Service And Fairness

A Plan for Reshaping Proposition K
And Restructuring San Francisco's Taxi Industry
With the Rider, Driver and Cab Company in Mind

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By:
Ruach Graffis

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INTRODUCTION

Prior to 1978 this industry was controlled both by government regulation because it affected public health and safety, and through union-management negotiated contracts which controlled the working conditions of the drivers. With the demise of the IBT in the industry between1976-77, this control was eliminated. The companies held nearly absolute control of the industry universe until the voters passed Proposition K in 1978.

Prop K was, in part, an effort to create a counter balancing force to the companies. It required that permit holders be natural persons, eliminating future issuance of corporate medallions. This was in response to effect of the bankruptcy of "old Yellow" which had owned about half the medallions in the city. When old Yellow closed its doors, the city, over night lost about half of the cabs on the streets. Chaos ensued. Prop K anticipated that without corporate medallions, if a company went bankrupt again, the medallion holders could just walk their medallion down the block and have their medallion back on the streets in a minimum period of time. The city would not face the sudden disaster of November 1976.

By requiring that medallion holders be natural persons, Prop K made medallion holders much more powerful, but it also created two competing classes of drivers: medallion holders and non-medallion holders, and by not tying medallions to seniority, it added and unfortunate element of chance to the mix. Prior to 1978, medallion holders got a modest fee for leasing their medallions to companies, but certainly not enough to be considered a stand-alone income. After the passage of Prop K, the medallion holder fee increased sufficiently to double the income of the average cab driver and the original driving requirement was reduced through judicial decision to 800 hours, or a modest 80 shifts a year.

The original intent of Prop K was to create a pool of safe experienced cab drivers that the city could rely on to service the community. As the driving requirement was reduced, this aim was short changed. None-the-less, Prop K did provide significant benefits to both cab drivers and the public. Any proposed changes in its provisions

should harmonize with its purpose of placing non-transferable medallions in the hands of working taxi drivers.

There were three problems Prop K did not anticipate. The cyclical nature of the industry, the long wait to get a medallion, and an exit strategy for aging drivers.

The first of these problems is the cyclical nature of the business. Eight AM Sunday requires a significantly different number of cabs than eight PM Saturday. June is different than January. Special events like the Bay to Breakers race creates needs that are off-the-charts crazy for our industry. No city in the country has adequately answered the cyclical problems the taxi industry faces. Most cities have allowed the proliferation of illegal gypsy cabs and illegally operating limousines as a way to address the problem. But this is not only **not** an adequate answer, it also puts the public at risk. There is no over sight on these illegally operating vehicles, and we have documented a number of instances where passengers were robbed, and even sexually assaulted by these drivers. Clearly the answers we come up with have to address this problem.

The high gates (due to unregulated medallion holder fees) and the long wait on the List have encouraged taxi drivers to leave the business and become illegal limo drivers. The Daly-Ma Amendment was an effort to address part of this problem, and it seems to be working. That has been one of the few bright spots in this industry's recent history.

Over the last 30 years, the drivers have had to come, again and again, to the voters and city hall in an attempt to address internal industry issues that formerly were addressed by union-company contracts. But the political process is slow and recalcitrant and subject to political pressures. Eventually, Mayor Brown created a Mayor's Taxi Task Force designed to find some commonalities in the industry. Out of that was created the Taxi Commission which was supposed to pick its way through the land mines of opinions in our industry and create a path we could all live with. Unfortunately the Taxi Commission was not adequate to the job, although it had some successes. The Board of Supervisors still heard from members of the industry, with, from their point of view, disturbing regularity.

Eventually some of them perceived a new way to solve the problem. Prop A was the result. So here we are now, part of the MTA. I wouldn't take Chris's job for the world.

Part of the job Chris has been commissioned with is to find money for the MTA budget, but Chris has made it clear that part of her mandate is to examine and ensure a decent "quality of life" for drivers. Chief among these must be making sure that all drivers are covered by healthcare and disability, no matter what happens with the federal government. In addition, we want to encourage drivers to stay in the industry long enough to **become** experienced, safe drivers, and **then** to remain in the industry so the city is advantaged by those experienced drivers. To do this, we must **all** be covered by retirement.

These goals can best be achieved by the city charging a fee for medallion holders. All drivers would contribute to this fund, from their first day in the industry. New, non-medallion holders would contribute the least, possibly less than $5. a shift. The Working Medallion Holder would contribute a modest monthly amount to a city fund which would first go towards driver benefits, and then MTA needs. There would be a cap to what all Prop K medallion holders could receive as lease fees from companies and Prop K medallions would contribute to that same fund but at a higher level than those with a Working Medallion. Prop K medallions would be called "Retirement Medallions." Holders of the new Retirement Medallions would no longer get the same lease fees as a current Prop K medallion holder, but would share that income at a higher level with the MTA.

Just as an aside, charging a fee would take less money out of the industry than the outright sale of permits because no interest payments would need to be paid to banks, credit unions or medallion brokers. Therefore there would be more money both for the industry and for the MTA.

The Retirement Medallion would address the other big problem of the industry: the lack of what is called an "exit strategy" for aging drivers. By retaining a Prop K reduced-driving requirement but leaseable medallion, we would keep our most experienced drivers for as long as possible, allowing them to phase out of the industry as their needs

required and then, because we would have a retirement fund for all drivers, allow them to finally, entirely leave the industry with dignity.

The following plan seeks to achieve a fuller realization of Prop K's intent by creating a more flexible fleet of taxis, a more professional and dedicated workforce of career drivers, and an improved company structure more conducive to providing prompt and reliable service to all San Francisco neighborhoods.

Outline of the *Service And Fairness* Plan

1. Over a period of years, a new type of non-leasable medallion (Working Medallion) will be phased in. It will gradually replace the current leasable medallions.
2. Working Medallions will be issued at first to qualified drivers on the applicants' waiting list. Subsequently they will be awarded according to knowledge and experience. A modest fee would be charged by the city to go toward a fund for drivers benefits and MTA needs.
3. All drivers who have been in the industry for a set number of years would automatically be eligible for a Working Medallion as the city deemed them appropriate to issue.
4. Prior to getting a Working Medallion, a new driver would drive a Prop K Medallion, called a Retirement Medallion, as is the current structure. A small contribution from pre-medallion holder gates would go into the Driver-MTA fund.
5. Holders of Working Medallions will be able to drive a company-owned cab, or own and operate a cab themselves. They will have to associate with a cab company, as medallion holders must now. But they will not be able to lease their medallions to companies or other drivers, or lease their cabs to drivers by the shift.
6. In order to allow for greater operational efficiency and cost-effectiveness, holders of Working Medallions will be allowed to operate taxis in partnership with one another. The individual's medallion will no longer represent a particular cab.
7. The number of Working Medallions will be regulated according to service needs. The exact number of taxis will not be fixed, but will depend on the arrangements medallion holders make with companies and among themselves.
8. The number of Prop K medallions would gradually be reduced, only being re-issued to senior drivers (55-60 years old?) who have been working a minimum time as drivers (either as holders of the new Working Medallion or as non-medallion holding drivers). The Retirement medallion fee would be split at a rate to be determined between the medallion holder and the Driver-MTA fund.
9. Current Prop K medallion holders will be grandmothered into the system. Prop K medallions, will be called "Retirement Medallions." New Retirement Medallion Holders will pay into the Driver-MTA Fund at a higher rate than current Prop K medallion holders would pay.
10. The city will facilitate the establishment of job benefits, including disability and retirement benefits, for all cab drivers. Benefits will be established before the transition to the new system begins.

11. Ramp taxi medallions will be issued to cab companies based on performance. Drivers of ramp taxis will be employees of cab companies.

12. The city will regulate the number of ramp taxi medallions for several purposes. They will include:

    a) assuring a sufficient level of service for wheelchair users and the general public;

    b) creating a pool of "apprentice" drivers who will be gaining the knowledge and experience needed to qualify for New Medallions; and

    c) helping to pay for driver job benefits.

Benefits of the *Service and Fairness* Plan

Benefits to the public:

- **The number of cabs will increase, as will the flexibility of the fleet.** More cabs will be on the streets when it is busy, and fewer when it is slow. That will help both the public and the driver.
- **More experienced and professional drivers will improve the quality of service.** Shorter waits for a medallion and the provision of job benefits will bring more career drivers into the industry. That will mean faster and better service, fewer accidents and fewer passenger complaints.
- **Company-controlled ramp taxis will provide more reliable service to wheelchair users and the general public.** Employee drivers of ramp taxis will be under the direction and control of cab companies. Companies will be motivated to provide good service in order to retain and expand the number of ramp taxi medallions they may operate.

Benefits for drivers/medallion holders:

- **Most drivers will hold medallions, and the wait for one will be significantly shorter.** There are over 3,000 drivers on the list, with a current wait of about 14 years. Because the Working Medallions will be non-leasable, more medallion will have to be issued. Once the list is exhausted, Working Medallions will be issued according to knowledge and experience, offering an opportunity to drivers not currently on the list. Drivers new to the industry will have access to a Working Medallion in a relatively brief period of time.
- **Most drivers will see higher earnings.** Drivers with New Medallions will not be paying the $30-40 a shift that now goes to medallion holders, or the $4,000 a month (for less than $1,000 worth of services) that drivers with long-term medallion leases now pay to companies or medallion holders.
- **New Medallion holders will have much greater job flexibility.** A driving requirement for New Medallion holders will be unnecessary under the new system. They will be able to visit their home countries, go back to school, or take time off for other purposes, including illness or injury, without having to worry about fulfilling the requirement.
- **Drivers of ramp taxis will have employee status.** Ramp drivers will be able to organize, seek union representation, and have a say in the terms and conditions of their employment. If they wish, they will be able to work in this fashion throughout their careers, enjoying the job security employee status provides.

Benefits for cab companies:

- **Ramp taxi medalliona will be issued in the company name.** Companies that achieve certain service standards will be eligible for ramp medallions driven by employee drivers. This will provide a base for their operallions and the ability to better serve the public with cabs operating more fully under their control.
- **The size of the fleet will expand.** The increase in the number of medallions will translate into an increased number of taxis. That will allow companies to grow and prosper.

Benefits for the city:

- **There will be a much greater ease of regulation.** The driving requirement for most driverswill become superfluous, eliminating cheating and the need for enforcement, thus relieving the city of a huge regulatory burden.
- **Taxis will be more fully integrated into the public transit system.** With expected service improvements, taxis will become a more reliable component of the system, furthering the city's transit-first policies.