

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Kimberly J. Becker

SUBJECT: AIRPORT GROUND
TRANSPORTATION UPDATE

DATE: August 10, 2016

Approved

D. D. S. L.

Date

8/11/16

INFORMATION

At the May 2, 2016 meeting of the Transportation and Environment (T&E) meeting upon acceptance of the report on Airport Ground Transportation, staff was directed to prepare an informational memo and return to the August T&E meeting to address the following items:

1. An update pertaining to the progress through the California Public Utilities Commission (CPUC) using biometrics and fingerprinting as part of the background check.
2. Stronger enforcement process for business licenses.
3. Information concerning the question of insurance with regard to TNCs versus taxis.
4. Plan on how to reduce fees, where possible, for taxis.
5. How to expedite the conversion of the technology platform for the taxis.

On June 24, 2016, staff released an Information Memo related to the status of the CPUC work related to TNCs and the upcoming Phase III work by the Commission, which would include investigation into the use of biometrics and fingerprinting for background checks. On June 22, 2016, the CPUC issued a set of questions related to the issue to the parties involved with the study for submission back to the Commission by August 29, 2016.

ANALYSIS

The following updates are provided to address the concerns of the T&E Committee and to provide the status or actions taken as appropriate.

CPUC Actions:

The CPUC issued rulemaking on April 25, 2016, that included requiring TNCs use a California Board of Automotive Repair (CBAR) certified mechanic for all vehicle inspections. However, they postponed decisions related to other issues, including biometrics and fingerprinting, to an additional phase (Phase III) of the decision making process. The Phase III rulemaking does not have a deadline for completion, but in July, Commissioner Liane Randolph distributed questions to all parties to further develop input towards making final decisions. The answers to these questions are due by August 29, 2016.

Since March, another initiative has been raised related to TNCs and other transportation activities currently governed by the CPUC. A recommendation is being brought forward to relocate all transportation related activities away from the CPUC and into the California Department of Transportation (CA DOT). Additionally, there is a State law change (AB 650) proceeding through the State Houses which would move to have taxis regulated by the State, rather than by local authorities. The full impact of either or both of these changes is unclear, however, enforcement of transportation regulations by the CA DOT and CHP would likely be more widespread and effective than those currently conducted by the CPUC.

Business Tax Certificates:

Since the May T&E meeting, Airport staff has worked with City Finance and SJPD staff to discuss and implement actions related to the business tax certificate concerns expressed by the T&E Committee. A process was implemented between Airport and City Finance staff whereby Airport staff submits a monthly list of license plate numbers of TNC drivers operating at the Airport, that Finance staff can use to determine if the driver is properly certificated. Per San Jose Municipal Code, Finance staff has the sole authority to enforce Business Tax Certificate regulations, including the capability of issuing misdemeanor violations to those not in compliance. Finance staff will also manage the renewal processes for these licenses to ensure compliance with the regulations.

SJPD conducted curbside inspections of TNCs on July 19 and will conduct additional curbside audits and a multi-agency inspection on all ground transportation operators in August. Results of those inspections will be provided to the T&E meeting as part of the Airport Ground Transportation Update.

Insurance Comparisons:

Per CPUC regulations, TNC companies are required to have \$1 million insurance coverage on vehicles while on Airport property, while City regulations require taxis to have \$300,000 coverage on each vehicle. Other CPUC authorized vehicles, such as limousines and shuttle vehicles, are required to maintain \$750,000 in insurance per the CPUC.

Fee Reduction Capabilities:

Fees are a function of the services provided. A trip fee, charged to all ground transportation operators for use and maintenance of the facilities and for staffing required to maintain the GT system, is set at \$2.30 per pick-up. The TNCs, per previous City Council action, are charged the higher trip fee of \$2.80 per trip, to cover the additional expenses from management and auditing of their specific requirements.

The on-demand system used by taxis and commercial door-to-door shuttles has additional expenses, including management of their system and costs to operate and maintain the airport facilities they use that are directly related and specific to their on-demand operation. The Airport on-demand fee is currently \$1.55 per trip, reduced from \$1.95 in March 2016, just five months ago, following a detailed review of the expenses related to their operation.

Taxi San Jose (TSJ), the contractor responsible for management of the on-demand system and dispatching of the vehicles, charges an additional fee to pay for the expenses of their operation, again specific to the on-demand operations of the taxis and shuttles permitted in the program.

Per their contract, in effect since February 2016, Taxi San Jose was required to implement a technology solution to assist with the dispatching efforts and the on-demand services. They were required to have this technology in place within 180 days of contract signing, or August 1, 2016. At that time, they committed to change from a monthly permit fee to a per trip fee to charge each individual driver/permit holder based on their actual use of the system, and to be able to charge the fees at the time of trip via a debit/prepaid card basis as opposed to the monthly fee currently charged to all drivers/permit holders.

The technology to be implemented by TSJ, iCabbie, provides the capability to greatly improve the staging and dispatching functions of the industry, provides the opportunity to reduce expenses including those related to staffing, the amount of space required for staging, services and facilities required for drivers waiting for trips (as fewer drivers would be required on-site waiting for trips) while improving customer service and providing for real-time tracking of vehicle availability on and around the Airport to better accommodate current demand, meeting required service levels, while offering more flexibility to drivers. Staff is open to considering all types and levels of potential reductions submitted by TSJ, which can potentially allow for reductions in the fees charged by the Airport for the on-demand system.

As the system implementation is scheduled for August 1, there has not been sufficient time to fully determine the amount of savings or reductions in space or staffing that may be possible. As changes are recommended, staff will also look at the expenses related to the Airport's management of the on-demand system and examine where reductions can be realized as well.

The implementation of the technology and system functionality is expected to result in significant improvements to operational efficiency and can positively impact both the TSJ and Airport fees charged to the on-demand industries. Staff and TSJ would expect that better estimates of reductions would be available by the end of the calendar year and recommended changes would be implemented as quickly as possible thereafter.

Staff has implemented an administrative change via a contract amendment to allow the collection of fees by TSJ on a monthly basis to remain in place as requested by the driver community, but with an increase from \$270 per month to \$295 per month to accommodate the costs associated with the purchase and implementation of the new technology. The \$295 per month would remain in place until the operational benefits of the technology can be identified and fee adjustments can be calculated accordingly. After a proper analysis is performed, it is anticipated that Taxi San Jose would transition to a reduced 'per trip' fee based on the efficiencies realized through the new technology system. While in the short term, fees will increase to accommodate the implementation of the technology solution, the longer term prognosis is for reduced fees as expenses are reduced due to the efficiency and effectiveness of the technologies implemented.

Expedite Technology:

Taxi San Jose has been working diligently with the iCabbie team to format the system to accommodate the operational functionality needed at SJC. The iCabbie technology solution and smartphone app is also being deployed by Yellow Cab Company, which includes Yellow, Silicon Valley Checker and Rainbow Cab units. The deployment of this new dispatch system technology is a significant step forward within the taxi industry towards improving the capabilities of taxi drivers to operate in a much more dynamic and flexible environment, while reducing system costs, and enhancing the industry's ability to be more competitive amid the evolving and disruptive technology introduced by TNCs.

Use of the app will allow taxi companies to use fee structures more common to the TNC industry and allow them to work in more direct competition. There are other taxi related applications available to the industry and while it is not the City's function to develop these technologies, companies are encouraged to identify, develop, and deploy technologies that are appropriate for their operation. The City Municipal Code currently allows companies who use apps with the proper controls to adjust their fares to meet the needs of their operations, and to provide a more competitive platform within a rapidly changing environment. Ideally, as the TSJ model proves itself, individual companies will also take the opportunity to acquire and implement new technology systems that will improve their operational efficiency and enhance their ability to more effectively compete with the rideshare companies.

Staff is scheduled to return to the Transportation & Environment Committee on November 7, 2016 with a comprehensive update on the overall Airport Ground Transportation Program.

/s/
Kimberly J. Becker
Director of Aviation

If you have any further questions, please contact Bob Swensen, Landside Operations Manager at (408) 392-3514.