

# **Coachella Valley Taxi Study**

**By  
Tennessee Transportation & Logistics Foundation**

# **TTLF**

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**April 20, 2007**

# **Executive Summary**

## **Coachella Valley Taxi Study**

**The Coachella Valley taxi industry was studied through a series of personal interviews, surveys, and data analysis. It is the opinion of this reviewer that the industry is in a state of decline with respect to service levels, cost, efficient operations, and public image. Even with rates among the highest in the Nation, tourist and local users alike experience service in old vehicles, sometimes rude drivers, drivers predisposed to take the longer route, and sometimes drivers unwilling to take the short trip.**

**Taxicab company owners, managers, and drivers alike all report that there are too many taxis in the valley for anyone to make a decent living. The number of taxis within the valley has increased from 175 vehicles to 265 in only a few years. Significant structural changes will be required if services and public image are to be improved and the taxi industry returned to economic health.**

**The Palm Springs International Airport is experiencing the most rapid deterioration of taxicab service. Each day more and more authorized taxicabs are entering the taxi holding area spreading the existing demand among more and more drivers. In the past Coachella Valley taxi drivers could go into the airport taxi holding area after dropping off a customer at the airport. Now, most drivers of radio dispatched, full service taxi companies, choose to ignore the airport pick up market due to the longer wait times which can stretch into two or three hours between pickups.**

**Such actions have left the airport to “airport commandos” taxis that work almost exclusively at the airport – choosing to avoid servicing radio calls and other areas within the Coachella Valley. Other taxi operators within the valley serve only a small number of resorts, hotels, or casinos. Regulators much decide if their taxi operator permits and taxi driver permits can be used to serve only those markets and people taxi operators and drivers choose to or whether they will be required to serve the entire community, accepting all calls for trips of any length at any time or for any emergency.**

**Among other observations, the study points out the need to reinforce and support the concept of the full service taxi company through requirements that each taxicab be required to serve a relatively minimal number of customers per day. This initial number is set at ten per day per vehicle which will force some taxi companies to market their services**

more aggressively, reduce the number of taxis they are running, or choose to leave the taxi industry and serve their limited markets as a prearranged sedan or limo service.

Recommendations set forth in this report progress from immediate steps that need to be taken to stop the deterioration of the Coachella Valley taxi industry, through actions that should be taken within six months, and an alternative that should be employed if the existing industry chooses not to make recommended improvements. These recommendations are:

- Immediately stop the addition of new taxis – especially independent owner drivers to existing fleets
- Strictly enforce the vehicle age limit of no more than 7 model years
- Strengthen the requirement for a business address by also requiring 24/7 dispatching from this facility
- Immediately enforce the requirement (Section 1.00.080, A,2) that each taxi company maintain a minimum of 5 vehicles as owned by the company
- Require all taxis to be insured through and by a taxi company policy
- Increase SRA field staff by one to improve inspection and supervision of taxi drivers
- Require driver English and local geographic street proficiency through testing at renewal and initial application

#### **Actions to be taken within Six Months**

- Inform all taxi operators that their permits are being renewed for only one additional year as specified by current regulations.
- Institute a policy by SRA that permits Coachella Valley taxis to enter the Palm Spring International Airport only on alternate days.
- Require the minimum number of taxi service trips per day per vehicle to be 10.
- Mandate the use of newer taxi technologies.
- Mandate the requirement of one wheelchair lift per 25 vehicles in a taxi fleet.
- Decrease the allowable age for a taxi to be placed into operation to be no more than 6 model years old.

- **Include language into SRA Taxi Ordinance that requires licensed taxi drivers to accept dispatched calls unless they fear for their personal safety.**
- **Include language into SRA Taxi Ordinance that requires 100% ownership of taxi vehicles and the use of split commission leases to engage drivers.**
- **Include language into SRA Taxi Ordinance that requires all offenses of a taxi firms drivers (except speeding and other traffic violations) to be paid by the company.**
- **Include language into SRA Taxi Ordinance that Requires all Taxi Companies to develop and use uniformed drivers.**
- **Discontinue the Taxi Advisory Group.**

**These structural changes to the Coachella Valley taxi regulatory system will vastly improve existing conditions. Taxi fleets will look newer, drivers and operators will earn more income from operating fewer taxicabs and service to the public should be able to be maintained at current taxicab rates (or decreased in some cases through service agreements to specific groups).**

**However, the imbalance at the airport would still exist. Thus after one year it is further recommended that the SRA and the airport implement a policy of having only a small number of taxicabs assigned to the airport (10 in off peak and 15 during peak) with the rest of the demand being filled with taxicabs which are verified as having dropped off a customer.**

**Should the existing taxi industry prefer to not participate in the revised structure for taxicab services, the SRA would have little choice but to competitively bid the Coachella Valley taxicab service. Several communities of similar size such as Anaheim, California, and Salt Lake City, Utah, have either adopted or are in the process of adopting a competitive franchise approach to their local taxicab operations. Three to four taxi franchises could be developed for taxi firms of 50 to 100 vehicles each but no more than 175 total taxis in the valley at this time. Restricting the size of the total taxi fleet to 175 would give the new franchise operators the opportunity to grow. Given the new technologies for dispatching these companies would bring as a condition of their award, 175 taxis would be adequate.**

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## **INTRODUCTION**

The purpose of this report is to relate the findings and recommendations of a study of taxi services conducted within Coachella Valley. This study, contracted for by the Sunline Regulatory Administration, had several Project Tasks. These were:

### **Phase I: Determine System Requirements**

- Meet with officials and staff to clarify project, request further materials, determine study requirements, and set up lists of people and organizations to interview
- Conduct comprehensive customer/hotel surveys/interviews with all stakeholders as deemed necessary
- Implement operator/owner interviews or surveys as deemed necessary

### **Phase II: System Conceptual Design**

- Conduct in-house seminars with officials comparing Coachella Valley with other cities of similar size and situation (i.e. major tourist and convention businesses)
- Provide several alternatives for discussion and consensus building on appropriate “best fit” model for Coachella Valley to use in the future

### **Phase III: Implementation Plan and Detailed Design**

- Prepare detailed implementation plan of the chosen alternative for final approval
- Assist with programming and implementation of detailed plan
- Be available for public hearings and presentations as necessary

This report will first discuss the rationale and necessity of regulating taxi operations; the current Coachella Valley taxi markets and company structures for the provision of taxi services, the current environment, and recommendations for the future.

### **Why Regulate Taxis?**

The necessity to regulate taxi services within the state of California is really two-fold. First there is the legal responsibility prescribed by the State Legislature that California communities are required to not only ensure the safety of public taxis but also to economically regulate the provision of public taxi services. One may argue; however, that everyone needs other generally available goods and services such as grocery stores, restaurants, and even car rental firms as well. They are not economically regulated in the belief that competitive forces will bring about quality operations and the best consumer prices if government intervention is kept to a minimum. Why then is there the need to regulate taxi services?

The simple, but yet most effective, answer lies in the rationale that it is in **the public's interest** to regulate taxicabs. There is the social commitment that a community has to its citizens and visitors alike that this vital public transportation service will be available, safe, and economical to use. Rates are balanced to protect the user from onerous or arbitrary fares but to still yield the provider sufficient funds to continue in business and make a modest profit.

As shown in a later section of this report, a deregulated or completely open entry approach to taxi services within a community leads to unreliable, expensive, and spotty taxi service at best. Like any good transportation service, taxi services must be appropriately planned for, coordinated, and continually upgraded if they are to attract and support a customer base.

Another very important reason for regulating taxi services, especially in the Coachella Valley, is the public image that is conveyed to residents and visitors alike. Communities within the Valley are considered to be progressive and “upscale” locales to live in and to enjoy the natural beauty of the desert climate. Communities within the Valley have worked hard to develop a positive image – one of clean, modern, and progressive community values. This development strategy has been highly successful. Indeed, housing values have steadily increased and supply has been hard pressed to keep up with demand. The area is not only one of the premier tourist destinations of North America and a long known retirement destination, but today also as a place of choice to live, raise a family and prosper as the communities grow.

Therefore, it is in both the public's need and preference to also have a modern, positive image for its taxicab operations. A taxicab service which reflects the community's desire for clean, efficient, and responsible public transportation services. Finally, a taxicab service which meets the needs of all its residents and visitors alike.

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## **Taxicab History in Coachella Valley**

For a relatively small local taxi industry (fewer than 250 vehicles) Coachella Valley taxis have had a significant number of formal studies and political discussions within the recent past. No less than two Peer Industry Reports and a self-funded industry study have been conducted. These peer reviews and industry consultant report will not be restated here except to point out the similarities these reports offered. Interestingly, there was a common thread running through the recommendations from all three of these reports.

All three documents indicated that there must be a balance between supply and demand within the taxicab industry if service was to be improved and the operations were to be viable. The peer reports recommended a minimum taxi company size of at least five vehicles operated under a common dispatch, while the more recent (2005) industry consultant report recommended a minimum taxi company size of 20 vehicles now with a suggested goal of growth to a minimum size of 40 vehicles per firm in the future.

Additionally, all reviewers offered the view that the Coachella Valley taxi industry could not be adequately served by loosely affiliated independent contractor drivers. Rather, working through responsible taxi firms was obviously the structure that would bring about the results the community desired for its taxi services. These reports stressed the need for physical facilities to house, dispatch, and maintain taxi operations in a professional business like manner.

All agreed that the regulatory emphasis should be on the taxi firms and not in the drivers who drove the taxis. That it was too much to expect for the Regulatory Administration to police the operations of the taxi firms, but rather this should be the task of the taxi firm management.

Finally, all agreed that the taxi fares within Coachella Valley were abnormally high for the region and the nation. However, the last report did point out that some of this might be due to the lack of density in the taxi demand within the Valley which would probably produce a lower ratio of “paid miles” to unpaid miles of operation.

## **Coachella Valley Taxi Markets**

Every community has distinct taxicab market generators. A few of these trip generators would be the presence of a busy airport; the urban poor who depend upon taxi services for emergency and occasional trips not easily made on public transit; the presence of a large elderly, retirement, or a tourist population who use taxi services for



medical, social, and entertainment (dining out) activities. Thus, each community is somewhat unique in its various market demands for taxi services.

Within the Coachella Valley, taxi services are extremely important to the local users for shopping, medical appointments, eating out and generally getting around when an automobile or public transit is not an option. Taxi services are also important to visitors and tourists who vacation in the area during the winter months.

The most important single generator of taxi demand is from the local airport – Palm Springs International Airport. For the month of February, 2007, for example, the airport generated 6,850 walk up taxi trips. This number is nearly ten times the number of prearranged taxi trips during the same time period (718 trips). This number is also considerably larger than the 774 prearranged sedan and van trips generated by the airport.

This airport traffic demand however, is only a portion of the total demand for taxi trips within Coachella Valley. During the month of November, 2006, the total number of taxi trips as evidenced by the taxi meter readings was 41,751 trips. If the airport generated some 6,000 of these trips, the remainder, 35,751 trips (86%) were generated by non-airport sources. While the airport is the single largest taxi traffic generator, its contribution to the total number of trips is only 14%. The remainder comes from local residents and tourists.

Of this local market for taxi services, only a few taxi firms supply the bulk of this market with service. As shown below, data from the month of November 2006, shows that four of the Valley's 22 taxi firms supply nearly 50% of the total trips.

	Operator	Percentage
1	City Cab VIP	16.05%
2	Express	15.54%
3	A Valley	8.74%
4	La Quinta	7.20%
5	Indio	6.08%
6	Airport	5.78%
7	American	4.91%
8	P.S. Taxi	4.76%
9	Indian Wells Yellow	4.36%
10	Cab	4.08%
11	USA	3.69%
12	Mirage	2.99%
13	Bighorn Classic	2.95%
14	Cab	2.73%
15	United	2.19%
16	Ace Taxi	1.66%

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17	Executive	1.66%
18	R&C	1.56%
	Coun.	
19	Club	1.37%
20	Star Taxi	1.20%
21	SunTaxi	0.48%

As these figures demonstrate, the bottom seven taxi companies serve only ten percent of the market. And, the bottom 50% of the Coachella Valley taxicab firms serve only 26% of the market. Some of this is of course due to size of fleet but it is clear that the market is heavily served by only a relatively few number of firms. If airport pickups are subtracted from this data, the concentration is even greater.

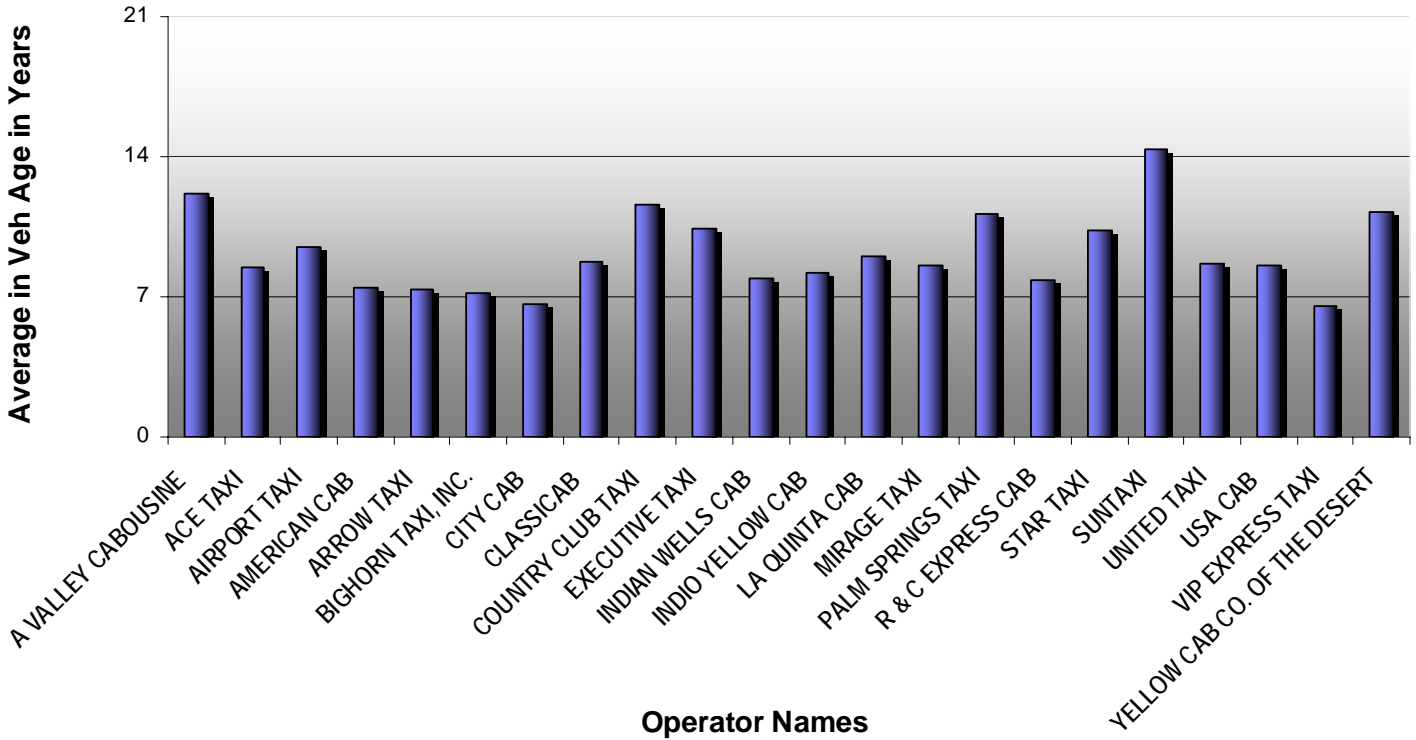
### **Current Coachella Valley Taxi Firms**

As of March, 2007, there were 22 taxi firms listed by the Sunline Regulatory Agency as having one year taxi operating permits. A complete listing of these firms and the number of vehicles each had permitted at the end of 2006 can be found in Appendix A.

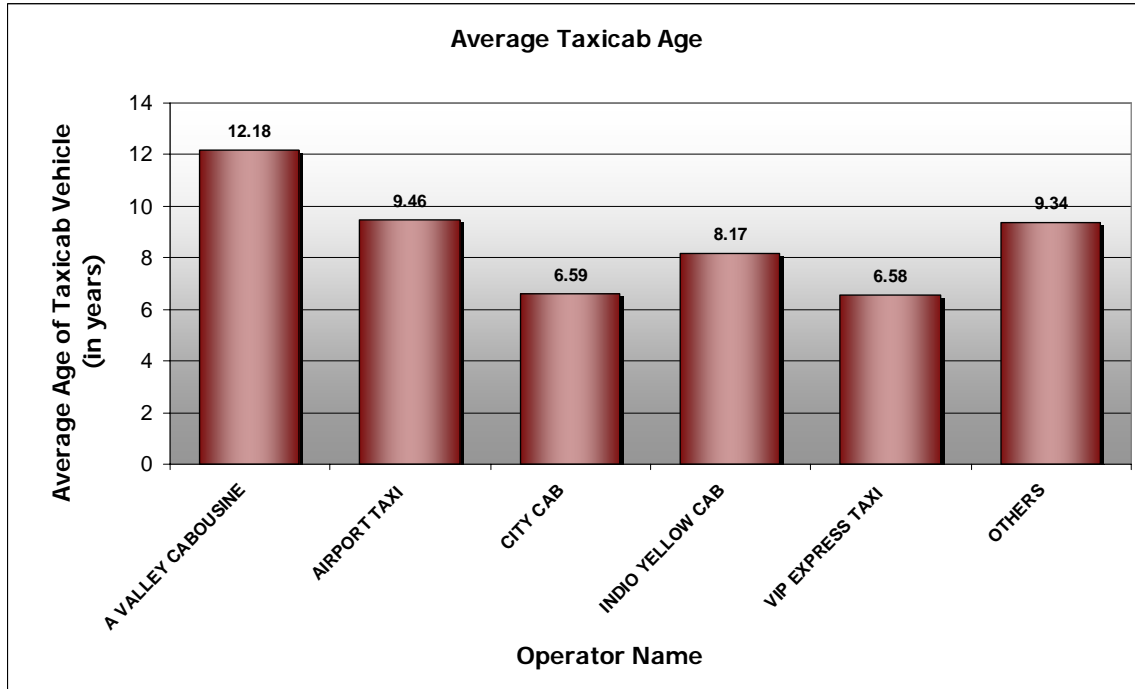
### **Vehicle Age**

Perhaps the single most impressionable image a community has of its taxi operations is the age and condition of its vehicles. SRA regulations state that taxi vehicles operating on the streets of Coachella Valley be no more than seven model years old unless a specific exemption has been granted. However, as taken from the SRA files, there appears to be a massive exemption to this stated age limit. Shown below is a histogram of the ages of all taxis driven in Coachella Valley by company name. The final chart shows the average age of the more frequently utilized taxi companies. As shown, only three of the Coachella Valley taxi companies have vehicle fleets that **average** seven or fewer years old. No Coachella Valley taxi company fully complies with the stated ordinance.

### Average Age



## Taxicab Fleet Age



Suggesting that these vehicle ages represent an aging taxicab fleet would be a great understatement. When one considers that a typical taxi will accumulate 50 to 60 thousand miles per year, it is amazing that operators within Coachella Valley can maintain these older vehicles for a long as they do. As will be shown in a later section dealing with the user surveys conducted as a part of this study, people observe a taxi fleet that is old – very old.

The rationale offered by the taxi company owners for this aging fleet lies in the cost of insurance and vehicles. Newer vehicles would cost more to place on the street and would cost more to insure. Due to the higher value of the vehicle, especially if they are new vehicles, it would make reasonable business sense to insure the value of the vehicle as well as for liability. If older vehicles, worth only a few thousand dollars are used, then only liability insurance is carried – making the total insurance for the vehicle much less. In this desert region of the country where there is no rust due to climate,

there are numerous retirees who eventually give up driving and sell their personal vehicles. Coachella Valley taxi operators can obtain 8, 10, 15 year old vehicles with low mileage and surprisingly attractive exteriors.

Coachella Valley taxi owners argue they can not afford newer vehicles and the cost of their insurance. Therefore, a simple solution would be to average more trips per vehicle to pay for the added expense of newer vehicles and increased insurance costs. Unfortunately, the prevailing practice of many Valley taxi operators is to keep costs low by running old equipment and it results in a random assortment of vehicles of all shapes, sizes, models and age. A visitors' immediate impression is one of something they would expect to see south of the border. For a community committed to serving tourists with a pleasant experience this has got to be unacceptable.

Today, the first thing a tourist may see when leaving the airport terminal is an assorted fleet of 10 to 20 year old vehicles of different sizes, shapes, and colors. The second thing they may see is the taxi meter which reads almost \$6.00 before they have even left the airport. Is this the way officials want to say "Welcome to Coachella Valley – we're happy you're here."? What the tourist may think is that since I am a tourist, the locals are trying to take advantage of me with such outrageous taxi rates at the airport.

### **Framework for Analysis**

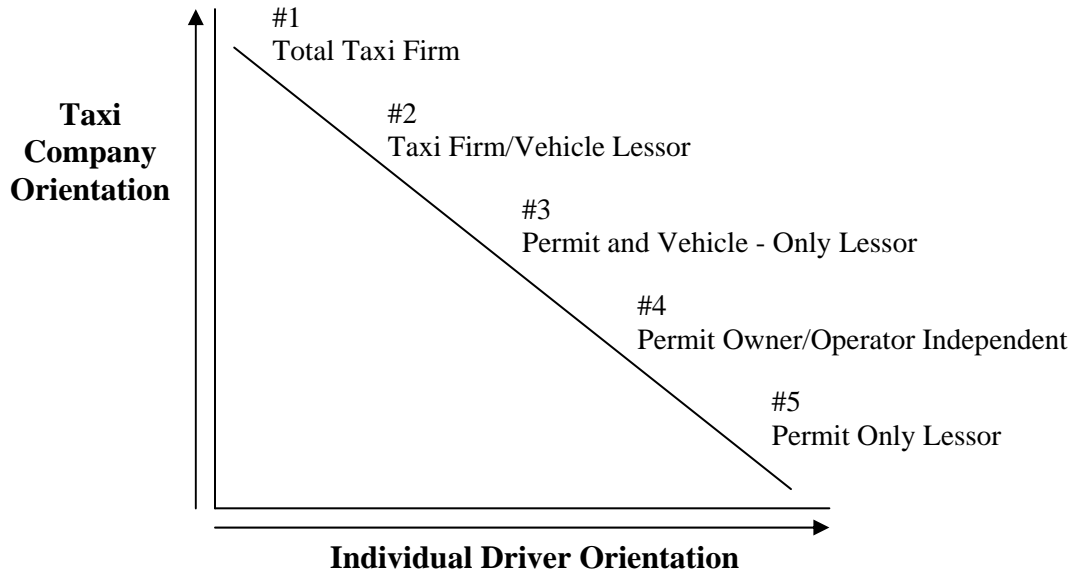
Unfortunately, there is considerable confusion today as to what determines a taxi company. The general public sees a car with a dome light on top, the name of some company on the side of the vehicle and the letters "taxi", and assumes that it has a meter, is regulated somehow, and that there is a company in back of the service they are calling, hailing, or stepping into at the airport. Taxi "companies" today can be and often are very different – even within the same community. Coachella Valley is no different. It has chosen a wide range of different car/van operations to label as taxi companies.

A thorough knowledge of the Coachella Valley taxi service first requires some detailed explanation of the types of taxicab firms found in North American communities 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. At one end of this continuum there is an orientation toward the taxi

company as the provider of service and at the other end is the reliance on the independent owner-operator taxi driver as the provider of service. (Figure 1 below) **A detailed explanation of these taxi company categories can be found in Appendix B.**

*Figure 1*

**Continuum of City Taxicab Firms**



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 upper end of this continuum, the total taxi firm is adding significant value to the community permit using their own employees or commissioned drivers which they hold themselves out to manage. As we move toward the concept of the independent driver who owns his/her own vehicle, the community and/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 either Category one or Category two full service taxi firms and, as such, they assume very little management role of the taxi drivers at first, but over time, through issuance of driver's permits, vehicle inspections, daily citations for violations of city/airport taxi ordinances, etc. the city or their airport becomes the day-to-day management of the communities' taxi

operations. This framework is an appropriate template upon which the Coachella Valley's taxi firms can be placed.

Taxi firms licensed by the Sunline Regulatory Administration would historically fall into categories #2, #3, #4, and even #5. As previously mentioned, there are at least four taxi firms which have a separate business facility, provide radio dispatch services, lease a portion of their fleets, and assist most their drivers in the marketing of their service through service contracts. These would thereby be Category #2 firms. To the extent that these firms do the above for independent drivers who provide their own vehicles, they would be operating a portion of their fleet as a Category #3 taxi firm.

Category #3 firms would be those Coachella Valley taxi firms being dispatched primarily from their homes using cell phone technology to coordinate their operations. These firms are typically less than ten vehicles although a few may be larger due to the recent race to add more taxis. Some have service contracts and actively market their services but most do not, preferring to work the airport, hotels, and personals. Those with active marketing would be Category #3 operations while those with little support for their drivers and vehicles would be Category #4 firms.

If a taxi firm were to primarily have a portion of their owner operator fleet that 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. If the taxi firm provides no insurance coverage, dispatching, voucher business, credit card processing, etc., but only leases its “colors” and permit to owner operators, then for all intents and purposes, these are single owner-operator taxi firms simply operating under another’s colors and would be considered Category 5 type taxi firms.

Below is a depiction of where Coachella Valley cab companies would fall within this taxi firm classification.

### **Continuum of Coachella Valley Taxicab Firms**

**#1 Total Taxi Firm:** None exist

**#2 Taxi Firm/Vehicle Lessor/Split Commission:** A Valley, City, Indio Yellow, Yellow Cab and Vip Express

**#3 Permit and Vehicle – Only Lessor:** Classic, R&C, Ace, La Quinta, Airport, Sun, United, Indian Wells, Executive, American, USA , Mirage, Bighorn and Star

**#4 Permit Owner/Operator Independent:** Country Club and Palm Springs

**#5 Permit Only Lessor:** Palm Desert Express

Some of the taxi firms which had traditionally been Category #2 firms – owning and leasing all their taxicabs, have shifted a portion of their fleet to owner operators, and more recently to owner operator airport only cabs. Thus, Coachella Valley taxi firms 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 his or her own vehicle for a reduced fee, work under their colors and work primarily the airport and personals.

Most of the Coachella Valley taxi firms operate from a home based office through the use of a cellular phone although Sunline Regulatory Agency requirements state operator permit holders must show proof of operating from a principle place of business which is approved by local ordinance for taxi activities and offer human 24/7 dispatching.

More recently, the market for taxi firms has been marginally affected by Sunline's offer to lease new CNG powered taxis to individuals who wished to be their own independent owner operators. This resulted in a number of the taxi operators becoming essentially level 5 operators. These operators, who have now given up their CNG vehicles in favor of older model vehicles, are driving their own permits or leasing "colors" from other operators.

As this analysis demonstrates, there has been a general shift away from the Category #2 full service taxi firm to that of owner-driver orientations of Category 3,4, and even 5. More and more, some level 3 and 4 Coachella Valley taxi firms are competing to lease their Sunline taxi permits to as many owner operator drivers as possible, irrespective of the driver's ability to earn a reasonable income. As of this writing, (April 20, 2007), another ten taxis had been added to the valley taxicab operations bringing the total number of taxis to 265 vehicles.

Such devolution of the taxi industry is common in North America and Coachella Valley 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. Unfortunately, today, however, many taxi firms have shed most of their cost centers, including vehicle ownership, garage facilities, market development, and substantial dispatching as their businesses generated less income to cover these ongoing fixed costs.

The problem associated with such devolution of the taxi industry is that cities and airports are required to then assume a managerial role over drivers since officials of many taxi firms do not. Community regulatory agencies are left to screen the driver applicants, issue driver permits, fine violators for not following the operating rules, set the meter rates, inspect the vehicles, and ultimately determine the economic conditions within which the taxi drivers operate.

The other, even more serious problem from this devolution, is when these drivers realize they are receiving no real benefits from the fees they are paying taxi firms for the 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 regulatory agency for your own independent medallion type taxicab permit.

At this stage of devolution, community leaders are often convinced that granting individual medallions will improve the service, only to later realize that they have created an even worse situation, making the community responsible for all aspects of taxicabs. Instead of trying to manage a few taxi firms they are dealing with a hundred medallion owned taxi firms each composed of one or two vehicles.

Also, in cities with mature taxi medallion systems, the original drivers may have long since retired or left the business. Even those still in the business may have sold off their medallion to another individual who finances and leases medallions to new drivers. A secondary market for the taxi medallions emerges and, with a cap on the number of taxis within a community in place, the future value of the taxi medallion becomes a speculator's market. 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 community has options.**

### Interviews with Larger Taxi Firm Owners

Interviews were conducted with all major Coachella Valley taxi firms which had physical places of business outside their homes during the months of January and February, 2007. All other owners of taxi firms were invited by letter to meet at the SRA offices to provide input into this study. Following is a brief description of the major taxicab firm facilities and their owner's concerns.

## City Cab Co



## City Cab Co.



City Cab Company, owned and operated by Dennis Rosenberg, has a fleet of 22 cars and would be classified as a Category 2, full service taxicab company. As shown by these photographs, the firm operates out of a dedicated facility which houses their 24 hour dispatch system, company offices, and a large maintenance facility. In addition, there is adequate room to park all vehicles in a protected, fenced area.

City Cab generates the most trips of any of the Coachella Valley taxi firms. The firm generated and serviced 6702 cab trips for the month of November 2006, or approximately 10.15 trips per day per allocated taxi permit. This represents slightly more than 16% of the market demand served by all taxicabs in Coachella Valley for the month of November, 2006.

City Cab dispatching is performed over a radio network, and the firm has just installed a new GPS based taxi management system. Management is looking forward to additional reports and data which help manage the growth and financial affairs of the firm.

## VIP Taxi Company



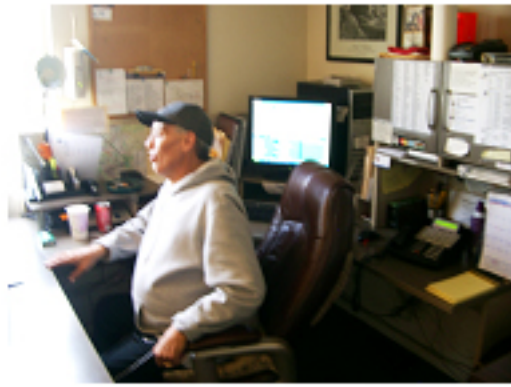
## VIP Taxi Company



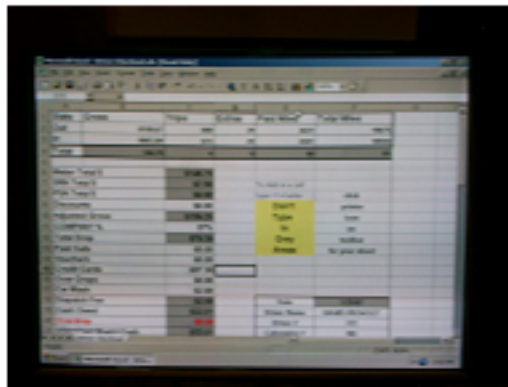
VIP Taxi Company is managed by James Bracie and has a fleet of 23 cabs. This firm generates and serves a similar level of trips, totaling 6490 trips for the month of November, 2006, or 15% of the market. This represents an average of approximately 9 trips per day per permitted taxi. *(It should be noted that such comparisons may be somewhat misleading because it is not known how many of the firm's taxis were actually on the road in November, 2006 and how many days the cars were either single or double-shifted. Still, it is a measure of how effective each taxi company is performing in generating and serving taxi customers per the number of permits they are assigned.)*

As shown by the photos, this firm operates from a dedicated facility which houses its 24-hour dispatch operation, a small maintenance and storage area, and general offices. It also is upgrading its taxi dispatching, tracking, and information computer systems in order to improve its services and management of its fleet.

## A Valley Cab Company



## A Valley Cab Company



A Valley Cabosine Taxi is owned and managed by Bill Myers. It has only 11 cab permits but generates and services the third highest total of trips per month (3649 for November 2006) of the existing 22 taxi companies. This represents approximately 11 trips per day per taxi permit.

These larger taxi operators with fixed facilities, modern dispatching systems, and predominately ownership of the vehicles they operate; all felt there were too many taxis being introduced into the Coachella Valley market. Their concern was that they would not be able to generate the density of service they once had with fewer cars in the total fleet of taxis serving the Coachella Valley market. Lower density of service to them means fewer loaded miles as percentage of the total miles driven, thus less efficient and more costly per mile operations. Their point is illustrated by the fact that in 2002-2003 there were approximately 125 to 130 taxis in the Coachella Valley market and today there are 265 taxi permits – an increase of 100%.

### **Interviews with Smaller Taxi Firm Owners**

Several taxicab firm owners who operated primarily from their home were also interviewed in meetings held at the SRA offices. Among these were officers from American Cabs (19 cars); Classic Cab (7 vehicles); R&C Taxi (8 cars) Ace Taxi (7 cars); Yellow Cab (10 cars). These operators dispatched from either their home or a lead driver who would be receiving calls and directing other drivers to provide the service as needed. All of these firms, with the exception of American Cab, own their vehicles and lease/split revenue them to individual drivers. American Cab owns 6 of their 22 permitted taxis. At first glance these individual taxi companies would be considered level 3 taxi firms – providing the framework for a taxi company but not actively marketing their services. Ace Taxi, for example, generated and serviced 695 trips for the period between October 28 and November 25, 2006, utilizing 7 taxis. This represents an average of only 3.5 trips per day per vehicle. (A review of Palm Spring Airport taxi dispatch records indicates that approximately 40% of these trips were from the airport).

Also, American Cab, with 19 cars serviced 2,052 trips during this time period or an average of 3.8 trips per day per taxi with approximately 50% of these trips being generated by airport pickups. Finally R&C Taxi, with 6 cars operating during this time period serviced 651 trips for an average of 3.9 trips per day per vehicle with approximately half of the trips being generated by the airport.

On the other hand a taxi firms such as Classic Cab with 7 vehicles served 1,140 trips during this same period averaging nearly 6 trips per vehicle per day with little or no airport pickups. A similar pattern could be identified for Yellow Cab with an average of slightly more than 6 trips per day per vehicle during this same time period with only a relatively few airport pickups.

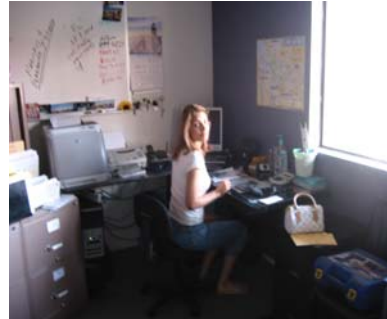
All of these operators indicated there were simply too many taxis in the Coachella Valley market currently for them to make a decent living. The only exception was American Cab which felt that the market place would right itself when others left the industry.

Most indicated they would like to return to their former days (prior to 2000) when there were far fewer taxis in the market but considerably more business (trips per day per vehicle) than there was currently. These operators, along with the owners of the larger



taxi companies expressed a desire to bring back the cap on the number of taxis and stop the financial hemorrhaging of the current system of 265 taxis.

## Indio Yellow Taxicab Company



Indio Yellow Taxicab Company is unique in that it is small but yet operates as a full service taxicab company with a relatively high number of trips per vehicle per day – 15. Most of its trips would be considered short trips but it charges significantly less than all other taxi companies in the valley, \$2.60 per mile. Finally, as shown its vehicles are considerably newer than the majority of taxis within the valley.

### Interviews with Driver/Owners at Palm Springs International Airport

Palm Springs International Airport has invested heavily in providing their on-demand taxi and prearranged ground transportation operators with excellent facilities. As pictured below, an attractive air conditioned facility has been build for drivers to wait

while their place in the waiting line comes up. This facility contains seating, reading, and sports areas where drivers can rest, play ping pong, watch TV, catch up on their internet emails through free WIFI internet service, or go to the bathroom. It is probably one of the most modern and attractive airport taxi waiting areas to be found in North America.

### Palm Springs Airport



Within the facility lounge area, drivers can monitor the airline arrivals flat screen TV as shown below. Their taxis have been electronically verified when they entered the airport taxi holding area so when their turn to go to the pick up curb area is next, it is shown on a large outdoor display that than can be seen from within the building or from a driver's parked car. The driver then proceeds to the pick up curb area to wait his turn for a passenger to load.



At the pick up area, visitors and residents alike are met by the airport’s new taxi starter who assists them into an on demand taxi. As shown by the following photographs, this process is orderly but passengers appear to be somewhat concerned as they attempt to load into the taxis from both the starter’s ramp and directly from the terminal curb.





Also, as shown by the large number of taxis parked in the airport holding lot, the available supply of taxis far outnumbers the demand for taxis at any one time at the airport. Typically there are 40 or more taxis waiting at the holding facility and another four or so on the pickup curb. This far exceeds airport demand for taxis. On the busiest of days, during peak tourist season, the total daily demand for taxis will be no more than 280 trips. During the off peak months, the daily demand for airport pick up cabs can be far fewer than 80 cabs for the entire day.

When one examines the peak hour demand for taxis, typically between 1 and 3 in the afternoon, this demand rarely totals over 35 trips per hour, even during peak tourist season. During the off peak summer months, daily “peak” can be 10 or fewer trips per hour. This is a huge difference and requires considerable flexibility upon the part of the taxi industry to gear up for the peak and also be able to significantly decrease the number of cars and drivers they have on the streets during off peak months. Driving a taxi in Coachella Valley can and has to be a seasonal job for many drivers.

As shown below, the Palm Springs International Airport is a splendid facility for taxi and other ground transportation drivers, even if they are not picking up at the airport. It can be and probably is a convenient waiting area for taxi drivers while they are waiting for a dispatch call. As long as the car is not taken to the airport curb, they are not charged the \$3.00 dispatching fee.

In all fairness to the rigors of the job of driving a taxi, Palm Springs summer conditions can be blazingly hot, so a respectable air-conditioned waiting area for drivers is no doubt in the best interest of community. No one wants taxi drivers to arrive at the airport (or any other customer pick up area) all sweaty and wrung out due to the heat.



Drivers and owners from several other taxi companies were interviewed at the taxi holding lot at the Palm Springs International Airport. These were drivers from taxi firms such as United Taxi (8 cars) which derive most, if not all of their business, from the airport. United Taxi serviced 1049 trips per the November time period mentioned previously, for an average of 4.7 trips per day per vehicle – nearly 100% from the airport.

Airport Taxi drivers, as the name implies, were also present at the airport. Airport Taxi drivers serviced 2,415 trips during this period with 19 vehicles for an average of 4.5 trips per vehicle per day with about 50% coming from the airport.

Finally, drivers for smaller taxi companies such as Sun Taxi (6 cars), Star Taxi (6 cars), and Executive Taxi (8 cars) were also interviewed at the airport. These smaller companies generated between 30 and 50% of their trips at the airport, but generally made fewer trips per day than the others. Sun Taxi for example, serviced only 201 trips for the time period with 6 cars or an average of 1.2 trips per day per vehicle. Executive and Star Taxi were somewhat better averaging 3.0 trips per day per vehicle. A complete listing of the existing 21 taxi companies in November, 2006 and the number of trips per day per vehicle they achieved is displayed in Appendix D.

Discussions with these drivers was considerably different than the viewpoint of the taxi company owners except for the fact that, for the most part, they all agreed there were just too many taxis in the marketplace for them to make a living – that there needed to be a cap on the number of new cars and vehicles companies could add to the existing pool. Other than that, there was wide divergence on what these drivers would like. Most would like to have a medallion system whereby they owned their own cab number of medallion and did not have to pay a taxi company for the right to run under their name or colors. They also desired a minimum fare from the airport so there would be no short trip issues. Their suggested minimum was \$20 to \$25.

### **Interviews with Palm Springs International Airport Staff**

Staff at the Palm Springs International Airport indicates that taxi driver behavior has become a significant problem in recent years. In an attempt to reduce rude behavior, short trip refusals, long riding of airport passengers, and poor service, airport officials developed a taxi starter system which is paid for by dispatch fees paid by the drivers and added to the meter fare. Even with this dispatcher presence at the curb however, problems persist in that drivers have refused to transport passengers with large amounts of luggage, take the longer routes to their destination in many situations, and attempt to refuse short trips by insisting they do not know where the location is.

Airport staff suggests that some of this behavior can be explained by the few trips per day many of their “airport commando” taxis have each day – causing large amount of wait times between trips. Even during peak season, airport taxis may only achieve 4 or 5 trips per day. During the off season, it can be as low as two or three trips per day.

In this there is agreement with taxi drivers interviewed at the airport holding area – there are just too many taxis at the airport, so no one can make a living. Drivers will wait two, three hours or longer for a fare from the airport, service their customer and then deadhead right back to the airport holding lot so they can get back in line. Alternatively, dispatched taxi drivers will normally avoid getting in the airport holding lot whenever they drop off at the airport due to the long waiting times expected. One of the reasons taxi fares are relatively high in Coachella Valley, it was explained, is that the current airport system promotes considerable inefficiencies and waste a lot of driver time.

### **Interviews with SRA Officials**

Officials of the SRA must process taxi operator and driver permits, inspect the vehicles, read the meters monthly, administer tickets for violations of SRA regulations and generally oversee the operations of 22 taxi companies, 255 licensed vehicles, and approximately 500 drivers at any one time. Their observations concerning the Coachella Valley taxi situation are relatively straight forward.

Generally, they would like to see less fractionalization in the provision of taxi services in order to improve the quality of the services provided. Over a period of years they have seen the industry add significantly more firms and taxis within the Coachella Valley taxi market. These additional vehicles have been primarily what are referred to in the local taxi industry as “independents”. These are drivers who bring their own car and simply drive under the colors of an existing taxi firm – paying as little as \$25 per week. Of course no dispatching, marketing, or support services are provided for this – only the right to operate as a taxicab within the Valley.

As this number of vehicles and driver grows, SRA staff admits they can not provide the daily oversight necessary for the industry with one office staff member and one office manager who also may double as the field compliance officer. If the current situation persists, it is felt than an additional field officer is needed.

Finally, comments have been made regarding the fees per taxi regulated when compared to other communities. When compared to other regulatory agencies in similar sized communities, SRA fees are considerably higher. The cost of local taxi regulations are a direct function of the duties required of SRA and the personnel necessary to carry them out. When this cost is divided by the number of vehicles they regulate, the result is largely dependent upon the number of vehicles under their regulatory umbrella. In most of the communities they have been compared with, there are many more vehicles under local regulation. Shared ride vans, sedan, limos, courtesy vehicles, even tow truck operators are typically also regulated. The number of these vehicles far outweighs the number of taxicabs within the community. Thus, the cost per vehicle regulated can be and often is much less.

The cost of regulatory oversight can also be looked at as a function of the size of the industry they regulate. There are 22 taxi firms, over 400 taxi drivers with a 50% turnover rate, and an industry that represents an income of something over \$14,000,000 per year (assumes \$150 revenue per day per taxi). For an industry of this size to be regulated with a staff of four people or less is really quite efficient.

### **User Surveys**

Sampling the public's opinion in terms of the price, service and vehicle appearance is helpful in gaining an understanding about how they feel about the current taxi service, the individual provider companies, and any concerns they may have for the future of taxicab services within their community.

In this study, mailed questionnaires were utilized to obtain users opinions. The questionnaires were distributed to civic leaders, community service institutes, restaurants, resorts, and hotels within the Coachella Valley. Because the "transportation disadvantaged" and the non-residents are the major users of taxicab services, these target groups representative significant market potential for taxicab services.

### **Sampling method**

The convenient sampling method was used in this study. Surveys were mailed with a cover letter and a self addressed stamped envelope for easy return. A total of 91



surveys out of 714 (780 less 66 returned for bad addresses) were returned for a response rate of 13%. While the response rate achieved was low in comparison with other communities, it did provide a sampling of the opinions regarding local taxi service in the valley.

### Questionnaires

The questionnaires included several types of questions. The first part was asking respondents to tell us which taxi companies they used most often. The second part included a series of close-ended questions with attitudinal (order) choice. These questions were used to seek their view of taxicab arrival time, driver professionalism, vehicle quality, and so on. The last part was open-ended questions asking respondents for any comments they may have regarding their local taxicab service.

### Results and Findings

The following is a summary of all three respondent groups and how they rated local Coachella Valley taxi operations and their companies.

#### Part I:

### Coachella Valley Taxi Service Questionnaire Results

## Question

1

## Summary

Which taxicab companies do you regularly call for service?

#### CIVIC LEADERS:

A Valley Cabousine	4
Airport Taxi	1
City Cab	1
Classiccab	1
Country Club	1
Desert Destinations	1
Indian Wells	1
Indio Yellow	3
La Quinta	1
VIP Express	1
Yellow	3

#### HOTELS:

A Valley Cabousine	7
Airport Taxi	1
American	1
Bighorn	2
City Cab	24

Classiccab	6
Country Club	1
Indio Yellow	1
La Quinta	3
Mirage	2
Tops	1
VIP Express	15
Yellow	3

**RESTAURANTS:**

A Valley Cabousine	7
Ace	3
Airport Taxi	1
American	1
Bighorn	4
City Cab	14
Classiccab	8
Country Club	1
Executive	4
Indian Wells	1
Indio Yellow	2
La Quinta	1
Mirage	2
Palm Springs	1
Tops	1
VIP Express	10
Yellow	1

## Coachella Valley Taxi Service Questionnaire Results

**Question 1 Summary** *cont'd*

Which taxicab companies do you regularly call for service?

ALL RESPONSES:	
City Cab	39
VIP Express	26
A Valley Cabousine	18
Classiccab	15
Yellow	7
Indio Yellow	6
Bighorn	6
La Quinta	5
Mirage	4
Executive	4
Country Club	3
Airport Taxi	3
Ace	3
Tops	2
Indian Wells	2

American	2
Palm Springs	1
Desert Destinations	1

### Analysis

As shown by these results, four Valley taxi companies, City, VIP, A Valley, and Classicab are most frequently called taxi firms within Coachella Valley. Three of these companies are larger than their competitors and operate a full service dispatch operation for their drivers. Classicab, however, even though they operate primarily out of a home base, are the preferred taxi for a number of establishments. This result also demonstrates that no more than eight of the twenty three taxi companies regulated by the Sunline Regulatory Agency have significant radio dispatch activities.

As one might expect companies not mentioned frequently in the survey as being radio dispatched are found primarily at the Palm Springs International Airport. The top airport taxis from airport dispatch records are American Cab, Airport Taxi, United Taxi, USA Taxi, Palm Springs Taxi, and Indian Well Taxi. Together these firms were mentioned by only eight of the respondents or less than 9% of those responding. Thus, as one views the results of the rest of the survey, it is clear respondents are relating their views about the taxi firms which they call frequently. .

### Part II:

Coachella Valley Taxi Service Questionnaire Results		
Questions 2 Summary/All Responses		
What is the average wait time for a taxicab to arrive at your establishment after being called?		
<b>CIVIC LEADERS:</b>		
Less than 5 minutes	0	0%
5-10 minutes	1	13%
10-15 minutes	3	38%
15-20 minutes	2	25%
20-30 minutes	2	25%
More than 30 minutes	0	0%
<b>HOTELS:</b>		
Less than 5 minutes	6	14%
5-10 minutes	19	43%
10-15 minutes	12	27%

15-20 minutes	5	11%
20-30 minutes	2	5%
More than 30 minutes	0	0%
<b>RESTAURANTS:</b>		
Less than 5 minutes	4	17%
5-10 minutes	9	38%
10-15 minutes	8	33%
15-20 minutes	3	13%
20-30 minutes	0	0%
More than 30 minutes	0	0%
<b>ALL RESPONSES:</b>		
Less than 5 minutes	10	13%
5-10 minutes	29	38%
10-15 minutes	23	30%
15-20 minutes	10	13%
20-30 minutes	4	5%
More than 30 minutes	0	0%

### Analysis

As shown from the replies above, taxicab services are typically provided within a 30 minute time frame. Nearly fifty percent of the respondents reported the expected wait time of 10 minutes or less. For some large metropolitan areas this would be considered good taxi service. Overall, these service times would be considered good. However, for smaller communities, where distances and congestion may be less, these times would be about average for taxi services.

Much of this acceptable level of service however is achieved through selection of taxi companies that show up consistently in the shortest period of time. Certain taxi companies such as City Cab, Vip Express, and A Valley Cabousine have historically staked out specific geographic areas within the Valley to concentrate service within and typically will strive to keep their taxis within these boundaries.

## Coachella Valley Taxi Service Questionnaire Results

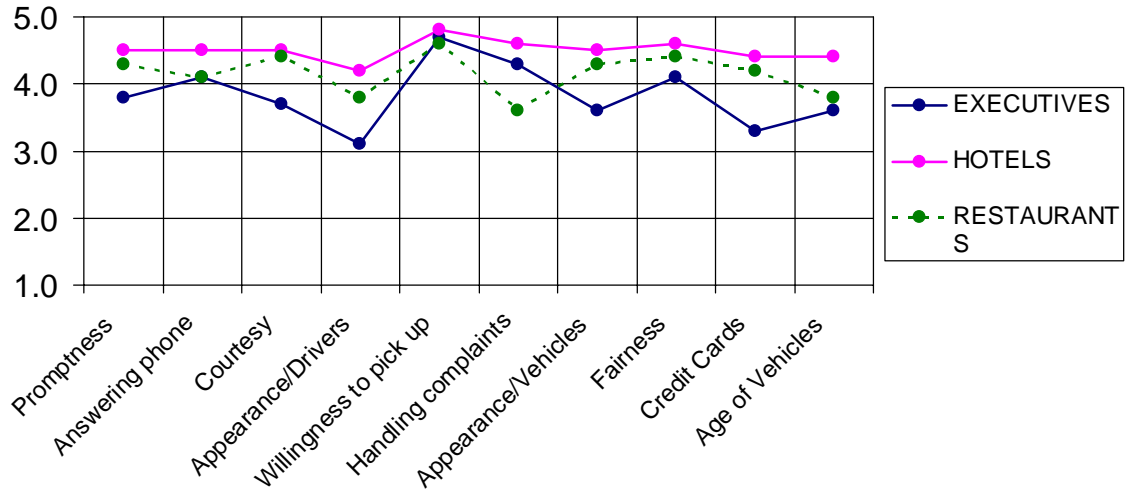
### Question 3 Summary

How would you rate the taxi service you presently receive?

	CIVIC LEADERS	HOTELS	RESTAURANTS	ALL RESPONSES
Promptness	3.8	4.5	4.3	4.2
Answering phone	4.1	4.5	4.1	4.2
Courtesy	3.7	4.5	4.4	4.1
Appearance/Drivers	3.1	4.2	3.8	3.7
Willingness to pick up	4.7	4.8	4.6	4.7
Handling complaints	4.3	4.6	3.6	4.2
Appearance/Vehicles	3.6	4.5	4.3	4.1
Fairness	4.1	4.6	4.4	4.4
Credit Cards	3.3	4.4	4.2	4.0
Age of Vehicles	3.6	4.4	3.8	3.9

5 = Very Good 4 = Good 3 = Okay 2 = Poor 1 = Very Poor

Q3 How would you rate the taxi service you presently receive?



## Coachella Valley Taxi Service Questionnaire Results

### Question 4 (Hotels Only)

Do you arrange airport transfers for your guests? If yes, which companies do you use? How is the service arranged?

Yes	%	No	%
17	39%	27	61%

Most mentioned cab companies: City Cab (8), VIP Express (4);  
1 mention each for A Valley Cabousine, Classiccab, Airport Taxi,  
and Cardiff

Arrangements: 11 make arrangements by phone, 1 by advance  
appointment; arrangements made by guest or hotel staff

### Question 5 (Hotels Only)

Do you provide your guests with other forms of ground transportation such as courtesy shuttle services?

Yes	%	No	%
7	16%	38	84%

## Analysis

The above averages for attributes about Coachella Valley taxi service would appear to be quite good and, in fact are, when compared to other communities. However, it must be considered that the companies being rated are those listed as most often called, or at best only a handful of the 22 taxi companies licensed to provide taxis services. Interestingly the civic leaders' opinion, being formed primarily by using taxicabs from the airport, is significantly different than the hotel or restaurant responses. These users generally rate

their service as being mainly O.K. Thus, we have respondents really rating two cab groups – one which is called and dispatched and another which picks up primarily at the airport

**Coachella Valley Taxi Service Questionnaire Results**

**Question 4 (6 on Hotel Survey)**

Do you arrange shuttle, limousine, bus or van service for your guests/patrons?  
How is the service arranged?

Yes	%	No	%
19	24%	60	76%

Shuttle Companies: At Your Service (1), Cardiff (5), Express Shuttle (1), Prime Time (1), Desert Destinations (1), West Coast Shuttle (1), Good Life (1); Several mentioned cab companies.

Arrangements: Most arrangements are made by phone

**Coachella Valley Taxi Service Questionnaire Results**

**Question 5 (7 on Hotel Survey)**

Please list any comments you would like to make regarding Coachella Valley taxicab services.

**CIVIC LEADERS:**

+	-	n/a	#	Comments
		1	2	I only used a Coachella Valley taxi once in the past 5+ years from P.S. Airport to my home in Palm Desert; service was fine but I thought that it was too expensive.
		1	3	Only use taxis from airport; service is prompt but too expensive
		1	6	I have never used taxi service in the Coachella Valley
	1		7	The worst in southern California; overpriced and smelly
	1		8	Seem to be high priced, e.g., \$45.00 to drive to Indio (less than 16 miles)
	1		9	Appearance of taxi cabs is below average; should be presentable (comb hair, clean clothes, etc.) Appearance is everything!
1			10	The Housing Authority's experience with A Valley Cabousine has been overwhelmingly positive. They have conducted themselves professionally in all our contacts and we wish to recommend their service with our highest compliments.
1	3	3		
14%	43%	43%		



**HOTELS:**

+	-	n/a	#	Comments
		1	2	The bus system needs improvement! Taxpayers' funding is wasted on ineffective services.
1			3	We used to use Rainbow until they went out of business. Just picked VIP, and they have been very good to our guests; no complaints for all the years we've used them.
	1		4	Rates seem very high for this area. Most of our guests don't use much because too costly.
	1		5	Taxicab drivers need to be professional and well groomed; they are our city's first impression when our guests arrive at the airport.
		1	8	Have tried Ace, Airport (never again); American (ok); USA (ok)
1			10	We use VIP exclusively and are very pleased with service.
		1	14	We could use a little more service in Desert Hot Spring; perhaps a dedicated cab?
1			15	Mike at A Valley Cab is great; he always takes care of me and makes my hotel a priority; Bill is wonderful as well. I never call any other company.
	1		19	Palm Springs taxi service is very rude and should not be in business.
		1	20	City Cab fantastic! Have had problems with Airport Taxi and VIP Express with drivers' very poor attitude.
	1		21	Answering their phones in a more timely manner and not going directly to voice mail when calling. Big problem with La Quinta Cab on this matter.
1			26	City Cab serves us well.
	1		32	At times we have heard comments from guests stating that cab drivers will either refuse or reluctantly accept passengers for short trips to or from the airport.
		1	33	Bring back Line 31 on weekends.
		1	36	Twenty Nine Palms: Top's taxi is now the only taxicab co. in this town. It means not good service. You should have questions about prices (comparing), etc.
	1		38	Some companies have over charged guests, e.g., \$35.00 from airport which is less than mile and a half.
	1		39	Only City Cab you can count on to not be anti-gay; many cab drivers have no change thus take advantage of guests; do not want to take guests to WMM Sands and some are very anti-gay. There have been this year so far 4 complaints of taxi drivers being rude; no change and not taking guests to WMM Sands.
		1	44	Peak times - long wait or no arrival. This happens frequently on holidays. Generally, service is good except for that.
4	7	7		
22%	39%	39%		

**RESTAURANTS:**

+	-	n/a	#	Comments
	1		1	The one bad experience was when one of our regular customers who is legally blind was taken for a ride instead of straight home. He refused to pay the driver; he was very upset. I don't remember the company.

		1	3	\$7.50 for 2 miles seems high but there so is gas; \$10.00 with tip was a new experience for me.
	1		4	They should be more polite when taking calls for pick up; They should be willing to come in my restaurant for their pickups; my guests should not have to wait in hot/cold temperatures outside.
1			5	A Valley Cab is wonderful
1			6	Overall they have very good service
	1		7	Rude on phone
	1		10	At peak times/season hard to get a taxi in less than 1/2 hour, sometimes even longer; Dress codes of taxi drivers could be much better. Some very sloppy dressed and cars dirty and bad smell (smoke and sweat)
1			11	They are prompt in picking up customers
1			12	Overall very good
	1		13	Many cabs (all companies) reek of smoke from drivers smoking when cab not occupied; don't smoke when driving customers
1			14	We have been very pleased with the taxi service with all these companies
1			16	Would like to thank City Cab for their kindness to my patrons. They must put up with alot. Thank you for asking.
1			19	[illegible] good services
1			21	So far we thank them; good services.
1			23	They are usually very good in responding to our customers' needs.
		1	24	They need to talk more positive about nightclubs; not one-time negative issues.
1			25	Good service
10	5	2		
59%	29%	12%		

**Analysis**

Open ended questions are impossible to quantify other than being positive or negative. As shown by these results, although there were some very nice comments about specific taxi companies, their dispatchers, or their drivers, the overwhelming tone of the comments were negative especially when it comes to price and appearance. One may argue that this is nothing new when evaluating taxicab companies, but in a tourist oriented community, taxicab service is the first and last impression visitors will have, and therefore a visitors’ feeling about their visit could very well be colored (positive or negatively) by their taxicab trip to and from the airport.

**Coachella Valley Taxi Companies: Conclusions**

Given the above surveys, interviews, and data analysis, it can be determined that the worsening taxi problems within Coachella Valley are due primarily to the

deteriorating structure of the existing taxi industry. The Coachella Valley taxi industry has essentially devolved into a deregulated open entry system through which excessive additional taxicabs are placed into service by existing taxi companies. These new taxis are primarily owner operated independent taxicab operators.

Only about a third of the taxi firms are attempting to be full service taxi firms – operating full time dispatch, managing a fleet of vehicles, supporting drivers through marketing, generation of business, credit card processing, etc. Many others are smaller firms, oriented to the airport, a particular hotel, or personal accounts. These firms are primarily SRA permit leasers' to independents who bring their own vehicle and pay a weekly fee for little or no services. They may or may not work through a spider network on their cell phones but as observed, they do not take short trips or trips that would involve a long travel time to pick up the customer.

To be complete in this review however, it should be pointed out that there are several other taxi firms located at the extreme southern end of the Valley which appear to stick close to their markets and serve them well. Indio Taxi, a full service taxi operation, with only 6 cars in service, all owned by the company, during the month of November 2006, provided 2540 trips for an average of 15 trips per day per vehicle with relatively no outbound airport trips. It should be noted that this firm also does not charge the standard \$3.00 rate per mile but rather stayed with the old rate of \$2.60 per mile. Their trips are mostly local and their orientation is service their local demand.

La Quinta Taxi would be another that attempts to keep its drivers in a certain geographic area. However, their results are less impressive – achieving only 5 trips per day per vehicle.

Other taxi firms such as Indian Wells Cab Company appear to split their operations, owning half of their fleets and leasing the other half to independents. While difficult to determine, it is suspected that the independent half serves mainly the airport since airport records indicate a significant presence at the airport, but the owned taxis work primarily their local pick up and dispatch calls. Overall this firm achieves an average of slightly more than 4 trips per vehicle per day of operation.

Taxi firms which are averaging only 4 or 5 trips per day per vehicle are either leasing their colors, providing no services, or running an owned portion of the fleet,

averaging considerably more business and leasing permits to independents who primarily work the airport. There is little cost to these firms and they obtain a \$100 or more per week just to let others use their color and logo.

This existing “open entry for independent taxis” structure for taxi services makes it extremely difficult for full service taxi firms to grow within the Valley. As previously mentioned, these independents, as shown by the surveys, are not relied upon by the hotels or restaurant trade, so they must either wait in line at the airport or work some “agreement” with hotel doormen and other generators of taxi traffic (or both). Therefore, instead of full service taxi firms gaining density and being able to offer faster service, improved vehicles, and modern taxi dispatching technology such as GPS positioning and shortest routing, they are hard-pressed to maintain current operations – especially through the summer season.

Also, as previously shown, these full service companies rarely participate in the outbound airport taxi market since the holding lot wait times would be just too long for their drivers to wait. This causes most drivers to deadhead back to their primary service area empty. Unfortunately, this is one of the primary drivers of current taxi rates which are far above rates for comparable taxi service in any other North American community.

Finally, the handicapped or physically challenged community has been completely ignored by the Coachella Valley taxi industry. No taxi company is making a serious attempt to provide service to this growing segment of the population. While human service agencies typically provide advanced reservation service to those confined to a wheelchair, taxi companies in other communities now viewing this as part of their expanded service to the community making at least a portion of their vehicles accessible by wheelchair so these individuals may have the same on-demand taxi service as able bodied individuals within their community at the same fares. Such a service often adds considerable dignity to the handicapped as they choose among their limited transportation options. Human service organizations are now readily contracting with taxi firms to provide these on-demand taxi services due their considerably lower cost than those advanced reservation services provided by the agency.

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## Comparisons with Other Cities

Contained with Appendix E 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. (Note that this Appendix has been use in other reports to inform readers of the academic literature surrounding the operation of urban taxicabs.)

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 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 fully realize 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, so why not let them serve only the airport, a particular hotel, or just whomever they wish? Also, 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 driver's wages suffer, fares increase and poorer service results, especially in economically disadvantaged urban area, from unlimited entry of taxicabs. This is the current situation in Coachella Valley taxi operations!

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 of independent drivers, which entitles them to the same status as full-service taxi firms which have multiple vehicles, insurance, radio-dispatch service, business support, and a commitment to serve the entire community.

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 taxicabs in the region and city residents are faced with declining availability and increased fares.

It is therefore incumbent upon the community to design a taxi system that, while utilizing either split commission or independent contractor drivers, offers a fair income opportunity to drivers and obtains maximum utilization from vehicles, so as to offer and maintain a high level service at reasonable rates to residents and visitors alike.

### **Probable Future for the Coachella Valley Taxi Industry**

Unless significant changes are enacted immediately, one can expect the airport situation to deteriorate even further. The increased number of independent taxis have largely no other place to go but to the airport in the hope that they will drive others away – leaving the trips to them. This causes considerable frustration to the existing long term drivers. There is constant pressure to make the few airport trips really count. The result is a greater tendency to take the longer route, overcharge the passenger with phony additional bag charges, insist on a minimum fare, or all of the above.

This continued lack of synergy and efficiencies in the Coachella Valley taxi market will also put pressure by drivers on SRA to raise taxi rates once again due to increased gasoline prices, insurance costs, etc. – any reasonable issue that may be seen as raising their costs – instead of focusing on ways to become more efficient and even lower rates to attract more business.

This increase in rates will make it even easier for competitors in the sedan and limo market to attract more of the traditional taxi market from these exiting providers, thereby forcing the airport to load more prearranged ground transportation and less on-demand taxis.

It can be expected that more and more full service taxi companies will be tempted to discontinue their maintenance facilities and even dispatching in order to lower their costs and simply collect “rents” from the independent taxi owners who wish to operate under their colors. Also, it can also be expected that independent taxi drivers will wish to form their own taxi companies, thereby avoiding payments they make to someone else. Such devolution of the local taxi industry is relatively easy to predict given the experiences of other communities cited in Appendix C. Thus, unless citizens of Coachella Valley desire the same outcomes for their taxi industry, significant structural changes need to be made immediately.

### **Priority of Coachella Valley Taxi Issues**

As a required task of this report, a listing of the primary issues facing the Coachella Valley taxi industry was to be identified. Given the forgoing, this priority would be as follows:

- Fragmentation of the taxi industry
- Proliferation of taxis – especially airport taxis
- Lack of modern industry technology for cost reduction and improved service
- Vehicle age and taxi rates
- Need to restructure the taxi industry to support full service providers

As shown, the first four of these issues are really results of the current structure for taxicab services, current interpretation of regulations, and their administration. The last issue is the most pervasive since it is forward-looking and asks what may be done to restructure the industry in order to support full service taxi firms of the future. The remaining recommendations follow a sequential set of steps to bring this about.

### **Recommendations**

Restructuring the Coachella Valley taxi industry to support full service taxi companies and their customers depends upon how urgent regulators feel the need to do this. There is bound to be some sentiment that nothing at all should be done – that the marketplace will take care of taxi service needs in the long run – just like any other

industry, that owner of taxi permits should be able to pick and choose whatever markets they desire. If they want to be only airport operators then so be it. Other firms will be available to serve the rest of the community.

Others will argue that existing taxi companies have a right to run their existing business as they see fit and the local governments have no right to change this structure – especially if it means greater investment on their part, changing the way they do business or going out of business rather than comply with new requirements.

Restructuring the Coachella Valley taxi industry will also depend upon the actions of the existing full service taxi companies. Given the opportunity and, indeed, mandate to expand their operations, will they modernize their fleets, install cost reduction technology, and increase their marketing of services to new areas such as wheelchair services to the mobility impaired?

However, the status quo or do nothing alternative is really not a viable alternative for the Sunline Regulatory Agency to take. Things will only get worse – much worse. Pressure will mount for yet higher taxi rates, individual driver oriented medallions, lower regulatory fees, and even greater relaxation of existing regulatory rules. Poor service providers will drive good service providers from the market as they seek income by increasing payments to doormen and discouraging other drivers from serving the airport. Service will deteriorate while problems increase.

### **Immediate Steps to Take**

Steps that SRA could take immediately to strengthen the existing regulations would include the following:

- Immediately stop the addition of new taxis – especially independent owner drivers to existing fleets
- Strictly enforce the vehicle age limit of no more than 7 model years
- Strengthen the requirement for a business address by also requiring 24/7 dispatching from this facility
- Immediately enforce the requirement (Section 1.00.080, A,2) that each taxi company maintain a minimum of 5 vehicles as owned by the company
- Require all taxis to be insured through and by a taxi company policy



- Increase SRA field staff by one to improve inspection and supervision of taxi drivers
- Require driver English and local geographic street proficiency through testing at renewal and initial application

### **Actions to be taken within Six Months**

Structural changes within the existing system of taxicab regulations can be achieved with modifications of the existing taxicab regulations. These will require some amplification and expansion of existing requirements but would appear to be possible without significant structural changes. Since these recommendations require greater explanation, they will be explained in more detail.

**1. Inform all taxi operators that their permits are being renewed for only one additional year as specified by current regulations.**

Current SRA regulations (Section 1.00.03, H) specify that operator permits must be renewed in July of every year and that they are entitled to only one continuing year upon renewal. Thus, in order to preserve options for further structural changes in the future, operators should be given adequate notice that their operating permits will expire with no guarantee of renewal as of July 2008.

**2. Institute a policy by SRA that permits Coachella Valley taxis to enter the Palm Spring International Airport only on alternate days.**

Such an action would have the affect of spreading the airport demand maybe to include full service taxi companies and forcing airport commando taxis to serve other markets. The word “maybe” is used to estimate the reactions of the full service taxi company drivers since even with only half of the existing airport commando taxis serving the airport on any one day, there will still be an excess of taxis at the airport. And, there will still be the inefficiencies of these taxis retuning to the airport empty.

Such actions would require the Palm Springs International Airport to either adjust their electronic Automatic Vehicle Identification system to permit vehicles to the pick up curb area only on alternate days or comply

with an SRA requirement that a simple system of odd and even license plate days be instituted. Neither the Airport nor the City of Palm Springs would appear to change their taxi policies since this would be an edict of the area's taxi regulatory authority (SRA), not the airport.

**3. Require the minimum number of taxi service trips per day per vehicle to be 10.**

As shown by the statistics in this report, full service taxi companies achieve significantly more trips per day per vehicle due to their use within the Valley. Thus, in order to encourage development of fewer but more efficient taxicab operations within the Valley, operator permits should only be maintained for those which achieve a minimum number of trips per day per vehicle. If a company can only generate 50 trips per day, then the maximum number of permits he/she would be able to operate would be 5 cars.

As more trips per day are generated, more cars should be permitted for this taxi company. Given the nearly 50% annual turnover of taxi drivers within the Valley, there should be no problems associated with loss of jobs when some firms have to cut back on the number of cars they are running on their operating permit. Such a policy would also assist companies with reducing the number of vehicles they place on the street during the less utilized summer months.

For those companies unable to generate 10 trips per day per vehicle, there is always the alternative of being a prearranged sedan service. This state authority is relatively easy to obtain and they can continue to serve their existing client base – just not as a taxi.

**4. Mandate the use of newer taxi technologies.**

Study interviews taxi cab owners and managers at their offices revealed that only a very few of the operators have current generation computerized dispatching, however several indicated they had hoped to add these technologies in the near future as financial conditions permitted.

Without the connectivity of radio/electronic dispatch, a large percentage of Coachella Valley taxi operations take place without the benefit of these standard technologies utilized in the taxi industry to improve efficiency and productivity. These are technologies which have helped other taxi operations to maintain and even regain passenger traffic market share once lost to other competitors.

Foregone is the ability to use GPS technology for closest cab dispatching, electronic processing of credit cards, shortest route directions, immediate dispatch of police to the exact location in the event of an incident, dispatching of accessible vehicles when required, electronic payment of corporate or voucher business, elimination of manual record keeping, and any hope of lowering costs and fares through more efficient operations. Without these new taxi technologies, common in other cities, Coachella Valley taxi operations will forever be an increasing cost industry, perpetually requesting rate increases.

Given the lack of technology currently, taxi operators will be ill-prepared to face competitive challenges and rates will continue to escalate making alternative forms of transportation such as sedans, vans, limos, and even car rentals, more economical to use.

This would require investment in newer available technologies but not an unreasonable investment considering the benefits derived. Additionally, the costs of these new technologies have dropped dramatically within the past few years while the operational features and reporting capacities have greatly expanded.

For an investment estimated to be between \$1000 to \$1500 per vehicle, taxis could have electronic meters, GPS tracking and verbal directional driving information, computer dispatching, instant credit card swipe, electronic fare deposits and toll road/airport/seaport fee payments. Taxi drivers and users could have GPS shortest route to destination service, improved personal safety, greater payment flexibility, and accurate productivity per taxi information.

Coachella Valley taxi firms could choose to adopt a “pay as you go” method to acquire modern taxi technology; some of these firms offer total packages costing between \$40 to \$50 per month per vehicle. While this approach may be more expensive over a five year period, the advantages are that little upfront capital is required since the equipment is leased from the technology firm. Another advantage is that the equipment and software to support such an integrated taxi management system is maintained and upgraded by the technology firm.

An added benefit of such technology would be to make the task of taxi regulation much more informed and relatively easier. Many of these newer technologies provide for electronic capturing of all activity so that actual trips dispatched per hour per vehicle, trips per day per vehicle (including personals) as well as geographic area served. Service times and availability of services information would also be available.

There are several firms which offer these types of taxi technologies. A representative sample can be found at the following sites:

[www.mobile-knowledge.com](http://www.mobile-knowledge.com)

[www.digital-dispatch.com](http://www.digital-dispatch.com)

[www.TranWare.com](http://www.TranWare.com)

This list is not exhaustive and there are others that could meet all the reporting and dispatch requirements set forth in these recommendations.

**5. Mandate the requirement of one wheelchair lift per 25 vehicles in a taxi fleet.**

This requirement would have no immediate affect on the existing taxi companies since none currently operate a fleet of 25 vehicles or more. However, it does set the bar for any company that anticipates growing within the industry. Given the increasing demand for wheelchair equipped taxi services, this requirement should be visited yearly.

**6. Decrease the allowable age for a taxi to be placed into operation to be no more than 6 model years old.**

Industry experts have determined that for most taxi fleets, especially those purchased as new vehicles have an effective commercial life of approximately six years. This permits the operator to refit the vehicle with new drive train and interior after three years for three more use as a taxi. After 6 years and approximately 300,000 miles, the vehicle repair costs outweigh the cost of replacing the vehicle with new equipment.

**7. Include language into SRA Taxi Ordinance that requires licensed taxi drivers to accept dispatched calls unless they fear for their personal safety.**

This requirement eliminates the preference of trips by some drivers who want to service only certain areas or customers. As the holder of a Coachella Valley taxi driver's permit, individuals should be required to serve all the public, irrespective of their trip length or legal purpose – specifically the short shopping trip that may involve a minimum of miles.

**8. Include language into SRA Taxi Ordinance that requires 100% ownership of taxi vehicles and the use of split commission leases to engage drivers.**

Full service taxi companies that own and lease their vehicles on a split commission with drivers typically do not oversupply the market with vehicles since there is no incentive to do so. By adding vehicles without adding demand, the taxi company does not receive any additional monies, but rather incurs more cost in additional vehicles for the same demand. In this way the company is very tied to its customer base and its ability to generate demand for its drivers.

On the other hand, a taxi company which offers a straight lease to its drivers only has to cover the cost of the lease and he/she can issue as many cars as there are drivers wishing and willing to pay the lease. While there is to be a “10 trips per day per vehicle” minimum, there is no way

this minimum should be determined to be a maximum either – encouraging taxi operators to add vehicles just because the fleet average is at 10 or more. The ownership and split commission structure will be helpful in self regulating the Coachella Valley taxi industry.

**9. Include language into SRA Taxi Ordinance that requires all offenses of a taxi firms drivers (except speeding and other traffic violations) to be paid by the company.**

Unfortunately, the current position of the SRA and the companies is that that the taxi companies expect the SRA to supervise their drivers on a day-to-day basis. If the driver goes the long way, is rude or insults customers, then it is purely a driver issue since he/she is an independent contractor. Coachella Valley should move to make the taxi firm more responsible for the actions of their independent contractors. By having the companies pay the fines levied for SRA violations greater accountability and compliance with requirements will be achieved. That the company may then charge the driver is a matter between the company and the driver – not the SRA.

**10. Include language into SRA Taxi Ordinance that Requires all Taxi Companies to develop and use uniformed drivers.**

This requirement may be as simple as a white shirt and black pants or shorts but it is an indication of the professionalism or lack thereof within the taxi industry. Taxicab owners can typically not prescribe dress for fear of the IRS declaring an independent driver to later be an employee but if the requirement is part of the regulatory ordinance – either by a city or an airport, the taxi company is simply enforcing the local ordinance.

**11. Discontinue the Taxi Advisory Group.**

The next six months will be a difficult time for the Sunline Regulatory Agency, Coachella Valley Taxi Company owners, and taxi drivers. The industry will be significantly restructured to gain efficiencies, increase driver incomes, improve technologies, and regain its focus on taxi companies and quality customer service at a fair price.

Industry Taxi Advisory Groups are best utilized for their views and inputs as to how the industry is doing, concerns they have as operators, and data for which the regulatory authority can make decisions. Once a course of regulatory actions is decided upon, it is up to the regulatory agency (Sunline) to act like a regulatory agency and implement the course of actions they have chosen.

All too often Taxi Advisory Groups can act as if they were the decision makers with regulatory staff reporting and answering to them. In order to avoid this happening within Coachella Valley, it is recommended that the current TAG be disbanded and the Sunline Regulatory Agency utilize the standard form of public hearings and fact finding industry sessions as they move through this difficult period.

These structural changes to the Coachella Valley taxi regulatory system will improve existing taxi conditions. Taxi fleets will look newer, drivers and operators will earn more income from operating fewer taxicabs and service to the public should be able to be maintained at current taxicab rates (or decreased in some cases through service agreements to specific groups).

However, the imbalance at the airport would still exist. Thus after one year it is further recommended that the SRA and the airport implement a policy of having only a small number of taxicabs assigned to the airport (10 in off peak and 15 during peak) with the rest of the demand being filled with taxicabs which are verified as having dropped off a customer.

Using the airport's AVI system, a rolling 10 or 15 taxis would be assigned to the airport each day. This might be 20% of the total number of taxis in the Coachella Valley system during the peak months but taxi drivers dropping off at the airport would understand that they would experience a minimum of wait time if they stopped at the airport holding lot. In this way, all full service taxi company drivers would participate in the airport taxi business by obtaining a fare out of the airport as well as dropping off. The airport would be assured of a sufficient supply of taxis but not an oversupply. The

taxi industry within Coachella Valley would enjoy the efficiency brought about by eliminating the deadhead miles now experienced either going to or from the airport.

All taxis would probably not get trips going immediately back to their primary service area but as full service taxi companies grow and expand they will be dispatched to a wider and wider area of the Valley; thus taxi drivers will be achieving greater density and loaded miles for the total miles they are driving per day.

The above set of recommendations should bring about a consolidation and expansion of full service taxi companies within the Coachella Valley. The requirement of a minimum of ten trips per day per vehicle will force some taxi firms from the industry or reduce the number of taxis they can operate until such time they can generate additional market for their company taxis. The best and surest way to do this is to become a full service taxi company and market your product.

Full service taxi companies should expand to 40 or more vehicles per fleet as suggested in the Hunt Report. Upgraded technologies should improve operational performance. A taxi operator vehicle owner and commission split policy should help to keep the taxi system in balance but growth oriented as the firms can generate increased market demand.

As this happens, the regulatory burden placed upon SRA should decrease as taxi firms take over the day to day activities of their drivers.

### **A Final Recommendation - The Franchising Alternative**

The foregoing recommendations are made with the assumption that current taxi operators will not only comply with the recommendations but see them as an opportunity to grow their operations. Some, perhaps the smaller ones, may see that being a taxi company requires significantly more than they are willing to do and thus may easily choose to obtain a sedan or limo license. These are not regulated by SRA and are easily obtainable. In this way they would still be able to service their clients as a prearranged car service throughout the valley including the airport. They would just not be permitted to operate as a taxicab.

Should the existing taxi industry prefer to not participate in the revised structure for taxicab services, the SRA would have little choice but to competitively bid the



Coachella Valley taxicab service. Several communities of similar size such as Anaheim, California, and Salt Lake City, Utah, have either adopted or are in the process of adopting a competitive franchise approach to their local taxicab operations.

Instead of viewing their taxi operations as a regulated public utility, these communities have sunset this regulation in favor of franchisees or contract for taxi service much the same as an airport would offer a five year concession agreement for taxi or van services. The early results of this approach are very promising. Typically the wider competition from national and even international taxi firms outside the area results in new, cleaner vehicles, wheelchair accessibility, additional capital and professional management.

Given the current regulatory structure of SRA, offering only one year renewal permits, this would not be a significant change. The local ordinance could be rewritten to include five year contracts. (In fact such contracts could be offered to existing operators in return for significant additional investments).

Since the existing operator taxi permits are expiring in July and operators will be given their last year of guaranteed operation, the final recommendation is for the SRA Board to hold consideration of a Franchise Taxi System for one year. If the existing taxi industry is consolidating, modernizing, and service is improving, then it should be permitted to continue. If however, there is considerable resistance to restructuring the existing taxi regulations, then the franchise option should be considered further and implemented. Local operators that are making progress toward improvements could be given additional points on their proposal for service.

It is recommended that three to four taxi franchises could be developed for taxi firms of 50 to 100 vehicles each but no more than 175 total taxis in the valley at this time. Restricting the size of the total taxi fleet to 175 at this time would give the new franchise operators the opportunity to grow through the same formula of having at least 10 trips per day per vehicle, vehicle ownership, and split commission form of leasing to the independent contract driver. This form of taxi management for Coachella Valley would result in lowering the administrative cost for Sunline whereby a single administrator, a field inspector, and administrative assistant/secretary could manage the three or four taxi service contacts.

## **APPENDIX A:**

### **List of Coachella Valley Taxi Operators and # of Taxi Permits**

## **Appendix A: Coachella Valley Taxicab Firms**

**ACE TAXI  
7 CABS**

**A VALLEY  
11 CABS**

**CLASSICAB  
7 CABS**

**COUNTRY CLUB TAXI  
9 CABS**

**INDIO YELLOW CAB  
7 CABS**

**MIRAGE TAXI  
10 CABS**

**PALM SPRINGS TAXI  
10 CABS**

**R & C EXPRESS CAB  
8 CABS**

**SUNTAXI  
6 CABS**

**VIP EXPRESS TAXI  
23 CABS**

**YELLOW CAB CO.  
10 CABS**

**LA QUINTA CAB  
21 CABS**

**CITY CAB  
22 CABS**

**BIGHORN TAXI, INC.  
7 CABS**

**EXECUTIVE TAXI  
8 CABS**

**AMERICAN CAB  
17 CABS**

**USA CAB  
9 CABS**

**STAR TAXI  
6 CABS**

**UNITED TAXI  
9 CABS**

**AIRPORT TAXI  
19 CABS**

**INDIAN WELLS CAB  
16 CABS**

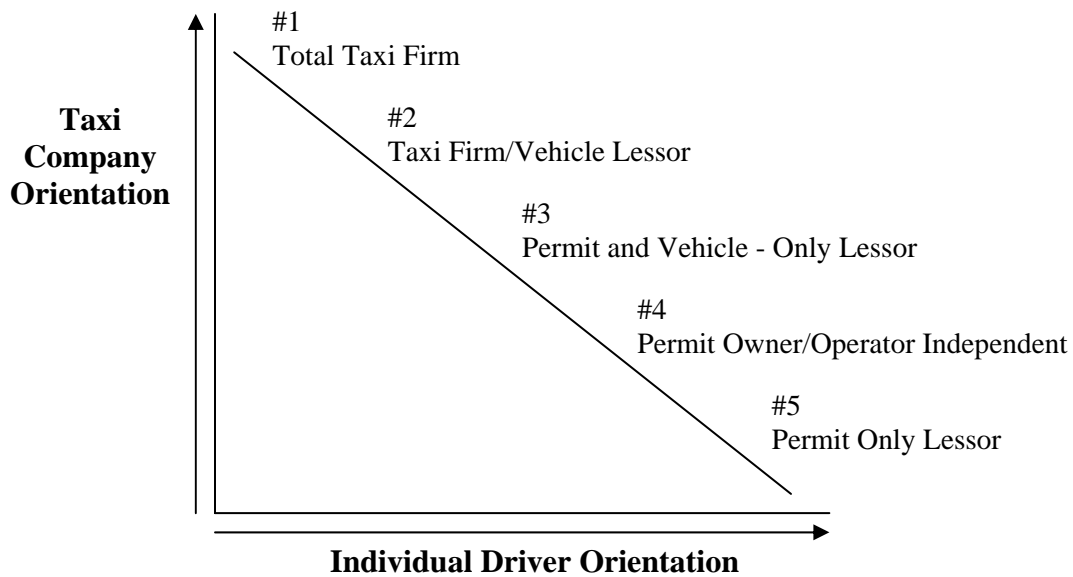
**PALM DESERT EXPRESS  
2 CABS**

**APPENDIX B:**  
**Detailed Explanation of Types of Taxi Companies**

## Appendix B: Detailed Explanation of Taxi Company Types

*Figure 1*

Continuum of City Taxicab Firms



At the top of the above slope, Category #1 represents the total taxi firm or, to some, the historical taxi firm. In this Category, a taxi firm has a physical facility from which to conduct its dispatching and vehicle maintenance. A full service taxi firm also 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 is the notable exception

to this generalization due to its orientation toward the famous “Vegas Strip” and state regulations.

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.

These lease arrangements can be a straight lease of so much per 12-hour shift, by the day, or by weekly leases. A common form of the lease arrangement is the commissioned driver whereby the revenue from the vehicle is split with the driver after gasoline and tolls are deducted from the total. With the commission or split arrangement, total taxi companies are acting in their own best interest by putting only the number of taxi vehicles out on the street as necessary since they maintain the vehicle and would receive no additional revenues if they oversupplied the market. The taxi driver benefits by staying busy and earning the maximum amount possible given the time he/she is leasing the vehicle.

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 can 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 locations 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.

Under the split commission approach to drivers, full service taxi company officials, realizing the potential loss of revenue from their portion of the revenue split, are generally not interested in continuing to lease vehicles to individuals that prefer not to take dispatch calls unless they are good fares.

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 that 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 might seldom see these 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 one – marketing, dispatching, credit card processing, corporate clients, etc.

In smaller operations, a limited version of a Category two firm may initially operate as a home based business, but then as the company grows, it typically

expands into its own facility – either by zoning regulations or the need for additional space and a place to interact with drivers and 24-hour dispatchers.

A level down from the company orientation to that of the driver orientation of the taxicab firm is represented by Category #3 in Figure 1 -- *Permit and Vehicle-Only Lessor*. It is often difficult to distinguish a level two taxi firm from a level three but in this scenario, a single individual, acting in name only as a taxi firm, will lease his/her taxicab permit(s) and vehicle(s) to independent contractor drivers. Typically, such an individual or firm provides very little or no 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 addition, the drivers may be connected through a common cell phone system that lets them easily reach one another to see who can take a call for service. Typically, such operations are comprised of ten or fewer vehicles in what is referred to as a “spider” network – trading customer calls to cover their demand. In summary this Category #3 taxi firm would offer no real coordinated 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 both Category 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 and other clients of the taxi firm. Such a firm may also have “airport only” cabs for lease or lease their permits to individuals that 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 these airport-only cabs will be considerably less than that of 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 Forth 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 cab stands, 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 or airport or both. Thus, the airport or the city becomes the de-facto personnel department for these drivers. The city's or airport's responsibility is to screen drivers (issue a permit), manage their conduct (require that they follow the taxi ordinances), and disciplines them 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 permit simply pays the city an annual fee for the permit privilege and then either drives a single vehicle himself or 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. This Category is comprised often of what the industry refers to as independent owner-operator, medallion drivers.

In this scenario, the city or airport again assumes the role of being the personnel department for the independent taxicab drivers. Often these drivers will join driver associations for the purposes of purchasing insurance and/or furthering their desires for increases in taxi fares and community support for the taxi 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 upper end of this continuum, the total taxi firm is adding significant value to the community permit using their own employees or commissioned drivers which they hold themselves out to manage. As we move toward the concept of the independent driver who owns his/her own vehicle, the community and/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 either Category one or Category two taxi firms and, as such, they assume very little management role of the taxi drivers at first, but over time, through issuance of driver's permits, vehicle inspections, daily citations for violations of city/airport taxi ordinances, etc. the city becomes the day-to-day management of the communities' taxi operations. This framework is an appropriate template upon which the Coachella Valley's taxi firms can be placed.

**APPENDIX C:**  
**Experiences of Other Cities**

## Appendix C: Taxi Deregulation Results in Other Cities

### Comparison with Other Cities

The failure of the U.S. taxicab industry open entries 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.<sup>1,2</sup> Dr. Paul Dempsey, in summarizing the empirical data from these researchers' studies and other commissioned studies<sup>3</sup>, 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.<sup>4</sup>

Other notable authors having once advocated taxi deregulation by removing the maximum number of cabs authorized to provide service and recognizing a 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

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

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

<sup>3</sup> 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

<sup>4</sup> 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."<sup>5</sup>

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.**"<sup>6</sup> (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

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

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

with the City, as long as the rate followed the prescribed form and was reflected on the taximeter.

"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.<sup>7</sup>

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.<sup>8</sup> 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,

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

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

fare increases prior to deregulation had consistently lagged cost increases. Veteran operators thus corrected prices at the first opportunity. Second, new 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 reason, 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, former commissioner of the New York City Limousine and Taxi Authority, **and previous peer reviewer of the Coachella Valley taxicab industry**, 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.'"<sup>9</sup>

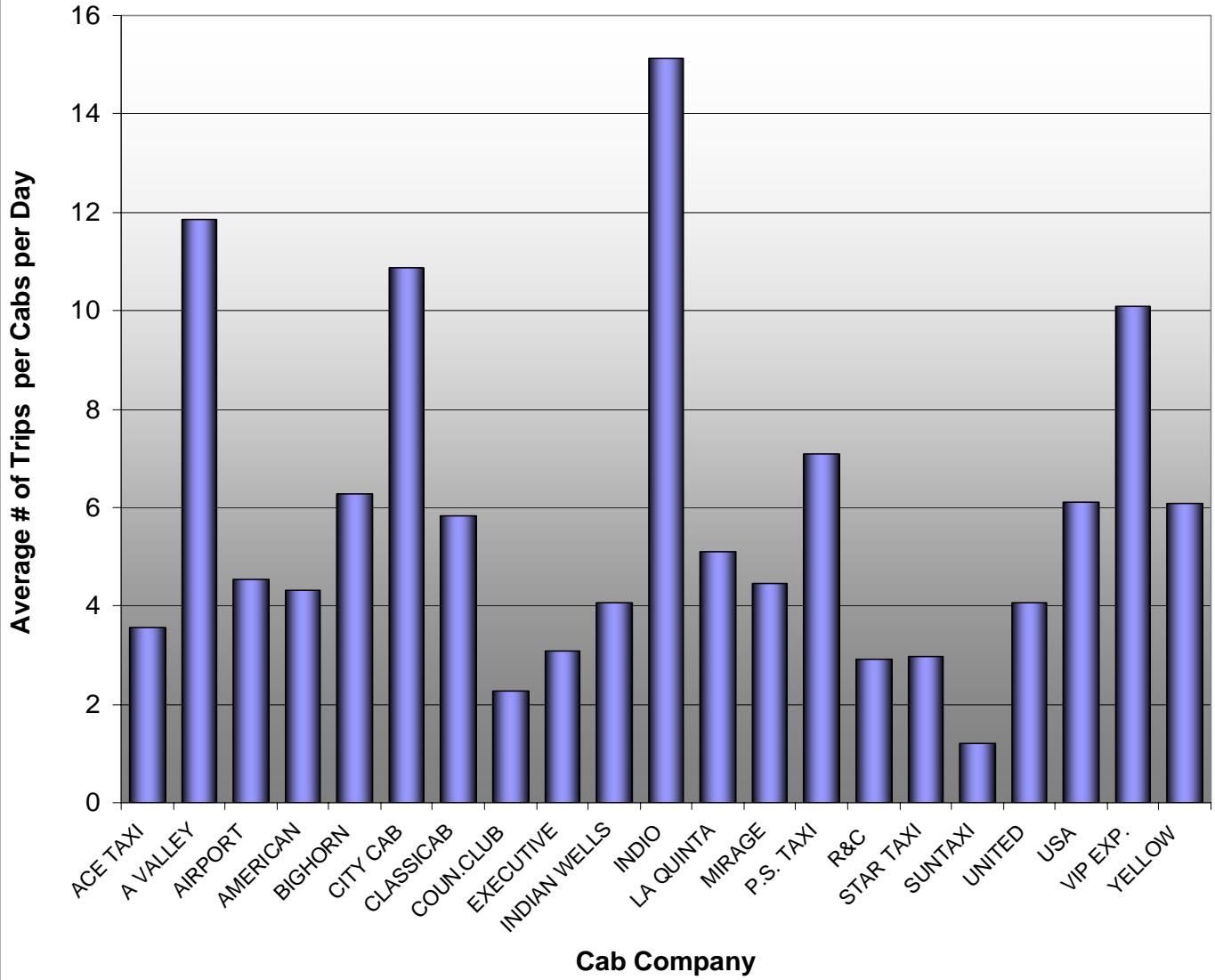
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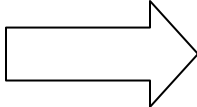
<sup>9</sup> Gilbert, Gorman, Effect of Open Entry and Variable Fares on the Cost of Taxicab Service to Residential Areas, 1984

**APPENDIX D:**  
**Listing of Number of Trips per day per vehicle**  
**per Taxi Company**



**Average number of Taxi Trips per Company**



	Cab Company	Cabs	Total trips	EXISTING AVG.# OF TRIPS PER CAB PER DAY PER COMPANY		Cabs	AVG.# OF 10TRIPS PER CAB PER DAY PER COMPANY
1	ACE TAXI	7	695	4		2	12
2	A VALLEY	11	3649	12		11	12
3	AIRPORT	19	2415	5		9	10
4	AMERICAN	17	2052	4		7	10
5	BIGHORN	7	1231	6		4	11
6	CITY CAB	22	6702	11		22	11
7	CLASSICAB	7	1140	6		4	10
8	COUN.CLUB	9	574	2		2	10
9	EXECUTIVE INDIAN	8	693	3		2	12
10	WELLS	16	1821	4		6	11
11	INDIO	6	2540	15		6	15
12	LA QUINTA	21	3006	5		11	10
13	MIRAGE	10	1247	4		4	11
14	P.S. TAXI	10	1988	7		7	10
15	R&C	8	651	3		2	12
16	STAR TAXI	6	500	3		1	18
17	SUNTAXI	6	201	1		1	7
18	UNITED	8	913	4		3	11
19	USA	9	1539	6		5	11
20	VIP EXP.	23	6490	10		23	10
21	YELLOW	10	1704	6		6	10
	<b>Total</b>	<b>240</b>	<b>41751</b>			<b>138</b>	

**Total Number of Cabs in the System after mandate of 10 trips/day/vehicle: 138**

