

**Ground Transportation Study
Salt Lake City, Utah**

**By
Tennessee Transportation & Logistics Foundation**

TTLF

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I. INTRODUCTION

The purpose of this project has been to research and evaluate ground transportation services within the Salt Lake City metropolitan area. As requested by the Salt Lake City Council this study was to “Research and evaluate ground transportation data and make recommendations to the City Council for an ordinance that meets the following objectives:

1. Provides Salt Lake City residents and visitors to Salt Lake City with reliable, affordable and consumer-friendly taxi and ground transportation service.
2. Provides the City with enforceable ground transportation regulations, and
3. Enhances the opportunity for ground transportation industry workers in Salt Lake City to earn a reasonable income at or near national levels.

A primary objective of the City Council’s request for this study was to determine if there were alternative ways in which the City could regulate taxicabs and shuttle vans more effectively, and at the same time, improve the level of service currently being operated. It was also felt that there should be some objective method for determining the number of City-permitted taxicabs that are necessary to provide a safe, quality-oriented, taxicab service for the residents and visitors of the City of Salt Lake”. Officials felt the level and service of existing taxi service had deteriorated to the point where visitors and residents were being rudely treated. Hotel managers had reported receiving numerous complaints about poor taxi service. Even the Mayor had experienced considerable difficulty in getting cab service in critical situations.

On the other hand, existing taxi firm owners felt the City had not done its job of protecting the traditional taxicab markets from unlicensed taxi, shuttle and van operators. They accused hotel doormen of taking bribes, “kickbacks”, from illegal sedan, van, and shuttle drivers, thereby “stealing” taxi customers away from their taxis. They also felt that many hotel doormen violated city ordinances by transporting hotel passengers to and from locations within the city other than the airport.

As a result, City Council had recently approved a number of new provisions that called for the City licensing of all sedan, shuttle and van drivers within the City. There was concern that these unregulated firms were skimming the ground transportation market and leaving the three traditional taxi firms with the obligation of being open 24 hours per day, charging predetermined rates, and always being available while the prearranged operators could pick and choose when and for how much they offered service. Finally, special consideration was to be given to the question of whether individual taxicab drivers could make a reasonable income within the current regulatory structure.

Accordingly, the following report and recommendations accomplished the above study objectives through the performance of ten tasks. These were:

1. Meetings with, Airport and City Officials
2. Meetings/analysis of existing taxi company owners regarding services, revenues, operating procedures and practices
3. Meetings with individual and groups of taxi drivers regarding their current conditions and views on taxi operations within the Salt Lake City area
4. Conducting comprehensive interviews with Salt Lake area hotel managers regarding taxi and shuttle services
5. Analysis of Salt Lake City operating regulations, rules, practices regarding taxi, shuttles and other vehicles-for-hire
6. Conducting a mail survey of major taxi users; e.g. hotels, restaurants, and nightclubs
7. Comparisons of Salt Lake City taxi regulations and operations with similar cities and their taxicab regulation models
8. In-house presentations and discussions with study sponsors and interested officials
9. Preparation of a final report
10. Presentation(s) of final report and study recommendations

Study Issues

Discussions with City of Salt Lake's transportation personnel and Association representatives laid forth a concern that there were numerous requests for individual taxi permits but no way to assess the need for these new operating permits nor the impact new permits might have on existing taxi firms and drivers. There was the general observation of numerous complaints of poor taxi service, disagreements with hotel doormen and excessive fares – especially as they related to taking the most direct route to and from the Salt Lake International Airport. Also, there existed a general consensus that, there was an excess of taxicabs serving the airport, but, at the same time, not enough cabs were serving various parts of the City. There was also the general consensus that many of the existing taxicabs were old, dirty, and unpleasant to ride in. Hotel managers in particular sought to provide alternatives to their guests. Finally, city officials had no satisfactory way of determining either the number of new taxi permits nor the manner in which they should be allocated.

Historical Taxicab Situation

Over the past 20 years these taxi issues had consumed considerable City Council time and effort with several alternatives and directives attempted. Historically, the number of taxi permits issued was permitted to fluctuate with the winter ski season. Existing taxi firms were permitted to expand their fleets by 50% for the winter months when there was much more tourist business and the trips were considerably longer. Equipped with ski racks, Salt Lake City cabs traditionally carried many visitors and families up to Park City and other resorts within the region. However, as resorts began to provide their own less expensive shuttle services, this market declined significantly for the City taxi industry.

The advent of the Winter Olympics to be held in the Salt Lake Region brought concerns that there would not be adequate ground transportation service available for the many visitors the two-week event would bring to the community. Thus, taxi firms were

permitted to expand their fleets and other prearranged carriers were encouraged to open new operations or to expand their operations in order to meet the expected demand.

Also, during 1995-96, the state of Utah deregulated prearranged local passenger ground transportation including shuttles, van, and buses creating more competition for the per capita ground transportation market in the state, and especially, in Salt Lake City. On the other hand, the state of Utah, during this time, decided to consolidate its state-supported Medicaid program for transportation into one large state-wide contract, eliminating the market for much of this business, which had been provided by Salt Lake City taxicabs. It is not unusual for some local taxi firms in other communities to have between 20 to 40 percent of their business derived from such markets.

In summary, the total number of taxi permits, which had been fairly stable over the past decade, was permitted to expand rapidly for the Olympics and new competitors were encouraged to enter the market at the same time. After the Olympics, there existed far more competition and considerably less market opportunity for the city's taxicab firms.

As a result Salt Lake City has experienced considerable turmoil in their taxi and shuttle operations over the past several years due to this excess of ground transportation supply in the community. Some may find it ironic, but this excess in supply did not translate into improved taxi service levels – in fact, just the opposite appears to have happened. When market opportunities for taxis declined, there was less income per cab to replace existing vehicles and maintain driver incomes. While veteran cab drivers left the industry in search of better incomes, their replacements appear to prefer congregating at the airport where they are guaranteed a few trips per day but they could socialize with their friends.

Faced with unavailability of cabs elsewhere in the city, officials sought to correct this perceived lack of cab supply by requiring cab companies to utilize their cab permits a given number of days per month in order to maintain the privilege of keeping the taxi permit. Cab companies were required to keep track of each separate 12-hour period a taxi was operated on its permit, and then to report these as one “cab-day”. This largely unenforceable requirement resulted in the largest cab company, Yellow Cab, losing 30 permits due to under-utilization.

Applications were taken for other firms to operate these cab permits, but before any action could be taken, a court challenge to the issuance of these permits overturned a lower level administrative law judge's decision to remove the permits. The 30 permits were then reissued to Yellow Cab.

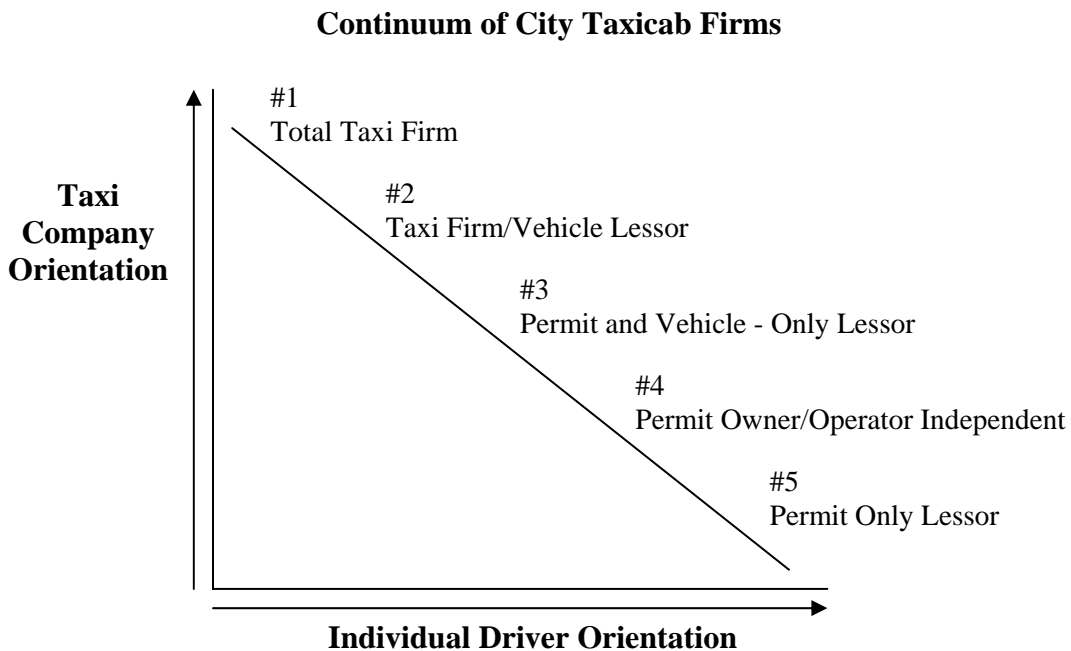
There are three cab companies currently authorized to provide cab services within Salt Lake City. These are Yellow Cab Company with 145 taxi permits; Ute Cab Co. with 78 taxi permits, and City Cab with 45 taxi permits. All three firms have been in business for over 40 years, although ownership has both changed hands and forms during this period. Yellow was purchased by a drivers' association in and is now operated as a cooperative. Each taxi permit is authorized annually by the City of Salt Lake and is not transferable. However, Yellow association owners are permitted to manage a number of taxis depending upon the number of original shares of the company they purchased. Yellow association members, having sold their ownership shares over the years would appear to have created a quasi-medallion system for their individual permits. However, the total number of permits issued to Yellow is what the City recognizes, and it is the value of the Yellow shares that the individual owns – not the individual taxi permits.

II. Framework for Analysis

A Framework for the Current Status of Taxi Service in Salt Lake City

A thorough knowledge of the City of Salt Lake taxi service first requires some detailed explanation of the types of taxicab firms found in cities, in general, and how they are comprised. The North American taxi industry can be perceived as a continuum ranging from a comprehensive taxi firm to single independent taxi drivers acting as a taxi firm. (See Figure 1.)

Figure 1



At the top of the above slope, Category 1 represents the total of historical taxi firm. In this category, a taxi firm provides drivers (as employees) significant advertising, comprehensive radio dispatching, insurance, and fleet maintained vehicles. Moreover, this type of taxi firm provides for collective agreements with major clients or social service agencies, accepts credit cards with no additional charge, and represents a firm

which stands behind its service -- often trying to differentiate its service from the competition. These firms accept all major credit cards, establish voucher systems with hotels, airlines for group rides, and often pre-sell their services to conference and convention groups. Only a few major cities currently have this type of full service taxicab firm utilizing employee drivers. Las Vegas, Nevada, is the notable exception.

Competitive pressures, federal and state laws regarding employees, and industry interests have forced the elimination of taxi drivers as employees in most other major U.S. cities. In their place are the less costly independent contractors or lease drivers (Category 2 in Figure 1). At this level the taxi firm retains all the service and obligations of its former common carrier status, i.e., insurance, vehicle ownership, radio dispatch, service agreements, etc., but elects to lease its fleet vehicles to independent contractor drivers. Unfortunately, it is common practice for these independent drivers to decide whether or not to take radio or dispatched trips as they are presented. Attempting to protect their status as “non-employees, the taxi firm dispatchers offer the telephone request for taxi service to the independent driver and, if refused, the dispatcher typically moves onto the next driver willing to take the call. Usually the dispatch offer for business is taken, but not always, leaving some trips uncovered. In order to maintain the non-employee status, it is often felt that the taxi firm dispatchers may not order a driver to take any particular call.

While there is economic gain to the traditional taxi firm to move to Category 2, (e.g. no employee taxes, wages, EEOC, paternity leave, vacation or sick days, employee lawsuits, liability for driver accidents, or record keeping), there can be a noticeable loss of managerial control. As stated above, a driver does not perceive that he or she has to accept a radio dispatched call, but rather can elect to wait for a better fare. This poses a problem for the typical municipal taxi firm which is required by its original Certificate of Convenience and Necessary to accept all requests for service. This is particularly relevant to out-of-the-way location and/or high crime areas which are often undesirable trips for obvious reasons.

Category 2 also shifts the decision of hours of work onto the driver, since after leasing the vehicle for a prescribed period, he/she has the option to work none, some, or all of the hours for which the taxi vehicles is leased. The resulting behavior has led cities

to pass ordinances or rules which state the maximum number of hours a taxi driver can be on duty out of 24 consecutive hours.

A further variation of a Category 2 taxi firm is when management decides to also eliminate its ownership of the taxi vehicle. In addition to being an independent driver, the individual wishing to drive a taxi for this type of taxi firm must provide a suitable taxi vehicle to use. This vehicle is then painted in the colors of the taxi firm and fitted with a taxi meter which the driver typically rents from the taxi firm.

Such “asset light” operations are also common in other service industries where the service is provided by an independent contractor. Most trucking firms do not own their own trucks but rather, pay an independent truck driver who provides both his/her labor and a truck. The issue in the taxi industry, however, is the ongoing condition of the taxi vehicle and overall appearance. In many instances, the management of the taxi firms may seldom see the vehicles which are flying the company’s taxi colors. In Category 2 however, the taxi firm still provides all the company functions of a Category 1 – marketing, dispatching, credit card processing, corporate clients, etc.

Another level of taxicab firm is represented by Category 3 in Figure 1 -- *Permit and Vehicle-Only Lessor*. In this scenario, a single individual, acting as a taxi firm, will lease his/her taxicab permit(s) and vehicle(s) to independent contractor drivers. Such an individual or firm provides very little dispatching and no marketing other than perhaps a listing in the Yellow Pages of the local phone company. Today, this is possible because, almost all drivers have cell phones for use with regular patrons. In summary, this Category 3 taxi firm would offer no real 24-hour radio service, advertising, or service contracts, credit card, or voucher support.

In recent years there appears to be a hybrid type of taxi firm which is a combination of Categories 2 and 3. That is, they have certain vehicles which they lease for general use within the community. These vehicles take dispatch calls and participate in corporate client business as well as other clients of the taxi firm. Such a firm may also have “airport only” cabs for lease or lease their permits to individuals who want to bring their own vehicles but want to serve only the airport. These operators are often referred to as “Airport Commandos” since they serve only the airport and whatever personals they may be able to secure. Typically the lease fee for the airport-only cabs will be

considerably less than for the general community use cab. Due to the wait time at the airport, it is typical for the general community use cab to not participate in airport traffic unless called for a prearranged pickup, or when there is just no other business available.

The fourth category on the continuum of taxi firms is that of the single permit owner/operator. In this scenario the holder of the permit is also the driver. This driver typically does not have availability of radio dispatch and/or service contracts with hotels and is forced to work the public cabstands, primarily the airport, and any "personals" he/she may develop. In this scenario, the taxi driver is an independent driver contracted mainly to the city, the airport, or both. Thus, the airport or the city becomes the de-facto personnel department for these drivers. The city or airport's responsibility is to screen (issue a permit), manage their conduct (require that they follow the taxi ordinances), and discipline providers when necessary (issues citations/violations).

Furthest away from the traditional regulated taxi firm is Category 5 -- *Permit Only Lessor*. In this scenario the holder of city or airport permits simply pays the city an annual fee for the permit privilege and then leases it to the independent taxi driver who must provide his own vehicle, insurance, maintenance, etc. associated with operating a taxicab. Nothing else is provided. In essence, the permit holder provides no additional economic value to the permit other than to lease it to a city-licensed taxicab driver and inspected vehicle. In this scenario, the city or airport again assumes the role of being the personnel department for the independent taxicab drivers

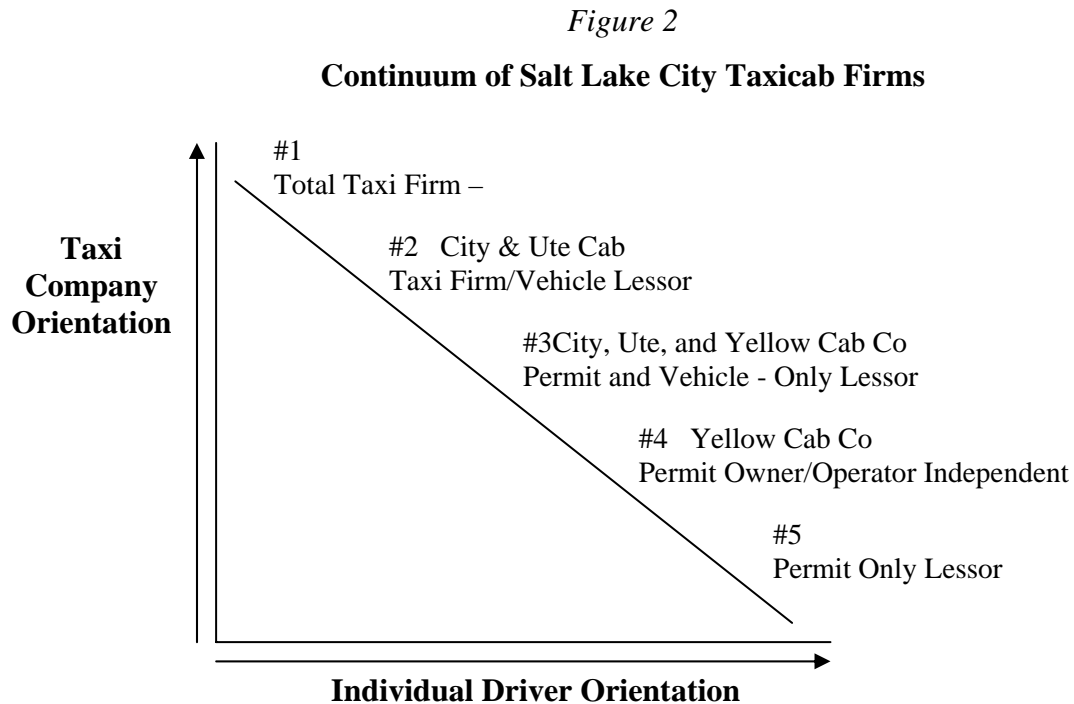
As shown, this continuum of taxicab firms ranges from the total taxi firm which adds significant economic value to the city's taxicab permit down to that of a simple permit holder who leases a city property (the taxi permit) to the highest bidder. At the high end of this continuum, the total taxi firm is adding significant value to the city permit using their own employees whom they hold themselves out to manage. As we move toward the concept of the independent driver who owns their own vehicle, the city or airport inherits a much greater role in the management of these taxi drivers on a day-to-day basis.

Unfortunately, most city regulatory systems are set up as if we still had Category 1 taxi firms and, as such, assume very little management role of the taxi drivers. This

framework is an appropriate template upon which the City of Salt Lake's taxi firms can be placed.

Taxi firms licensed by the City of Salt Lake would fall into Categories 2, 3, and 4. As previously mentioned, there are three taxi firms which provide radio dispatch services, lease at least part of their fleets, and assist some of their drivers in the marketing of their product to individuals and through service contracts. These would be the Category 2 firm activity. To the extent that these firms do this for independent drivers that provide their own vehicle, they would be operating a portion of their fleet as a category 3 taxi firm. Finally, if a taxi firm were to primarily have a portion of their owner/operator fleet they simply provided insurance coverage for, but provided no dispatching or other services, they would be considered, at least in part, a Category 4 taxi firm. These cabs could serve only the airport, hotels, and public cab stands.

Pictured below is a depiction of where Salt Lake City cab companies would fall within this taxi firm classification.



As shown, City Cab Co. which had traditionally been a Category #2 taxi firm – owning and leasing all their taxicabs, has shifted a portion of their fleet to owner/operators, and more recently, to owner/operator airport-only cabs. Thus, even for a small taxi firm, they now offer differing arrangements for their drivers. A driver can lease one of their vehicles and participate in radio and corporate account work or a driver can bring their own vehicle for a reduced fee. Finally, a driver may now opt to lease or bring their own vehicle on as an “airport only” cab for a still lower rate.

Ute Cab Co. has also been a traditional Category 2 taxi firm, but now has a substantial portion of its fleet operated by owner operator independent contractors. Some operate primarily at the airport, but most work the company’s dispatch system, their personal calls, and the corporate business trips through their company.

Finally, Yellow Cab Company drivers constitute the largest company group of independent contract drivers. The vast majority of Yellow taxis are owned by individual drivers, however, the firm does have a number of company owned vehicles which are leased to individual drivers. Yellow’s fleet serves the airport, the city, and surrounding communities. However, there appears to be a majority of drivers who prefer to work the airport – spending long hours for what amounts to very little take home pay after expenses are considered.

More recently, the market for taxi drivers has been affected significantly by City Cab’s offer to lease airport only cabs for lease rates substantially below the general market rate previously established by the three cab companies. As pointed out elsewhere in this report, independent taxi drivers in Salt Lake pay differing amounts depending upon whether they lease a taxi from the firm or provide their own vehicle. Individuals leasing a vehicle from Yellow, for example, could be expected to pay \$425 per week for the vehicle – even if they work only the airport. The new City Cab lease program of an airport-only vehicle for \$200 - \$250 per week offered substantial savings to these independents, so there has been a shift of drivers from other firms to City Cab.

As this analysis demonstrates, there has been a general shift, away from the Category 2 taxi firm to that of Categories 3 and 4. More and more, Salt Lake City taxi firms are competing to lease their city taxi permits to as many owner/operator drivers as possible, irrespective of the driver’s ability to earn a reasonable income.

Such “devolution” of the taxi industry is common in North America, and Salt Lake City is no exception. When taxi firms owned their own vehicles and had responsibility for employees, there was a considerable capital investment and the success of the firm relied on its ability to drive income through its cars and drivers. Typically, there was little interest in oversupplying the market since it would mean less income for the firm due to the increased cost of paying drivers and maintaining the vehicles. Today however, many taxi firms have shed most of their cost centers such as vehicle ownership, garage facilities, market development, and substantial dispatching as their businesses generated less income.

The problems associated with such devolution of the taxi industry is that cities and airports are required to then assume a management role over drivers since many taxi firms do not. Airports and or cities screen the driver applicants, issues driver permits, fine violators for not following the operating rules, set their meter rates, inspect their vehicles, and ultimately determine the economic conditions within which these taxi drivers operate.

The other and even more serious problem with this devolution becomes apparent when these drivers realize they are receiving no real benefits from the fees they are paying taxi firms for the city permit to operate a taxicab. Lower insurance costs may be deemed as the only value of associating with a cab company if you work primarily the airport and public cab stands. Even so, independent insurance can be had for less than \$100 per week by many drivers, so why not press the city for your own independent medallion type taxicab permit. At this stage of devolution, cities are often convinced that granting individual medallions will improve the service, only to realize that they have created an even worse situation where the city is responsible for all aspects of taxicabs and instead of trying to manage a few taxi firms they are dealing with several hundred taxi firms composed of one or two vehicles. And, at this stage, it becomes politically impossible to take the medallion permits away and consider alternatives. Clearly the time to act on taxi issues is when there are still companies involved and a city has options.

III. Interviews with Taxi Firm Owners

Interviews with taxi firm owners in Salt Lake City were conducted with all three permitted taxi firms. Universally, the owners of these taxi firms feel there are a large number of illegal shuttle and pre-arranged taxi operations permitted within the city and no enforcement of the existing taxi code. The common complaint is that “no one can make money” or the “lease fees are insufficient to cover the cost of the vehicle and insurance” under the current conditions. Also, service at hotels is often less than speedy or cordial due to the perceived common practice of bellmen arranging for taxi trips to be taken by waiting shuttle providers, or to provide these trips themselves in airport shuttle vans. This, they argue, is against Salt Lake ordinances and should be stopped.

Officials at the smallest cab company, City, indicated that their firm concentrates mainly on serving the downtown and radio business. The owners estimate that 50 to 55% of their taxi trips are generated by their dispatch system. In addition, there was an expressed desire to own and maintain the vast majority of their own vehicles. At the time of the interview, it was stated that all but 3 of their 45 taxis were company-owned.

As shown by the accompanying pictures in Appendix D, City Cab Co. gives the appearance of a clean, well-run small cab company that prefers to do the majority of its own maintenance. Its shop is also utilized by independent owner/operator taxi operators who drive cars for other city taxi firms.

Ute Cab Company is under new management, and like City Cab, charges a general lease fee of \$60 per day with the 7th day free if leased by the week. About half of their taxis (approximately 35) are owner/operated, with these drivers paying \$225 per week to run as a Ute Cab. Under both arrangements, the driver pays for the gas, airport gate fees, car wash, etc., while Ute Cab provides the liability insurance coverage for the taxi. Faced with an aging taxi fleet, Ute Cab Co. will not add vehicles older than 6 model years.

As shown through pictures contained in Appendix D, Ute Cab Co. does light maintenance on their vehicles and attempts to run a clean operation, although they admit that some of their cabs have considerable years and mileage on them.

Yellow Cab Co. is the largest of the three Salt Lake City taxi companies with 138 cabs and, as one might expect, has the most sophisticated (computerized) dispatching system. Dispatchers at the company's office, using GPS technology, can visualize on their computer monitor where every on-duty Yellow Cab is. Thus, they are better able to inform callers of the approximate time a cab can arrive to pick them up.

While the vast majority of Yellow Cab Company drivers are owner/operator independent drivers, Yellow Cab also owns approximately 4 large vans which are also dispatched from their offices. These company-owned vehicles, however, are driven by Yellow employees.

Traditionally, Yellow and Ute cabs served the airport market while City Cab concentrated on the city market, especially downtown hotels and restaurants. The arrangement for taxi dispatching at the airport, for example, was to have curbside taxi dispatchers who were paid by Yellow Cab, with Ute Cab paying a percentage of this labor cost based on the number of curb dispatched taxi trips operated from the airport. Yellow cabs and Ute cabs were the cabs most likely to be found at the airport taxi holding lot. City cab operators did not enter the holding lot, but preferred to not wait the often two to three hours before getting a trip from the airport. However, as previously mentioned, this relationship is changing with the addition of City's new airport only cab leases.

All three taxi firm owners agreed that the present structure of taxis in the Salt Lake City market condemns both owners and drivers to anemic incomes. Drivers are not able to achieve sufficient revenue to make driving a cab in Salt Lake an attractive job and present taxi lease fees are unable to generate profit margins to sustain long-term business or attract capital for need improvements. They all preferred a more flexible permit system allowing them to add or subtract vehicles as the demand warrants.

All owners would like greater enforcement against non-metered cabs. (Prearranged sedan or shuttle services). Collectively, all taxi firm owners backed the licensing of hotel shuttle drivers and vehicles and feel the hotel doormen are taking bribes from shuttle and sedan drivers – drastically reducing the market and revenue potential for

their drivers. In addition, they feel some hotels operate illegal taxi services by transporting guests to and from destinations other than the airport.

Finally, all three taxi firm owners indicate the current situation is financially untenable – that the current system needs to be drastically cleaned up or they will not make it as going concerns. (A review of the un-audited financial statements of these firms appears to support these claims) As stated by legal council representing all three taxi firms, “We need a solution that allows us to make a profit, or else, put us out of our misery”.

IV. Interviews with Taxi Drivers

Formal driver interviews were conducted with individual taxi drivers of all three taxi companies. Meetings were arranged at the City Council offices and at the airport ground transportation holding lot building during the month of February. These meetings were conducted over a three-day period. Additionally, the author of this report had the opportunity to take over 30 Salt Lake City taxi trips during the course of this study. Thus, he experienced a good mixture of airport taxi and city taxi drivers, ones with less than a year of driving experience and some with 30 or more years driving experience in Salt Lake City.

Only one driver suggested that there was enough business for all current taxi operators. Every other driver stated that there were just too many taxis and drivers in the taxi system for anyone to make a decent living. While it was true that drivers at the airport were especially vocal at their plight of having to wait two or three hours or more for a fare, it was also true for the city cab drivers. Both groups were adamant that something had to be done to stop the “gypsies” from stealing their business. Many admitted to working 14 to 16 hour days in order to pay their lease or stand fees and take home \$70 or more. Many argued that they earned less than the minimum wage when all their hours of waiting time were taken into consideration.

Some of the more veteran drivers complained that the newer drivers could not speak English sufficiently to work their radios and their knowledge of the Salt Lake street network was severely inadequate. These veteran drivers felt Salt Lake City “just makes it too easy to get a taxi permit”.

Some drivers resented paying a cab lease to a taxi company and receiving little in the way of business from their radio service. Many also said they rarely use their radio. The major exceptions to this were drivers engaged in the central business district, who indicated they rarely, if ever, get into the taxi holding area. They preferred to work the

street, their radio service, and personals. These drivers appeared to be individuals with several years of driving experience.

Finally, taxi drivers complained bitterly about hotel doorman whom they stated were selling taxi trips to sedan and limo drivers for a fee. These drivers take the position that if someone desires transportation immediately, then hotel employees have no right to offer them anything but a demand-responsive taxi service already at the hotel.

On-the-other-hand, several taxi drivers admitted to paying the hotel doorman themselves, but complained that while their gift of \$2 or \$3 dollars per airport trip was merely a “thank you” for doorman calling them on their cell phone, the \$5, and now \$6 dollars the unlicensed shuttle and sedan operators paid the doorman was a “bribe” and should be made illegal. All drivers indicated this was a common practice in Salt Lake City and hotel doormen were adamant that either a taxi driver pays or they will get no business – even if they are on the public cab stand across the street when a hotel guest requests a taxi.

Taxi drivers also felt that commercial shuttles should be made illegal except to transport people to and from the airport and only then by prearrangement. Furthermore, courtesy shuttles such as ones utilized by hotels should be restricted from providing transportation for the guests anywhere but the airport. In both situations, the drivers felt these shuttles were “pirating” legitimate taxi business.

On a more positive note, drivers felt they were being treated very well by the airport staff and were appreciative of the physical waiting area they now occupied near the airport.

The most often mentioned improvement requested by the drivers was the need to raise taxi rates and the ability for them to obtain their own taxicab license. Their argument is relatively straightforward. Many of the drivers are either owner/operators or lease a vehicle that is then placed into service under the insurance and colors or name of

the taxi firm owning the license they drive under. According to these drivers, the “taxi firm” does little else for them. No radio service calls, no company taxi stands, no company contracts for social service trips, no marketing of their services, and little compassion when they cannot pay their weekly fees. In short, if they are receiving no value from their affiliation with a taxi firm, then why should they be forced to throw their money away?

It should be noted that this position was taken by mainly airport-only taxi drivers. There were also a large number of city oriented taxi drivers who felt they benefited greatly by their radio business and company corporate accounts.

V. Interviews with Airport Officials

Salt Lake International Airport is the single largest taxi trip generator for the entire region. SLT generates 400 to 500 or more taxi trips per day. Thus, whatever happens at the airports has a major impact on taxi services in general for the city.

Salt Lake International Airport dedicates a considerable amount of physical space to the ground transportation holding area for taxis and other prearranged vehicles. This area is close to Terminal One and would be considered prime close in airport parking. As a general public parking lot, the area could generate significantly more airport revenue than the 67 cents taxis pay to park and wait until they are called up to the two curbside pickup areas. However, the airport administration has maintained the parking facility and a ground transportation building which provides bathroom and meeting facilities for all the ground transportation drivers.

Overall, airport staff felt there were few problems associated with the operation of the taxicabs or any ground transportation modes at the airport. It was specifically mentioned that taxis were not a problem since they provided their own curbside dispatchers and pretty much avoided any direct solicitation of the arriving passengers at the airport.

Officials also stated that there appeared to be little “pirating” of taxi trips from hotel vans and prearranged shuttles. Indeed, mystery shopper studies had been conducted, and generally, even when asked if they could provide service to the downtown area, counter representatives pointed out that they did not have the authority to do so. At the curbside however, it appeared to this observer that individual shuttle drivers would “bend” their hotel rules if asked to take on passengers that were not staying at that hotel. This activity did not appear to be widespread however, and there appeared to be no active solicitation of additional passengers by shuttle drivers as they worked the airport curbside.

To quote Salt Lake International Airport's Landside Director, "Most operators behave themselves when they are on airport property". And, for the most part shuttle and van type vehicles are clean and fairly new. The exception to this general rule was that of taxicabs. Airport officials felt the cabs were far older than the rest of the ground transportation fleet and often were not as clean as they should be.

Airport officials conduct a "cosmetic" inspection of ground transportation vehicles permitted by the City every six months. This inspection also involves assuring that the vehicles and drivers are properly permitted to serve the airport and the city. As stated by airport inspection personnel, "At this time all vehicles, including taxis, are clean and in good physical appearance, however, some of the taxis do not keep up their appearance between six month inspections."

Airport officials felt the presence of in-terminal counters for the prearranged shuttles – typically vans serving the ski area resorts, provided excellent ground transportation physical arrangements for the arriving passengers. For hotel shuttles and other commercial and courtesy vehicles, the ability to pick up and drop off on the inner roadway, dedicated exclusively for their use, provided excellent utility for airline ground transportation passengers. Reserving the outer roadway for private passenger pickup permitted the free flow of private vehicles through the airport and ease of entry and exit for those being transported by private automobiles.

In general, Salt Lake International Airport officials felt the service was as good as it could be under the current conditions. The one area which was difficult to police was the 45-minute wait a passenger was required to endure if they wanted to utilize a prearranged shuttle into the city. Officials admitted that it was very difficult to police such a restriction and there was concern that arriving passengers, not knowing of the local ordinance restricting the use of on-demand shuttles, would be upset that they had no other choice than taxis or rental cars if they wanted immediate service.

Finally, airport officials offered that they could be of assistance in permitting and inspecting more ground transportation vehicles if arrangements could be made to provide this service at cost. In no way could the airport subsidize this operation. As a recipient of funds from the Airport and Airways Development Act, the airport could not use airport generated revenues to support non-aviation activities.

VI. Interview with City Officials

City officials contacted involved those individuals vested with the responsibility of licensing city taxi firms and those whose responsibility was enforcing city ordinances regarding the operation of taxicabs. Currently, the city staff vested with this responsibility consists of one manager, one clerk and one compliance officer.

In general, these individuals would prefer more competition in the provision of taxi services in order to improve the quality of taxi services offered to visitors and residents alike. These officials suggested that strict enforcement of existing city taxi ordinances was difficult, at best. Most hotel doormen and gypsy taxi operators knew the identities of the enforcement officers and were able, for the most part, to avoid being caught in the act of offering unlicensed taxi services. These officials also indicated there was no way the existing staff could handle the more than 2000 taxi/shuttle drivers that might come under the new ordinance to license and permit all vehicles engaged in prearranged commercial and courtesy ground transportation within Salt Lake City.

In addition, it was pointed out that there were no new funds to implement the new shuttle license ordinance and that the current fees charged for taxi licenses and permits was approximately one third of the cost, per the directives from City Council.

Finally, it was felt by these officials that the current driver background checks performed for taxi drivers was not as comprehensive as it might be. Currently, a driving record is researched only for Utah and surrounding states. It was felt that a wider geographic area (U.S. and Canada) should be utilized.

VII. Interviews with major Hotel Managers

Salt Lake City is a major convention/hotel city of the United States. Tourism and conventions have, for some time, been one of the City's most important businesses. Recent decisions to expand the City's convention center indicate a belief that even more visitors will come to Salt Lake to participate in a convention, use the city as a base for skiing, or simply as a tourist destination location to see the Great West.

How visitors get around the area and how they are treated by the service industry are important considerations that meeting planners take into consideration when deciding to take a meeting or convention to a city. Often the first representatives of the City which meeting planners see are shuttle van and/or cab drivers. When visitors are staying in a city, the ability to move around by shuttle or taxicab, is also important to the general impression that the city is either a good place to have a convention or not. Thus, the quality and cost of airport and local transportation is of major importance to hoteliers and convention/visitors bureaus alike. The following impressions were gathered from interviews with hotel managers within the Salt Lake City area. This information, along with the study's survey data, comprises a fairly cohesive view of the ground transportation industry by these hoteliers.

Hotel managers in the downtown area expressed considerable frustration with constant guest complaints of taxicabs that never showed up, were old and dirty and often driven by rude drivers. Several indicated they have arranged with shuttle or sedan companies that provided on site service in clean, much newer vehicles, and at rates very similar to taxis. None acknowledged that their doormen received "gratuities" from individual drivers and they indicated that there was no "kickback" of fees received by the sedan and or shuttle companies they had arranged to transport their guests. This applied to both airport and non-airport related trips. For hotels located a little out of the downtown area, these managers acknowledged that their doormen and shuttle drivers

were available to take passengers to and from locations in the downtown area other than the airport.

In general, these managers felt they had to maintain the ability to offer their guests good ground transportation services...and, while they would like to support the local taxi industry, the poor service attributes of the city's taxi operations in general forced them to seek and maintain alternatives for their guests.

VIII. Interviews with Shuttle Firm Owners

Shuttle van operators of Salt Lake City all feel it is unfair to restrict them from serving the walk up public at the airport, on stands, and at hotels. The “45 minute rule” at the airport was specifically cited as an impediment to the service offering of Shuttle Express. Individuals wishing Shuttle Express service into the City must have prearranged their ground transportation prior to boarding their plane to Salt Lake International Airport or they must wait 45 minutes at the airport before Shuttle Express can provide them with service. This effectively eliminates, for all practical purposes, commercial walkup shuttle service at the Salt Lake International Airport.

Shuttle Express is growing firm with more than 40 vehicles serving the Salt Lake regional area. Their prearranged shared ride service is provided in relatively new vans, sedans, and SUV’s. They appear to be one of the few commercial ground transportation operators to have integrated a lift equipped van for the handicapped users into their normal operation at regular user rates. Shuttle Express would be typical of the type of shared ride firm that concentrates on providing a lower (than taxi) cost of travel to and from the airport but one that typically does not involve premium or sole use of the vehicle.

Usually the rates for an airport’s share ride shuttle service are 60% or less for the single traveler and, for many North American airline travelers, it is the preferred transportation mode due to cost, cleanliness and ease of using the service. In addition past surveys have found that some individuals prefer this mode due to the desire to not ride alone with a single (taxi) driver.

Also, this prearranged shuttle firm is equipped with modern dispatching, in-vehicle electric credit card processing, and uniformed drivers. Company officials indicate a wide range of users for their shared ride services. Management suggested that

while they have hotel shuttle contracts, the majority of their business stems from individual residents utilizing their services to and from the airport.

Another shuttle operator mentioned repeatedly in the user surveys conducted within this study was that of Valley Shuttle. Valley Shuttle operates as a prearranged sedan and shuttle operator which is licensed by a neighboring city. The owner of Valley Shuttle indicates he has grown the business into a fleet of ten vehicles in a little over a year and plans to add more vehicles due to the demand. Operating under contract, or agreement, with hotels as their designated shuttle (some for after hour service), Valley Shuttle skirts the existing Salt Lake City on-demand taxi ordinance but would be considered legal in that its service is acting on behalf of the hotel through prearrangement.

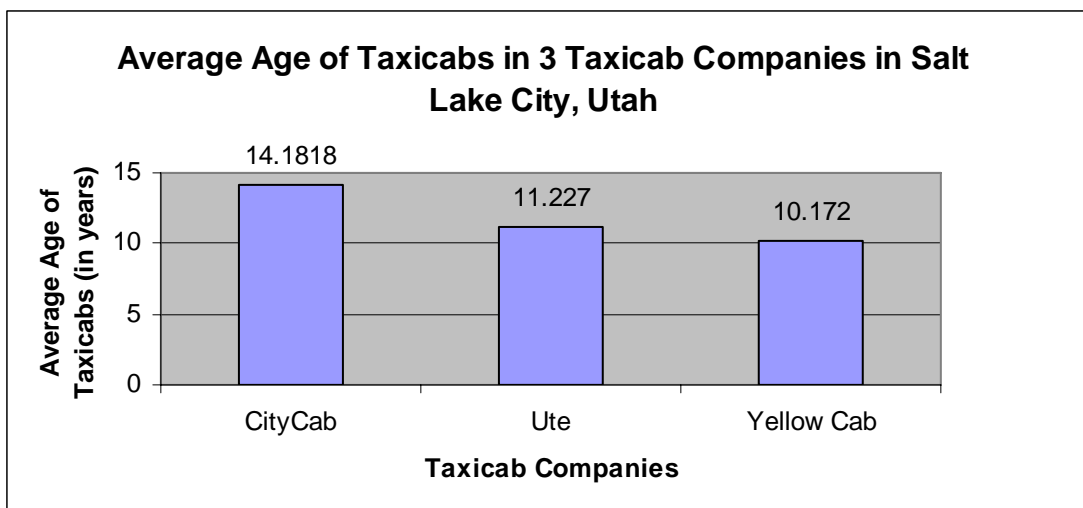
The greater issue arises when this service is offered by hotel doorman as a “taxi” service. When a hotel guest requests a taxi, they may be offered the Valley Shuttle service instead. While the owner indicates doormen should properly refer to the service as a “sedan” or limo service, this distinction is not always made. Indeed, as previously mentioned, some hotel managers prefer to offer this shuttle service over that of a taxi when guests request ground transportation.

None of the Salt Lake City prearranged sedan or shuttle service providers have a taxi type meter in their vehicles -- this would definitely be an easy to spot city taxi code violation. Express Shuttle charges passengers on a geographic zone fare basis – typically from or to the airport; Valley Shuttle, offering more point to point transportation services within Salt Lake City itself, provides a simplified rate structure of 20 cents per block. Most of the other city shuttle operators use this method of calculating the fare and the rates compare favorably with that of taxicabs. In some cases the fare is actually less than that of a taxicab and in the case of pre-arranged airport lift-equipped van service, definitely less expensive than others.

In general, these shuttle owners felt that the existing taxi and shuttle regulation of Salt Lake City severely restricts their ability to offer innovative services and pricing to the traveling public. Most indicated a desire to expand their service and number of vehicles in service if given greater operating authority.

IX. Taxicab Vehicle Age

Information regarding the model year of each Salt Lake City taxicab registered to pick up and drop off at the airport is maintained by ground transportation officials at Salt Lake International Airport. These files, as of February, 2005, were utilized to generate the following data:



As shown by these statistics, the average age of vehicles utilized by the three taxi firms is “old – very old”. All three firms had vehicles operating that were manufactured in the 1980’s. These fleets were the oldest this researcher has ever encountered, but from the taxi firm owner’s perspective, the reason for the vehicle age is the cost of insurance. By law, each taxi vehicle must carry liability insurance to cover the passenger but there is no requirement for collision coverage on the vehicle itself. Should there be damage to the vehicle it is up to the taxi firm or, if covered by the leasing agreement, the driver to repair the vehicle. Thus, in order to keep costs low, older vehicles are driven without vehicle collision coverage. These old vehicles become “throw away” vehicles if they are severely damaged in an accident. Given the financial condition of many drivers, this approach is primarily out of necessity.

While a detailed analysis of the resale value of this existing taxicab fleet was not made as a part of this study, it is safe to estimate the average value of the automobiles utilized in the Salt Lake City fleet would be less than \$3,500. With this low value, drivers can purchase their vehicles with cash or buy it through installments to the taxi firm.

For example, Yellow Taxi, which has the largest number of owner-operator drivers, assists its drivers with the purchase of a suitable taxi vehicle and permits the driver to repay the car loan to the company. This avoids the need to borrow from traditional auto lenders which would require collision insurance on the vehicle until completely paid off.

The advanced age of the taxi fleet in Salt Lake is harmful to the industry and the community in several respects. First, there is the visual image of these older cars used as taxicabs. A typical automobile will average 15,000 miles of use per year. Your average sedan may look remarkably good after 10 years of use – it's only traveled 150,000 miles and been garaged most of its life. The average taxicab however travels 50,000 to 80,000 miles per year in all kinds of weather, with hopefully someone in the back seat most of the time. After a few years, they look their age. While these older vehicles can be cleaned up somewhat, the typical cigarette holes, stains, and sagging seats that are acquired over time give the appearance that this community does not seem to have as great a concern for its public transportation (i.e. taxis) as it should.

Taxicabs are typically used police or other similar fleet cars that have 100,000 to 150,000 miles on them after two to three years in service. Thus, after six years of use, the vehicle may have 450,000 or more miles on its frame. Modern taxi firms that place current model year cars into service typically expect to replace the drive train and interiors of these vehicles after 3 years in order to keep them looking fresh. After five or six years of use, these vehicles become much more expensive to maintain. At this point it is more cost effective for taxi firms to replace them, and to sell the older vehicles for whatever salvage value they can receive for them.

As previously mentioned these older vehicles make it increasingly difficult to maintain and attract customers. With Salt Lake City taxicab rates approaching national norms of \$2.00 per mile, which service vehicle would you prefer – a 1988 Caprice with faded, cloth stained sagging seats and a somewhat strange odor or a relatively new SUV with leather seats and soft music on your way to or from the airport?

Finally, these older vehicles not only harm the industry and provide a black eye to the community's image but they also pollute the air. Even though these vehicles are mechanically inspected each year, their engines are only required to meet pollution specifications of the model year in which they were built. For much of the existing taxi fleet, this means having a working catalytic converter and the engine in tune at the time of inspection. Automobile engines of the 80's and early 90's which did not have fuel injection, and electronic ignitions could easily go out of tune within 5,000 to 10,000 miles or within one two months in the life of a taxi.

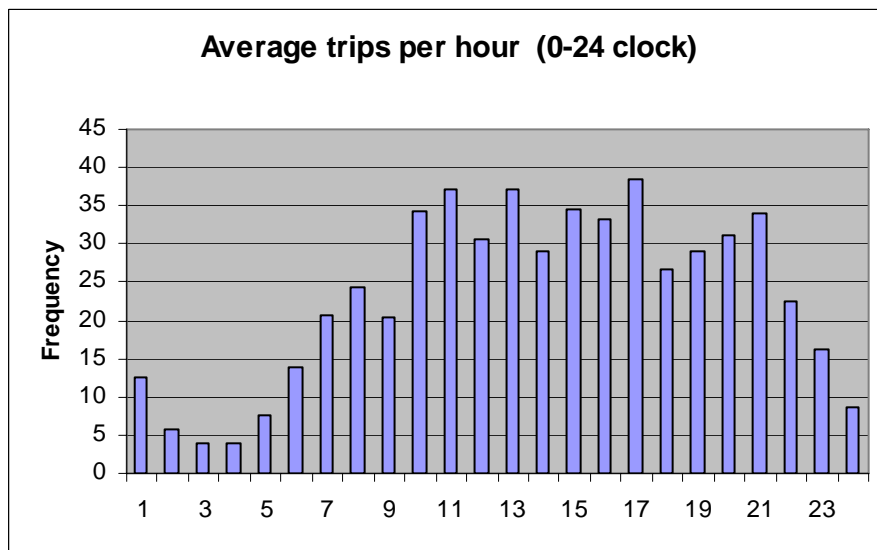
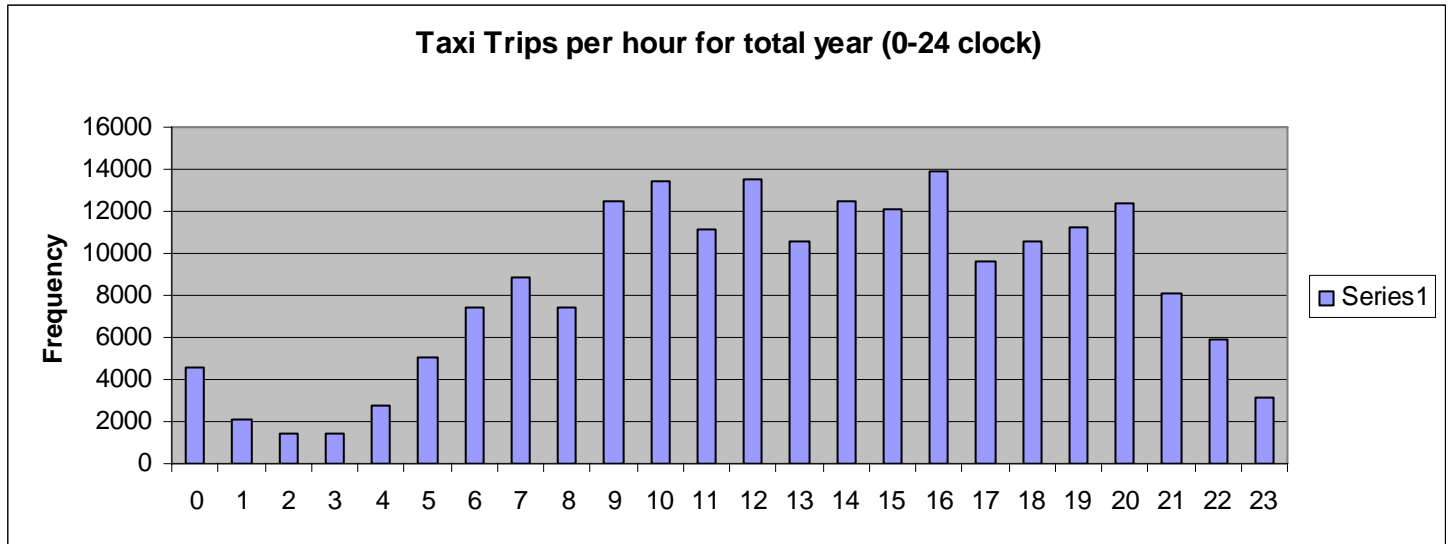
Also, the level of pollutants permitted by these vintage engines is considerably more than the stringent requirements of engines manufactured after 1997. Many of the automobile engines manufactured today are considered low or very low emission engines. Coupled with reformulated gasoline, the engines are not only non-polluting but within a few years, it is predicted they will actually expel cleaner air into the environment than they take in. In an increasingly environmentally conscious society, it is extremely important for a city to be proactive in requiring their automobile fleets to have low pollution engines or alternative fuels engines that do no harm to the environment. For a city such as Salt Lake which works to promote an image of outdoor recreation and improved environmental living, it has to be of concern to its leadership that the worst polluting fleet of vehicles operating within the city is its own taxicab fleet – a fleet which it directly regulates.

X. Simulation of Airport Taxi Operations

Of particular interest to this study of Salt Lake City ground transportation was the aggregation of taxicabs at the Salt Lake International Airport. Only one cab company, City Cab Co appeared to have a majority of its drivers that worked the city rather than the airport. Many of the taxi operators for Yellow and, to a lesser extent, Ute Cab Co preferred to wait up to several hours at times at the airport. Once these airport commando taxis did obtain a passenger, they most often would serve that passenger and return to the airport empty in order to get back in the airport line quickly. Such behavior is of course extremely inefficient in that the taxi will be running empty half the time. One can only imagine the inefficiencies if an airline provided planes to only take passengers away from the airport but never to bring them to the airport.

As a part of this study, the research team utilized available 2004 taxi data from the airport's automatic vehicle identification (AVI) system to model the taxi operations at the airport. Data files from the airport provided the date and time at which a taxicab either picked up or dropped off at the airport for every day of 2004. From these data files we were able to simulate the level of taxicabs actually required to serve the airport. This analysis was run for both pick up and drop-offs at the airport.

As shown in a previous picture of the airport's ground transportation holding area, the vast majority of vehicles are taxicabs queuing up for passengers arriving at the airport. A taxi curb attendant at each of the two terminals, signals the need for cabs as the one permitted at the curb is loaded with passengers. These passengers are then transported primarily downtown to Salt Lake City and the surrounding community. These trips are typically not long and a taxicab can serve a customer and return to the airport within 30 minutes on the average. There is of course a distribution to this average, some trips take an hour or more and others may only take 15 minutes or less to serve. The results of the simulation of all taxi trips to and from Salt Lake International Airport are presented below.



Simulation report

All the following results are based on running the simulation model for 24 hours during the heaviest day of taxi use for the year. If running the model for more than 24 hours such as one week, one month, or one year, the results may be different due to service frequency variations.

| | | | | | | |
|---------------------------------|--|--------------------------|-------------------|---|--|--------------------------------|
| Worst hour (4:00pm 8/11/2004) | Trips arriving or leaving: 174 trips | Distribution Exponential | Mean 0.35 minutes | 110 taxicab (some passengers have to wait for no more than 2.8 minutes) | 120taxicab(several passengers have to wait for no more than 1.7 minutes) | 130taxicab (no waiting at all) |
| The whole year average | Trips arriving or leaving: 201,657 trips | Distribution Exponential | Mean 4.26 minutes | 15 taxicab (several passengers have to wait for no more than 4.2 minutes) | 20 taxicab (no waiting) | |
| The peak month (August) average | Trips arriving or leaving 20,895 trips | Distribution Exponential | Mean 3.6 minutes | 15taxicab (waiting) | 20 taxicab (no waiting) | |

Notes:

1. Trips include drop-off and pick-up trips.
2. Assumption: Every taxicab picks up or drops off passengers.
3. Assumption: the distribution of passengers' getting on taxicabs is normal. The mean and standard deviation of this normal distribution are 2 minutes and 0.5 minute.
4. Assumption: the distribution of taxicabs' coming back (leaving the airport, taking passengers to destination, and returning to airport) is normal. The mean and standard deviation of this normal distribution are 30 minutes and 5 minutes.

As shown by the above data, the number of taxicabs actually needed to service both pickups and drop offs is acutely much less than the number of taxicabs waiting in the airport hold lot. Most of the time, a maximum of twenty taxis could serve the needs of the airport if arriving taxis were permitted and encouraged to get into the airport holding lot after dropping off a passenger at the airport. This simulation was run with replenishment of taxis in the holding lot with ones that had brought individuals to the airport thereby making the overall taxi system more efficient than

one way trips. In the current system, a taxi will depart the airport with a passenger, drop them off and return empty or a taxi will drop a passenger at the airport but not get into the passenger-pick up line due to the excessive wait time he or she might experience.

XI. Analysis of Existing Rules and Operations Compared to Other Cities

As part of this study, taxicab regulations and rules from other communities were utilized for comparison with those issued by the City of Salt Lake. Some of these ordinances were from previous taxi studies conducted in other regions. Additional cities from the western and northwestern areas of the country were added because researchers felt they would be comparable to Salt Lake. Those cities included in this part of the study were:

- (1) Atlanta, Georgia**
- (2) Austin, Texas**
- (3) Chicago, Illinois**
- (4) Dallas, Texas**
- (5) Fort Worth, Texas**
- (6) Houston, Texas**
- (7) Las Vegas, Nevada**
- (8) Los Angeles, California**
- (9) New Orleans, Louisiana**
- (10) San Antonio, Texas**
- (11) Tampa, Florida**
- (12) Norfolk, Virginia**
- (13) Anaheim, California**

Data from this comparative analysis is included in Appendix B. As shown, city taxicab regulations were compared on the basis of significant issues, including whether there was a limit on the number of cabs permitted, driver qualifications, insurance requirements, vehicle age, limits on the amount of driving time permitted, minimum size of taxi company eligible for license, and ownership restrictions. By ownership restrictions we were ascertaining whether or not these cities permitted single owner/driver taxicab firms to exist.

Driver qualifications were about the same for all major cities compared to Salt Lake. Driver background processing and experience requirements were about the industry norms. While a few communities limited the number of consecutive hours a drive could be behind the wheel, most, like Salt Lake did not. Finally, many comparable communities had similar penalties and fines established to punish drivers who did not comply with the established taxi ordinances. It was difficult to tell from the ordinances, however, whether they were vigorously enforced or not.

A minimum size taxi firm requirement was found in only a few communities. Where found, none except Los Angeles, had minimums greater than 25 vehicles. Los Angeles has a minimum of 100 vehicles in order to be awarded a taxi concession by the city.

Finally, only a few communities addressed the ownership restrictions issue. It is obvious that most of these ordinances were originally written with the clear intention of licensing taxicab companies, and permitting drivers who would work for taxicab companies. Thus, it is difficult to ascertain if they permit single-operator cab companies. However, in the absence of specific language specifying a minimum number of taxicabs to constitute a cab company, it can be assumed that many of these comparable communities do permit individuals to own and operate a single cab company. Similarly, it was found that few communities set a limit on the number of taxicab firms permitted, with the major exception being Los Angeles which limits their number of taxi firms to 9 which have roughly comparable fleets of 100 vehicles each.

In this comparison, there would appear to be few differences that could bring immediate improvement for the City of Salt Lake. Notable exceptions are more comprehensive driver screening, requirements for geographic knowledge and English proficiency. More and more communities are requiring more extensive criminal background checks in their screening of potential taxi drivers, drug checks, and finger printing as a precaution against felons, and now terrorists, driving their streets in taxicabs. Salt Lake appears to be in the bottom quartile of communities that utilize tight screening and required training processes.

In retrospect, it appears that there is little more insight into needed taxicab requirements to be gained from a detailed point-by-point comparison with other cities. Thus, it was decided to turn to a more holistic comparison to determine which models of better taxicab service exist, and to which the City of Salt Lake could look for recommendations of how their taxicab operations could be restructured for needed improvements. The question was asked, “What other city models for regulation of taxicabs seem to work for their communities, and could they work here in Salt Lake?” This analysis follows in section XIV.

XII. User Survey

Officials in many cities will grant new taxi and/or shuttle permits based on the "public convenience and necessary" method which grants new permits after the applicant proves there is a need for the additional service and that existing providers are not meeting this need. If there are too many taxis, service declines due to the inability of anyone to reap sufficient revenues to replace vehicles and sustain good experienced drivers. In this case, taxi firms are also not able to modernize equipment when new technologies such as GPS dispatching become available.

On the other hand, researchers have also found that an under-supply of taxicabs will damage the quality of service within a community. Too few cabs will cause excessive waiting and no cab availability during peak periods. One way to gauge the perception of just what balance of service and taxi permits exists within a community is through a simple survey of individuals who deal with taxicab service on a daily basis. Understanding their opinion in terms of the price, driver service and vehicle condition will provide a collective perception of how healthy the industry is currently.

In this study, we utilized mailed questionnaires to obtain these users opinions. The questionnaires were distributed to restaurants and hotels in Salt Lake City. Contained within Appendix B is a copy of the cover letter that was mailed with the survey, the one page survey itself, and expanded results.

Sampling method

The convenient sampling method was used in this study. Three hundred and six questionnaires were sent out, 69 were returned. The return rate was 29%. The sampling profile is summarized on the table below.

| Type | Distribut ed | Returne d | Not effective | effectiv e | Source |
|-------|-----------------|--------------|------------------|---------------|--|
| Total | 242 | 69 | 2 | 29% | Lists provided by Salt Lake Convention & Visitors Bureau |

Questionnaires

The target population was divided into two groups – hotels and restaurants. Restaurants represented only 21 of the responses while hotels represented 48 responses, although there were many more restaurants than hotels in the list of establishments sampled. This indicated a high degree of interest in the subject by hotels.

Both questionnaires included several types of questions. The first segment of the questionnaire dealt with which taxi, sedan, and or shuttle companies are used and how often. The second segment included a series of close-ended questions with attitudinal (order) choice. These questions were used to determine the respondents’ view of taxicab arrival time, driver professionalism, vehicle quality, fares, etc. The final segment included open-ended questions which allowed respondents to comment more fully on any aspect of taxicab or other ground transportation services felt significant. Following, these results are summarized from the power point presentation made to Salt Lake City Council on March 22nd, 2005.

Analysis of Survey Results

As shown by the survey results, of the three radio dispatch taxi firms in Salt Lake the smallest cab firm, City Cab is called the vast majority of the time. Yellow Cab, with more than three times the number of taxi permits, is called the least often by these city hotels and restaurants. As indicated by firm-owner interviews, City Cab officials indicated a desire to concentrate on the downtown and radio calls as opposed to “working the airport” and the survey results bear this out. Of interest is the frequency of which “other” taxi firms are called. From a legal perspective, there are only three permitted taxi

companies within Salt Lake City so others would be prearranged sedan or shuttle services which both hotels and restaurants refer to as non-metered cabs.

Service response times varied from 5 to 20 minutes, as one might expect, depending upon where you were, how busy the taxi firms may be, and the number of taxi drivers that were responding to radio dispatch calls. In general however, service response times within downtown Salt Lake should be relatively short – less than 10 if not 5 minutes. The downtown is not large nor is the street network complicated, and there appears to be little congestion most of the time. The North-South grid network of Salt Lake and the extensive lane widths make it easy to get from one section of town to the other in a matter of minutes.

The waiting time problems experienced by a number of the survey respondents appeared to be from the lack of taxicabs in the downtown area. It is ironic, but while there are times where there are insufficient taxicabs within the City, there is an oversupply of cabs at the airport.

Survey responses to questions on taxi attributes, when compared to similar surveys utilized in Dallas and Orlando, appear to be very similar. It should be noted that both Dallas and Orlando were experiencing numerous complains about the quality of their taxicab services during the time of their respective surveys. Most users felt their taxi service was just “okay” with the exception of the taxi firms’ “willingness to pick up at their establishments”. Here, the respondents indicated their service to be “good”.

The detailed complete response summary of the user survey is included as Appendix A and readers are encouraged to go over the detailed comments. The responses, as shown, break down into two many groups. One group appears to have their favorite cab or shuttle company and wishes to compliment them on their level of service while a second group appears to really dislike the current level of taxi service, considering it an embarrassment to the city. Complaints of old and dirty vehicles, rude drivers, and drivers who do not know the city are common. On the bright side, one may wish to observe that Salt Lake City cabs are no worse than cabs elsewhere, but a more realistic assessment is that the survey respondents appear to have resigned themselves to unattractive cab service and made other arrangements with non-metered cabs and shuttle services.

The rating for courtesy of the drivers provides an indication of why such negative opinions are being expressed. Respondents rated this attribute overall as “okay” but half of the respondents answered poor or very poor to this question. In a service industry where tipping is the norm, such low ratings are indicative of severe attitude problems upon the part of the drivers.

It would appear that many Salt Lake taxi drivers make little effort to improve their public image. Only 23% of the respondents rate the driver’s appearances as very good or good. Nearly 40% of the respondents indicate their appearance as either poor or very poor. Again, in an industry that depends upon repeat business from major customers such as hotels, restaurants, clubs, etc, such results indicate a clear lack of concern by the drivers about how their customers view their appearance and attitude. On the other hand, there seems to be agreement that there are plenty of cabs willing to pick up passengers at their establishments.

The appearances of the taxi vehicles would also indicate a serious service issue. Nearly one fifth, (20%) of the respondents rates their appearance as either poor or very poor.

In fairness, one might ask, “Are taxi services in other U.S. cities perceived any better? Aren’t taxi rates perceived as high for others as well?” or, “Is Salt Lake any worse off than other cities?” Summary Table 2.3 and author experience with similar questionnaires in other cities helps to answer these questions.

As shown by this table, there are three Salt Lake service areas that are critically low. These are driver courtesy, their appearance, and the handling of complaints. These ratings are significantly below what one would find in most other North America cities. In any industry such negative views would force customers to seek alternatives. It would appear that the abundance of taxicabs for a diminished demand is creating its own downward spiral of decreasing demand due to poor and, in some cases, very rude behavior of the drivers.

This is not to suggest that other North American cities have not had similar taxicab problems. Indeed they have. Like the City of Salt Lake, many felt the pressure to open their taxicab market up to more competition as individuals petitioned to start new and additional cab companies because they felt they could operate a better cab service.

While these efforts to “open up” taxi markets to additional providers were made with the best of intentions, the results of this type of regulation at a time when the taxi industry itself was undergoing a change from employee drivers to that of independent contractors, has resulted in generally poorer taxi services. And, as in the case of Salt Lake, an extremely overcrowded market supply in the face of declining demand has resulted in the perception of very poor service driving customers to seek alternatives to their service.

XIII. Taxicab Regulation in Other Cities

Following is a brief review of the experiences of other cities in their attempts to regulate taxicabs with appropriate citing for readers who may want to probe deeper into these collective experiences with taxicab deregulation. The following was not written specifically for Salt Lake City but was inserted for background material for the remainder of this report.

The failure of the U.S. taxicab industry open entry deregulation is well documented. Dr. Sandra Rosenbloom of The University of Texas, and Dr. Roger Teal of The California State University have separately concluded that taxi deregulation has failed to demonstrate any substantial benefits to drivers, taxi firms, or users.^{1,2} Dr. Paul Dempsey, in summarizing the empirical data from these researchers' studies and other commissioned studies³, listed the results of taxi deregulation in 21 major U.S. cities prior to 1983. These were:

1. A significant increase in new entry;
2. A decline in operational efficiency and productivity;
3. An increase in highway congestion, energy consumption and environmental pollution;
4. An increase in rates;
5. A decline in driver income;
6. A deterioration in service; and
7. Little or no improvement in administrative costs.⁴

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

"The taxicab industry has undergone significant changes in the last decade or so. It passed from a regulated industry to a deregulated one in many cities and

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

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

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

⁴ Dempsey, Op. Lite, p. 102

municipalities and back again to the regulated environment. A lot of economists who were arguing that regulation causes perverse effects on taxicab industry performance have changed their minds after having observed this industry operating without entry and fare regulations and have invoked back the regime of regulation."⁵

An entry proponent of taxicab deregulation, Professor Teal writes:

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

"Both analytically and politically, economic deregulation fared relatively poorly, particularly compared to the expectations of its proponents. The local governments which had adopted the most far-reaching forms of deregulation eventually either completely abandoned this policy or sharply scaled back the most significant features of deregulation. In addition, the only comprehensive empirical study of the deregulation experiences came to the conclusion that the benefits of deregulation were "insubstantial" in most locales (Teal and Berglund, 1987). While some economists continue to argue on theoretical grounds for deregulation, apparently not willing to concede to the empirical evidence (Frankena and Pautler, 1984 is an early example; Travers Morgan, 1988 a more recent example), the political debate appears to be largely over. No large American city has deregulated its taxi industry during the past several years, and the issue has essentially disappeared from the active urban transportation policy agenda."⁶ (Original citing from 1992, but is still viable today.)

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

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

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

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

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

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

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

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

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

"Prices rose in every instance. Paradoxically, the influx of new entrants did not invoke the price competition typically experienced in other newly-deregulated industries. **Prices rose an average of 29% in the year following deregulation.** There appear to be two sources of this unexpected event. First, fare increases prior to deregulation had consistently lagged cost increases. Veteran operators thus corrected prices at the first opportunity. Second, new

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

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

entrants generally charged higher fares than the veteran operators. The cabstand markets on which these operators focused their services are generally price insensitive and, because of the first-in first-out nature of taxi queues, comparison shopping is discouraged. For these reasons, the new entrants had no incentive to introduce price competition.”

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

"The negative aspects of deregulation were especially evident at airports and major tourist attractions. As a result, deregulation often acquired the enmity of the business community and adverse media coverage. **These effects were most closely associated with cities that implemented an "open entry" policy that enabled influx of independent owner-operators that were unaffiliated with companies or taxi cooperatives.**

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

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

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

With such overwhelming evidence against taxi deregulation through open entry of taxi licenses, it is hard for some to understand why cities, and airports which currently have managed taxi systems, would even contemplate open entry deregulation. There are

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

probably numerous reasons why this occurs, but two prominent ones are usually advanced. First is the political or emotional decision-making vs. an informed decision. The second is the unintentional deregulation approach.

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

The unintentional open entry deregulation approach is depicted by the small steps taken down the taxicab regulatory slope (see Figure 1). First the city regulatory board or airport permits independent contractor drivers. Then some contractors are permitted to form separate taxicab companies, entitling them to the same status as full-service taxi firms with multiple vehicles, insurance, radio-dispatch service, business support, etc.

In some cases, this can happen without ever changing the regulatory format. A Category 2 taxi firm - faced with declining demand - may begin to "sell off" taxi permits (if there is a market for them and the practice is permitted by local regulatory authorities). This is especially possible when there is an open airport policy in the community; a driver can take his/her newly acquired taxi permit, leave the radio dispatch system, and join the other "independents" at the airport. Thus, without any overt policy change, city officials may find the organizational structure for taxicab services within their community completely changed in a few short years. The net result is the evolution of the airport as the day-to-day manager of a very large taxi operation, usually the largest single concentration of taxicab in the region and city residents faced with declining availability and increased fares.

As noted previously, the above critique was not written for this study of the Salt Lake City taxi and ground transportation system, but rather several years ago for another

convention-oriented city that expressed a desire to “clean up it’s taxicab problems”. However, the situation is exactly the same and the results would be the same if the city decided to deregulate its taxi system all together. The limited entry approach implemented by the City of Salt Lake over the years has resulted in stable but increasingly poor taxi service, poorly paid taxi drivers, constant complaints, and users, especially hotels, seeking alternatives to the poor service. It is therefore incumbent upon the City to recognize this regulatory failure and design a taxi and ground transportation system that recognizes the changing role of taxi companies in managing independent contractor taxicab drivers; the new competition in the form of prearranged sedans and shuttles; but yet one that offers the opportunity of a reasonable income for drivers.

XIV. Alternatives Considered

As previously developed, the Salt Lake Service Taxi service is worsening for both drivers and owners. Demand for taxi service, already weakened by the poor economy, oversupply from the gear up to the Olympics, elimination of medicate market, and the increasing competition from non-metered prearranged sedan and shuttles services, is being further eroded due to the poor service and the desire by major users, primarily large hotels, to seek alternatives for their guests. This trend can be expected to accelerate unless major structural changes occur quickly.

The single major taxi demand generator of the area, Salt Lake City airport, is ironically one of the problems associated with poor cab services. By making the airport holding lot large and providing an area for driver socialization, it is the most attractive “cab stand” in the region. However, as previously pointed out, as large numbers of cabs congregate at the airport, there are fewer cabs to work the dispatch calls and cab stands of Salt Lake City.

The City of Salt Lake is in a delicate position regarding permitted taxicab drivers and the owners of local taxicab firms. City officials would like to ensure that permitted taxicab drivers have the opportunity to make a decent living in their efforts to serve residents and visitors alike. Also, while it would be desirable for the City to have a healthy, competitive framework of taxi and shuttle firms providing service within the community, it is also desirable to provide stability for these firms so they can attract necessary capital and prosper. Finally, the officials of the City would like to have rates and fares for taxicab and ground transportation services on a par with other major cities and have users feel they are receiving at least a good service at reasonable rates.

Unfortunately, the first step in achieving these relatively straight forward goals is to recognize that there are just too many drivers and taxicabs in the present system for drivers to make a reasonable living. As indicated, owners of the three existing taxi firms indicate they are not able to make a profit, attract capital, replace older vehicles, or provide the public with an improved level of service.

The second realization would be that the present structure of taxicab regulation by the City of Salt Lake is incapable delivering these desired goals. The change from

employee drivers to independent contractor drivers in the ground transportation industry, greater technology (cell phone, gps, etc.) and new forms of competition forces the City to either take a greater role in day-to-day management of these drivers and their competition or devise alternatives to their present system of regulation.

The present regulatory system is expensive oversight because it calls for adherence to the taxi and shuttle ordinances through adequate on -street supervision, strict adherence to violations of city taxi ordinances, and removal of offenders, or else the quality of taxi service will continue to decline. Current taxi operators would opt for the City to pursue this approach by offering greater protection from non-metered cabs through a 45 minute delay in users being able to use any other form of ground transportation and strictly enforcing a ban on the use of hotel shuttles for service other than the airport.

It is for these reasons that the alternative of maintaining the “status quo” was not given extensive consideration. The current situation is untenable for the customers, the drivers, the city, and the general community. No amount of tinkering with the existing system, or pledges by the existing operators and drivers to do better will alter the fundamentally flawed system now in place.

Through an analysis of taxicab regulations in other large American cities and discussions with the taxi study advisory team, alternative models utilized by other cities to improve ground transportation services were researched for application to the problems being encountered in Salt Lake. City. Since an obvious problem appeared to be economic viability of the taxi industry and the issue of getting cabs to serve the city as well as the airport was of importance, city models were selected due to their general ability to address these issues. These were:

- (1) New York’s Medallion System
- (2) San Francisco’s Industry management system
- (3) San Jose’s Exclusive Airport Taxi Model
- (4) Dulles’s Taxi Stand Manger Model
- (5) Los Angeles and Anaheim’s Franchising Model for taxis

Each of these is considered in more detail below.

Individual Medallion:

Several airport drivers requested that the study look at the possibility of permitting drivers to obtain their own operating authority and becoming their own cab company thereby eliminating the requirement to affiliate with an existing cab company. These drivers preferred to service the airports, their personal calls, hotels, and public cab stands and offered that they received nothing from their affiliations so why should they pay this money? In short, they wanted to own their own taxi medallion.

New York City has long been noted as having a taxi medallion system whereby individual drivers (as well as other individuals) could buy a single taxi medallion and either drive the car themselves or hire someone else to drive the permitted vehicle. The argument is that, over time as the driver builds his business, the medallion will appreciate in value and this appreciation will act as a “retirement” for the driver. Typically as an independent driver, he/she can not afford to save for retirement so the medallion value is a way for the city to provide a retirement for individuals that have served the city without the expense of paying for it.

An analysis of this argument would seem to make it an unlikely fit for use in Salt Lake. Presently, there is an excess of the number of taxicabs required to Salt Lake. Thus, a medallion would have no appreciation value.

Secondly, while it is true the individual driver’s own expenses would be less, being an independent requires that both the airport and the City of Salt Lake continue to be the personnel department for these independents. Without public cab stands, access to hotels, and someone’s management of their airport taxi holding area and call up system, they would not be able to operate.

Perhaps the largest case against the medallion permit for Salt Lake taxi drivers is that the individual driver can typically add little value to their individual permit in the form of dispatching, voucher or corporate business or the ability and capital to market a single car taxi firm.

A medallion system would require significantly more oversight by the City of Salt Lake. Most cities that have adopted an individual medallion system have not found it particularly workable. If there is a limit on the number of permits allowed and a value to the medallion does occur, it drastically drives up the cost of taxi service. The City of

New York, mentioned previously, had experienced single taxi medallions which sold on the open market for nearly \$400,000. Unfortunately, the financing cost for such a capital expenditure has to be borne by the day-to-day taxi fares of the current medallion owners. The daily interest cost (at 9%) for this medallion would be \$100.00 which must be paid whether the cab is driven or not. Few cities are like New York where taxicabs can expect their cabs to be occupied the vast majority of the time. When someone gets out, another passenger gets in.

Even in New York, the taxi medallion system has recently come under fire. Pressed to raise funds, the City has begun to auction off more medallions which, while raising \$25 million for the city, has deflated the value of taxi medallions by upwards of \$50,000.

Another issue regarding individual medallions is that of insurance. Currently the City of Salt Lake has to check that 3 taxi companies are keeping their insurance policies up to date and enforce. In cities that permit individual medallions, this job becomes much more complex as the city must keep tabs on several hundred policies and their currency. Clearly, the individual medallion approach would not improve but rather further deteriorate the quality of taxicab service in Salt Lake.

San Francisco's Industry Management System:

At the other end of the taxi regulatory spectrum from New York City, is that of San Francisco. Within the San Francisco system, there is increased control over the taxi industry by having the city set the lease fees and other charges taxi owners may make to the drivers. The City of San Francisco, attempts to restrict the number of permits allowed so as to provide a "livable wage" for the drivers. By setting user fares and rates, the City hopes to improve taxi service by having relatively well paid individuals providing customer friendly service.

While it is too early to tell if this radically different approach to city regulation of taxicabs will be successful, several things have happened. First is that the taxi fares in San Francisco have increased as a result of these new regulations. Secondly, current taxi

firms appear to be struggling financially. There is discussion of having the City be responsible for all taxi functions and utilize subsidies if necessary.

Given the financial condition of the City of Salt Lake, it is difficult to see where politically the City would be interested in undertaking something that may result in greater revenue drain and more employees to manage taxicab drivers without some method of payment to cover these costs. Through out the study, it has been made clear that the City of Salt Lake has little or no additional budget flexibility to increase their oversight of the ground transportation industry within their city

San Jose/Tampa's Exclusive Airport Taxi Model:

Since the single largest single taxi traffic generator within the Salt Lake area is its airport, and the study advisory team wanted to focus on improvements for visitors – especially those arriving by air such as convention and business patrons. By greatly improving the taxi experience for these individuals, it was felt that the taxi services for the entire city could be enhanced. For this reason, successful airport taxi models were also reviewed.

Both the cities of San Jose, California, and Tampa, Florida used to permit their respective airports to employ an exclusive taxi stand concession for their two airport terminals. Each airport has two major terminals and competitive bids are let for an exclusive of one taxi firm at each terminal. The successful taxi firm manages all traffic from this terminal. They provide all their own holding, queuing, and compliance with very high service requirements. The airports manage the concession agreement but have few if any personnel on the curb observing everyday traffic. In this way the airport eliminated much of the cost of charging individual cabs with a dispatch or airport service fee. Each airport maintains that their system provide a significantly positive revenue stream in the several hundred thousand dollars area while providing a very high level of service. At San Jose, for example, taxi firms used to pay a \$25 fine if individuals desiring service have a wait that exceeds five minutes. (Unfortunately, a new city taxi study recommended overturning this exclusive model and to permit a wider number of taxi firms to serve the airport – hence deregulating taxi excess to the airport and creating an individual medallion system for individual airport taxi drivers.)

Utilization of this model would and could provide some major financial benefits to the airport. By offering single taxi concessions at Salt Lake International Airport, and its two individual terminals, individual companies would bid 5 to 10 % of their revenues from the operation to have an exclusive at the airport. Cab operators would achieve a much greater level of efficiency by having taxicabs that could take passengers to the airport and bring them from the airport. As previously mentioned, the current Salt Lake system has “airport only” taxicabs that operate primarily without a radio to take people away from the airports and return empty. The radio dispatched segments of the Salt Lake taxi industry take people to the airport but can not wait the long times in line and pay their lease fees so they deadhead back to their respective cities or areas and work their radio calls. Service, it is felt would improve since taxi firms could better regulate the number of taxicabs required and each cab would achieve significantly higher revenue thereby providing more monies for both the driver and the taxi firm.

The downside of this alternative model would be that there would be little opportunity for other taxi companies to work the airport and not all taxi firms in Salt Lake would probably survive in this scenario. The single cab company unable to successively bid on a terminal concession would be forced to work the public cab stands and develop local business if they were to stay in business. Some, however, may not view this as a significant price to pay for improved taxi service.

The Airport Taxi Stand Manager Model:

A taxicab stand manager model is different than a single taxi firm concession in that it provides for a much more structured approach to the management of airport taxicabs and it incorporates the single owner-operator taxi firm as a participant at the airport in a consolidated operation.

The taxicab stand manager model works through the natural desire of the airport or a city to have efficient and high quality airport/hotel taxi service and decent incomes for taxi drivers. And it also works through the natural desire of the stand manager to add cabs to the airport system. In such an arrangement, the number of cabs permitted is fixed by the airport as a function of wait times at the airport and individual requests by the

stand manager. Weekly stand dues paid by each owner-driver participating in the airport walk-up service would pay for the stand manager and his/her management function.

The stand manager, through a common radio dispatch system, would manage all terminals of the airport and call cabs from either the main holding area or strategically placed small parking areas within the terminal areas (all within current FAA requirements for unattended vehicles).

The stand manager would also perform all other functions now being performed by airport personnel in the management of its walk-up taxi operations including driver permitting, more extensive background (criminal as well as driving) checks, finger printing, daily management and enforcement of city and airport rules of taxicab operation. The airport would be severing all relationship with taxi drivers. Existing rules of taxi operations would become part of the sub-contract agreement each owner-driver would be required to sign with the stand manager. Actions of drivers which are now part of the airport's ordinance code would become a matter of contract law and treated much differently. In addition, the stand manager would provide for the use of credit cards, vouchers, and other services provided by the airport walk-up taxi system.

Owner-operator drivers in the stand manager concept would be required to personally drive their vehicle a substantial portion of the time, approximately 40 hours per week, and utilize a common airport paint scheme and radio frequency. At larger airports with multiple terminals, stand dues are usually \$ 150.00 per week. For this the owner-driver gets airport dispatching, a return to airport radio dispatching service, and a management plan to grow the fleet through more return trips to the airport. Taxi drivers in this system would generate significantly more income thereby they would be able to purchase and run newer vehicles and even lower airport fares since per vehicle utilization would be increased. Short trip refusals, minimum fares and agreements would be a thing of the past since turnaround time at the airport would be considerable less than at present.

Per trip airport fees would not be necessary, thereby eliminating the need to bill individual trips to specific drivers. Hotels and motels would benefit because now there would be one specific airport taxi company to utilize and one entity to work with in the improvement of services. Drivers in the system, while independent, would have to conform to their subcontract agreement to service the airport and hotel business or be

dropped from the system. Thus, while this model provides and is built upon an independent contractor driver, the criteria for participation is often much greater than that of a city permit.

The stand manager would be receiving weekly stand dues to manage all aspects of the walk-up taxi service and have the incentive to add more vehicles to the airport cab system through expanding the market opportunities of the airport cab fleet. Primarily the stand manager would seek to build the return trip business back to the airport and to expand the prearranged airport pickup market wherever possible. Having the newest fleet of vehicles, a common radio system, experience in marketing airport cab services, and sufficient cash from stand fees, an airport stand manager could build the airport fleet significantly and recapture some of the lost market currently supplied by prearranged sedan and van services. Airport walk-up taxi service would become a premium form of personal ground transportation at fares comparable to other competitive forms of transportation.

As mentioned, through aggressive marketing, prearranged and return trips to the airport could be developed thereby significantly increasing the efficiency of the airport cab taxicab service. Vehicles would log considerably more loaded miles in a given period of time lessening the need for long duty hours. Trips to and from the airport would make the entire system considerably more efficient.

There are however, several downsides to this alternative model for improved Salt Lake taxi service. Primarily there would be only one, winning airport taxi concessionaires under this scenario. In an open competition, outside or national taxi firms with airport stand manager experience would be expected to bid on such concessions also. Thus, it is foreseeable that the existing Salt Lake area taxicab firms would no longer participate in the airports walkup taxi service and their financial viability would be severely constrained. They would, of course, continue to pick up prearranged taxi trips through the airport stand manager but would pay a nominal processing charge to do so – probably \$2.00 per trip as well as the airport AVI fee.

There is also the consideration of taxi service outside of the airport/hotel context. What would this model do for this service? On line of reasoning is that it would place a lot more cabs into the streets of Salt Lake looking for work and thus there would be a

plentiful supply of taxis for non airport related trips. One should note that that having a large supply of taxicabs such as there is now in Salt Lake, does not necessarily mean an improvement in service. In all probably, there would need to be a strengthening of on-street enforcement of taxicab regulations. While the radio dispatched taxis would continue to service their radio calls, cabs which were forced out of the airport walk-up service would either have to develop radio service or stage at the public cab stands.

Los Angeles/Anaheim Franchising Model:

Of the alternative models reviewed by the taxi study team, the models which appear to hold the most promise of being useful to the City of Salt Lake were those of Los Angeles and Anaheim, California. Two aspects their system of regulating taxicab services were appealing. First was the concept of issuing a fixed number Taxi Franchisees as opposed to licensing taxi firms through the traditional regulatory system, and the second was the limitation of individual taxicabs to only one or two days per week at the Los Angeles International Airport.

Franchising taxi services has an appeal because it allows a city to arrange for taxi services to be provided through contract law as opposed to a system of city ordinances and regulations. This approach places the responsibility for management of the taxicabs and their drivers more onto the taxi firms providing the service. The size of firms is fixed at 100 vehicles in the Los Angeles system but varies in the City of Anaheim. In L.A. there are nine firms which provide service – some in overlapping areas, so there is ample competition for service and permitted drivers. By fixing the total number of cabs, the city effectively balances the supply of cabs with demand and avoids much of the oversupply issues found in many other systems.

While such a Franchising system appears to work well for Los Angeles, it was felt by the study team that it their system with over 2000 cabs was just too much of a departure from the current system utilized in Salt Lake to be of serious consideration. Anaheim, California however was much closer in size – 240 taxis, to the fleet required in Salt Lake and thus was given further consideration.

The Los Angeles system of limiting taxicabs at LAX however, was considered to be a unique feature that demonstrated an opportunity for the City of Salt Lake to force taxi firms and their drivers that had obtained city taxicab licenses to truly serve the City of Salt Lake and its residents as well as its airport arriving guests and visitors.

Limiting the number of days each cab can service the airport was a way for the City of Los Angeles to solve two problems. First was the large build up of taxicabs at the airport similar to the problems encountered at Salt Lake International Airport. Secondly, was the shortage of taxicabs often found in underserved areas of the city.

At first taxicabs were permitted to service LAX on odd-even days and it was found that there were no problems in supply at the airport and that service to the community seemed to improve as drivers and firms concentrated on improving their image and expanding their radio services. Over time, participation of cabs at LAX has been restricted to now one in five days with Sunday being a second day if needed. Such may seem an extreme but it works at an airport with ten or more times the daily taxi trips of SLC (6000 vs. 600 dispatched taxi trips on busy days).

By not having the airport to lounge at, drivers must work their radio calls and/or the public cab stands and the hotels. LAX has a taxi holding area half the size of SLC and dispatches taxis to 6 terminals vs. the 2 at SLC. Such a system forces taxi drivers and taxi firms to develop quality services or they will not be called or permitted to serve individual hotels. By being able to serve the airport traffic only one day in five, these drivers and firms must develop and serve other customers or face elimination from the market place. Salt Lake and its surround areas would benefit from increased and improved taxi services under such a system because firms and drivers would have to depend upon these communities for repeat business instead of the usual one-time nature of serving an airport passenger.

The airport would benefit under such a system of limited daily entry because it would greatly reduce the total number of taxicabs each day waiting in the holding area reducing the need for facilities and special operating rules and minimum fares. Because there would be only a small or very limited wait on the day a cab worked the airport, short trip refusals would be a thing of the past as they are at LAX. There would be no need for a minimum fee since taxis would be very busy the days they worked the airports.

In addition, drivers would spend less idle and non productive time at the holding area contemplating their poor economic conditions. In short, drivers and taxi firms would be forced to serve the communities under this scenario or face elimination from the market place.

The downside to the Los Angeles model for Salt Lake would be the continuation of one way taxis from the airport. On the day your taxi was permitted to be at the airport, you would deadhead immediately back to the airport to pick up another passenger. Clearly, system is needed that would encourage two way pick up and return to the airport with passengers.

The Anaheim taxi franchise model, which is based on the Los Angeles taxi franchise system, is of great interest because of its size and scope. Anaheim is a city of 400,000 and it authorizes three taxi companies with a maximum of 240 taxicabs within the city. Like Salt Lake, Anaheim was faced with too many cabs and too many competing taxi firms. Service was poor and the age of the vehicles was excessive. Upon the advice of a consultant, the City set aside their former regulatory structure and solicited bids for up to three taxi firms to act as non exclusive franchise taxi operators for a five year period with a series of five one year extensions upon approval of the City. There were approximately nine bidding companies for the three franchises being offered by the City of Anaheim.

Discussions with Anaheim city officials responsible for managing compliance with the nonexclusive taxi franchises, indicates great satisfaction with the franchise system. Winning bidders provided newer vehicles, upgraded technology, and improved marketing and management of their drivers. Even though drivers are owner operator independent contractors they are required to be drug tested, trained, and supervised by the respective companies. In their latest round of one year renewals, operators are upgrading their vehicles beyond the 6 year maximum age requirement and the largest operator is equipping its fleet with natural gas powered vehicles. City officials manage the taxi operations out of their "Community Preservation Division" of 14 people with only one person assigned primarily to the taxi franchises.

XV. Recommendations

Recommendations for improving a city's ground transportation services are politically difficult because there are always perceived winners and losers from any set of recommendations. The above analysis and findings should not leave any doubt that the present system is broken and in need of significant structural changes if Salt Lake is to stop the infighting between metered and non metered sedans and shuttles operating as taxicabs. This is vital to any city that is attempting to expand its visitor and convention business as well as improving the level of needed taxi services to its transportation disadvantaged community. The following recommendations first set forth a number of immediate tactical measures the City of Salt Lake should take and then recommends a time table for implementing a variant of the Anaheim taxi franchise and Los Angeles restricted taxi airport model.

Immediate Improvements:

That there is already an excess of taxicabs and drivers within the Salt Lake taxi system is obvious. Thus, these recommendations would be:

#1: “Suspend the City requirement relating to the mandatory use of permits” (section 5.72.150 of City code). The “cab day” rules are extremely difficult to administer and monitor anyway and operators should not be forced to either put marginal cabs on the airport line or lose their permits.

#2: “Freeze all new applications for taxi driver permits”. There is already an excess of drivers within Salt Lake City. Temporarily closing applications will enhance the ability of drivers to bargain with existing taxi firms for their services and may enhance their revenue potential as other drivers leave the system. Also, the City of Salt Lake has a set of requirements for permitting drivers which includes some degree of understanding English and area geography, but it is suspect that recent or new drivers are not meeting all these requirements. Currently the Salt Lake City police department is looking into a third party arrangement to test for English comprehension and geographic knowledge and thus, a comprehensive review of these requirements and a strengthening of them, based on comparisons with other major cities, should be undertaken.

#3: Do not renew existing business licenses of the city's three taxi firms but rather give notice to continue them on a month to month basis if needed. These licenses which are renewed annually and, depending upon the company, are to be renewed by January 1 and February 1, 2006, so it would be prudent to let current operators know it is the City's intention not to renew these licenses. Six to eight months should be sufficient time to issue nonexclusive taxi franchise RFP's, select two to four operators and have them in place, but legal challenges and other unforeseeable events may delay the conversion. Current operators should be informed of the schedule for conversion to a franchise taxi operation and encouraged to work with the city in this transition period.

#4: Do not permit any new taxicabs to be added to existing taxi fleets which are older than the 2000 model year. There are already a number of taxis that are 2000 and newer vehicles and several owners have related that it was their intention to add vehicles that were no older than 6 years. While not having an immediate affect since these vehicles will be phased in as replacements occur, it will nevertheless stop the taxicab image from deteriorating any further in the community.

#5: Enforce elements of the latest ground transportation ordinance regarding licensing of all ground transportation vehicles and drivers. With the current situation regarding the legality of non-metered cabs in the City of Salt Lake, officials should move forward to clarify who will be required to obtain city approval to operate ground transportation vehicles in both courtesy and commercial operations. As per discussions with the police department, applicants should have a complete FBI background check for each of their drivers with the results forwarded to their offices in a sealed envelope. The police department should also direct hotels which have operating agreements or authorizations with non metered shuttle and van operators to file these agreements with the city and airport as per the ordinance. While a grace period for compliance should be offered, it should be only 60 days.

#6: Expand pending ordinance paying a hotel doorman for transportation to include the reception of gratuities as well. Some hotel doormen in Salt Lake City have come to expect certain "gratuities" in return for using their cell phones to call metered and non metered cabs or shuttles when guests request ground transportation services. Such gratuities may or may figure into the compensation doormen receive from their hotel

employment but it easy to see that such activity can get out of hand and affect both the fare a quest may have to pay and the quality of service. Under recommendation number 5 above hotels will by city ordinance be required to have agreements in place regarding any ground transportation services so there should be less flexibility for individual doormen to “sell” their transportation requests. Gratuities should be paid for by the hotel guest – not the driver.

#7: Enforce ordinance provisions regarding the transportation of passengers by hotel shuttle to and from destinations other than the airport as a common practice. Restricting the ability of hotels to offer complimentary shuttle service to their guests would be considered by some to be an infringement upon their right to provide these common guest amenities. On the other hand, by offering such on demand services to their guests, they are operating a “taxicab” service. Gratuities paid by the transported guests, while not requested, nevertheless constitute payment for transportation services. Thus, City officials should look to their local hotel industry representatives for some common acceptable solution to this potential problem. As a starting point, it is suggested that occasional use of the vans for non airport trips be permitted but arranged for in advance and require the consent of the hotel manager on duty.

#8: Restrict the ability of taxis to enter the Salt Lake International Airport Holding Lot to every other day. While longer run recommendations are made to eventually reduce the number of days a taxi can pick up at the airport without bringing passengers to the airport, this requires the use of an AVI system the airport has yet to acquire. A short term solution to involving more taxicabs into serving the entire city is to alternate days these cabs can enter the airport holding lot to odd or even license number days. This is simple and easy to administer and will bring about immediate results.

Long Term Recommendations:

As this report has indicated, the current ground transportation regulatory structure for Salt Lake City has not provided the quality of services and driver income levels necessary for individuals to make a reasonable living. Little improvement can be expected if the city continues to regulate their taxi, shuttle, and sedan, or limousine operations in the same manner. There are an excess of cabs at the airport and not enough to service and compete in the local hotel/community market. Thus the following recommendations are made to correct these problems within a one year time frame.

#1: Suspend current city ordinances and regulations regarding issuance of taxi businesses licenses and replace with nonexclusive taxi franchise operators. This would be a major restructuring of the Salt Lake City taxi industry. It is recommended that Salt Lake authorize no more than 200 taxi permits or a 25% reduction in the number of total cab permits issued for the city. Requests for proposals would be issued for a number of competing cab companies with the minimum number taxis an individual firm would operate would be 50. It is suggested that there be a minimum of two firms and a maximum of 4 firms with each firm submitting a bid for the maximum number of cabs they wished to operate. By requiring a minimum of 50 taxis, there would be sufficient business to support investment in GPS dispatching and other technologies for improving the delivery of service to the traveling public. It is anticipated that some negotiation on the actual number of taxis to be awarded to each successful franchisee would be required. A more detailed of the steps necessary to bring this conversion about can be found in Appendix “C”.

#2: Restrict the ability of taxis to enter the Salt Lake International Airport Holding Lot to the minimum number necessary after replenishment by taxis bringing passengers to the airport. Taxi firms and their drivers are licensed by their city to serve all the residents – not just those traveling to and from the airport. Therefore, to reduce the pooling of taxis and drivers at the airport drivers should be restricted from entering the holding lot unless it is their assigned day to pick up at the airport or they have dropped off a passenger at

the airport. In this way, taxi firms are encouraged to develop their taxi markets for their drivers other than the airport so they have some business activity on the days they are not assigned at the airport. This restriction would start with every other day for the first month, and then move to every third day the second month, and then every 4 day the next month and so on until only a minimal number of cabs were assigned daily to the airport that would be sufficient to eliminating any wait time for passengers wishing taxicab service at the airport.

#3: Develop a shared – ride exclusive walkup van concession at SLC International Airport. With very few exceptions, most U.S. airports have more than one walk up alternative for arriving airline passengers. Currently SLC has none – the only on demand service being taxicab service. Shared ride ground transportation is typically less expensive for the single individual and the preferred mode for many airline travelers. This will increase competition for taxicab service at the airport but with newer vehicles and a sharper image, taxis should be able to compete effectively for this market. The recommendation for a single concessionaire is that shared ride service requires density in order to be effective. Permitting only one operator at a time would make the concession an attractive concession and permit the operator to invest the capital necessary to develop a competitive high quality operation.

#4: Revise fees required for city approved ground transportation operations. Current business licensee and driver permit fees for the City of Salt Lake are not adequate for the services being performed. As shown in Appendix C, taxi franchise operators are expected to eventually pay a 5% franchise fee to the city for the right to operate a non-exclusive taxi franchise. The prevailing attitude of subsidizing the cost of these city services through directed reductions in their cost should be replaced with one of granting a franchise and permit to conduct business within the city and fees should be expected to cover their cost and make a contribution to the general budget.

XVI. Allocation of Future Taxicab Permits

A recent survey of North American cities and the methodologies these communities utilized to determine the number of taxicab permitted within their jurisdictions revealed that city population and/or some combination of population and other factor(s) were used by the majority of cities responding to the survey.

City officials have rationalized that there is a relationship between the number of people and the need for taxicab service within their communities. Often the number of taxicab permitted is fixed to a population ratio. For example, city ordinances will affix the number of taxicab permits as “one permit per 1000 population”. Thus, a city of 100,000 would authorize up to 100 taxi permits.

Such a methodology, while common, bears only a slight relationship to the actual taxicab demand in many communities. In most communities, taxi demand is driven much more by the various market segments of taxicab demand and their presence or lack of presence. A large community with considerable deplaning airline traffic will generate significant taxi demand. A community with a large economically disadvantaged urban area or major convention or sporting business will generate significant taxi demand.

Likewise, the geographic location of community has a major affect on taxi demand. If it is considered a major tourist destination, then taxi demand will greatly exceed what population alone could predict as the demand for taxi service.

The City of Salt Lake has all these elements and historically they have been utilized somewhat informally to determine the number of taxicabs to permit. Until recently, it would appear that the City utilized an old population based formulae of how large the taxi fleet would be permitted to grow along with comparisons with other communities. New applicants would have to meet a standard test and prove that additional permits were necessary to satisfy unmet demand for taxi services. Historically this was difficult to do since the burden of proof was on the applicant to demonstrate additional demand was there and/or the present providers were not providing and evidently were not going to provide this needed new service. As one might expect, such a burden of proof made it very difficult for new taxi firms to enter the taxi industry.

The best formulae for a city to use in determining the appropriate number of cabs to permit would be to take the actual demand for taxi service within the City of Salt Lake as measured by driver trip sheets to the permitted cab companies. In this manner, if there is a 5% increase in trips over a year ago, there would be a reasonable assumption that the market could absorb a 5 % increase in the number of taxi permits.

In Salt Lake taxi drivers are required to keep accurate trip sheets and turn them in, however this is not being done and current operators indicate they have little power to force their drivers to keep accurate records. Even if they were available, this analysis would be a simple but an expensive calculation to develop since all trips would have to be posted and totaled. Questions of honesty, (what taxi drivers want more cabs on the streets) and reliability of the data plus cost render this approach as highly unlikely of success. Thus, surrogate measures for demand can and should be used.

The most easily accessible data available on taxicab trips outside of prepared driver trip sheets would be the dispatch information from the individual taxi firms and the trips captured from the AVI system at the airport. Missing of course would be trips picked up on the street or at public cab stands where there would be no record of the service. Using data from the individual taxi firms might also be questioned since there is obviously a potential conflict of interest. Taxi firms want to lease additional cars or sell independent operators their colors, insurance, and radio calls. In order to do this they need additional permits and thus may be tempted to expand their actual numbers of radio calls if it were to mean increasing the number of permits available to them.

It is for these reasons that we are recommending that taxi trips captured by the airport's AVI system be the area's be the primary data source for determining the number of City taxi permits to issue. As shown in the recommendation's section, there will be an expected reduction in the total number of permits utilized by the area's licensed taxi firms to 210 permitted taxicabs. With newer vehicles and aggressive marketing programs this number should become a lower bound within a year. Some of the market now captured by non metered cabs and shuttle operators can be expected to be recaptured and additional permits may be justified. If airport business increases 10% for a particular taxi firm, then it would be reasonable to for the firm to petition the City for a 10 % increase in the number of permits they are currently operating.

Such an approach may seem overly simplistic but in reality it is not. Using the number of permits after franchising after sets a base from which to work. No one is harmed or disadvantaged relatively by this approach. One must then ask what activities would drive up demand for more taxi service? More convention business would result in more airport transfers and evening business for cabs and we thus assume that this would then trigger an increase in the number of cabs needed. If increased convention business were primarily local in nature, then people would drive their own vehicles and would not have need for greater taxi service. Such an approach would hold constant the local or inner urban demand for there would be no way to gauge it based upon airport business. However, with the airport's cooperation in only permitting taxicabs to pick up on a limited number of days, it is assumed that more services would be available for area residents. While not perfect, use of airport taxi trips as the formulae generator for taxicab permits is very practical and easy to understand.

The general exception to this would be trips provided to social service agencies or under contract to schools or other agencies. Such "contract taxi" work can be quantified as to the number of additional taxis required and be authorized as long as the taxi firm has the contract.

XVII. Review of Public Hearing and Comments

Introduction

On April 19th of 2005, a draft of this study's findings and initial recommendations was made available to the general public through the internet and in hard copy at City Hall. A public response and comment period, lasting from this date until June 7th, where interested individuals could provide written comments to City Council and the study's author was also provided. A total of 41 responses were received in the form of emails, letters, and lengthy reviews of the study and its findings.

In addition, a formal public hearing for additional comments was held on June 7th. At this session over 25 individuals ranging from taxi company legal representatives to individual ground transportation users provided brief statements regarding either the study or the quality of existing ground transportation services within Salt Lake City.

This final section of this study briefly summarizes some of the more critical positions taken by these commentators and offers greater explanation of several issues. It also provides further suggestions of how City Council can achieve its goals of providing Salt Lake City residents and visitors with reliable, affordable, and friendly ground transportation services, establishing enforceable ground transportation regulations, and enhancing the ability of Salt Lake City's ground transportation industry workers to earn a reasonable income at or near national levels.

Attorneys for Existing Taxi Firms

Attorneys for the existing taxi firms authorized to provide service within Salt Lake found the study to be faulty since its conclusions were not statistically founded. University experts argued that the study did not utilize a random, statistically valid sampling model of all market segments presently utilizing taxi services. Most notably was the absence of individual users of taxis and other ground transportation options.

Attorneys for current taxi operators also argued that the study did not take into consideration the 420 gypsy operators permitted to provide ground transportation services within the City of Salt Lake. They argued that if the City would regulate these firms and stop them from further taking away the traditional taxi market, that taxi service would improve and any “perceived” service problems would be eliminated. Finally, attorneys argued that it was urban myth that there was poor taxi cab service within Salt Lake City and that the study unfairly characterized the existing services as poor and offering a negative image of the city.

While some of these comments are merited, and should be appropriately addressed, others are less valid. It is true that there was no randomly based statistical sampling of all user segments of the Salt Lake City ground transportation. The survey referenced in this study was intended as a sample of major commercial users of taxi and other ground transportation options. This was provided because the survey was to be heavily weighted upon the views of individuals that had frequent contact with taxis and other forms of ground transportation. These responses were then summarized in the report.

In addition, it was stated that the study’s author personally undertook numerous taxi, shuttle, and airport car rides in the course of conducting the study as well as personally interviewing numerous hotel managers, providers, regulators, and other affected parties in the community. The study findings are thus a mixture of these survey statistics, conversations, and personal observations.

The quality of existing taxi cab services, however, should not be a debatable issue. The prevalence of 12 to 14 year old vehicles with worn out interiors and exteriors presents daily evidence of a less than desirable public image for taxi service. Also, in addition to aesthetic concerns, this fleet of significantly older vehicles, even though they are inspected regularly, may travel 1,000 or more miles per week and are more prone to pollute the environment than newer vehicles now being placed into service.

The issue of 420 gypsy ground transportation operators referred to several times in both the written and oral comments can be dealt with much more directly. They simply don't exist in competition with local city taxicab service. These are ground transportation vehicles registered at the Salt Lake International Airport and, for the most part, provide courtesy and commercial ground transportation services to locations outside city limits.

Those vehicles such as hotel shuttles and prearranged limo/car or shuttle services which do serve the downtown area are legally permitted to do so under current regulations. Shuttles would fall under the category of hotel provided courtesy services. Limo/car services would fall under the prearranged livery aspects of the existing ordinance and be legal as long as they charged the prescribed 20% greater rate than taxicabs. Finally, the shared ride shuttle van services would be operating legally if they were operating under the prearranged transportation sections of the city ordinance.

There is no way these operations should be lumped together as 420 illegal gypsies operating within Salt Lake City. Doing so is an attempt to confuse the issue and transfer the aspect of poor taxi service from its source to the fault of others. Clearly, the existing taxi operators have no one other than themselves to blame for the quality of service now being provided.

There are however, some 25 to perhaps 30 commercial sedans and vans, licensed in neighboring communities that do compete with existing taxi services through "stretching" existing city ordinance provisions that permit prearranged ground transportation. When these operations are doing so under an agreement with a hotel for example, to pick up prearranged guests at the airport after normal operating hours and transport them to the hotel, this is considered prearranged transportation since a general "reservation" for the traveler has been arranged for by the hotel. Even though the payment for service may be made by the traveler and the amount may be less than the

20% above taxi rates, this would in most communities and existing local ordinance fall under prearranged transportation.

When, however, these operators stage at a hotel (or just around the corner from the hotel) and pay a hotel doorman for calling them instead of putting guests into a waiting taxi (or one that could be there in minutes) this is, for all purposes, acting as a taxicab without a meter and prohibited by local ordinance. This is an especially grievous activity when hotel guests request a taxi and are told by a bellman that they will call a “non-metered” cab for them. Taxi firm owners and drivers have a genuine right and can be expected to be outraged by such behavior. (Note, however, this is quite different from a hotel manager who contracts with a limo or car service to stage on their property for services to their patrons – especially one who prefers not to put guests into older taxicabs.)

In addition there is the practice by several local operators of charging on a city block or zip code basis in which patrons pay so much per city block or zip code. This is a perfectly legal way in which prearranged services charge for their transportation, but in order to be legal within Salt Lake City, these charges must meet the minimums prescribed by City code. Such operations would be considered illegal or gypsy operations if these requirements were not being met.

Finally there were comments regarding the use of hotel shuttle vans for courtesy transportation of guests. While not illegal per se, this practice does diminish the market for local taxi service and, as one might expect, taxi drivers would prefer not to provide their services to hotels that appear to abuse this courtesy transportation provision within the city code.

All the above situations were dealt with in the study report and there are existing provisions within the recently passed city ground transportation ordinance which addresses the need to license most courtesy and commercial vehicles and drivers providing services within city limits. It should be noted however that during the public

hearings, there were numerous individual users of one particular quasi-legal shuttle and sedan operator that testified as to the superior quality of service, dependability, and price of the operator. From a young woman that testified she used their services several times in an evening due to her work and found them to be always dependable, to an elderly lady that testified she found their services to always be prompt and that she felt extremely safe with all their drivers. Such public display of support should not be underestimated as an indication of community feelings about the relative services being performed.

The Disadvantaged Community

Several written comments as well as public statements regarding the study report were made by representatives of the disadvantaged community. While most appeared to be in favor of the study's recommendations, they felt the report did not strongly endorse the aspect of mandating that taxi and other ground transportation operators have at least some of their vehicles lift equipped. On the other hand, comments were received by existing permit holders of "Special Transportation" services which voiced concerns that if taxicab firms were required to have lift-equipped vehicles, they would be forced out of business.

Obviously this is not an easy issue to address but if one considers a Salt Lake City taxi or van/shuttle operating license to be an opportunity to serve "all" the residents and visitors to the area then a requirement to have vehicles within the fleet that are able to meet the needs of those in wheel chairs should be a condition of this license. While this was covered in the study report, it needs to be strengthened and should be elevated to a status of a stand alone recommendation-irrespective of other recommendations of the study. That is, irregardless of other recommendations, the single recommendation that all licensed taxi and/or shuttle firms operating within the City have at least one lift equipped vehicle in their fleet operated at the same fares and frequency as others in the fleet, or provide "essentially equal" service through a third party provider at the same frequency and fare, should be mandated.

This may seem harsh or economically distressing; especially for taxi firms, but in actuality it is not. It is in their long run interests to provide services to those segments of the community that either choose not to use a private automobile or are unable to do so. Assisting private and public agencies with the transportation of these individuals presents a large opportunity market for ground transportation operators that they can only participate in if they have appropriately equipped vehicles.

Finally, it is simply the “right” thing to do. Members of the disadvantaged community within Salt Lake must now prearrange their ground transportation days in advance. This includes the return trip. Who knows at what time one will be out of the doctor’s office, a meeting, or just a social engagement? The ability to utilize taxi operations like other able-bodied individuals greatly improves the quality of life and saves considerable time for these individuals. City Council should not hesitate to add these requirements to their city ordinance regarding ground transportation.

Independent Drivers

A rather lengthy review of the use of independent taxi drivers was submitted in response to requests for comments on the study’s report. The author argued that only employee drivers would be able to provide quality taxi services. Unfortunately this view conflicts with economic reality when the cost of service utilizing employees vs. independent contract drivers is made. Only two significant cities in the United States still have major taxi firms that utilize employee drivers, Las Vegas and Reno – both in the state of Nevada. In these operations, drivers typically work 10 hour shifts, five days per week with the vast majority of business coming from the airport to the gambling “strip” in both cities. Employee drivers appear to work here and nowhere else.

The administrative costs of having employees, keeping track of hours, revenue, workmen’s compensation, providing typical employee benefits, overtime pay, employee legal issues, etc., would drive the cost of taxi service beyond it’s competition and shrink

their market even more. This obviously places the burden on the individual driver that may work morning hours, have a lot of dead time during the middle of the day and then work late in the evening. For some however, such as those tending school age children, such hours provide the flexibility they need. Driving a taxi or shuttle van is not a glamorous job and can require significantly more hours than the normal 9 to 5 job but the use of independent drivers for taxi operations is by far the most common form of driver arrangement today in the industry.

Franchise System of Taxi Competition

Numerous written and oral comments were made concerning the study's recommendation that the city suspend their current regulatory framework and move to a franchise framework for the provision of taxi services. As one might expect, existing regulated taxi firms and their attorneys argued such a move would be illegal within the state of Utah and they would pursue every legal means to protect their existing operating licenses as vested "property rights". That is, attorneys will spend hundreds of thousands more of their client's money to protect existing licensed businesses even though they argue in the same breath that they are currently being driven out of business by gypsy operations. (It should be noted that at least one taxi firm spoke to the issue of attorney fees and their significant cost to their operation – that he simply wanted some closure as to what was going to happen rather than continue to spend such large sums on attorney fees.)

Since this legal question of taxi property rights has never been tested in Utah courts, there is naturally some doubt as to who would prevail in such a court case. City Council should be respectful of the taxi owners' desire to avoid costly litigation. However, the broader question here is who is really in charge of the city's taxi operations? Is it the attorneys, the regulatory structure and an administrative law judge? Or is it City Council which should provide an overall strategy for the city's ground transportation operations, develop ordinances within this framework, and enforce these ordinances once they become law?

The study's recommendation regarding franchising was made as a vehicle to move the City Council into a position of taking charge of its ground transportation service provisions by setting aside existing arrangements and developing new ones through the use of competitive proposals. Should it be determined that franchising taxi operations is legally difficult within the state of Utah, one course of action would be to develop and pass specific state legislation permitting taxi franchising by cities within the state. Another, perhaps more timely and prudent, would be to act within the framework of existing regulations and ordinances, but attempt to achieve the same outcome.

Surely Salt Lake City Council has the ability within existing ordinances and established state law to determine the number of taxi permits issued within their city. It also has the ability to determine the requirements for operators providing these services. Taken as a whole these existing taxi ordinances constitute a "contract" for taxi services within the City of Salt Lake. Thus, City Council may be able to turn to contracting for taxi services and achieve the same operational outcome and control offered by franchising taxi operations.

It should be possible for City Council to set the maximum number of taxi permits and the basic requirements such as age of vehicles, driver behavior, record keeping, service quality, etc. These would form a "contract for taxi service" which could be issued to firms willing to provide 50 or more vehicles within the contract provisions and duration. Violators of this agreement would then be treated under contract law as opposed to the current cumbersome regulatory framework.

Thus, the recommendation for the use of a franchise arrangement for taxi service within Salt Lake City is modified to include taxi contracts through competition to achieve the same desired outcome – control over city sanctioned ground transportation services.

Airport Restrictions

Several written and oral comments were directed at the study's recommendation to limit taxi access to the SLC airport. Some felt that it should continue to be a public cab stand that anyone with a taxi permit should be able to participate in – that limiting access would further lessen the market opportunities for taxi drivers. Furthermore, there was a concern that the airport did not possess the technological capabilities to implement the study's recommendations.

To these comments it should be noted that the purpose of the airport limitation is to require that all taxis authorized to serve the City of Salt Lake do so. There was never any intention for city officials to create an "airport only" cab permit. By forcing taxi drivers to serve other segments of the local taxi market, a greater supply of cabs will be available. Under the recommendations made by this report, Salt Lake City taxi firms will no longer be able to lease airport only cabs. On days when a particular cab is not permitted at the airport, the taxi firm will have to market their services to other users thereby forcing the firms to generate other business for the drivers or be unable to lease their cabs. This will force taxi firms to either generate market opportunities for their taxis or face a declining demand for their firm's permits. As for taxi drivers who may have problems with English and/or locations within the city other than major hotels, they will need to improve their English proficiency and map reading skills in order to adequately perform the task of driving a cab in Salt Lake City.

Finally, it is accurate to point out that the airport does not presently have the technology to implement the study's full recommendations but will do so within a short while. Currently, SLC airport officials have a vendor under contract to provide the hardware and software necessary to implement all the study's recommendations.

Limiting New Taxi Driver Applications

One of the owners of the existing taxi companies provided oral testimony on how the limitations on new taxi driver permits would severely limit his ability to expand and

improve the existing level of service. Given this testimony and a review of the objectives initially recommend, it is concluded that as the city moves forward to refine its regulations and competition for taxi and other ground transportation alternatives, new and existing companies need the flexibility of changing their workforce whenever circumstances warrant – either to bring back personnel who used to drive or bring totally new individuals into their operation. Limiting the applications for new taxi operator permits would not be in the best long run interests of the taxi or ground transportation industry within Salt Lake City. Thus, this recommendation is withdrawn from the report.

Taxi Vehicle Permit Reductions

Of particular concern to the taxi industry was the recommendation to reduce the number of taxi permits by approximately 25 percent. Several reviewers argued that there was no scientific data or model to support this – that further study was required before such a sweeping recommendation was seriously considered. Existing taxi interests indicated that service would deteriorate if such a drastic reduction were enforced.

In response to these general comments, it was pointed out that the simulation of airport taxis demonstrated the general finding that there was typically three times the number of taxis at the airport than were needed. Much of the time, large parts of the SLC taxi fleet were idle – waiting at the airport. In addition, this data was taken during a time that 33 of the total taxi permits allowed in SLC were removed from Yellow Taxi Co. due to their inability to put these vehicles on the road for the time periods as required by city ordinance. Thus, a 25% reduction would not pose a supply problem for the SLC taxi industry outside of one or two major weeks per year when the large outdoor convention stretches the physical limitations of numerous city facilities – including all ground transportation. For these times, special event taxis and vehicles could be permitted.

It is true that the actual percentage was not arrived at through a specific quantitative model. Individual taxi revenue data by date and time of day does not exist; however, the airport simulation, past experience, and professional judgment was utilized

to recommend a 25% reduction in the number of taxi vehicles presently serving the market. This reduction in the current number of taxicabs would easily be facilitated by the reduction in the number of days any cab could serve the airport – thereby making these taxis available to service the non-airport markets.

It was reasoned that only by getting more money down to the individual driver and vehicle could newer and less polluting vehicles (five or less years old) be placed into service. Additional revenue per vehicle permits drivers to work less hours and make more per hour. As pointed out in the study, only by improving vehicles and service, can the SLC taxi industry hope to gain back market share it has lost to competitors. When existing operators can demonstrate increased activity through driver logs and computerized summaries of actual activity, they should then be permitted to add vehicles to their fleets.

Enforcing City Ordinances

Several respondents were quite vocal in the need for the city to enforce its existing rules and regulations regarding the provision of ground transportation within Salt Lake City. We have no problem with this observation and want to enforce it as one of the study's major recommendations. There should be no such service as a "non-metered taxi". There should be no gratuities, tips, bribes or any other gifts of significant monetary value given hotel doormen by ground transportation providers in the performance of arranging a taxi for guests.

It should be also noted that the city should not be expected to subsidize the enforcement of their ground transportation ordinances. Fees from permits, licenses, processing of applicants and applications, fines, etc., should cover the cost of regulating and managing ground transportation. In keeping in line with the spirit of the study's recommendations, the operators of these services should bear the direct burden of either paying for these services or doing them themselves. For example, comprehensive

background checks, driver training, and discipline should be the responsibility of the providing firm – not the city.

Final Considerations and Specifications

Several written commentators questioned the wisdom of setting aside existing taxi regulations and using competition to bring about improvements. Many questioned what this would bring in place of the existing services. To this question, one may look at the communities and airports that have attempted to bring the supply of taxis into balance with the demand by limiting their number, requiring vehicles to be 5 or less model years old, and setting high driver standards. Often this is done through a concession agreement or a franchise agreement as previously mentioned regarding Los Angeles and Anaheim California.

Officials within these communities also attempt to protect their “on demand” taxi markets by having some form of condition for prearranged services – either a time requirement or a fare requirement, or both. The rationale is that short trips within neighborhoods and around the community are best served by a viable taxi industry. These officials feel that it is in the public’s interest to have on-demand taxi service available to their community at a fixed metered fare 24 hours per day every day of the year. Thus, it is necessary to regulate the number of permits so firms and drivers can achieve a stable and sustainable income level.

The general public relies upon the taxi regulating authority, in this case City Council, to enforce standards within the industry by regulating fares through meter inspections, safety of the vehicles through vehicle inspections, and driver integrity through background checks. The general public is also relying upon the regulating authority to have done all this for them and to keep unlicensed operators from operating as on-demand taxicabs.

Prearranged limousine and other ground transportation operations, on the other hand, are considered to be “contract carriers” whereby the user enters into a contract for service with the limousine company and is regulated as such. That is, there is the assumption that the vehicle is contracted for a specific trip, occasion, or time period, prior to the actual event. Prom nights, weddings, special occasions, etc., are the typical traditional services offered by limousine companies. Only in a few cases, such as a small number of North American airports, are limousine services permitted to offer “on-demand” service where a customer can walk up to a sales counter and ask to be transported immediately by a limousine. Except as a minimum charger per hour, limousine rates are typically not fixed by local regulatory bodies. It is felt that that the public’s interest in the use of these ground transportation services is best served by encouraging competition among the service providers. Therefore, it is typically easier to enter the limousine market where rates and services will vary considerably. However, since this is a contracted service, it is felt that the average consumer can and should do their own research as to the quality of service, comparable rates, and dependability of the company.

Finally there are courtesy ground transportation services operated by hotels, car rental firms, major car repair shops, and others that wish to provide transportation to their clients. Should a community protect short trip taxi markets to the extent of infringing upon a private entity’s right to provide courtesy transportation to their clients? This is a most difficult question, and perhaps one that should be answered by suggesting that the answer is “no” unless the courtesy service takes on the appearance of being a taxi operation without a meter.

Certainly a firm that provides courtesy transportation as only a part of their overall service should be permitted to do so under provisions for proper licensing of vehicle and driver. However, a hotel that maintains 4 vans for airport service but allows these vans to transport guests to any desired destination for driver tips (as a way to augment a bellman’s income) should be required to at least operate under conditions of

prearranged transportation – that is, some period of waiting before transportation can be provided.

Given these considerations the following table is offered as a suggested framework for ground transportation services within Salt Lake City.

