

Date of Hearing: April 26, 2017

ASSEMBLY COMMITTEE ON COMMUNICATIONS AND CONVEYANCE

Miguel Santiago, Chair

AB 1069 (Low) – As Amended April 18, 2017

SUBJECT: Local government: taxicab transportation services

SUMMARY: Makes various changes to the regulation of taxicab transportation services. Specifically, **this bill:**

- 1) Shifts responsibilities from cities or counties, to counties to adopt an ordinance or resolution in regard to taxicab transportation service rendered in vehicles designed for carrying not more than eight persons, excluding the driver that is operated within the jurisdiction of the county.
- 2) Authorizes a county to perform the specified responsibilities by entering into an agreement with the most populated city within its jurisdiction that regulates taxicab transportation service to perform the responsibilities on the county's behalf.
- 3) Requires passage of a fingerprint criminal background check using a live scan fingerprint provider with monitoring as a condition of issuance of a driver's permit.
- 4) Requires a county to ensure that any specified charge, fee, or assessment does not exceed the reasonable regulatory cost required to administer and enforce the program established by the county.
- 5) Authorizes a city or county to adopt an ordinance, resolution, or charter provision to regulate the access to airports by taxicabs.
- 6) Prohibits a county from limiting or prohibiting a licensed taxicab company from setting fares or charging a flat rate.
- 7) Authorizes a taxicab company to use any type of device or technology to calculate fares, including the use of global positioning system metering.
- 8) Requires a licensed taxicab company to disclose fares, fees, or rates to the customer before the customer accepts the ride. Specifies that a licensed taxicab may satisfy the specified requirement by disclosing fares, fees, or rates on its Internet Web site or cellular telephone application.
- 9) Requires a licensed taxicab company to post rates for walkup rides and street hails in the vehicle.
- 10) Requires a county to issue to a taxicab that complies with the specified provisions, and with all applicable local ordinance or resolution of that county an inspection sticker.

- 11) Requires a county to issue to a taxi driver that complies with all specified provisions, and with all applicable local ordinances or resolutions of that county, a photo permit, and that driver is required to display that photo permit in a place visible to a passenger.
- 12) Authorizes a county to accept a taxi certificate, license, or permit issued by another county as valid, and thereby may issue to that taxicab an inspection sticker or photo permit that authorizes that taxicab to operate within the county.
- 13) Defines "licensed taxicab driver" or "licensed taxicab company" to mean a taxicab driver or taxicab company that is licensed to operate in a county and has complied with all specified provisions, and with all applicable local ordinances or resolutions, and has been issued a specified inspection sticker or photo permit.
- 14) Specifies that it is unlawful to operate a taxicab without a valid certificate, license, or permit.
- 15) Establishes a minimum fine of \$5,000 for specified violations that shall be payable to the entity responsible for issuing a certificate, license, or permit in the jurisdiction where the violation occurred.

EXISTING LAW:

- 1) Establishes the "Passenger Charter-Party Carriers Act," which directs the California Public Utilities Commission (CPUC) to issue permits or certificates to Charter Party Carriers (CPCs), investigate complaints against carriers, and cancel, revoke, or suspend permits and certificates for specific violations. (Public Utilities Code (PUC) Section 5381 et seq.)
- 2) Authorizes CPUC to regulate private carriers of passengers, including requiring public liability and property insurance, cargo insurance, knowledge of rates, documentation, timely reporting of revenues and payment fees, and take appropriate enforcement actions and other provisions, as specified. (PUC Sections 4000 to 4022)
- 3) Exempts taxicab transportation service licensed and regulated by a city or county, by ordinance or resolution, rendered in vehicles designed for carrying not more than eight persons excluding the driver from CPUC regulatory oversight. (PUC Section 5353)
- 4) Requires every city or county to adopt an ordinance or resolution in regards to taxicab transportation services, which include, among others, a policy for entry into the business, establishment of registration rates, and mandatory controlled substance and alcohol testing programs. (Government Code (GC) Section 53075.5)
- 5) Authorizes a city or county to levy service charges, fees, or assessments in an amount sufficient to pay for the costs of carrying out an ordinance or resolution adopted in regard to taxicab transportation services. (GC Section 53075.5)
- 6) Authorizes local authorities to adopt rules and regulations in regards to, among others, licensing and regulating the operation of vehicles for hire, and drivers of passenger vehicles for hire, and regulating traffic by specified means. (Vehicle Code (VEH) Section 21100)

- 7) Authorizes a peace officer and local agency to take enforcement actions and establishes penalties on vehicles that are operating as taxicabs without the required permits. (PUC Sections 5412.2, 53075.6 to 53075.9, and VEH Section 21100.4)
- 8) Requires every owner of a vehicle used in the transportation of passengers for hire, including taxicabs, to maintain proof of financial responsibility of \$15,000 for each person injured or killed, of at least \$30,000 for the injury to, or the death of, two or more persons in any one accident, and for damages to property of at least \$5,000 resulting from any one accident. (VEH Section 16500)

FISCAL EFFECT: Unknown. This bill is keyed fiscal by the Legislative Counsel.

COMMENTS:

- 1) **Authors Statement:** According to the author, “California’s current taxi regulation process is antiquated and extremely onerous. Taxis are the only for-hire transportation model that is fully regulated at the local level, while other for-hire transportation models have one set of statewide requirements governing their operation. This disparity places taxis at a severe competitive disadvantage. In order to compete in the changing for-hire transportation ecosystem, taxis are in need of some statutory relief because the current system restricts competition by setting different, more onerous rules for taxis.”
- 2) **Background:** California law regulates different modes of passenger transportation for compensation. The CPUC regulates certain transportation services such as Passenger Stage Corporations (PSCs) and CPCs, including Transportation Network Companies (TNCs). PSCs are services that provide transportation to the general public on an individual fare basis, such as scheduled bus operators and airport shuttles. CPCs are services that charter a vehicle, on a prearranged basis, for the exclusive use of an individual group such as limousine, tour buses, and charter and party buses. TNCs provide prearranged transportation services for compensation using an online-enabled application or platform to connect passengers with drivers using a personal vehicle. The CPUC considers TNCs as CPCs and therefore, falling under the CPUCs regulatory purview. Taxi services are regulated by cities and/or counties. Current law requires every city or county to adopt an ordinance or resolution providing for taxicab transportation services.
- 3) **Taxi Regulation:** Cities and counties implement various systems to govern taxicab transportation services including offering permits/certificates, franchise agreements, or medallions. A permit/certificate system is the most common system in which a taxi company that meets specified requirements can purchase a permit from a city annually and continue to do so for an indefinite period of time. Under a franchise agreement, a taxi company enters into an agreement with a city to provide taxi services. The city or county creates a process in which franchises are bided upon by taxi companies to provide taxicab services for a specified period of time. Finally, under a Medallion system, an individual taxicab owns operating and property rights to providing taxicab services. A medallion purchaser obtains a loan from credit unions and the city backs the loan. Currently, the city and county of San Francisco is the only city or county that operates under a medallion system.
- 4) **Competition:** With the emergence of TNCs, customers now have the ability to prearrange transportation services from a mobile application. The emergence of TNC services has put

the highly regulated taxi industry at a competitive disadvantage compared to their TNC competitors. Certain cities have loosened taxi regulations in the past, with questionable results, including increases in the supply of taxicabs, increases in fares, increases in trip refusal, a decline in service and vehicle quality, and aggressive solicitation of customers. Local cities and counties often manage the supply of taxicabs in order to maintain vehicle safety and service quality, as well as to control traffic and to manage urban planning. However, according to the author, the laws and regulations governing transportation services are many decades old and have evolved slowly. The rapid growth of TNCs has created a disruption in the taxi's archaic model of transportation. Hence, the patchwork of regulations across jurisdictions has resulted in a dramatic decline in taxi services relative to the mostly unregulated TNC industry.

This bill shifts responsibilities from cities or counties, to counties to adopt an ordinance or resolution in regard to taxicab transportation service, as specified. The bill would authorize a county to perform the specified responsibilities by entering into an agreement with the most populated city within its jurisdiction that regulates taxicab transportation service to perform the responsibilities on the county's behalf.

- 5) **Operating Fees and Revenue:** By placing regulatory authority over taxicabs under the jurisdiction of cities and counties, cities and counties can tailor their local rules and regulations to the specific needs and conditions of their particular jurisdictions. However, this also results in irregular standards for taxicabs that vary from local jurisdiction to local jurisdiction, while other transportation passenger services operate under a uniform standard statewide.

Under current law, a city or county may levy service charges, fees, or assessments in an amount sufficient to pay for the costs of carrying out an ordinance or resolution adopted in regard to taxicab transportation services. For example, Los Angeles collects approximately \$2 million a year in taxicab franchise fees, which are used to enforce the local taxi code. In addition, Los Angeles also receives approximately \$800,000 a year to fund its Bandit Taxi Enforcement Program, which works with the Los Angeles Police Department to prosecute illegal taxi operators.

But the patchwork of regulation across jurisdictions, especially among neighboring jurisdictions in Los Angeles and Santa Clara has also placed a tremendous burden on taxi revenues. Some local municipalities require taxicab companies that operate in their jurisdiction to pay annual per vehicle fees on top of permits and other fees. Additional requirements may include, vehicle inspection fees, business license fees, and cost associated with fingerprinting and background checks. Such cost associated with operating a taxicab, combined with a decline in ridership, has made it more difficult for taxicab to compete against the growing number of alternative transportation services.

This bill requires a county to ensure that any specified charge, fee, or assessment does not exceed the reasonable regulatory cost required to administer and enforce the program established by the county.

- 6) **Fare Disclosure:** A key distinction between a taxicab and other transportation services is the ability to conduct street hails, whereas, other transportation services must operate on a fixed

route or prearranged basis. TNCs operate through an online-enabled application or platform which provides potential passenger with fare disclosure prior to a trip.

This bill would prohibit a county from limiting or prohibit a licensed taxicab company from setting fares or charging a flat rate. Although allowing taxicab companies to establish their own fares would allow for greater flexibility to compete in the transportation market, such a system could also potentially provide an advantage to larger taxi companies over smaller companies, allowing them to lower rates to drive competitors out of business, especially in high demand areas.

In addition, this bill would authorize a licensed taxicab company to use any type of technology to calculate areas and require disclosures of fares, fees, or rates to the customer before the customer accepts the ride, as specified. For walkup rides and street hails, this bill would require licensed taxicab companies to post rates in their vehicles. Disclosure of fares, fees, or rates will allow customers to make better informed decisions on which service to choose, however, without a uniform central and accessible application or location in which customers may compare prices, it would be difficult for customers to make informed decisions once already in the vehicle, in the case of walkup rides and street hails. For example, a street hail passenger would not have the ability to shop around for the best price; absent the ability to access all prices between taxi companies operating in an area or entering and exiting multiple vehicles beforehand.

- 7) **Arguments in Support:** According to the Taxicab Paratransit Association of California, the sponsor of the bill, “The taxi industry has been hit hard by the entrance of [TNCs] into the for-hire transportation market. The TNCs provide essentially the same service, but are not subject to the same requirements as taxis. This inequity was created when the Legislature adopted a regulatory structure for TNCs that did not require the TNCs to operate under rules and regulations applicable to the taxi industry. This legislative action puts taxis at a huge disadvantage and only the Legislature can fix it.”
- 8) **Prior Legislation:** AB 650 (Low) of 2016 prohibited cities and counties from creating additional rules and regulations on taxicab transportation services, as specified, and states the intent of the Legislature that the regulation of taxicab transportation services and taxicab drivers be consolidated with other modes of for-hire transportation regulated by the state.
Status: Vetoed by the Governor.

REGISTERED SUPPORT / OPPOSITION:

Support

Taxicab Paratransit Association of California (sponsor)
Several Taxicab Drivers

Opposition

None on file.

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