to Long Beach riders for 2017.
- Unique promo codes created for community events, such as Long Beach Pride, The Ronald McDonald House Charity, and We Love Long Beach.

Availability of Rates Notices

Note 1: Our rates and our promotional rates are displayed on our website and inside are cab via cab stickers.

Customer complaints

Note 1: The chart below shows the number of complaints received each month by Long Beach Yellow Cab. We make every effort to resolve each complaint to the satisfaction of the customer.



Citations

Note 1: Our Co-op does not collect this data.

Taxi Modernization For the City of Long Beach

Pilot Program Report

Rates

Note 1: Rates section below explains the meter algorithm.

Note 2: These rates have never changed during the pilot program.

Meter Rates			
Base Fee	\$2.85		
Cost/Mile	\$2.70		
Only if in traffic or cab waiting			
Per 37 seconds	\$0.30		
Per Hour	\$29.19		
Flat Rates			
Location	From Long Beach Airport		
Disneyland	\$45		
Knott's Berry Farm	\$37		
Anaheim Convention Center	\$45		
South Coast Plaza Mall	\$55		
San Pedro Cruise Ships	\$45		
Downtown Los	\$72		

Angeles			
LAX	\$60		
John Wayne Airport	\$60		
Burbank Airport	\$105		
Ontario Airport	\$120		
	To & From LGB	To LAX	To John Wayne
Queen Mary/Carnival Cruise Lines	\$30	\$60	\$68
Catalina Express Helicopters	\$30	\$60	\$68
Catalina Express	\$23	\$60	\$65
Long beach Convention Center	\$23	\$60	\$65
Courtyard Marriott	\$23	\$60	\$65
Hilton Hotel	\$23	\$60	\$65
Hyatt Regency Hotel	\$23	\$60	\$65
Renaissance Hotel	\$23	\$60	\$65
Westin Hotel	\$23	\$60	\$65
Maya Hotel	\$20	\$60	\$68

Fleet Size

Note 1: No part-time vehicles were added to our service during the pilot program.

Vehicle Count	Sedan	Prius	SUV	Van	Wheelchair Van
170	1	135	3	24	7





RideYellow™

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