



Private For-Hire Transportation Program  
Recommendations for Taxi Industry Reform  
September 26, 2012

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City of Portland Revenue Bureau  
Office of Management and Finance

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## Background

The Revenue Bureau released a report titled *Taxi Driver Labor Market Study: Long Hours, Low Wages* in January, 2012.<sup>1</sup> This report detailed the many challenges faced by Portland taxicab drivers and in particular, long hours worked for low net income. To address the issue of poor driver working conditions and low net pay, as well as other issues identified during the public comment process following the release of the report, reform of Portland's taxi regulations is necessary. This is especially so as the City seeks to expand the number of permitted vehicles operating in Portland. This document outlines recommended changes to the City's regulation of the taxi industry. Some of the recommendations may need further review by the City Attorney.

## 1-Specific Performance Standards for Taxi Companies

More specific performance standards are needed to improve taxi service in Portland. The Portland City Council has recognized in several past discussions of requests for new permits that there is need for more specific measures of good performance. Staff agrees that specific performance standards for companies should be linked to the renewal of permits and the ability of existing companies to obtain additional vehicle permits.

We recommend a biennial evaluation of the performance of each company, based upon measurements related to safety, excellent service to drivers and taxi customers, and alignment with other community goals and values. Some examples of performance standards discussed include: relative value of services provided to drivers, taxi customer telephone and taxi wait times, condition of vehicles and equipment, availability of hands-free dispatch equipment and GPS tracking, availability of customer-operated credit card payment machines, service of broad trip type (including "short trips") and trips outside the downtown area, level of dispatch business provided to the driver, level of driver satisfaction with services provided by the company, taxi customer service satisfaction, company complaint investigation procedures, investment in wheelchair accessible vehicles and sustainable fuel vehicles, compliance with reporting requirements, innovation and response to transportation needs of the community.

The Bureau recommends a process whereby each renewing company would be eligible for a certain number of renewal permits if they meet the minimum standards in place. The companies would also be awarded additional vehicle permits sought based upon their score on a matrix of performance standards. The City Council should be provided regular opportunities in the future to review the performance standards, and add new standards or eliminate standards that no longer apply. This allows for consistent policy input from elected officials regarding the desired community standards and services for taxi companies.

## 2-Provide a Mechanism for Accident Insurance Coverage for the Driver

Insurance coverage is one of the costs often assessed to the taxi company, and recognized in the industry as one of the main benefits (along with advertising and dispatch) provided to the driver in return for the payments made to the company. Portland City Code requires the company to provide liability insurance, accident and vehicle insurance. All motorists in Oregon are required to

<sup>1</sup> The full report can be found on the Revenue Bureau website at <http://www.portlandonline.com/omf/index.cfm?c=57849&a=397492>.

carry accident and injury insurance for all passengers, but longstanding exemptions in State law allow taxi vehicles to operate without this coverage. It has been industry practice in Portland that insurance coverage to pay for medical expenses does not include coverage of medical expenses related to driver injuries resulting from accidents.

This puts the driver at great risk of serious financial difficulty should an accident occur, and makes it difficult for drivers to obtain the care they need to recover from an accident. An injury accident can be devastating for a taxi driver, who may lose the use of the vehicle and may be unable to work for a time. The contract with the company may be terminated if the driver is unable to make weekly payments. Taxi drivers who are in a serious accident may incur significant medical costs not covered by insurance.

The Revenue Bureau recommends review of the feasibility of requiring that injury/accident/medical insurance be required for taxi drivers, along with exploration of potential sources of funding for this coverage. We propose to work with Oregon insurance regulators, the Private for-Hire Transportation Board (PFHT Board), the Company and Driver Standing Committees, as well as insurance company representatives, to close this loophole in accident coverage for taxi drivers.

### **3-Add Pay-for-Fare Prohibitions to City Code**

In 2011, the PFHT Board held public hearings and discussed the problem of hotel valets and dispatchers requiring payments in return for the more lucrative taxi fares. Long trips, particularly from hotels to the airport, are considered to be the "best" fares by taxi drivers.

When a cash payment to a valet for a taxi fare occurs, the choice of a service provider is no longer dependent solely on the quality, safety or promptness of the service provider. Rather, rides are given to those operators who provide payments to the valet, and, in the past, this has sometimes meant that passengers are placed in unpermitted and potentially unsafe vehicles.

Customers are also denied the service provider or service type they ask for as a result of the payments for fares. PFHT program staff has verified complaints that some valets refused to place customers with the taxi company or driver of their choice, or provided an executive sedan or shuttle when the customer specifically asked for a taxi. This practice has also resulted in customers witnessing disputes on the street between drivers. Customers may also experience delays as the valet waits for a paying taxi driver to appear, even if non-paying taxi drivers are nearby.

A great deal of testimony was received at several PFHT Board meetings regarding the problems with this practice. Many drivers confirmed that they cannot obtain airport fares at many downtown hotels unless they agree to make a \$5 or \$10 payment for each fare to the hotel valet. These payments contribute to taxi driver loss of income. Drivers may be more likely to take longer routes to the airport than necessary in order to make up these payments. Many drivers claim that the same problem exists with some of the dispatchers at the taxi companies, but this claim has not been confirmed by the Bureau.

Several other cities have prohibited the practice of giving or receiving payments in return for taxi fares. Staff has reviewed these ordinances, and prepared language for a similar prohibition. The PFHT Board has recommended that this ordinance go forward for Council approval.

#### 4-Require Up-to-Date Dispatch Equipment

The Taxicab, Limousine and Paratransit Association<sup>2</sup> has recognized that the “dispatch system is a major factor in the provision of quality of service.” Computer dispatch should be capable of automatically tracking all taxicab vehicles, dispatching the most appropriate, responding to distress signals from the driver, and maintaining dispatch records. Two-way radios and cell phones are inferior methods for dispatching taxi service. Systems that track the driver provide enhanced driver safety. Systems that track the fares provide important reporting for regulators, and, in some cases, expose overcharging or other problems. Up-to-date equipment, with GPS tracking, is also important to providing excellent customer response times and improving driver income.

Portland must increase the requirements for the company dispatch systems. We recommend working with the PFHT Board, the Company Standing Committee, the Driver Standing Committee, and other stakeholders to develop and propose reasonable standards for taxi company dispatch equipment.

#### 5-Require Review and Approval of All Charges to Drivers

Portland City Code prohibits companies from charging drivers a fee for the use of the permit itself. However, companies in Portland charge drivers daily, weekly or monthly “kitty” payments in exchange for the company providing services to drivers, and these charges are often regarded by drivers as a charge for the permit itself. Reasonable and appropriate charges related to the use of a taxi cab include dispatch of taxi fares, insurance coverage, marketing and advertising, vehicle equipment, and credit card/charge account administration and processing.

Throughout the work on the Taxi Driver Labor Market Study, and the series of workshops afterward, it was apparent that companies are charging many other types of fees beyond those listed above. Some examples of other charges include customer complaint fees and some types of company operating costs.

Customer Complaint Fee: Drivers in some Portland taxi companies are charged fees when a customer complaint is filed against them, merely for the investigation of the complaint. Drivers are assessed penalties for City Code violations and this occurs in the absence of notification to City personnel. Drivers report that penalties are sometimes issued without an adequate appeal process being provided. Companies have been advised to refer suspected Code violations to the appropriate PFHT program staff, but currently this is not required in City Code or Administrative rules. No driver should have to pay an “investigation fee” simply because a complaint is received. Penalties for Code violations should be issued by City staff, and include the robust appeal process provided by the Code Hearings Office.

Company Operating Costs: Companies also sometimes pass along company operating costs—such as vehicle permit fees—that should remain with the company (the permitted entity). Although PFHT staff have advised companies that this is evidence of a potential Code violation—charging for the use of the permit—this prohibition should be explicitly provided in Code. Additional

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<sup>2</sup> See <http://www.tlpa.org/>.

clarification is of insurance requirements is needed. Companies routinely require the driver to pay deductibles, and expectations regarding these charges should be clarified and standardized.

We recommend that Code include a specific prohibition against taxi companies assessing any fee types to the driver without a specific approval for each fee type and an approved rational basis for the amount charged. Code language should specifically indicate the company services that are expected in exchange for regular driver payments. Additional fees should be reviewed as proposed by the company. This type of restriction is already in place in other cities, including Seattle and San Francisco.

Because the City Code prohibits companies from charging drivers directly for the use of vehicle permits, and because the company is empowered to levy other contractual costs onto drivers *as a function* of holding the permit, and because these charges directly impact the net income of all drivers, the City must more closely regulate and monitor all such charges.

The company performance standard evaluation process proposed above will also provide for a regular evaluation of the services the company is providing to the driver in return for the driver payments

## **6-Require Back Seat, Customer-Operated Credit Card Processing**

While credit card acceptance is currently mandated, it can be inconvenient to use credit cards in some of Portland's taxis. Only one service provider has implemented the back seat, customer operated credit card equipment recommended by the Private for-Hire Administrator.

Several cities have begun to require that credit card processing is provided with customer activated back seat swipe devices, so that the customer does not have to hand over their card or personal information. These machines are now widely available. Field experience has shown that they provide the added bonus of increasing the overall amount of driver tips. Customers express strong satisfaction with the convenience and safety of these machines. These systems also provide the added benefit of a receipt for the transaction that is linked to the meter fare.

We recommend that a timetable be developed, in cooperation with the PFHT Board and Company Standing Committee, to require implementation of these devices in all permitted taxis.

## **7-Institute Procedures and Add Staff Capacity for Regular Analysis of Key Indicators**

Reliable, quality taxi service has been recognized as an important component of the tourist and business traveler experience, as well as being necessary to provide needed transportation to the elderly and others with special transportation needs. Taxi service is increasingly recognized as a key adjunct to public transportation, and quality taxi service is frequently needed at both ends of other modes of transportation. Taxis have been shown to provide less expensive alternatives in many cases to agency-provided transportation.

Taxi customer call and service wait times have long been recognized as key indicators of the quality of taxi service. The 2008 Demand Study recommended that these items be more carefully analyzed in the future, to provide information regarding demand, as well as customer service.

Because of ongoing shortages in available PFHT program staff for many years, there has been insufficient analysis of these key indicators. Currently, much of the data collected relies upon company self-reports.

We propose that two additional program staff be dedicated to routine monitoring of taxi company telephone busy signals and on-hold times, taxi service wait times from different locations and at different times of the day for each different day of the week. Sufficient staff should be in place to allow this monitoring to become routine and be documented each month. These objective reports will allow for a more accurate assessment of the performance of each company.

Several avenues should be created for evaluating the quality of taxi service, including customer satisfaction surveys, and other methods to increase taxi consumer awareness and input. We propose requiring each permitted vehicle to post a "Passenger Bill of Rights" prominently visible to back seat passengers, as is required in several other municipalities. The "Passenger Bill of Rights" will be provided by the City of Portland, with the seal of the City of Portland and a place to fill in the cab number, and company complaint telephone number, accompanying the City Complaint line phone number.

## **8-City Sponsored Driver Training**

All permitted Portland companies provide training to their drivers, but the content and quality of these training programs is inconsistent. Standards for driver training vary from one company to another. City staff members frequently provide drivers with descriptions of required knowledge that may not have been included in company training. Unfortunately, this instruction often comes after the driver has failed a knowledge test, or after a complaint has been received.

There have been calls for more robust driver training from drivers themselves, from representatives of the tourism industry, and from taxi company managers. Several municipalities have had success providing direct training to drivers. Drivers have called for more direct interaction from City staff on a regular basis. Training at the beginning of the permitting process provides the driver with key information regarding Code requirements and community standards.

We recommend that PFHT staff work with community partners, taxi company managers, drivers, the PFHT Board and Standing Committees, to develop a robust, standardized training program for taxi drivers. In partnership with community agencies, this type of program could well provide essential training in several areas, especially for new drivers that might increase income and job satisfaction.

## **9-Raise Taxi Meter Rates**

The City of Portland has not raised the taxi meter rates since 2008. Temporary fuel surcharges are in effect. The fuel surcharge should be made permanent and rates should be slightly increased to account for inflation. This will translate to better income per hour worked for drivers. Additional review of taxi meter rates in similar jurisdictions must be undertaken prior to implementing this recommendation.

## **10-Raise Fees for Taxi Company and Vehicle Permits to Increase Oversight**

Despite increases in company and vehicle permit fees in 2009, these taxi company permit fees are insufficient to fund the required regulatory oversight. As described in the Taxi Driver Labor Market Study, the average minimum revenue available to companies through driver "kitty" payments is \$26,000 per year, per vehicle. In comparison, taxi company permit fees are \$500 per year for the company, and \$180 per year for each vehicle.

An ongoing complaint of taxi drivers and companies alike is that there are insufficient City resources available to investigate and enforce against unpermitted and noncompliant for-hire transportation providers. In recent years, several staff members have been added, but the enforcement work required to appropriately administer the City's taxi program is greater than the current staff available. Additional staff resources are required to routinely evaluate company performance standards, conduct regular assessments of wait times and other service standards, provide adequate training and feedback opportunities for drivers, and provide adequate on-street enforcement of standards and permit requirements.

We recommend increasing taxi company permit fees to from \$500 to \$3000 per year for the company permit renewal, on a sliding scale, depending upon the number of permits held. We also recommend increasing taxi vehicle permit renewal fees from \$180 per year to \$600 per year. This change will provide increases proportionate to the number of taxi vehicle permits each company holds, thus indexing the increase to potential revenues. This increase can provide the funds necessary to obtain additional clerical and enforcement staff as discussed in this recommendation and recommendation 7 above.

## **11-Clarify Regulations for Non-Taxi Providers**

The PFHT Board has approved new regulations for shuttle service providers, and has begun work on a set of regulations for limousine providers. Each regulated industry segment should be separately referenced and described in City Code.

## **12-Clarify Specially Assisted Transportation (SAT) Operations for Taxi Companies**

As mentioned in the recommendations regarding new taxi permits, several taxi companies are simultaneously operating SAT permits and there are many areas of overlap with taxi service. City Code prohibits the use of meters in these vehicles, but reporting requirements makes the use of meters important to the contracting agency (TriMet). Drivers are sometimes shifted between SAT and taxi service contracts, and the differing work requirements between SAT and taxi service are related to the question of independent contractor versus employee driver. SAT fares provide reliable calls for service, may provide higher driver income when combined with other types of taxi service. The regulations for taxi companies providing SAT service must be clarified. Consideration should be given to converting some of the SAT permits currently held by taxi companies to taxi vehicle permits, based upon contracts and demands for service.



### **13-Criminalize Unpermitted Taxi Companies from Operating in Portland**

Portland City Council passed Code changes July 11, 2012 that criminalized the operation of a taxi cab in Portland without the required permits. These code changes took effect August 10, 2012, and are noted here because it is expected to assist in increasing net driver pay by decreasing illegal taxi cab operation in Portland.