



Memorandum

TO: RULES COMMITTEE

FROM: Mayor Chuck Reed
Councilmember Sam Liccardo

SUBJECT: Taxicab Driver Permits

DATE: November 13, 2009

APPROVED:

Chuck Reed
Sam Liccardo PH

11/13/09

RECOMMENDATION

Place on the December 8, 2009 City Council Agenda the proposal to authorize the Chief of Police to halt the issuance of driver permits where identified economic indicators demonstrate a substantial decline in demand for taxicab services. Direct the City Attorney to prepare the accompanying ordinance. This ordinance will require that staff to:

- a. Identify those economic indicators – such as hotel occupancy rates and airport taxicab trips – which most reliably demonstrate actual taxi demand, can be counted on in terms of accuracy of the data, and are already collected minimizing the amount of staff time required.
- b. Create an exemption process whereby a taxicab company or new market entrant can demonstrate “hardship” due to having too few drivers to meet the documented demand for that company’s services, or in the event the securing of new account/contract results in a need for more drivers.
- c. Ensure that there will be no “rollback” in the number of issued driver permits, but rather a mere cessation in the issuance of new permits.
- d. Halt the issuance of new driver permits as soon as practicable.

The ordinance shall sunset within three years of taking effect unless the City Council takes affirmative action to continue the process.

BACKGROUND

Having been referred by the Rules Committee, this matter was placed on the Transportation & Environment Committee Agenda for November 2, 2009. Due to a glitch in placing the item on the formal agenda, it was agendized late on the Friday before the hearing, and required a waiver of Sunshine requirements to have the matter considered by the Committee. Only two members were present, however, leaving the committee short of the quorum required to hear the item.

Given this unforeseen delay, and in light of the urgent appeal of taxi drivers for some relief over the last five months, this item should be sent directly to council for consideration.

At the present time, we have more taxi drivers than anytime in this city’s history: 607 at last count. Approximately fifty drivers have joined the pool in the last year, and the San Jose Police Department estimates that approximately five more obtain permits each week. At the same time, hotel occupancy rates have declined at least 11% from a year ago—and 2008 was hardly a banner year for hotels--and the number of daily taxi trips originating from the airport have dropped 55% . In May of 2008, each taxi driver could earn revenue from an average of approximately 12.5 trips per day. The daily average has since dropped to 5.6 trips, a number not seen in the last decade.

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In short, the traditional supply-and-demand model has clearly broken down, as a declining demand for taxi services has accompanied a rising supply of taxi drivers. The reasons for this perverse operation of the market may be complex, but likely emanates from the fact that some companies continue to have an incentive to recruit drivers to pay gate fees, and those drivers unwittingly decide to go along, despite the absence of sufficient market demand. Other companies-- such as Yellow Cab--have taken the higher road, and have declined to add any new drivers. Whatever the reason, as long as the market drives this oversupply, the safety of passengers and the standard of living of drivers will suffer.