

# PROPOSAL

From: Saam Aryan, cab driver

(415) 626-TAXI

April 12, 2009

## NEW POLICY PROPOSAL

### Proposed Policy for Auctioning Medallions

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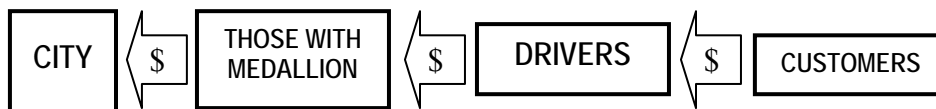
Submitted by Saam Aryan, cab driver

Policy **Chris Hayashi**, Director of Taxis and Accessible Services  
Custodian

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#### **A. Introduction**

Thinking, I can say that I cannot create money out of thin air. Can it be done? Look at this picture:



[Accessible description added by SFMTA staff: Customers dollars flow to Drivers, whose dollars flow to Those With Medallion, whose dollars flow to the City.]

If you want to pull 50-150 millions from the City side, it must come from somewhere. If it is not from customers, then what is left are: "Drivers" and "Those with medallion". At the present time that we don't have medallion auctioning, money from customers (say it is \$100) goes to:

1. Buying car, insurance, etc. (Cost of doing business). Say it is \$20.
2. Money to those with medallion, say it is \$40.
3. Money to drivers, say it is \$40.

Now we keep this \$40. Say next month City decided to pull \$50 from the chart above. If customers are not paying this extra \$50, drivers and those with medallion would. Some in deception business or unclear about facts might say: If I am paying for medallion now, I am going to get money back (maybe even more) when I sell it back in an auction. I don't think so. Because no matter which copy of the diagram above you would be in (2<sup>nd</sup> auctioning, 3<sup>rd</sup> auctioning, whatever) the facts remain the same. If customers don't pay

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from tail-end of the chart about, those in between have to pay. A smart investor should say: Now I am making \$40, if I am going to invest on medallion, I need:

1. Assurance that I'll get more from customers.
2. Assurance that City is not going to flood the market with medallions.

Government authority, in charge, might say: Cabbies/those with medallions are making too much money. We can pull \$50-150 million a year from them. But cabbies are not making more than Muni drivers. Cabbies don't make much higher than minimum wage. Remember we have to pay for our medical, sick leave, vacation and retirement. This is true now and has been true even before this financial crisis. Every interest group agrees with this. If you are still in doubt, pay cab drivers the same pay and benefit that Muni drivers get and keep all the money that comes from cab customers.

## **B. Interest Groups**

1. City of San Francisco and Muni
2. General Public
3. Cab companies
4. Those that bought their taxi medallion(s)
5. Those that are medallion HOLDER
6. Drivers on medallion waiting list
7. Those with medallion(s) that are old/ill/tired but don't have an exit route.
8. Drivers not on medallion waiting list
9. Drivers in general (medallion holder(s) or not)

## **C. Aim and intent of this proposal**

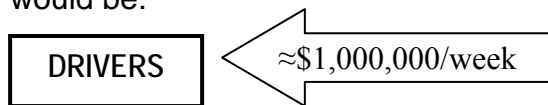
Intent is to satisfy the concerns of all interest groups above; by taking a middle-road approach. This can be achieved given:

1. We get the needed fuel (infusion of money) that the system proposed here needs. Without it no proposal will work. It would only give the illusion of working. When dust settles, you will see those that filled their pocket gone; what would remain would be lots of casualties that the City would end up paying for it. Just look at the diagram above.
2. There would be a graceful exit strategy for those with medallion that are too old/tired/ill to carry on.
3. Drivers on the waiting list get the real chance of owning their medallion.
4. There would be a significant reduction for those on the list waiting to get a medallion.
5. There would be some modest amount of money for the medallion HOLDERS exiting the industry
6. To help the City with its budget.

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## D. Approach of this proposal

1. **Approach to C.1:** Around a million dollars/week is going to the pocket of those that sell long rides and those that illegally pick passengers off the street or in airport. By stopping this, we will put the money into the system above. Process of stoppage also will generate substantial amount of money in the form of fines; which will go for some of the enforcement costs. In the diagram above, that would be:



[Accessible description added by SFMTA Staff: Approximately \$1,000,000 per week flows to Drivers.]

This is the needed glue in putting the desired end result together.

2. **Approach to C.2:** Medallion HOLDERS should not get their medallion revoked for auctioning. They should have the chance of a graceful exit (Say they get \$3,000/month for 3 years from the 1<sup>st</sup> qualified person on the list; when they call it quit). These **transferred** medallions can get **retransferred** to the 1<sup>st</sup> on the list after the 3-year payment is finished. For each year that these qualified drivers keep their medallion, they can ask for say \$3,000/year appreciation fee; when they decided to exit themself.
3. **Approach to C.3:**
  - a. If a qualified driver doesn't have the down payment for an open-ended auction, he/she should be able to buy a **transferred** medallion. This would be like a saving plan with a good and safe return of \$3,000/month. He/she can **retransfer** the medallion to the next qualified parson on the list any time after the initial 3 years.  
Example: You are on top of the list. You are offered a **transfer** medallion. Because a medallion HOLDER is calling it quit and wants to get the **transfer/EXIT** fee. You pay him/her \$3,000/month for 3 years. This medallion, which is now yours, is now **transferable**. After the initial 3 years, when you want to exit the industry, you'll get your initial payment and an appreciation fee of \$3,000 for each year that you drove that medallion.
  - b. If qualified driver does have the down payment for an open-ended auction, he/she can go for it. Given the financier would not be able to force the new medallion owner under some specific colour scheme/dispatch; unless they are the same.
4. **Approach to C.4:** With an exit strategy and with additional auctioning of medallions (given it will get the approval of the Check & Balance unit) drivers will move to the top of the list much faster.

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5. **Approach to C.5:** They can transfer their medallion and get \$3,000/month for 3 years. After this action, that medallion becomes a **transferable** medallion, which the new owner, when decided to quit, can get all his/her money back plus a \$3,000/year appreciation; given the medallion is paid off.
6. **Approach to C.6:** We in the taxi industry can help the City with its budget. For that to happen, drivers should get an active and influential representation in a Check & Balance unit. Improving drivers' standard of living should be a top priority of this unit. We, in the taxi industry, should get 60% representation in this unit. This 60% should be: %20 from drivers (10% from those on the waiting list and 10% from those that didn't put their name on the list), %20 from medallion HOLDERS and 20% from cab companies (10% from large cab companies and 10% from small ones). This way there would be a balanced representation from cab industry. This way we would get the assurance that City would not destroy our standard of living. Then, members in this Check & balance unit should study the auctioning off of say 100 medallions at market price for subsequent release to qualified San Francisco cab drivers.

## **E. Impact Statement**

1. We would be adding substantial amount of money to the City's income.
2. We would not destroy standard of living for those in the taxi industry.
3. Cab industry would be run by those that are working in it on a daily basis.
4. We would see that there would be a payback when you repeatedly break the law.
5. Waiting list would move much faster, shining some light into future of cab drivers.
6. Customers would see more cabs on the street and they get a better service from a well balance cab industry.

Signed.....  
Saam Aryan, cab driver

Date.....

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For office use:  
.....  
Date Received:

# PROPOSAL

## **F. Feedback on proposal**

# ESOP: A RADICALLY GRADUAL PROPOSAL

Jane Bolig /

## INTRODUCTION

In December 1976, immediately after “Old” Yellow Cab fell into bankruptcy, a friend, John Robb, and I, along with several dozen fellow Yellow Cab drivers, started something called the Yellow Cab ESOP (Employee Stock Ownership Plan) Committee. Hoping, somehow, to be able to purchase Yellow’s assets on behalf of all its drivers, we approached Louis Kelso, the “father” of ESOP, who agreed to give some *pro bono* help.

The idea of an ESOP is to enable workers to purchase their companies by using borrowed funds paid back with pre-tax company profits. ESOP purchases require two things: A willing seller and a willing lender. In our case the willing seller would have to be the bankruptcy court, and the court would not be satisfied with promises but money. Raising the necessary funds privately (by a rag tag group of unemployed cab drivers) proved impossible. By the time we got around to applying for a government loan, it was too late. In the fall of 1977 Yellow’s assets were awarded to its current owners, the Yellow Cab Coop.

With passage of Prop. K in 1978 the question of converting any existing San Francisco taxicab company into an ESOP became moot. In 2009 perhaps it’s time to dust off a good idea and see if it suits present needs.

## THE CHALLENGE

Ever since voters passed Prop. K, the only way to alter or abolish it has been through a subsequent ballot measure. Until Muni reform Proposition A was passed by voters in 2007, the only successful measure was Proposition D, in 1997, which created the taxicab commission, but otherwise left Prop. K intact.

The city contends that language in Prop. A gives the MTA board of directors the power to change all taxicab ordinances, including Prop. K. It is quite possible that sooner or later a legal challenge will be launched by one or another group adversely affected by MTA changes to Prop. K, and/or by Prop. K’s author, Judge (as well as former San Francisco supervisor and California state senator) Quentin Kopp.

Ironically, almost everyone except Judge Kopp—drivers, no less than medallion holders, company managers, regulators or politicians—agrees that Prop. K ought to be changed, but no one seems to agree what that change should be. A number of proposals have been set forth, most involving some form of transferability.

## ROOTS

The core issue is money. Conflicting proposals may generate heated debate, but money is the furnace. A single medallion can net lease fees of \$22,000 to \$40,000 a year. No wonder that those who don't have them want them and those who have them want to keep them.

Yet Prop. K was designed to *erase* permit value by eliminating the evil of transferability and recreating the cab business according to "free market principles."

Judging by the text of Prop. K, its author expected that the city would issue many more permits, which would release drivers from control of both the companies and the then union. Value would be realized in the income derived from providing good cab service. If followed as written, the city would have issued permits to any person who could demonstrate "public convenience and necessity." The only limit on the total number would be when new applications ceased.

However, following passage of Prop. K in 1978, the police department (which preceded the taxi commission as taxicab regulator) perhaps fearing that deregulation could create burdensome administrative and policing problems, instead chose to continue restricting the number of permits and created a waiting list. With refinements, it's the system we have in place today.

So, permit transferability ended, but not permit value. Before Prop. K, the value of a permit was realized only partially in its monthly rental value but more greatly in its resale value; after Prop. K, value shifted entirely to monthly lease payments. If Prop. K were followed as written, and medallions issued virtually to anyone who wanted one, they would have no monthly lease value. Given the unhappy history of deregulation in North American cities in the eighties and nineties, we probably don't want to solve our current dilemma by flooding the streets with new cabs. How, then, do we transform the current, unproductive value of permits into productive value and give all stakeholders something without giving away everything?

### THE FLAW IN THE LAW

When we change Prop. K, what do we wish to accomplish? The mayor seems determined to redirect monthly lease money from medallion holders' pockets into city coffers. More than one industry proposal wants to reintroduce transferability, with the city and current medallion holders sharing in the profits.

The problem I have with both is that they accept the premise of permits solely as a commodity. Neither addresses what I see as the core problem: under Prop. K permit value is static and non-productive, coming not as a reward for public

service but because permits are a limited resource, like gold, silver or oil; drivers can make enough money from their fares to cover the extra costs of lease fees.

Drivers in sufficient numbers are willing to live with the system not only because they can earn enough money above their “gas and gates” fees to support themselves at least adequately well, but also because those who remain in the industry long enough will themselves become beneficiaries of Prop. K’s “free permit” system.

Companies, which are forbidden to hold permits, are forced to bid against each other to attract and keep permit holders. Some companies compete by enticing working permit holders with benefits such as choice of cars and a busy dispatch radio. At the other extreme are companies that cut service and expenses to the bone in order to pay the maximum monthly lease. At the very fringes are those who fabricate waybills for medallion holders who are supposed to drive but don’t.

Those advocating transferability point to it as first of all a way of giving current medallion holders who are infirm from age or disability an “exit strategy.” By selling their permits they would be able to have an income without having to drive and younger drivers would have the opportunity to obtain a permit without waiting fifteen or more years. The city treasury would share in the bounty.

But what benefits accrue to the riding public? How are *all* taxi companies motivated to become truly dedicated to public service? And what do ordinary, non-owning drivers get out of the deal? How are they motivated to serve the public ever more efficiently and courteously?

They aren’t.

If we are going to transform static value into productive value we must transform permit ownership. Transferability is a step, but only a step.

### A NEW PROPOSAL: ESOP

What if current medallion holders could sell their permits not to other individuals but to all the drivers and employees in their companies? Over time, as more and more permits were held in behalf of all drivers, the money now going into the pockets of some people could go into a trust for everyone. All drivers would enjoy an ownership stake in their businesses and build retirement income.

The means is available through federally recognized financial vehicles called Employee Stock Ownership Plans. ESOPs have functioned successfully for something like a half a century. They enable workers to buy an interest, partial or complete, in their companies through loans that carry enormous tax advantages repaid from the earnings of the company, not out of drivers’ pockets.

Participation in an ESOP would be voluntary by all parties, drivers, company owners and medallion holders. Neither individual medallions nor the waiting list would be abolished.

- Company owners could continue to contract only with medallion holders, though in time they would probably find it necessary to create ESOPs in order not to lose business. When they chose to retire, their “exit strategy” could be to sell the entire company to its ESOP.
- If a medallion holder chose to hold on to his/her medallion until death or revocation, the medallion would, as now, be re-issued to a driver on the waiting list. (Yes, the medallion list would continue. New medallions would also, as now, go to those on the waiting list.)
- Non-medallion holding drivers could opt out of their company ESOP, though it’s hard to imagine why they would want to.

The city’s interest would be manifold. First, it could claim a share of each medallion sale. Second, drivers as owners would be motivated to provide the kind of good public service that enhanced the value of their company. More would opt to make cab driving a profession. The need for coercive regulatory oversight would diminish. The driving requirement would be unnecessary under ESOPs. In fact, because owner/drivers’ shares increase with hours worked, they will willingly work as many full shifts as allowed. With permits increasingly held collectively, the opportunity for subleasing and brokers will diminish and perhaps disappear entirely.

### TOMORROW AND TOMORROW

For thirty years San Francisco’s taxi industry has fought a virtual civil war over Prop. K. Most proposals were for change that was instantaneous. This is not that kind of proposal. Though the change it promises is dramatic, it will be gradual, not sudden. Over time, we will see our industry transformed from within. Profit now enjoyed by the few will begin dispersing to the many with all the positive motivation ownership implies.

Success is not guaranteed. In the unlikely event an ESOP company failed, its permits would be revoked by the city and reissued to individual working drivers. I believe, though, that ESOPs will succeed. When owner/drivers understand the role they must play in their company’s success and their own, they will succeed not only for themselves; they will make our taxi industry a new creation, a national leader in service and innovation.

### WHAT WOULD ADAM SMITH SAY?

One industry critic (promoting a plan of his own) assails ESOPs as a socialist scheme. I suspect that Karl Marx, who advocated violent state seizure of private property, would disagree. Contemporary socialists, who would commandeer private assets for the public good, not only disagree but condemn ESOPs because they *are* capitalist.

If you want to find socialism, for good or ill, look no further than publicly owned Muni and BART.

As stated above, ESOPs are not formed by seizing assets but by purchasing them for fair market value from a willing seller. An ESOP company is privately held by its workers, whose honest, hard work is the only investment needed for success. I think that's a good thing and I don't think Adam Smith would disagree.

March 9, 2009

## Restoring Pride in the Taxi Industry-Medallion Ownership-Taxi Service in San Francisco

Dear members of the SFMTA Board,

My name is Giuseppe Carvelli, I have been a taxi driver in San Francisco since 1976, and I am a Pre K Permit holder since 1977. I am also one of the original investors, member and founder of the San Francisco Yellow Cab Coop. I was in fact able to buy a taxi medallion back when these permits were marketable and transferable. I would like to offer my input into the current debate on the Taxi Permit Reform.

First of all I believe that no matter what the final proposal will be, a distinction should always be made between the K permits and the grandfathered Pre K permits unless all permits become marketable and transferable.

This distinction is nothing new to the City, it already exists, and it makes sense.

Pre K permit holders like myself, who have bought their permit many years ago either as an investment or to work as a professional taxi driver, would like to see our rights of ownership and transferability restored.

I am 60 years old, I have been a taxi driver for the last 34 years and this taxi permit represents everything for me. It is basically my pension/retirement fund and I just can't accept the idea of being left with very little for my approaching retirement and old age.

How would I be able to sustain myself and my family in the years when I would be at my most needy financially?

It is also obvious after 30 years of having the Taxi Industry work under the rules and regulations of Proposition K that the "socialization" of the taxi industry has not and does not work.

We live in a country and society and that was founded and based on the idea that being able to purchase and transfer the rights of ownership is one of its most important dogmas.

Why is it different in the Taxi Industry, why should it be different?

Why are all other City licenses and permits treated differently?

It was not until Proposition K changed the way the Taxi Medallions were treated that these rights were revoked.

In 2006 the study and report from the University Of California Goldman School Of Public Policy confirmed that the re-privatization of the San Francisco Taxi industry would be beneficial to the industry and the City.

I understand that Mayor Newsome understand this and the City would greatly benefit financially from it especially at this time of great need of creating additional revenues for the City coffers.

That said, I would like to introduce a simple yet comprehensive plan that addresses:

- A) The issuance of additional Taxi Medallions
- B) The re-privatization and transferability of the Taxi Medallions
- C) The City need to monetize these permits
- D) The needs of the drivers on the current medallion waiting list
- E) The need to better service the public

In particular I believe that the drivers who are currently in the medallion waiting list should be able to understand that it would be to their advantage to be able to acquire a medallion on the open market rather than having to wait for a very long time for a "free handout" from the City.

This is the right time to do away with Proposition K, it never really worked well for the taxi industry.

It is overwhelmed with hard to enforce regulations and driving requirements.

Let's make the San Francisco Taxi Permits transferrable again as they were and as they still are in many cities in this country.

Thanks for your time and consideration,

Giuseppe Carvelli

San Francisco, CA 94118

From: John Diesso  
Sent: Sunday, May 03, 2009 5:43 PM  
To: Hayashi, Christiane  
Subject: Argument for transferability of S.F. TAXI medallions and outline to implement. PROP 845

Synopsis: This will allow the city to auction some NEW MEDALLIONS creating millions in revenue while continuing to allow drivers to acquire medallions through the existing list. It will give all eligible drivers a chance at a medallion through a lottery. It will also create a market in EXISTING medallions without revocation and without financial hardship.

All existing medallions will become transferable upon cause and necessity to issue "NEW MEDALLIONS". At that time 45% of "NEW ISSUE" medallions will be auctioned by a closed bidding with a \$250,000.00 Minimum bid. All medallions will be valued based on the highest bid, and all bidders will have to match the high bid in order to receive a medallion. (so if the high bid is \$300,000.00 all the medallions are \$300,000.00)

Bidders will be required to pay the city 10% of this amount (this example would mean \$30,000.00 a year to the city) This fee would accrue yearly and in 10 years the medallion would be paid in full. In essence an interest free loan. Bidders would be required to establish a month to month payment a pre-paid annual payment or payment in full or part on the principle owed.

45% of "NEW ISSUE" Medallions will be issued as they are now to existing drivers on the medallion list and a 10% fee will be provided to the city at that time on a month to month basis until paid in full.

10% of remaining "NEW ISSUE" medallions will be issued by lottery to all eligible A-CARD holders. LOTTERY MEDALLIONS WILL NOT BE TRANSFERABLE EVER AND THE HOLDER MUST PAY THE TRANSFER FEE EVERY OTHER YEAR FOR 10 YEARS IN ORDER TO RETAIN POSSESSION. (after 10 years this fee will be waived) Drivers in this category will retain their position on the waiting list if applicable and upon acceptance of a permanent medallion will be required to relinquish all other medallions back to the city. A five year waiting period will apply to all "A-CARD holders after 2010 and then after, before they are eligible for lottery medallions or to purchase a medallion. (this will grandfather in all existing drivers in while insuring only veteran drivers access to lottery medallions)

EXISTING MEDALLIONS: Upon the private sale of medallions the purchaser will pay the yearly assessed 10% fee to the city (this will ensure the city's revenue while creating a market for drivers creating more movement on the waiting list).

Only one medallion will be issued to any eligible driver on the waiting list and only one medallion may be held by any one person. No multiple purchased medallions will be allowed and "NEW ISSUE" medallion holders must meet requirements in place at this time in order to qualify (this

will keep out the speculators).

There will be no driving requirements and all existing medallions will be considered "GRANDFATHERED IN".

At this time the city should consider returning corporate medallions for use on specific high impact periods only. (this would ensure better cab service without creating an unsustainable fleet)

Lastly the city may only issue 100 new medallions a year if cause and necessity predicate the need. And to determine the fiscal impact on the taxi industry annually.

Please accept these recommendations as an outline as I am not an attorney and am unsure of the feasibility of this proposition. I believe this will advance all our causes with the least impact on any one group.

Thank you for your attention and consideration,  
John Diesso

## Remarks on the Transferability of Taxi Medallions in the San Francisco Taxi Industry

MTA Meeting 11-23-09

Michael Ferguson Luxor #1214

Tonight I would like to explain why it is a bad idea to introduce the transfer of medallions into the San Francisco taxi industry. Some of you out there with honest hearts are struggling with the illusion that maybe somehow, someday this could be good for the taxi industry and the taxi drivers of San Francisco. I want to dispel that illusion with such decisiveness that it will enable you to see what this really is, namely a power and money grab of gargantuan proportions.

To begin we need to remember exactly what a medallion is. As most of you know, it is a permit, an authorization, essentially a signature on a piece of paper that allows one to take an automobile and operate it as a taxicab. It is not a tangible asset. It is not "real" property. It is not a factory, it is not a machine; it is not an idea or a design for something that one might patent. By itself it can produce nothing. It is only a green light, an open door that one may walk through. The term "medallion" is actually a misnomer and we should probably stop using it. This refers to the metal plate that is colorfully painted with a number embossed on the surface that is displayed in the taxicab to signify that it is properly licensed. Referring to the permit itself as a "medallion" is very likely an attempt to imbue it with an aura of tangibility in order to mitigate the unease with buying and selling it. In general business licenses and

permits are not transferable. When you sell a business the new owner has to apply for his or her own permit. The city requires licenses for almost every kind of business. The taxicab business is peculiar in the respect that in many cities in the United States taxi permits can be transferred, that is, bought and sold. Being able to transfer the license to operate a taxicab makes the license worth more than the combined assets of the business put together. In my opinion this is an abusive, exploitative practice and should be stopped. If the city is going to allow the transfer of taxi permits, it should extend the practice to the permits for every kind of small business: coffee shops, dry cleaners, bicycle shops, bookstores, massage parlors, hair salons, pharmacies, convenience stores, gas stations . . . However the outcry against such a move would likely be considerable. Why? Because such a practice would amount to an astronomical tax increase on every small business in the city of San Francisco. It would add hundreds of thousands of dollars to the start up cost for any business and weigh down those businesses with burdensome debt for many years. It would make the mere permit to start a business worth many times the business itself. The real profit would come from buying and selling the permit, not in operating the business. This introduces a gross distortion into the economy of the business. The heart of the business becomes simply the permit to engage in the business and not the activity of the business. This is exactly what some shrewd people have perceived and that is why they want to do this in the taxi industry. There is precedent for it because of long years of corruption, greed, exploitation, and abuse in this industry. However, San Francisco, to its everlasting credit, does not allow the transfer of taxi

permits thanks to Proposition K. Now, however, desperate for revenue and pressured by eager sharks and crocodiles we are here tonight contemplating the introduction of transferability to these permits. What I am suggesting is that the City treat all small businesses the same way it is treating the taxi industry. If you want to make the license fee 10% of gross revenue, then do that for all small businesses. If you want to create a market in taxi permits and tax them exorbitantly, then do the same with the permits for every small business. Why is the taxi industry being singled out for this abusive treatment?

A 2006 study prepared by the Rhoda Goldman Institute for Mayor Gavin Newsom is providing much of the rationale for this ill considered venture. On page six of this study it was admitted that they lacked “quantifiable data on customer service and driver quality of life, as well as enforcement, safety (accident rates) and waiting list demographics” and that in lieu of such accurate data it was difficult to evaluate the arguments for or against changing the medallion system. They also admitted that their studies of the medallion systems in other cities did not necessarily translate to San Francisco because of the unique geographic, demographic and economic characteristics of each city.

And yet, in spite of these admitted deficiencies, this study had the temerity to assert that “the system instituted by Proposition K has resulted in a fundamental inequity: large economic benefits are accruing to a small population who is not providing any extra service or effort that merits the receipt of these windfalls.” There is absolutely

no data in this study to support this claim and it amounts to an outrageous lie. The estimate given in this very study of a medallion holder's income is approximately \$46,000 and a non-medallion holding driver at about \$24,000 dollars. I won't argue with those figures, but characterizing this differential as a "windfall" is pure propaganda and nonsense. If \$20,000 is a windfall, then what do you call the bonuses that bank and insurance executives receive? What is the income differential in other businesses between the permit holder (proprietor) and a worker? \$20,000 is a modest differential in annual income between a proprietor and his workers. The fact that this study characterizes this as a "windfall" indicates the bias and disingenuousness of the study.

The Goldman Study further recommended increasing the user fee on medallion holders to \$2100 or approximately 10% of projected revenue from leasing the medallion. That's a 10% tax on our net income! We don't pass that along to customers like other businesses might. Our meter is fixed by the city. This money is net income and thus increases on our license fees are essentially income taxes. The lease revenue we get from our medallions is triple taxed: by the federal government, the state government and the city. Ordinarily the license fee charged to a business is a nominal cost in relation to the total revenue generated by the business. Why are they recommending a tax of 10% of total revenue on taxi permit holders? No other business is subjected to such heavy taxation by the City. Why doesn't the City do the same for auto body shops and grocery stores and fitness centers?

This study estimates that the city will receive between \$235 and \$325 million from the sale of medallions. That represents an enormous transfer of debt from the City to the taxi industry, which ultimately falls upon the drivers. Every nickel of revenue in this industry (except for advertising) passes through the hands of a driver on the street. How could anyone believe that bringing hundreds of millions of dollars of unnecessary debt into this industry could improve the lives of working drivers? It is a necessary fiction, however. What else could you expect them to tell us? Many people's teeth are chattering to get their hands on a huge pile of money here. The other beneficiary of this scam will be the finance companies that loan these hundreds of millions of dollars to the drivers. The interest on these loans will pay their exorbitant bonuses for many happy years while the drivers toil away at their allegedly improved lives paying them.

In general this study, which being relied upon as the intellectual foundation for this grotesque intervention in the San Francisco Taxi Industry, is incompetent to the point of dishonesty. It paints rosy scenarios of the benefits of transferability with no supporting data whatsoever and displays muddled thinking on the impact of transferability on the conditions of the drivers' lives. This study belongs in the ash can. Mayor Newsom is not being well served by it and he should know better. It will not "reform" the San Francisco Industry, it will "deform" it. When it all goes to hell and you are asked why you did it, you'll probably blame it on "faulty intelligence," won't you?

What is going on here is sordid and shameful. San Francisco has a model system under Proposition K that other cities should admire and emulate. Instead we are trashing a system that has been stable and effective and resilient for 30 years and has significantly improved the lives of thousands of working drivers. It could go on indefinitely fluctuating with the general economic conditions of the City. These discussions are unnecessary and if carried forward will prove extremely destructive to the taxi industry and the lives of thousands of drivers for a very long time to come. I call upon the Board of Supervisors to stop this irresponsible course of action and reaffirm Proposition K as the governing ordinance over the San Francisco Taxi Industry.

**From:**

**Sent:** Tuesday, April 14, 2009 10:35 PM

**To:** Hayashi, Christiane

**Cc:**

**Subject:** Proposals to improve Prop. K

Dear Mrs. Hayashi and SFMTA Board of Directors:

First I would like to congratulate you and thank you for involving the public and people connected to the taxi industry to help you solicit good ideas on how to improve and build on the Prop. K for delivering an excellent Taxi Service system for the city of San Francisco.

Through the discussions and public opinions you are getting, I hope that the public and San Francisco voters will understand the events that preceded Prop. K and the reason that brought about the adoption of Proposition K. My understanding is that before proposition K was passed in 1978, the Taxi Industry in San Francisco was privatized and corporate owned, and sadly it was a disaster for the public and the drivers. Cabs were not up to standard, drivers were unhappy and exploited which led to the taxi service to be even more miserable, and the companies did not put resources to improve equipment and customer service. Eventually, the system broke down and they went bankrupt. The city deserved a better Taxi system, and thus the creation of Prop. K which has served the public very well so far, but definitely needs some improvement regarding the 800 hour driving requirement. I will give my idea on how to improve that and also suggestion for the city to be able to make some revenue from such improvement.

Before my suggestion though, I would like to say that the voters of San Francisco gave the Supervisors of San Francisco, and the government of San Francisco for that matter, powers to legislate and to make and pass laws, and to enforce those laws. I do not think the voters of San Francisco want or envision that their government gets involved in speculating, and selling of business permits. Permits in restaurants, groceries and liquor stores, and permits of all kinds are not sold by the government. They are issued and regulated, and the city gets a perpetual income and perpetual authority and powers from them. The act of permitting gives ample flexibility for the city to improve the quality of service and to derive perpetual revenue from it.

Therefore, in this background the SFMTA Board of Directors should NOT consider the idea of selling Taxi Medallions or try to emulate a bad model like that of New York. The New York model is bad because most of the medallions are owned by entities who are not engaged in the business. The drivers do not own the medallions BECAUSE They Can Not Afford them ! It is the same kind of Model that brought about the need for Prop. K to begin with ! So, why go back and emulate the same failed method?

So, having said all that, here is my suggestion on how to improve Prop. K for the benefit of all drivers and would be drivers, for the benefit of those on the waiting list to get the medallion permits ( they will come because those holding them will not live for ever ) for the benefit of the professional and elderly and disabled drivers who devoted most of their life serving the public, and also for the benefit of the city to generate more revenue through my suggestion.

The goal of the SFMTA should be to deliver an excellent cab service system to the city of San Francisco, while at the same time to generate enough revenue to cover the enforcement of such a system. Towards this end, Prop. K should be amended in the following two critical points.

1. The 800 hour Driving Requirement should be optional for those medallion holders under 65 year of age, and should not be required at all for those above 65 years old and the disabled.

For those medallion holders under 65 years of age, a financial payment to the city, let's a \$2000, annually should be charged in lieu of the 800 hours ( this would be optional, should they wish to work).

For those medallion holders above 65 years of age and the disabled permit holders, an annual 1095 filling fee of \$1000 should be paid to the city. Also, a physical appearance to file their 1095 should be required every 2nd year, but once every two years an option should be made where by their agent ( color scheme holder provider) should file a notarized form. This would help make their retirement be a bit more enjoyable under the circumstances, having worked in the noisy surrounding of the city and the freeways all their meaningful life.

2. Color Scheme holders should be accountable and be responsible for all cab related issues. Specific financial penalties should be established for different degrees of violation. The intent of these penalties should be to improve taxi service.

3. If any selling of medallions is contemplated, it should be sold by the Permit Holders, the driver, NOT the Government of San Francisco. Selling Medallions by the city of San Francisco would not be the wish of the voters. Should that happen, where would the city get the medallions to be sold? Issue new ones? What happens to those medallions already held by drivers and pre-K holders? Should they be confiscated for sale by the government, it would be disruptive to the lives of individuals who have built their family life on the account of having them. In that sense it would be, not only immoral and unethical, but also illegal because it would violate contractual obligations.

Thank you for considering my proposals.

Sincerely.

Beraki Ghebremichael

## PROPOSAL ON TAXI REFORM

John Han  
(Non-Medallion Driver)  
November 2009

*This proposal is merely one idea that should be seen as part of a whole, with regards to new ways to generate City revenue and improve the taxi industry overall. With regards to generating City revenue, the intent of this proposal is to offer a secondary source of revenue in addition to the primary source, Prop K reform.*

### **PROPOSAL:**

**Create a new class of ‘single-owner-operated medallions’ and distribute them to pre-qualified, individual drivers. The medallions shall be transferable, non-leasable medallions.**

### Objectives:

- Generate new city revenue.
- Improve income and quality of life for newly classified drivers.
- Allow competitive free-market solutions for improving customer service to passengers.

For the purpose of this proposal, the medallion will be referred to as an, ‘S’ medallion for ‘single owner’.

### Part 1: Drivers’ requirements for eligibility

- Minimum 5 consecutive years of verifiable work history as a San Francisco taxi driver.
- No points on driving record.
- Ability to purchase, maintenance, and operate a taxicab in San Francisco.
- Pass a physical exam.

Upon meeting the minimum requirements, the driver becomes eligible for a comprehensive exam that would test for things such as...

- Detailed knowledge of city streets, names of districts, main tourist spots, and major hotels.
- Thorough knowledge of the industry’s rules and regulations.
- Familiarity with local traffic ordinances, pedestrian awareness, and safety.
- English fluency.

Part 2: After passing the exam, and further review, the City may transfer at fixed rate, the permit to the driver.

- a) The permit would allow the driver to own and operate a vehicle for public hire as a self-employed, independent contractor. He or she shall, as a self-employed business owner, choose their own shifts, select their hours, and will have, "a financial interest in a business". The driver would be, "subject to a financial risk of loss". (Quote - 'California's Employment Development Department (EDD)' 'Taxi Industry Information Sheet' regarding 'employee' vs. 'independent contractor' status. The EDD states, "A daily lease is not considered a significant investment and does not create an entrepreneurial risk of loss associated with an independent contractor.")
- b) The owner of an S-Medallion may invent a color scheme and operate under a fictitious business name, and pays for equipment, required licenses, permits, and insurance.

Explanations of Part 2, Sections a and b:

The proposals in Part 2, sections a, and b, are the key to ensure the proper classification of independent contractor for drivers, because they would allow a prospective owner to invest in a business and brand a company name. This ameliorates the taxi industry's problem of its possible misclassification of its gate and gas drivers. The California Department of Industrial Relations (DIR) under Labor Law asserts,

*"Employers oftentimes improperly classify their employees as independent contractors so that they, the employer, do not have to pay payroll taxes, the minimum wage or overtime, comply with other wage and hour law requirements such as providing meal periods and rest breaks, or reimburse their workers for business expenses incurred in performing their jobs. Additionally, employers do not have to cover independent contractors under workers' compensation insurance, and are not liable for payments under unemployment insurance, disability insurance, or social security."*

*"California's wage and hour laws (e.g., minimum wage, overtime, meal periods and rest breaks, etc.), and anti-discrimination and retaliation laws protect employees, but not independent contractors. Additionally, employees can go to state agencies such as DLSE(Division of Labor Standards Enforcement) to seek enforcement of the law, whereas independent contractors must go to court to settle their disputes or enforce other rights under their contracts."*

[http://www.dir.ca.gov/dlse/faq\\_independentcontractor.htm](http://www.dir.ca.gov/dlse/faq_independentcontractor.htm)

It is my assertion that a San Francisco taxi driver, who is currently a medallion holder, is a self-employed, independent contractor, and is properly classified as one, because they have the power to operate their own independent, trademark color scheme. However, that same classification is also generally given to the City's gate and gas drivers, who cannot open a color scheme because they are legally prohibited from doing so. Whether San Francisco Taxicab Companies, in general, are therefore guilty of the DIR's misclassification assertions as stated above, or whether the so-called 'independent contractor' status of a gate and gas driver is an accurate classification, is a question that's not asked very often, or very openly. Note the excerpt from this court case,

QuickTime™ and a  
TIFF (Uncompressed) decompressor  
are needed to see this picture.

---

*(Joseph Tracy vs. Yellow Cab Cooperative 1996)*

The question then is, what is an independent contractor? California Labor Code 2750.5 reads,

*“Proof of independent contractor status includes satisfactory proof of these factors:*

*(a) That the individual has the right to control and discretion as to the manner of performance of the contract for services in that the result of the work and not the means by which it is accomplished*

*is the primary factor bargained for.*

Gate and gas drivers, to some degree, control how they work, e.g. they can choose street pick-ups, hotel lines, airport, etc. They are not required to wear uniforms, check in for meal breaks, personal errands, or the like. Cab drivers may supply some of their own tools, e.g. a map, a flashlight, flares. Because cab companies don't care how the gate and gas is paid, as long as it's paid and done legally, it can be argued that the independent contractor status in the Labor Code cited above has been met. However, the DIR states,

*“Even where there is an absence of control over work details, an employer-employee relationship will be found if (1) the principal retains pervasive control over the operation as a whole, (2) the worker’s duties are an integral part of the operation, and (3) the nature of the work makes detailed control unnecessary.”* The California Department of Industrial Relations citing, (Yellow Cab Cooperative v. Workers Compensation Appeals Board (1991) 226 Cal.App.3d 1288)

In addition, most cab drivers, as condition of hire, signed a lease agreement or checked a box on a job application stating that they agree to be hired as an independent contractor. Presumably, the lease agreement is legal document, and thus makes the driver an independent contractor. However, the DIR regarding written agreements states,

*“The existence of a written agreement purporting to establish an independent contractor relationship is not determinative. The Labor Commissioner and courts will look behind any such agreement in order to examine the facts that characterize the parties’ actual relationship and make their determination as to employment status based upon their analysis of such facts and application of the appropriate law.”*(  
[www.dir.ca.gov/dlse/faq\\_independentcontractor.htm](http://www.dir.ca.gov/dlse/faq_independentcontractor.htm))

*“Other points to remember in determining whether a worker is an employee or independent contractor are that the existence of a written agreement purporting to establish an independent contractor relationship is not determinative (Borello, Id.at 349), and the fact that a worker is issued a 1099 form rather than a W-2 form is also not determinative with respect to independent contractor status. (Toyota Motor Sales v. Superior Court (1990) 220 Cal.App.3d 864, 877)”*

There is ample evidence to suggest that San Francisco taxi companies have misclassified workers as independent contractors, presumably for reasons laid out in the beginning of this section (Explanations of Part 2: sections a, and b). The taxi industry, in defense of itself, often points out that the majority of gate and gas drivers like the

status as independent contractors. Though this may be generally true, liking the status of an independent contractor is not the same thing as **being** one. California Labor Code 2750.5 continues to define an independent contractor,

*“(b) That the individual is customarily engaged in an independently established business.”*

This brings the point back to Part 2: sections a, and b, of this proposal. Allowing an S-Medallion owner to operate under an original color scheme enables them to brand a fictitious name and market a trademark logo. Thus they would be the true sole proprietor or LLC operating an, “independently established business.” If they were to opt to lease a color scheme and dispatch from an existing company, they could do so rightfully with that company, under terms and conditions of a true independent contractor. On the other hand, a gate and gas driver who may be classified as an independent contractor, but could really be an employee, is, as a result, removed of all of California’s protection laws, e.g. minimum wage or overtime laws, antidiscrimination and retaliation laws. Simultaneously, the same driver is also prohibited to legally operate under the true meaning of an independent contractor, because they are legally barred from sole proprietorship or other classes of business. Thus, the taxi lobby has succeeded in creating a type of ‘phantom worker’, one who is not fully employee and protected under employee protection laws, and one who is not fully independent, and allowed to work under a true self-employed, independent contractor status. What’s resulted is a marginalized and disempowered work force.

- c) An S-Medallion owner shall generate primary income by providing taxi service to passengers. Secondary income may be generated through advertising, e.g. ads on top-light and/or doors. Income ***may not*** be generated through leasing the medallion to a cab company or non-medallion taxi driver, as can Prop K and Pre K holders. The San Francisco Planning and Urban Research Association, in 2001 stated:

*“Taxi firms are not in the business of carrying passengers. They are in the vehicle leasing business. Firms derive their revenue from leasing vehicles and permits to drivers. They derive no direct financial benefit from carrying more passengers, and compete with each other for permit holders and to a lesser extent drivers, not passengers.”* (SPUR ‘Making Taxi Service Work in San Francisco’ Final Report, November 2001)

This is more than likely the issue that needs to be addressed when dealing with passenger satisfaction. The SPUR report included statistics

on passenger satisfaction ratings.

*“The most reliable information on the availability of taxis comes from the dispatch survey conducted by the Taxi Detail. The most recent results, from October 2000, paint a dismal picture of taxi service in San Francisco. As discussed in Appendix C, of 588 calls made by Detail members, 170 were not even answered, and 20 were told that there were no available cabs. Of the remainder, 237 cabs arrived (40% of the total calls), with an average response time of ten minutes, and there were 161 ‘no shows’.”*

In the interest of improving public customer satisfaction, multiple S-owners may join a legal joint venture under an original, single color scheme and dispatch. Because the hypothetical owners of the new business would be S-owners, they could not lease their cabs to other drivers. Thus, their primary business would be in providing transportation services to the public rather than serve as a cab leasing company. This would allow the necessary financial incentive to expand the proper market, i.e. passengers, and improve service, because the primary customer would shift from being a cab driver to a passenger.

- d) SFMTA may charge a certification exam fee, and annual renewal fees. And, shall determine the number of S-Medallions than can be issued.
- e) An S-Medallion shall function the same as a Prop K or Pre K medallion with regards to ‘where’, and ‘when’ the medallion may be operated, e.g., an S-Medallion shall not be limited to peak hours and/or designated areas. And its owner may work a hotel line and at the airport.
- f) A driver, as condition of owning an S-Medallion, forfeits his or her name from the K-Medallion waiting list, and only one S-Medallion may be issued per qualified driver.
- g) An S-Medallion owner shall have the option to lease a color scheme and dispatch service from an existing color scheme and dispatch provider.



**November 18. 2009**

**Re: Comments on the Prop K Discussion**

**Dear Board Members,**

**We are living in a world of self serving interests. We find ourselves dealing with people who are only concerned with their own instant gratification.**

**The Taxi Industry in San Franciscans offers very good taxi service but if we can improve I believe we should. The demographics change with the needs of the customer and we do our best to be in the service area where we are needed the most. If we are paying attention to the daily changes of the cities needs for service, we are having to over respond to make the difference or just do basic everyday neighborhood coverage. When addressing taxi coverage during peak times choices have to be made. When it comes down to service in any given area, sometimes you have to get lucky. Quality of service depends on a balance between the number of cabs on the street and the cost of service. No one wants to have bum's living in their taxis because they can't make enough money to get a place to live.**

**I understand what is needed to create the best possible service. A lot of the demands put on Taxi Medallion holders are unreasonable and have no purpose. Why must a Medallion Holder drive a minimum number of shifts per year? Nothing is served by this except the over bearing, over controlling, and unnecessary management efforts of power broking. We pay taxes, fees, business licenses, registration costs to the city, and anything else that the people in charge ask of us. We need to have a responsible criteria under which we maintain our medallion in service, but this should have nothing to do with demands on our driving time.**

**To demand that a Medallion Holder have experience in the industry as a driver is a must. And the ability or opportunity to responsibly maintain the "Medallion in Service" as many days per year as possible is also important. I have been driving a taxi in this city since 1974 and I am eminently qualified to own and operate a taxi. But I do not feel that it is necessary to have more than 4 years experience as a driver to know your responsibilities. Most service oriented things become redundant. However, the aspect of responsibility should be addressed per individual driver.**

Taxi Medallions need to be real property. But to establish monetary value the city seems to feel that the Taxi Medallion Holders would need to come up with an alarming amount of money to purchase these Medallions. This is ridiculous. The Medallions used to be Real Property. They were Real Property taken from the owners, by the City. If this was a reasonable thing to do, then giving them back to the existing Medallion Holders would be just as reasonable. However, the city needs money and a reasonable fee for this Real Property could be worked out. We, as Medallion Holders, being required to operate as a business have **(NO RETIREMENT OR PENSION OPPORTUNITY OF ANY KIND)**. Being able to hold the Medallion and benefit by it until death (without having to drive after a reasonable age) or being able to sell the Medallion at retirement, sounds like a very good retirement plan to me.

Pride of Ownership is a great motivator. If our Medallions were Real Property all aspects of service would improve. What we dedicate ourselves to would have value.

I believe I have addressed all of the aspects I can regarding the improved relationship between the Taxi Industry and The City of San Francisco.

Thank you for this opportunity.

Sincerely,  
Charles Hawkins - Medallion #9039

**From:** Bud+Hazelkorn

**Sent:** Wednesday, April 08, 2009 2:59 PM

**To:** Newsom, Gavin

**Cc:** MTABoard; Hayashi, Christiane; Ford, Nathaniel; Johnson, Debra; Boomer, Roberta; Crowfoot, Wade; Chiu, David; Dufty, Bevan; Chu, Carmen; Dalyweb; Campos, David; Mar, Eric L; Avalos, John; Alioto-Pier, Michela; Mirkarimi, Ross; Elsbernd, Sean; Maxwell, Sophie; Hansu Kim

**Subject:** Why privatizing medallions is a wrong idea

Dear Mayor Newsom and MTA Board Members,

Privatizing medallions is a scheme straight from the Republican playbook, a plan that makes conditions very much worse for workers while lining the pockets of the already rich.

Privatization of medallions will allow huge monied interests from around the country to take over the reins of the cab industry in San Francisco. You'll have huge corporate medallion owners carving up the pie with huge corporate medallion lenders. The obvious question is, who's going to lend \$200K or even \$500,000 bucks – which is the base rate for medallions in New York – to a cab driver making \$25 grand a year? I will!!! *Esp. if he or she has to put down \$50,000 or \$100,000 — again standard in New York — and if he misses a payment, he forfeits that and the medallion reverts to me.*

The kicker is that MTA will now share interests with the money lenders, which I don't need to tell you is as dirty a conflict of interest as you'll ever want to be in. Because every time a driver defaults on his loan, MTA will get a piece of the transaction.

Considering how this economy is sinking, how often will that occur? In New York, driver/owners control a small fraction of the medallions, but constitute the lion's share of defaults. Why do you think Yellow Cab is so hot to privatize? Why is it telling its member drivers who oppose this deal to shut up and tend to their knitting? Because in a race with Medallion Financial of New York, Yellow Cab will be the "devil you know." What do you bet they've already drawn up the contracts?

According to Warren Buffett, the economy will "be in shambles throughout 2009 – and, for that matter, probably well beyond." There is no reason the cab industry could not, in fact, collapse. What, in fact, supports the "value" of medallions? Already there is so little business that drivers often cannot make the gate. You simply cannot make a living at it as it is, unless you have a medallion, or weekend night shifts, or a working wife. You'd be astonished at the number of people in this business with second jobs. Cab driving in this town has become a hobby.

The disgraceful aspect to this is the stunning lack of imagination that has gone into this project, such as it is. It has derailed every other serious issue with regard to the merger, yet there are still *no details to it, save one...the \$20 million the mayor is counting for next year's budget*. There are scads of ways to increase the efficacy of the business and put more money into the pockets of drivers, companies and yes, the MTA, such as centralized dispatch, democratizing the current medallion system, eliminating the huge black market in under-the-table payments to cab companies, enforcing illegal limos, making cabs a far more integral piece of the mass transit puzzle... Companies could *advertise!* Even MUNI advertises. But that would require imagination and the political will to jettison the corruption that has greased this industry for decades.

Cab driving here is different from NY. We have much more interaction with customers. We don't have partitions, or those infernal TVs. Except for the fact that the money stinks, it's an extraordinary and unique job. How many of the qualities unique to San Francisco will we retain when the industry is controlled by giant corporations?

We are asking you to stop this short-sighted idea. We have an opportunity to do something we can be proud of, that will benefit citizens, workers and companies alike. Let's do that, instead of setting that process back even further.

Thank you.

Bud Hazelkorn  
Chair, United Taxicab Workers

**From:**  
**Sent:** Friday, March 27, 2009 2:05 PM  
**To:** Newsom, Gavin  
**Cc:** Hayashi, Christiane;  
**Subject:** Fwd: [infotaxi] Re: BOS Rules Committee

Re: Sale of Taxi Medallions.....FYI.....

Mayor Gavin Newsom:

I have met you on many occasions going back to the time you were first appointed as a Supervisor by Mayor Willie Brown....As a reminder I use to kid you about you're being 3 months younger than my son who was born August 1967 and serving as a helicopter pilot in the army...My son has since retired after serving 21 years in the army with 2 tours of Iraq, and 1 in Afghanistan during the last 4 years of his term. He is now collecting an Army Pension for his 21 years of service...

I myself have been driving a taxicab in SF for over 26 years. 17 years as a lease paying "Independent Contractor". Three years as a "ramp-taxi" permit holder, and now as a "regular medallion" holder since 6/25/2002. With no hope of receiving a "retirement check" for my long years of SF taxicab driving...

By the time you read this email I will have successfully had a triple by-pass open heart surgery operation (March 30, 2009), or I may have passed on.....

If I survive this operation I will be disabled for an undetermined time in the healing process. Thank god I have the income from my taxi medallion along with a social security check (I'm 68 years old). No way can I survive in SF on my social security income alone...

I remember one particular meeting we had while you were still a supervisor. I spoke to you in your office and requested that to give your support in "opposition" of a ballot measure seeking the sale of medallions. You agreed and lent ed your name on the ballot as an opponent of the measure and the measure was defeated.

At that time I encouraged you to run for higher office....And, that I would support

you in anyway.....Well as  
another reminder I did support you to the full extent of \$750.00 in your run for  
mayor against Matt Gonzales.

You have not heard from me since you appointed Heidi Machen, Jordanna  
Thigphen to the Taxi Commission.  
Both appointments which I believe were a disaster.....Hopefully, the appointment  
of Christiane Hayaski will  
change all the ill feeling I accumulated while Machen, Thigphen were in charge.

In closing; we taxicab drivers, especially medallion holders are a fine bunch of  
citizens....We are on the SF  
streets 24/7 and can be considered SF first line of good  
will ambassadors.....Please don't sour us with a  
scheme to sell taxicab medallions....This will not solve SF financial woes....

Respectfully yours;

Jim Kennedy, SF resident....

-----Original Message-----

From:  
To: infotaxi <  
Sent: Fri, 27 Mar 2009 11:39 am  
Subject: [infotaxi] Re: BOS Rules Committee

Extortion vs Legitimate Exercise of Government Power: (theft of medallions, by  
sale or otherwise)

Extortion "under color of official right" should not be confused with the legitimate  
exercise of government power.  
Governmental power, by its nature, is legalized extortion, e.g.,:unless you abide  
by the law, you'll go to jail;  
unless you buy car insurance, your license will be revoked; unless you pay taxes,  
you'll go to jail and be fined.  
Etc....

The government's power to extort proper behavior from each of us is limited only  
by "due process," i.e., the  
government can't send someone to jail unless they first receive a fair trial, a law  
cannot be enforced unless it is  
properly approved by our elected officials and thereafter monitored by our courts,  
etc. A citizen cannot complain

that he or she is being extorted by their government if the government is simply enforcing a law that complies with society's sense of due process. It is difficult to imagine when an official act of government could constitute extortion. When considering official government action, the appropriateness of the government's action is measured by the Constitution -- not by the criminal law of extortion. If the government does not have the power to enforce a law against a citizen (i.e., if the government does not have the power to extort certain behavior from a citizen), the law is unconstitutional - not extortionistic.

The above was taken from web site: <http://www.ricoact.com/ricoact/nutshell.asp>

In my personal opinion the "so called" sale of medallion is a form of theft and extortion....Any sale idea has not been voted on or approved by our "Elected Officials"....Muni or the SFMTA are comprised of "appointed board members"..(not elected officials). Don't know how they can change Prop K without another voter ballot measure. The whole idea of Prop K was to keep medallions out of the hands of corporations and non taxi drivers....

Jim Kennedy.....

-----Original Message-----

From: Carl Macmurdo <  
To: infotaxi <  
Sent: Fri, 27 Mar 2009 9:16 am  
Subject: [infotaxi] Re: BOS Rules Committee

Generally speaking, the approximate \$36,000 per medallion is what the MTA is projecting as the transfer fee amount. Apparently, MTA presumes also that it has the authority to order medallion holders to sell their medallions, even on an involuntary basis.

----- Original Message ----- From: "Rick deOlazarra  
To: "infotaxi" <>  
Sent: Friday, March 27, 2009 9:34 AM  
Subject: [infotaxi] Re: BOS Rules Committee

> Another interesting aside; Mr. Nolan also mentioned a plan A, which would >  
> bring in fifty million to the City by selling all the medallions at once. > He said he  
> was against it and that it'd usher in too much chaos, etc, etc.  
> Nevertheless, that "plan" assumes a figure of about \$36,200 per medallion.  
> Any comments or theories on what this figure represents to whoever came up  
> with it?

>

>

> ----- Original Message ----- > From: "Joseph Fleischman" < >

> To: "infotaxi" >

> Sent: Thursday, March 26, 2009 7:29:57 PM GMT -08:00 US/Canada Pacific

> Subject: [infotaxi] Re: BOS Rules Committee

>

>

> After hearing Mr Nolan speak, the following is what I understand. Anyone, > please correct me if I have this wrong but I heard him present an idea of > raising \$15M per year from permitholders, by selling each and every permit > annually.

>

> \$15 million for 1381 permits = just over \$10,000 per permit per year, or > \$900/month - basically splitting our monthly checks with the city. He > indicated that at this point, it's just a draft of an idea, and that if it > were enacted, it wouldn't happen until the end of 2010, but only as a > pilot project. By calling it a pilot project, he seemed to imply that the > annual sale of all medallions wouldn't happen until sometime after that > point, but only if the pilot project proves successful.

>

> If this doesn't sound like a Gruberg plan, I don't know what does. Twelve > years ago, Gruberg advocated cutting permitholder checks to a maximum of > \$1,100 per month. The draft of a plan mentioned by Nolan is like > Gruberg's, but on steroids. I guess Gruberg has deepened his hatred for > the system that awards checks to K permitholders.

>

> Chris Daly said that he believes that the taxicab system works well right > now, and that he would be against this or any plan to sell medallions.

> Joseph

>

>

> On Thu, Mar 26, 2009 at 1:32 PM, Carl Macmurdo < > > wrote:

>

>

> At the Supervisors' Rules Committee hearing last week on the reappointment > of MTA Board president Tom Nolan, there were a number of disturbing > comments, which are viewable on the link below from 5:00-6:00 on the time > bar and also from 13:30-18:00.

>

**From:** peter kirby  
**Sent:** Sunday, November 15, 2009 2:10 AM  
**To:** Hayashi, Christiane  
**Subject:** Re: Taxi Reform presentations?

Christiane,

Hello. It looks like you're really on the ball here. It's good to see somebody doing their job well. I have decided I do not want to make any type of presentation at this time. I do, though have a revised version of the email I originally sent Mrs. Thigpen. This is how I would like my proposal to appear:

Hello. I have been a taxicab driver in San Francisco on and off for the last 13 years. In 2001, I made a comprehensive video documentary about the business called 'San Francisco Taxicab' (let me know if you want a DVD copy) which has been shown many times on the local cable public access station Ch. 29.

With taxis and everything else under the MTA now, taxis seem to be at a crossroads. It looks to me like the business is moving towards privatization a-la New York. Assuming this is the case, I have some suggestions.

In this scenario, the list would need to be eliminated. I have been on the waiting list for 11 years. I want my medallion! I didn't get into the taxi business for the medallion, but the medallion is why I stayed. I assume there are many others who feel the same. If medallions are privatized, a cash settlement for people on the list is the only thing that makes sense. The amount should be substantial. People (such as I) are counting on that medallion for their future financial security.

I believe the best way to compensate these people would be to first hold an auction and sell some new medallions. Then take the average selling price of the medallions and give that amount in cash to the people who have been on the list the longest and were just about to get their medallion when they were privatized. Everybody on the list would receive a cash settlement based upon how close they were to getting their medallions with those closest getting the most money and those having been on the list for the shortest amount of time receiving the least. Those people who get substantial amounts of cash will turn around and use it to bid on the next medallion auction thus raising auction prices.

If the list may be eliminated, it should be frozen right now. If we decide to keep the list, it can be opened again later.

I hope you find these thoughts constructive. Thank you.

-Peter Kirby

**Dear MTA board directors, (09/30/2009)**

First please do not put any more taxi medallions on the streets of San Francisco before you implement any changes in prop K. This is a slow time of the year for the taxi business so please wait until the town hall meetings, run by the very capable Chris Hayashi with input from all the players in the taxi industry and the public of SF, have a chance to give you their input on any changes in taxi law.

I believe director Heinicke meant well, but the taxi drivers and medallion holders will never stand for any law giving full time medallions to taxi companies or any other identity other than the men and women who are full time workers in the taxi industry. Mr. Heinicke was mistaken in how much medallion holders receive. The true figure is between eighteen hundred and two thousand a month. There is no way a taxi company can pay the city three thousand a month to rent out a taxi medallion and then stay in business. In this same vein I know of no business that has to pay the city fees other than what it cost to regulate said business. Anything over this amount is extortion.

The only extensive studies ever done in the Bay area, as how to pass out taxi medallions fairly, were done by the UC Goldman report on taxi transferability and an extensive study by all players in the industry done by then supervisor Matt Gonzales. Both reports recommended transferability. Let the town hall meetings come up with a consensus from the taxi industry and the public to figure the best way to achieve a just law for all concerned.

With the list as long as it is now it will take fifteen or more years for a driver to receive their medallion through a fair and just transferability law. The following is a letter I sent to this board previously, but it is much better for the majority of taxi cab drivers and for the citizens of SF. In this letter I stated that a twenty percent transferability fee be paid to the city. I believe the city should take fifteen percent and five percent should go to a non-medallion holder taxi driver retirement fund and they should have ten years in the industry before they are vested. There are also ways to take care of the people on the list that will benefit them also, and this can be worked out through the town hall meetings. Here is the e-mail previously sent to you.

Prop K must be replaced with a much fairer law for all involved. There are many reasons to eliminate K. Here are just a few reasons why:  
The UTW statement that drivers cannot afford a transferable system in the sale of medallions is just sour grapes. Here are the facts: A medallion holder makes approximately two thousand a month, and by being a medallion holder has better shifts which will add another three thousand a year to this figure, which brings this to twenty-seven thousand dollars a year. In ten years time this adds up to two-hundred seventy thousand dollars. If the city set the medallion price somewhere between two hundred and two hundred fifty thousand dollars, the taxi driver will have their medallion paid off in ten years with money left over. The city should be able to take a twenty percent transfer fee from this. This will be a win-win situation for taxi drivers and medallion holders and the city of San Francisco. As it is now, a driver who is not a medallion holder pays their gates for years before they receive their medallion, and when they receive their medallion they have no equity in it whatsoever. If the city goes to transferability these drivers who buy medallions will receive a valuable asset in ten years time, and it will cost them no more money than they are paying through gates. The truth of the matter is the income from the medallion is building up equity every day and the driver is paying no more money for this than he would be just by paying his gates. I believe a driver should be allowed to only buy one medallion, in the future. All of this is in the spirit of Prop K. Also, in no case shall medallions be issued to corporations or any other identity. Only to people actively working full time in the taxi industry, except for part-time permits in times of great need. I believe a formula can be worked out for this, as not to flood the streets with taxi permits that are not needed, which will cut into drivers take home pay. Something also has to be done to stop old and ill taxi drivers from driving in order for them to keep their medallions. These drivers are driving in order to keep their much needed income, but in doing so are creating a great risk to other drivers on the road and themselves. This is an insane policy, and has already cost a major cab company over fourteen million dollars and almost put them out of business due to an older driver who was driving in order to keep his income from his medallion. The cab companies are made up of many taxi drivers like myself. Prop K is putting all of these cab companies at great financial risk. I along with hundreds of my

peers believe that a fair transferable law that will benefit most of the players in the industry and give money to the city of S.F. through a twenty percent transfer fee is the best way for all concerned. All of the drivers are united in the fact that these permits should only go to people working full time in the taxi industry. They should be the only ones allowed to buy a transferable permit and in no case shall they be sold to taxi companies or any other identity.

As you can see by this e-mail that a taxi cab driver would be able to have his medallion paid for in ten years and not pay any more money than his or her gates through the years and will have something worthwhile to show for thier hard work in the industry and would get their permit at least five years sooner than they would get with the present system all the while building up equity every day and not paying any more out of pocket than they paying now through gates. This is a win-win system for the drivers and the city of SF. I also believe that a taxi driver who has a medallion and has worked full time driving a cab for over twenty years should be able to retire with their medallion, and after they pass their heirs should be able to put the medallion up for sale for the two hundred fifty thousand to a fulltime taxi driver. They should not be able to keep the medallion, as a medallion must go to working cab drivers but they should have the benefit of being able to pass a medallion on to a taxi driver within a years period for the said price which I believe should be two hundred fifty thousand. This is only fair.

For this board or any other identity to try to take away over one half of the income of the post K medallion holders who worked fifteen years or longer to recieve their medallions, or the pre-K holders who paid what it would cost for a house in San Francisco, for their medallions before Prop K was passed in the late 1970's. These are the very people who founded the taxi industry and dedicated their lives to it. Most are in their late retirement years. How can anyone be so cruel to even consider taking away one half of their income?

Thanks to all of you for the hard work you put in to improve the transportation system in SF and for taking the time to read this long e-mail, all my best to you and yours. Sincerely Art Lembke

Copies sent to Chris Hayashi and Nathaniel Ford

### **PREAMBLE (11/24/2009)**

Let's change the law to get rid of many of the terrible results of Prop K. I know of at least four suicides due to Prop K and of many hardships this has caused to many of my peers. There are so many that it would take a whole chapter of a book to even start to show all of these hardships. Pre K medallion holders who paid cold hard cash for their permits and devoted time and energy to the taxi industry cannot, for all their efforts, leave something that will take care of their families after their death . I know of no other investment where one cannot leave their property or business to their heirs. For one to leave their property or business is a basic tenet under our system. Before Prop K, taxi permits were treated as property and were transferable on divorces, at deaths, or were able to be sold to anyone who was willing to buy it. The misinformed voters of San Francisco made these permits city property. This is completely unjust no matter how you slice it. Also, post Prop K permits were paid off with sweat equity and they deserve to have the same benefits applied to them as post K permit holders. To give these drivers who put years of service to the taxi industry false hope is a crime.

Prop K is responsible for putting City Cab out of business which hurt many drivers and the employee's of that taxi cab company. It almost caused the largest taxi company in S.F. to go under due to the insane law of forcing old or ill medallion holders to drive in order to keep their income. This law also ruined and closed down the Jitney business that ran from Sickles and Mission to the Ferry building along the Mission corridor which was used by many of the citizens of S.F. twenty-four hours a day. It was a service which was greatly appreciated by the citizens of S.F. who used it. The citizens of S.F. were greatly misinformed on Prop K namely by Quentin Kopp and Mike Parish who was the president of Local 265, the only union who represented taxi cab drivers in S.F. They misinformed the labor commission by telling them that Local 265 was for prop K. Nothing could have been further from the truth, as Local 265 and their members were

against prop K. Mike Parish had no right to endorse Prop K to the Labor Commission. They also were able to put this false information into the voters handbook. Mike Parish, even though he was president of Local 265, was a driver for the airporter bus company, which was in direct competition with taxi companies. Prop K would help the airporter bus company and hurt taxi companies. I believe the voting public voted for K because the citizens of S.F. are for labor, and voted for Prop K thinking that the taxi Union 265 was for Prop K. Oh, how they were misinformed! The only good point of Prop K which was put into law after the vote was that taxi cab permits can only be given to full-time taxi cab drivers, but due to the way the law was written many people who received these valuable permits never drove a taxi cab. My peers and I believe we can have a transferable law where only full-time taxi cab drivers would be able to buy a transferable taxi medallion in keeping with the spirit of Prop K. Let's write a law that will benefit the taxi industry and the citizens of S.F. and that will be free of political influence.

## RECOMMENDATIONS FOR TAXI REFORM

1. The MTA must develop a fair exit strategy to remedy some of the bad results of Prop K.
2. Set a fair price for a taxi medallion -- With the permit list as long as it is we believe it would take twenty years or longer to receive a taxi medallion under Prop K. But the city can set a price of two hundred fifty thousand dollars for a transferable permit that a taxi driver can pay off in ten years time costing them no more money than they would be paying in gates alone, with money left over.

Here are the facts: A medallion holder makes approximately two thousand a month, and by being a medallion holder has better shifts which will add another three thousand a year to this figure, which brings this to twenty-seven thousand dollars a year. In ten years time this adds up to two-hundred seventy thousand dollars. If the city set the medallion price somewhere between two hundred and two hundred fifty thousand dollars, the taxi driver will have their medallion paid off in ten years with money left over. The city should be able to take a twenty percent transfer fee from this. This will be a win-win situation for taxi drivers and medallion holders and the city of San Francisco. As it is now, a driver who is not a medallion holder pays their gates for years before they receive their medallion, and when they receive their medallion they have no equity in it whatsoever. If the city goes to transferability these drivers who buy medallions will receive a valuable asset in ten years time, and it will cost them no more money than they are paying through gates. The truth of the matter is the income from the medallion is building up equity every day and the driver is paying no more money for this than he would be just by paying his gates. I believe a driver should be allowed to only buy one medallion, in the future. All of this is in the spirit of Prop K. Also, in no case shall medallions be issued to corporations or any other entity.

3. Gate Control -- Gates and meter fares must be set by the rate of inflation. If inflation goes up, say three percent, the gates and the meter may go up by the same percentage. The taxi companies will raise their gates by that percentage and the drivers will receive the meter increase by the same percentage, but the taxi cab companies cannot raise their gates until after sixty days of any meter increase, as it is usually slow for the first month or so after any taxi increase. The city controller shall make adjustments to meter fares at least every two years. This will allow taxi cab companies and drivers to keep up with inflation and make for a stable taxi cab industry and will take the politics out of the taxi industry in regards to gates and fares.

4. Part-time medallions in times of great need -- We should allow taxi cab companies to put out their spares in times of great demand such as major conventions of over twenty five thousand, Friday and Saturday nights, New Years Eve, and St. Patrick's Day. This shall be closely regulated and it will serve a demand for more taxi's when needed. Putting out more medallions at times when they are not needed financially hurts taxi drivers as most of the other times there is little or no demand for taxi service. Peak time medallions will help the riding public and allow the taxi cab companies to improve service and help keep up their fleet. This can be done insurance wise and a formula should be set, such as putting out one spare for every ten cabs they have in their fleet. A special spare time medallion can be issued for only times of great demand. There is a great need for this reform.

Retirement for pre and post K medallion holders -- The present medallion holders shall have the option to pay the city five thousand up front for the privilege of retiring with their medallion if they were a full time taxi cab driver for at least twenty years or longer. After the death of the medallion holder their heirs must, within a years time, sell the medallion to a full time taxi cab driver with at least a year experience. The city should be able to take a twenty percent transfer fee at the time of the transfer. Five percent of that fee should go to a driver benefit program. A driver should have to be a full time driver for at least ten years to be vested. If the driver becomes a medallion holder by buying a transferable medallion they will forfeit the money they were vested in as to grow the fund only for drivers who do not have a medallion. Due to the high turnover in the taxi industry, this will result in a significant amount of money for a non- medallion holder who stays with our industry.

In the event that a new medallion holder who bought a transferable taxi medallion leaves the taxi industry before putting 20 years in the industry, they must put up their taxi medallion for sale within a year to a full time taxi driver for what ever the city sets the price for a taxi medallion. They will be able to receive the equity they built up. The only exception to this is to allow a driver who is to ill or injured to drive safely, to keep their medallion until they recover. Medallions must be only given to people who work full time in the taxi industry.

6. Financial help for the city of S.F. -- If we can get rid of the illegal limousines, taxi's, and all other illegal forms of transportation in the city, we could add one hundred more permits to the city. We should also confiscate post K medallion holders who lied on their application and never drove a taxi cab, or paid for them like the pre K holders did. We should take care of the first hundred or so people on the list. I believe for the first fifty permits that the city puts out one should go to someone on the list and the next one the city should sell to a full time taxi cab driver for two hundred fifty thousand dollars. This should be done for every other permit for the first fifty permits. On the next fifty permits to be given out, the person on the list shall pay one hundred thousand dollars for the permit and every other permit should be sold to a full time taxi cab driver for two hundred fifty thousand dollars. After that the people on the list should have first right of refusal to buy a medallion for a city set price of two hundred fifty thousand dollars from present medallion holders when they are willing to sell or when the city needs to put more permits on the streets due to greater demand. The city must be diligent and very careful not to put too many cabs on the streets as driver income must be protected, and value must be retained in the taxi medallion. This will generate millions of dollars for the taxpayers of the city, and will benefit taxi drivers, medallion holders, and taxi cab companies. It will make the streets safer for the citizens of S.F. and the riders of taxi cabs, and protect the financial stability of taxi cab companies by getting rid of the absolutely insane policy of forcing medallion holders who are too old or ill to drive a taxi cab safely, but are causing them to do so anyway in order to keep the money from their medallion. This is a win-win situation for the taxpayers of S.F. and most of the players in the taxi industry.

7. The voters gave prop A the right to trump the taxi industry law adopted in the late nineteen seventies known as prop K -- For UTW or for Q.Kopp to argue that the voters were misinformed about changes in the taxi law is bogus, as both their arguments in the voters handbook clearly state that Prop A would trump Prop K. Any voter who read the voters handbook would know this. The UTW's argument stated that the mayor would keep the spirit of Prop K and any change in the law as Prop A. Transferable permits that only will be issued to full time taxi cab drivers is keeping within the spirit of prop K while providing taxi cab drivers the ability to build equity in taxi medallions, and insure safety to the riding public and a revenue base for the city of S.F. Prop A has given the city of S.F. a chance for a win-win situation for all concerned. I was informed by an attorney I have spoken to about this matter and it is his belief that Prop A trumps Prop K. If the city attorney has the same belief, lets get on with implementing transferability through Prop K post haste with a transferable law that is fair and just for all concerned. This is the plan I think would be beneficial for the city of San Francisco.

Sincerely,

Arthur Lembke

Retired taxi cab driver of over twenty years, and a medallion holder in Yellow Cab Co-op.

P.S. I just would like to say how upset I am about Q.Kopp's wife's comments in the voters handbook stating false information about the non-driving Yellow Cab. Most everyone in the Yellow Cab Co-op are taxi cab drivers including all in management. Also our drivers overwhelmingly endorse transferability for taxi cab medallions, as anyone can see by over nine hundred signatures collected by a Yellow Cab driver that the UTW does not represent them. It seems to me that Q.Kopp has not gotten over the fact that the group he represented to take over the old Yellow Cab company in the late nineteen seventies, lost in that bid to the drivers in the Yellow Cab Co-op. The group that he represented had less than twenty people in it, yet he was able to put these people on the list to get first crack at the post K medallions. If he truly wanted to be fair at that time the taxi medallions would have been given out to the oldest A card cab drivers by seniority, and not to the hand picked people he represented. I feel I have to point this out as I am sick of Q. Kopp's misinterpretations of a taxi cab company that I helped to get off the ground along with many of my peers.

# **PLAN ALLOWING FOR PURCHASES, SALES, AND TRANSFERS OF TAXI MEDALLIONS**

(submitted by Carl Macmurdo, November 2009)

## **FIXED-PRICE TAXI MEDALLION PROPOSAL**

Purpose: To amend Proposition K of 1978 by allowing for medallion sales and transferability at a fixed price. This new policy intends to raise revenue for the city, provide suitable entry and exit strategies and opportunities now lacking for taxi driver-medallion holders, provide meaningful advantages to qualified applicants on the medallion waiting list based upon current list position, and improve industry functionality and public safety, while logically creating some service improvements.

### **SECTION 1: SUGGESTED PILOT PROGRAM FEATURES**

- ❖ Establish a four-year pilot program.
- ❖ Allow for sale and transfer of all current and future medallions.
- ❖ Issue 150 new medallions during the four-year period:
  - (a) 100 permits grand-fathered for nominal processing fees to the first 100 waiting list applicants who are qualified under Daly-Ma criteria.
  - (b) 50 permits sold to Daly-Ma qualified list applicants with right of first refusal based upon list position.
- ❖ Allow current medallion holders the option to transfer their medallions per the conditions contained in Sections 4 and 5 below. Right of first refusal for buyers to be based upon applicant waiting list position.
- ❖ Set the fixed-price at \$280,000 , subject to annual CPI adjustments.

### **SECTION 2: MTA FACILITATION EFFORTS**

- ❖ Obviate usurious interest rates via parameters of its Request For Qualifications (RFQ) notice to lenders.
- ❖ Create a down-payment assistance program to help buyers. The pool of money created by the transfer tax charged to sellers could be used as a buyers' down payment fund.

### **SECTION 3: CONDITIONS APPLICABLE TO BUYERS**

- ❖ Purchased medallions come with transfer rights attached. A 5% transfer tax will be assessed when the new buyer ultimately transfers the medallion.
- ❖ Medallion holders are required to drive full-time, subject to any disability variances allowed by regulations.
- ❖ Medallion revocation, or death, will result in the medallion being put up for transfer within 60 days. Equity built into the medallion will go to the disenfranchised permittee, or that person's heirs.

- ❖ Thirty years from the purchase date, MTA has the option to require that a medallion be transferred. This condition is necessary to ensure that the system can succeed in perpetuity.

#### SECTION 4: CONDITIONS APPLICABLE TO PRE-K SELLERS

- ❖ Pre-K's have the option not to acquire transfer rights and thereby continue operating under existing rules. The medallion may be operated until the medallion holder dies, at which point it reverts to the city.
- ❖ Pre-K's may instead acquire transfer rights by agreeing within 90 days to the transfer rights conditions described below. Otherwise, they will be disallowed from future transfers.
  - (a) That a transfer tax of 15% will be assessed at time of transfer.
  - (b) That the city can require transfer of the permit at any point subsequent to one year after the date transfer rights were acquired.
  - (c) That medallion revocation, death, or the city's exercising its option described in part (b) above will result in the medallion being put up for transfer within 60 days.
- ❖ As an alternative to the preceding bullet point, the city instead might allow pre-K's to purchase transfer rights with an up-front cash payment and thereby retain the medallion indefinitely.

#### SECTION 5: CONDITIONS APPLICABLE TO POST-K SELLERS

- ❖ Post-K's may decline the option to acquire transfer rights and continue to operate under current conditions. There is uncertainty as to how the Courts might ultimately rule in pending cases examining the disability rights of medallion holders who can continuously operate their permits, but who can no longer drive a taxi.
- ❖ Post-K's may instead acquire transfer rights by agreeing within 90 days to the transfer rights conditions described below. Otherwise, they will be disallowed from future transfers.
  - (a) That a transfer tax of 15% will be assessed at time of transfer.
  - (b) That permittees who drive full-time are not subject to a forced transfer.
  - (c) That permittees who cease to drive full-time, subject to any disability variances allowed by regulations, can be required by the city to transfer their medallions.
  - (d) That medallion revocation, death, or the city's exercising its option described in part (c) above will result in the medallion being put up for transfer within 60 days.

#### SECTION 6: CONVERSION TO AN AUCTION SYSTEM

After two years --- and after 500 permits have been transferred by medallion holders to waiting list applicants under the right of first refusal procedure --- whichever occurs last --- the waiting list will be dissolved and replaced by an eligibility pool of all persons who have been full-time taxi drivers for the past two years. Periodic auctions will be held

under sealed-bid procedures with all interested eligibility pool members participating on equal footing. Application to the eligibility pool is free of charge. Also, application fee refunds will be offered to those who were on the prior applicant waiting list but who did not obtain a medallion.

#### SECTION 7: OTHER CONSIDERATIONS

- ❖ MTA may wish to have a ballot measure to cement and codify this new system.
- ❖ MTA should utilize statistically valid criteria for periodic assessment in a PC&N-type process to determine the need for the possible issuance of additional medallions.
- ❖ A ballot proposal should include a provision allowing MTA the flexibility to create a peak-time, or part-time, medallion program, subject to specified constraints such as the number of hours of operation allowed, the percentage of the total fleet that can be designated for such program, etc.
- ❖ As an informational note relevant to current medallion holders --- who are potential sellers --- the State of California currently assesses 9.3% long-term capital gains taxes on top of any federal capital gains taxes. Apparently, federal capital gains taxes are zero until January 1, 2011, at which point 20% will be the rate.

-----Original Message-----

From: newsham

Sent: Thursday, April 09, 2009 8:45 PM

To: MTABoard; Hayashi, Christiane; Ford, Nathaniel; Boomer, Roberta; Newsom, Gavin; Crowfoot, Wade

Subject: How to raise \$20 million from taxi industry quickly

Dear Everyone,

There are approx 20 million cab trips per year in the city (at least before the downturn). Various sources report that Mayor Newsom wants to raise \$20 million from the industry immediately (and more over time). Ever since I started driving a cab in 1985 (but certainly the talk started prior to my arrival) I have been hearing a public clamor for centralized dispatch. It seems that, in lieu of a convoluted and contentious revamp of the medallion system (maybe one is called for in the long run, but not right now -- not while we're in crisis mode, not with the whole cab industry depressed) we might just add \$1 to the meter (raise \$20 million in one year) and take whatever money would be needed (\$1 million) to establish a state-of-the-art centralized dispatch system. I think the public would probably welcome the \$1 charge if it meant dependable centralized dispatch.

Brad Newsham, Medallion Holder

From: Joseph P. Quinn  
Sent: Monday, April 06, 2009 10:53 PM  
To: Hayashi, Christiane  
Subject: Proposed Transferable Taxi Medallions

Dear Ms. Hayashi,

Licensing taxis, (i.e. issuing a limited number of transferable medallions), was a Depression tax revenue scheme. It is an awful idea. It enables financiers to own virtually all the medallions. The market value of the permits quickly exceeds the ability of an average driver to purchase them.

This is the very reason that we voted to make medallions nontransferable in '78. Transferable medallions insure that the drivers will always be poorly paid and powerless while the owners adjust the lease rates that the drivers pay to them to optimize the return on their large investment. If you claim that owners will/ have /to be drivers, I ask you how you intend to effectively enforce this requirement.

A one-time cash bonanza to the city, beset as it may be by tax revenue shortfalls, is poor reason to reestablish a system of serfdom.

Not to be overlooked is the unfairness of negating the fifteen years of waiting that drivers have spent expecting to become eligible for a nontransferable medallion.

There are other means of meeting the drivers' needs for health care and retirement that have been mentioned by previous proposals. Reestablishing private medallion ownership as a means to this end is a chimera. If you legislate this change, you are simply setting the groundwork for another city proposition to reverse it.

Very truly yours,  
Joseph P. Quinn