

Hayashi, Christiane

From: SFMTABudget
Sent: Friday, April 10, 2009 4:19 PM
To: Hayashi, Christiane
Subject: FW: Selling Transferability
Attachments: Taxi Re-Privalization.doc

From: patrick Shannon [mailto:]
Sent: Mon 4/6/2009 6:01 AM
To: SFMTABudget
Subject: Selling Transferability

Dear Mr. Nathaniel Ford,

I bought a transferable permit in 1977 for \$15K which at the time was a tremendous struggle for a university student with a family. My ownership rights were restricted under Proposition K and I never invested further in the medallion or the business, though if there had been a mechanism whereby I could have recouped my investment I would have. My interest in developing a modern taxi service and a green operation has never waned.

Now the benefits of transferability have been recognized once again. May I have the transferability I originally purchased with the approval of the City returned to me? That is the only way I could ever invest.

I have spoken with many friends who have become owners of K permits. They assure me that they would gladly pay for transferability. Some thought that \$100K was a little steep and asked if the City would accept payments.

That is the basis for my plan attached. Thank you for your consideration,

Patrick Shannon

Re-Privatizing the Taxi Industry

Our city suffers from the world economic malaise. Budget cuts may be necessary but harmful; increasing taxes on those who make more than ourselves, attractive to some, but new income streams are more difficult to design and implement. In this economic crisis it is time to rethink the social engineering that was Proposition K in 1978 and continues today to provide the framework for taxi regulation. Under the liberalization offered then by Supervisor Kopp, San Francisco's taxi industry was socialized. Medallions which had been sold by the City as property rights and traded in the open market were deemed privileges rather than property. The end result of socializing the taxi industry in a capitalist society is that the restricted privileges are held tenuously by cabdrivers and there are no modern, well-financed, efficient taxi services. No one can invest in an industry nor lend to it when ownership is non-transferable. Invest or lend at your own peril; your investment can never be recovered.

In 1977 a ragtag group of cabdrivers and mechanics had bought the assets of the bankrupt Yellow Cab Company of San Francisco and formed the Yellow Cab Cooperative. The Co-op sold 100 medallions to other existing cab companies to finance their new venture. It retained 25 medallions for the company so that all employees would have an opportunity for ownership. Within the Co-op individuals owned and operated 225 medallions. That was a democratization of capital and ownership was transferred from one corporate owner to many who had labored long. But then Proposition K made the medallions non-transferable and instead conditional licenses were granted to longtime drivers. Over the last 32 years some 1100 Prop K licenses are now in the hands of cabdrivers who must continue to drive until old age or ill health forces a retirement at which time they lose the license. No way to run a business. How could one justify any investment in a business which would not allow a sale and recovery of the investment?

There was a recent opportunity to purchase a 100 cab taxi company in San Francisco for \$1.3 million and what do you get? Of course the non-transferable K licenses remain under the control of the respective license holders and they could walk any time. No ownership there. The only cars entirely paid for were spares. Net value: zero. The building was leased, as was the shop. The company has no fuel station. Dispatch "services" provided by a third party are neither efficient nor functional. One cannot call this company and expect a cab to come. The only asset of the company: good will. So what do you get for \$1.3 million? Air. Thanks, I think I'll pass.

But this example perfectly illustrates the predicament of the current taxi industry. The taxi company for sale is a taxi shift leasing operation. They make money by leasing shifts to cab drivers providing neither health benefits nor retirement and paying no payroll taxes. The business is one step removed from the public/customer. Whether you can get a cab and its quality of driver and standards of cleanliness are not their concern. They simply lease shifts to drivers and their view of whether there are too many taxis or too few is whether or not they are leasing out all their shifts.

Driving a taxicab in San Francisco is an honorable profession. Many drivers truly serve their customers well. Drivers still show up in freshly cleaned vehicles, are generally kind, helpful and patient. Oftentimes they carry much information. There are others who take no delight in their

work and wish they were somewhere else. That may always be but I know that once a SF cabdriver intervened and changed my life. Most everyone has been guided and enriched by an excellent driver from time to time. I am tempted to share the personal stories of cabdrivers I have known like James P. Walsh who drove forever with a wooden leg for the old Yellow Cab and became an owner in the young co-operative. Upon his death, his pennit, purchased in the open market, transferred with the approval of the City, paid for over years with sacrifices from he and his beloved wife Isabel, a nurse, was seized by the City and the value of their vestment greatly diminished. A Prop K injustice which continues today. But now is the time to look forward. All the old regulations must be looked at anew.

Now comes Mayor Newsom with a proposal to re-privatize the medallions by auctioning them to cabdrivers. Good idea. Private companies would thrive and prosper only by building a successful public operation, satisfying customers and outshining competitors. Most are familiar with the 2006 UC study from the Goldman School of Public Policy that recommended re-privatization in the taxi industry. For the most part, I concur.

The new SF Municipal Transportation Agency must design a licensing system that promotes public service and opportunity. Not only that, they must chart a course of how to get there from here. Please allow current K license holders a choice to convert to a transferable medallion by payment to the City of \$100,000 for the transferability rights. If 1000 K license holders would purchase the transfer rights, the income to the City would be \$100 million and that's significant. Return Pre-K medallion holders the original transferable rights they purchased and allow restricted transfer to cabdrivers and true employee-owned businesses upon payment of a standardized \$5000 transfer fee. A significant transfer fee would discourage speculation and raise a projected \$400,000 annually for the City. Over the last 30 years the City has issued an average of 35 new licenses a year. Auctioning those new cab medallions to cab drivers and employee-owned businesses could net the City some \$5 million annually.

And what would be the result of this change? Employee Stock Ownership Plans (Esops) and true cooperatives would flourish. Investment in city-wide immediate dispatch of nearest cab, electric vehicles and every other modernization and improvement would now be possible. Individual initiative would be unleashed; Atlas would pick up his burden. Individuals, able to invest in medallions and the taxi business would bring a renaissance in service as they compete in a newly opened market not simply to lease shifts to drivers but to gain a greater market share. Currently drivers fear that competition. They unanimously espouse the need to restrict the number of taxis. But I have news. The taxi business is poor because their service is lousy and very expensive. The only path to success is to provide an affordable and reliable service to the people of our City. Yes, and the employee-owned businesses. Let's encourage cooperatives and Kelso Esop's that truly allow opportunity for ownership to all employees.

If someday a new taxi transportation service could be formed in San Francisco. If it could be green and powered by electricity and produce its own power in a responsible way. If it could have a citywide gps computer dispatch of the nearest clean cab, service within minutes, and a driver who either owned the cab or a part of the company. If one could invest and build a good business and hope to sell it if one chose to recover their investment and go in another direction. If we could have true employee ownership where the company stood to prosper as a result of a

better and more excellent service to the public. Then a new day in city transportation services would be at hand.

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