

CITY OF ANAHEIM

ANAHEIM TAXICAB FRANCHISE STUDY - Final Report

November 2011



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TAXICAB REGULATION IN ANAHEIM

Taxicabs in Anaheim are subject to regulation by both the City of Anaheim and the Orange County Taxi Administration Program (OCTAP). Anaheim and all other Orange County cities participate in OCTAP. OCTAP issues permits for taxicab companies, drivers, and vehicles and requires each of them to meet standards that are set out in the agency's regulations. As part of this process, OCTAP inspects taxicab vehicles and ensures that drivers have drug tests and background checks. OCTAP also sets taxi fares for the entire county and sets some basic standards for operation of taxicabs:

- Driver shall carry a passenger to his/her destination only by the most direct and accessible route.
- Driver shall provide receipts upon request.
- Driver shall not leave his/her Taxicab to solicit passengers.
- Companies shall maintain and provide year-round, 24-hour live human response telephone service to provide trip reservation and taxi dispatch services, or referral services. All calls to a company service line are to be answered within 5 rings.
- Company and all drivers shall provide electronic processing of credit cards including at least MasterCard and Visa.
- Service request and dispatch records must be kept and readily available to OCTAP for at least ninety (90) days.
- Companies shall have a written lost and found policy.
- Companies shall have a policy in place to receive, investigate, and resolve complaints.
- A taxicab driver who is in service, not hired, and able to accommodate passengers, shall not refuse service to any passenger requesting transportation.

OCTAP does not set any limits on the number of taxicab companies or vehicles and does not set any standards for response time to telephone orders.

Anaheim maintains its own taxicab regulations that supplement those established by OCTAP. Limits on the companies and the number of cabs that can operate in the city have been in place for many years, possibly dating to before the creation of OCTAP. Prior to 2002, Anaheim regulated taxicabs on the basis of "public convenience and necessity." The City Council would grant a license to any company that could make a showing that adding to the existing licensed companies and vehicles would serve public convenience and necessity. Once such a license is granted, it is generally assumed to be valid indefinitely. Applications for a taxi license could be made at any time.

In 2002, the City adopted the current system of limited-term, non-exclusive franchises. Under this system, the City issues a Request for Proposals and selects taxi companies that will be granted a franchise to operate taxicabs service in Anaheim for a specific term specified in the RFP.

Advantages of the franchise system include:

- The franchise approach provides the City with the opportunity to periodically consider new as well as existing service providers.
- Franchises can be constructed to handle expanded taxi fleets for temporary use during major conventions.

- Franchises offer the opportunity to set higher service level standards than those set by OCTAP.
- Franchises offer an orderly competition among existing and prospective companies at the time of reauthorization of the franchises, but not continually in applications to the City Council for new or expanded services as was the case in the past. (The competition provides a way to encourage companies to offer competitive features, such as newer vehicles, "green" vehicles, wheelchair accessible vehicles, or driver benefits, which then become part of an enforceable contract.)
- The competitive franchising process together with competition for customers between the three companies creates incentives for each taxi operator to be vigilant in monitoring and improving its service.
- Limited-term franchises establish a monitoring process to ensure that franchisees meet the standards submitted in their bids, and give the City recourse if franchisees fail to meet their obligations.
- Franchises give the City flexibility in setting fees, more than with other types of fees, so that the cost of enforcement can be at least partially defrayed. A franchise fee is a payment for the right to operate service rather than a payment for issuance of a permit.

Because of confusion about renewal of franchises, the City had to conduct a Request for Proposals for one of the three existing franchises in 2008, with the result that this franchise includes some requirements that differ from the other two. During the selection process that followed this RFP, the City increased the available base number of permits from 230 to 255.

The restrictions and requirements of the Anaheim franchises, beyond the basic OCTAP requirements include:

- Limitation on the number taxicabs and the specific companies that can operate
- A response time standard
- In the most recent franchise, limits on the age of vehicles to five years, compared to ten years allowed by OCTAP
- A requirement for two wheelchair accessible cabs in the most recent franchise
- Detailed requirements for a computerized dispatch system with vehicle tracking
- Requirements for quarterly reporting to the City
- Prohibition on exterior advertising on vehicles
- Encouragement of "clean and alternative fuel" vehicles

TAXICAB SERVICE IN ANAHEIM

There are currently three companies that are authorized to operate in Anaheim:

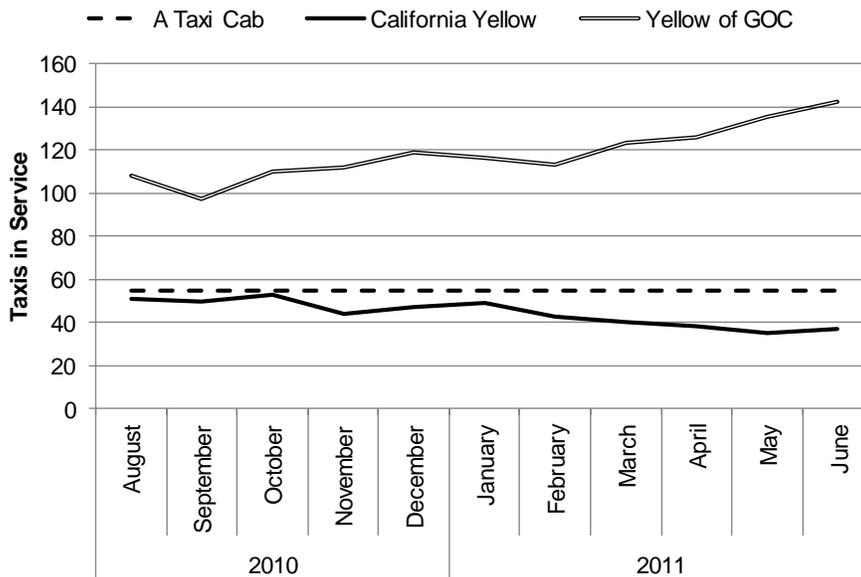
Company	Number of Taxicabs	
	Base Authorization	Currently Permitted
A White and Yellow Cab, Inc., dba A Taxi Cab	50	58
CabCo, Inc., dba California Yellow Cab	50	58
Yellow Cab Company of Greater Orange County	155	167

For ease of expression, the companies will be referred to as A Taxi Cab, California Yellow, and YCGOC.

Each company is required have permitted cabs equal to at least 85% of its base authorization and may obtain permits for up to 115% of its base authorization. As a result, the total base authorization of 255 cabs can result in up to 294 permitted cabs. Additional, temporary permits are available for special events.

The actual number of cabs in operation is generally less than the number of permitted cabs. On any given day, some cabs may not be operating because of driver schedules, maintenance, or lack of demand. Figure 1 shows the average number of taxis in operation per month for each company, based on information provided by the companies. The actual number on a day may vary from this average. For example, California Yellow reported an average of 37 cabs in service in Anaheim during June 2011, ranging from a low of 25 to a high of 48. A Taxi Cab tries to keep 58 Anaheim cabs in service, which is their allowed number, and never below 50. YCGOC follows a policy of encouraging its drivers to not to drive during the middle of the week by allowing them to lease daily.

Figure 1. Average Daily Taxis in Service



The three companies differ in their structure and approach to providing service. A capsule description is provided here of each of them.

A Taxi Cab

A Taxi Cab has provided service in Anaheim since 1993. It operates from a base in Santa Ana that houses the company’s administrative offices, dispatching, and vehicle maintenance. It is the second largest taxi company in Orange County with 268 OCTAP permitted cabs and 384 OCTAP permitted drivers as of early August 2011. The company’s 58 Anaheim cabs make up 22% of its

fleet, all of which is owned by the company and leased to drivers. A weekly Anaheim lease costs \$645 while a non-Anaheim lease costs \$595. The cost of the Anaheim lease was recently reduced by \$50, due to loss of hotel business. The lease payment includes insurance and maintenance, which is provided at the company's facility, but not washing, which is the driver's responsibility.

All but 10 of the company's cabs are minivans, including 10 wheelchair-accessible vehicles. Most of the vehicles are 2006 and 2007 Ford Freestars which were purchased in 2009 and 2010.

During an interview, A Taxi Cab management described their business in Anaheim as consisting mainly of medical and other contract trips and residential trips, as well as some work in the Resort area where they are the preferred provider for Anaheim Garden Walk and many of the smaller hotels. According to the quarterly reports submitted by the company to the City, non-dispatched trips (i.e. from cab stands and street hails) account for about 72% of the company's business, which is down significantly from about 80% prior to January 2011 when they lost the ability to service several major Resort area locations to YCGOC. (This is estimated from reported "Average Daily Hails per cab" and "Average Daily Queue trips per cab" reported each month, which is probably much less accurate than the company's reports for dispatched trips.)

Like the other companies serving Anaheim, A Taxi Cab uses a state of the art digital dispatch system. Their system is called Taxi Track from Digital Dispatch Systems (DDS). The system uses GPS technology to track the location of all vehicles and to determine which taxi will receive a telephone service request. Drivers "post" in zones, which vary in size from one to a couple of square miles; these zones are used as the basis for assigning trips unless there is no taxi in a zone, in which case the trip is sent to the closest taxis based on the GPS reading. The system is integrated with the telephone system used for receiving orders, so that the time between receiving an order and picking up a customer can be automatically logged. The system also has the capacity to track every event involving use of the meter. This capability is used to track the volume of business from cab stands and street hails, although the resulting numbers are not as accurate as records of dispatched trips.

California Yellow

California Yellow is the newest of the three taxi companies serving Anaheim, having won a franchise in 2002. The company has offices and limited facilities in Santa Ana. California Yellow is organized as a set of related companies. Dispatching is provided by CCSI in St. George, Utah, which has overlapping ownership with California Yellow. CCSI also provides dispatching for numerous other taxi, school transportation, and paratransit services, mostly operated by related companies. A small maintenance operation is located on the same property with California Yellow and it too is a separate but related company.

California Yellow is the third largest taxi company in Orange County with 199 OCTAP permitted cabs and 280 OCTAP permitted drivers as of early August 2011. As of August 2011, about 48 of California Yellow's 58 authorized Anaheim cabs (24% of the total fleet) were actually working. There were 58 until January 1, 2011 when YCGOC obtained exclusive rights for several locations. Management estimates that approximately 75% to 80% of the company's Anaheim-permitted cabs actually work in Anaheim on any given day.

About half of California Yellow's cabs are company owned and half are driver owned. Of the 48 cabs operating in Anaheim, 35 are driver owned, typically by more experienced operators according to California Yellow management. The company charges \$635 for a basic weekly lease for an Anaheim cab and \$575 for a non-Anaheim cab. Charges for owner-operators are

presumably lower, but were not determined. The difference between the Anaheim and non-Anaheim leases represents \$60 per week that the company charges for an Anaheim sticker, which applies for lease drivers and owner-operators, but is being waived for about half of the drivers operating Anaheim-permitted cabs due to loss of business after January 2011. California Yellow gives all of its drivers one coupon per week to get their vehicles washed at four locations. Extra coupons are provided if needed.

California Yellow's Anaheim fleet consists mainly of 2005 to 2007 vehicles, of which a little more than half are minivans or vans, including two wheelchair-accessible vans.

Dispatching by CCSI uses a proprietary system that was purchased from Motorola. It has digital and GPS capabilities similar to the others. Trips are made available for drivers to bid on based on their locations, with priority assigned using a formula that combines proximity to the pick-up location and time in the zone of the pick-up. The system captures data for all metered trips, including non-dispatched trips from cab stands or hailed on the street, but the company does not yet have the ability to generate reports from that data. Management estimated that "walk-ups" account for 40% to 50% of their Anaheim business, with the balance being dispatched.

A significant part of their business consist of contracts with organizations such as CalOptima (Medicaid, Medicare, and Healthy Families), Veolia (the provider of paratransit for OCTA), CareMore (a health plan for seniors on Medicare), and Jewish Family Services. All of these trips go through the dispatch system. California Yellow is part of a joint venture with YCGOC that has the exclusive contract to serve John Wayne airport. They have a number of hotel deals outside of Anaheim (Hyatt Resort in Huntington Beach, Westin South Coast Plaza, the Plaza itself) and exclusive contracts with several cities for senior transportation.

Yellow Cab of Greater Orange County (YCGOC)

YCGOC is the largest of the three companies serving Anaheim, and has been operating in the city for the longest, since 1945 according to company promotional materials. The company operates from a very large facility in Anaheim, where is has its administrative offices, dispatching, and a maintenance facility. A related company, Western Transit Services, which provides transportation for developmentally disabled clients of the Regional Center of Orange County, is housed on the same property. In a joint venture with California Yellow, they provide exclusive service at John Wayne Airport.

YCGOC is the largest taxi company in Orange County, with 271 OCTAP permitted taxis and 417 OCTAP-permitted drivers. The company's 167 Anaheim cabs account for more than half of the fleet. All of but 40 of their vehicles are owned by them. The other 40 are owned by drivers who had already been driving 6 months to a year. The drivers who own vehicles must have a 2007 or newer minivan. The company estimates that 75% to 100% of the Anaheim-permitted cabs are working in Anaheim at any given time. As of August 2011, the Anaheim fleet consisted of 105 sedans, 58 vans, and 4 wheelchair accessible vans. Of the 167 vehicles, 68 are powered by CNG and 8 by LPG. The company was expecting to add about 20 CNG vehicles soon. The oldest vehicles in the fleet are from 2004 and the newest are from 2008. The company's newest vehicles, 2009 model year, serve John Wayne Airport but may be brought to Anaheim at some point. The company has also on order 35 to 50 2012 CNG Transit Connects which will go to the airport (which requires CNG vehicles exclusively), but could come to Anaheim at some point.*

* The Ford Transit Connect is being marketed as a replacement for the Crown Victoria which is no longer being made. It is a small van with a high roof. It is sold in a model without windows, as a delivery van, or with windows as a passenger vehicle.

YCGOC charges \$680 for a basic weekly lease of an Anaheim-permitted cab, and \$555 for a non-Anaheim cab without airport privileges. For an owner operator, the rates are \$460 per week for an Anaheim cab and \$410 per week for a non-Anaheim cab. As noted earlier, the company also provides daily leases rates of \$125 plus \$.10 per mile over 200 miles for an Anaheim cab and \$115 plus \$.10 per mile over 250 miles for a non-Anaheim cab. The daily Anaheim rate makes sense for a driver who plans to drive fewer than five days a week. The intent of making these leases available is to avoid a situation in which a driver feels compelled to work every day, including days when business is light, in order to pay the lease. The company pays for vehicle washing and interior cleaning at four locations. As at all companies, drivers are responsible for fuel.

Their dispatch system, Mobile Knowledge, has similar digital communications and GPS capabilities as the systems used by the other companies. It gives them detailed information on every trip whether dispatched or not. The system allows the company to monitor the number of cabs in each zone, including zones just for specific locations in the Resort area. Drivers can see this information too and proceed to where there are no cabs available, spreading themselves around. YCGOC volunteered to provide a detailed sample of non-dispatched trip data. This exercise showed the limitations of this data, since it is difficult to distinguish a trip from occasions when drivers may turn the meter on and off to when communication difficulties prevented them becoming automatically available for a new trip after completing one. Drivers may also turn the meter on when en-route to a cab stand in order avoid receiving a dispatched trip. Even data on dispatched trips was inaccurate, apparently due to conversion problems in switching to new dispatch software.

YCGOC has a number of contracts (accounts) to provide service, of which the largest one in Anaheim is with Western Medical. The company has a contract with OCTA to provide Same Day Taxi Service for ADA paratransit riders. The customer pays \$2.70 and OCTA covers the rest up to \$10.

Geographic Distribution of Taxicab Business

The three companies use different zones in reporting to the City and for their internal purposes. For purposes of this study, these zones have been combined into four major service areas as shown in Figure 2.

The three companies vary significantly in the portion of their dispatched trips that originate in each service area as shown in Figure 3. The percentages for YCGOC are based on dispatch data provided by the company which are known to be flawed, so total numbers of trips would not be accurate, but the percentages shown are at least reasonable, so they may be accurate. The figures indicate that A Taxi Cab has the highest percentage of its trips from the Resort Area and the lowest percentage from East Anaheim. California Yellow has the highest percentage of its dispatched trips from East Anaheim. However, since YCGOC is by far the largest of the three companies it serves far more trips than the other two in all areas of the city. Since California Yellow's dispatch business is by far the smallest of the three companies, it serves fewer dispatched trips than the other two in all areas of the city.

Figure 2. Anaheim Taxi Service Areas

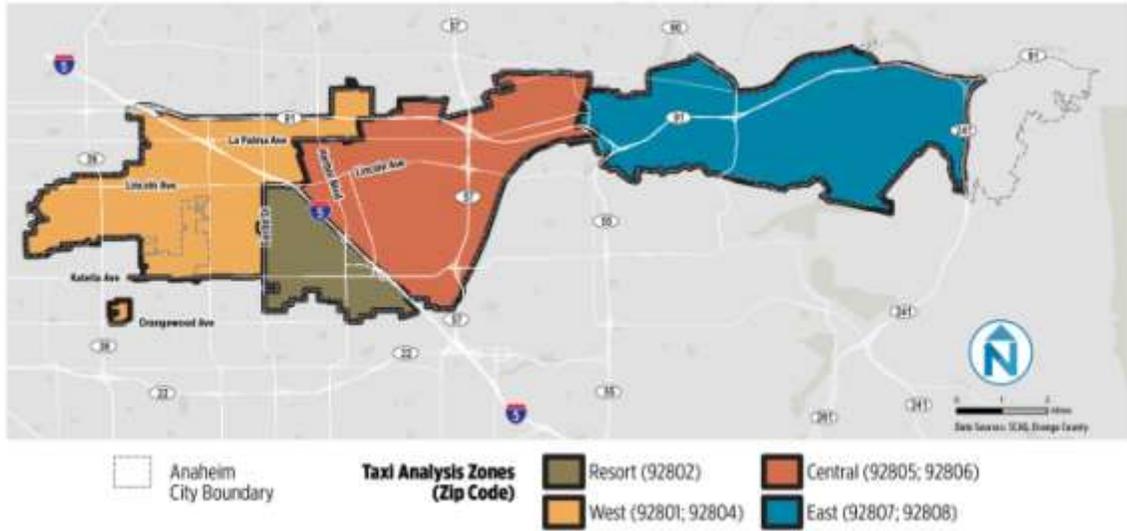
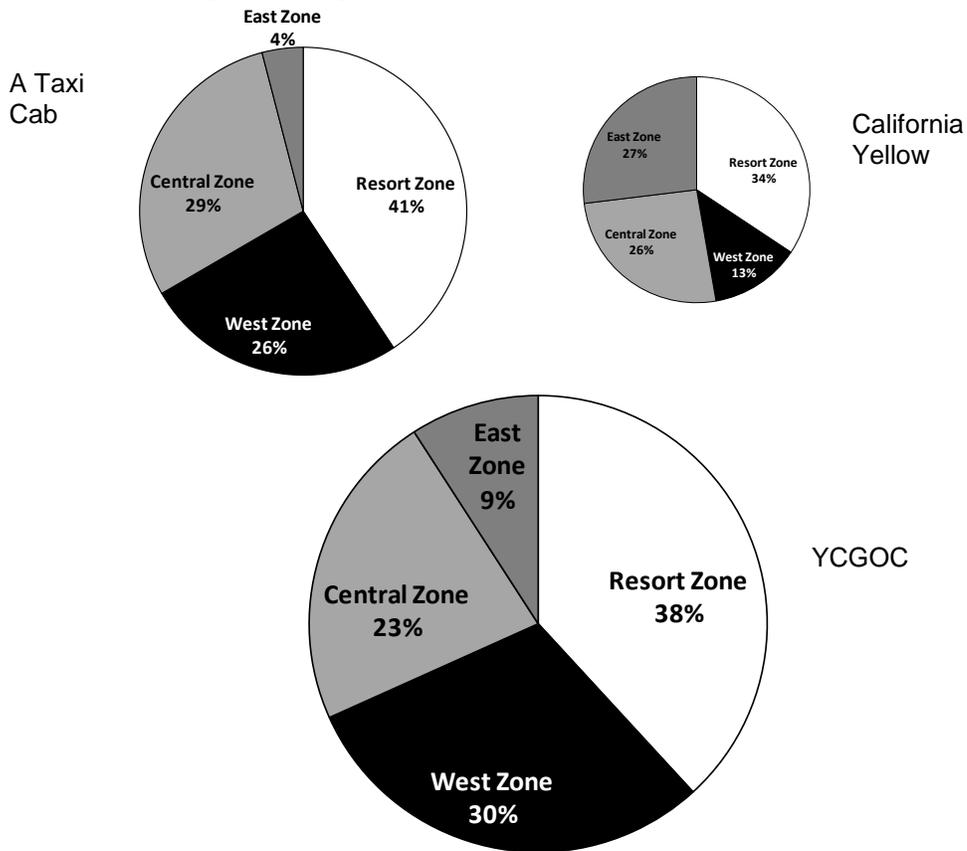


Figure 3. Shares of Dispatched Trips from Each Taxi Service Area



Accessible Vehicles

A Taxi Cab has 10 wheelchair accessible vehicles, which they keep busy with contracts. Aside from medical trips, they have contracts with the courts, social services, and schools. It was not determined how many of the accessible vehicles operate in Anaheim. These minivans have a manual ramp in the rear and hold 1 wheelchair + 2 or 3 seated passengers in the middle seat. They do not dispatch cash wheelchair trips; instead they refer calls to the drivers' cell phones. The drivers get extra training using materials from OCTA and Easter Seals.

California Yellow has two wheelchair accessible vehicles in Anaheim. Beyond Anaheim, they claim to have the largest accessible fleet in the county, consisting of 23 currently on the road and three more waiting to be permitted as of August 2011. The accessible vehicles are minivans, including Dodge Caravans, Chevrolet Ventures, and Chrysler Town and Countrys. California Yellow markets the vehicles to health care providers and OCTA, giving the drivers a consistent income stream so there is no lease discount for accessible vehicles. Wheelchair trips do not generally go through the dispatch system; instead they are routed the day before. Dispatch gets only about 5 calls per day for wheelchair service. There are also some personals.

YCGOC has four accessible cabs in Anaheim and six total. In Anaheim they are all six-passenger, dual-wheelchair vehicles. These vehicles lose money and there is a discount lease for the drivers. They get very poor gas mileage. One vehicle observed during a site visit looked like a small school bus. The company uses these vehicles because they feel it is important to be able to take a passenger in a wheelchair plus a group.

MARKET TRENDS

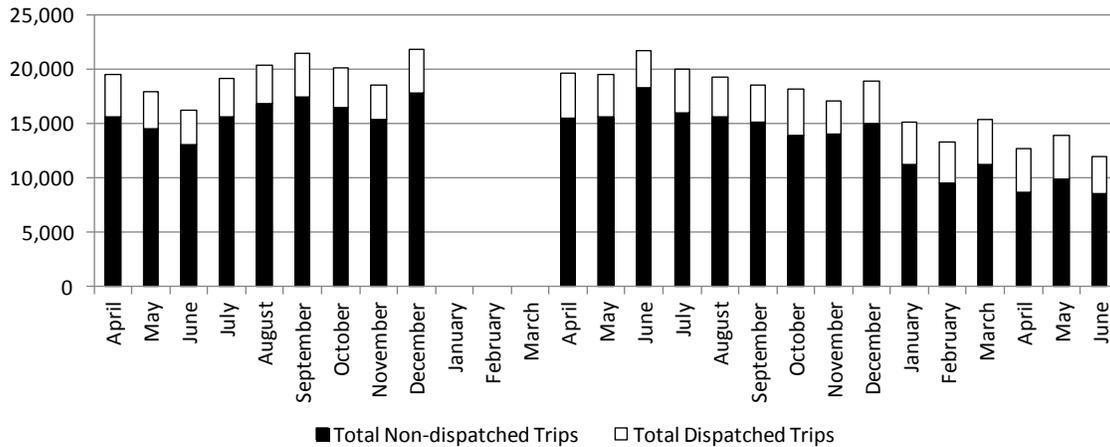
Each of the current franchisees was interviewed about their perception of market trends. A summary of these interviews is provided, supplemented by statistics based on reports to the City filed by the franchisees and provided by the franchisees for this study. Limited data on visitor trends are also presented.

A Taxi Cab

A Taxi Cab management indicated that their business is up except in Anaheim due to YCGOC's exclusive access to major Resort locations. Lack of hotel business for them has also reduced follow-up business at the Convention Center. There is a public taxi waiting area on the curb leading to the Marriott's driveway (at the entrance to the Convention Center), but drivers can't really get business there. However, the volume of calls in Anaheim is up and residential business is way up in the last year. Their hospital and other account business has been stable. Walk-up business, mainly in the Resort area, is down. A Taxi Cab is looking to increase its business but it is hard to do that without more cabs. They could use more cabs, especially 10 more wheelchair cabs in Anaheim.

A Taxi Cab is the only one of the three franchises that provided data showing numbers of trips per month of all types, including dispatched trips (phone orders), street hails, hotel trips, and cab stand trips. As shown in Figure 4, the company's volume of dispatched trips has been more or less steady at around 3,800 per month. However, the volume of non-dispatched trips (hailed on the street, from hotels, and at cabs stands) has fallen sharply from around 15,000 per month to less than 10,000 per month.

Figure 4. A Taxi Cab Trip Trends



California Yellow

Their interpretation of recent history is that, after the last franchise process, YCGOC ended up with so many permits they needed to go after hotel exclusives. When Disney issued its RFP for taxi service, California Yellow thought they submitted a good proposal, but Disney said they didn't have enough taxis. They feel hotel service problems were caused by there being too many cabs, and the hotels solved this by picking one company. The hotels wanted limited lines and drivers in uniform.

According to this interpretation, the oversupply of cabs was caused by the City increasing permits after the last RFP as well as a decline in business that was already happening at that time. The company's manager noted that a lot of newly built hotel capacity is sitting empty. He thinks there would have been excess capacity even if the City had not added 25 permits.

One other factor he noted is that trips in the Resort have gotten shorter, including some just back and forth to Disneyland. NAMM used to be a county-wide event with people staying in far away hotels and going distances for meals. Now they stay and eat nearby due to trimming expenses. However, things are beginning to pick up. He quoted the manager at the Marriott as saying that their restaurant receipts are down, meaning that guest are going to off-site restaurants. California Yellow has seen a 25% to 30% increase in call volume this summer over last year, but business at the airport is flat.

Reports filed with the City of Anaheim by California Yellow indicate an average of about 800 dispatched trips per month from Anaheim. With an average of 40 Anaheim cabs in operation, this implies only about 0.7 dispatched trips per day per cab. However, at least some of California Yellow's drivers apparently are able to obtain business in Anaheim. Only three California Yellow drivers responded to the taxi driver survey and they estimated widely varying percentages of their business coming from Anaheim, ranging from 10% to 90%. It appears that either: a) the majority of this company's Anaheim-permitted cabs generally do not work in the city (and did not respond to the survey), or else b) the company's Anaheim drivers have found other business from personal calls to their cell phones and arrangements with hotel staff. Some combination of these explanations is most likely the case.

YCGOC

YCGOC management observed that tourism and taxi business went way down after 2008. Drivers who waited hours for a fare also engaged in practices to maximize income that were not friendly to customers. There were problems such as refusing short trips, not accepting credit cards, and charging \$10 minimum for taking a credit card. At this time they lost a lot of business to Super Shuttle and black cars. At this time, a lot of hotels and meetings ran special shuttles instead of relying on cabs. Another reason business is down compared to several years ago is because of the way the Resort area has been built up with restaurant destinations and attractions, so there is much less demand for trips to other parts of Anaheim or Orange County.

Their interpretation of recent events is that they were able to convince their drivers to change their behavior and this led to exclusive contracts with the Hilton, Marriott, Disney, and now Hyatt. They do not pay for any of these arrangements. Company management says that they now focus on the five hotels where they have arrangements. They don't have enough cabs to serve all hotels. In general YCGOC sees that business is up for them because of improving service and taking back business from Super Shuttle, black cars, and special event shuttles. However, although the number of trips is up, they are shorter than before—the average transaction is down. Also, airport business is down 4% over last year.

Data provided by YCGOC suggests that the company's non-dispatch business has increased sharply since January 2011 when their exclusive arrangements were finalized after a court challenge. Unfortunately, YCGOC has identified flaws in the data, possibly due to issues caused by a recent upgrade to the dispatch system, resulting in a significant undercount of trips. The same data shows that dispatch business in Anaheim is also up, but flaws in the data produce numbers that are far less than the actual number of trips as estimated by company management from other sources. Based on volume of telephone calls handled, the company estimates that it provides at least 20,000 dispatched trips in Anaheim per month, more than five times as many as A Taxi Cab, and 25 times as many as California Yellow.

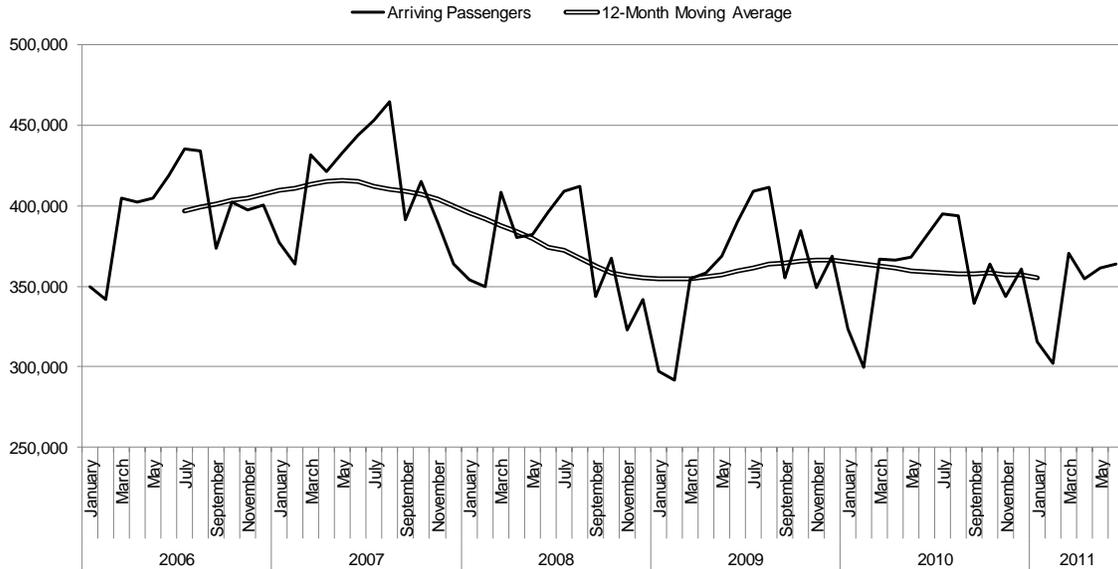
Regarding the number of permitted taxicabs, they feel that adding any would result in poor service, drivers not making enough money, and drivers working excessively long hours. They were not happy that the number was increased when the last franchise RFP was held. As it is they encourage drivers not to drive during the middle of the week by allowing them to lease daily.

As another indicator of more than adequate supply, they noted that rates have not been raised since 2008, and that the last time OCTAP considered raising rates, the taxi industry said no out of fear of damaging business.

Airport Arrivals

Arrivals at John Wayne Airport provide one indicator of the volume of tourist and business travel to Orange County and to Anaheim. As shown in Figure 5, the number of arrivals began falling in late 2007. After reaching bottom in late 2008, the number of arrivals has fluctuated but not significantly increased. Note the raw numbers have been smoothed using a 12-month moving average in which each point is the average of the month itself, the preceding six months and the following five months. This eliminates fluctuations due to seasonal variation and different numbers of days per month.

Figure 5. Passengers Arriving at John Wayne Airport



Source: U.S. Bureau of Transportation Statistics, Air Carrier Statistics (Form 41 Traffic) - U.S. Carriers.

Hotel Stays and Tourism

Staff of the Anaheim/Orange County Visitor and Convention Bureau provided some information about hotel stays and tourism in general. The number of nights booked for groups through the Bureau has steadily declined since 2007:

Year	Room Nights
2007	624,441
2008	586,713
2009	539,518
2010	515,590
2011 (estimate)	495,000
2012 (projected)	516,000

However, Bureau staff also noted that attendance at conventions has not generally declined, so it is possible that more people are just choosing to stay at less expensive locations instead of the official conference hotels.

SERVICE QUALITY AND AVAILABILITY

The available indicators of service quality are response times as reported by the franchisees, complaints received by OCTAP, and the results of a survey of hotel management. The response time data also provide an indication of whether there is an adequate supply of taxicabs serving Anaheim. For purposes of presentation, data have been summarized using the same four geographic areas shown earlier as shown in Figure 2.

Reported Response Times

Examination of the detailed reports provided by A Taxi Cab identified some issues with how response time statistics are prepared. Data from all three companies show that on the order of 20% to 25% of dispatch requests are not completed, usually because the request was cancelled or was a no-show. In some cases the customer may have taken another cab or found some other way to travel. Other trips are not dispatched in the same sense; they are provided under contract to some third party, such as a medical plan, and are pre-scheduled the evening before, sometimes with multiple riders being grouped together. In the case of a no-show, the time of arrival can still be used to calculate a response time, but in the other cases no response time can be calculated. However, the A Taxi Cab statistics treated all of these cases as having zero response time, which overstated the percent of requests completed within 20 minutes by several percent. For four months for which A Taxi Cab provided detailed backup data, we were able to compute corrected statistics, which are shown in Figure 6. For all months, the summary reports from A Taxi Cab indicate that 96% to 98% of requests were completed within 20 minutes. With no detailed backup data, it is not possible to say whether the response times from Yellow Cab and YCGOC were computed correctly or not.

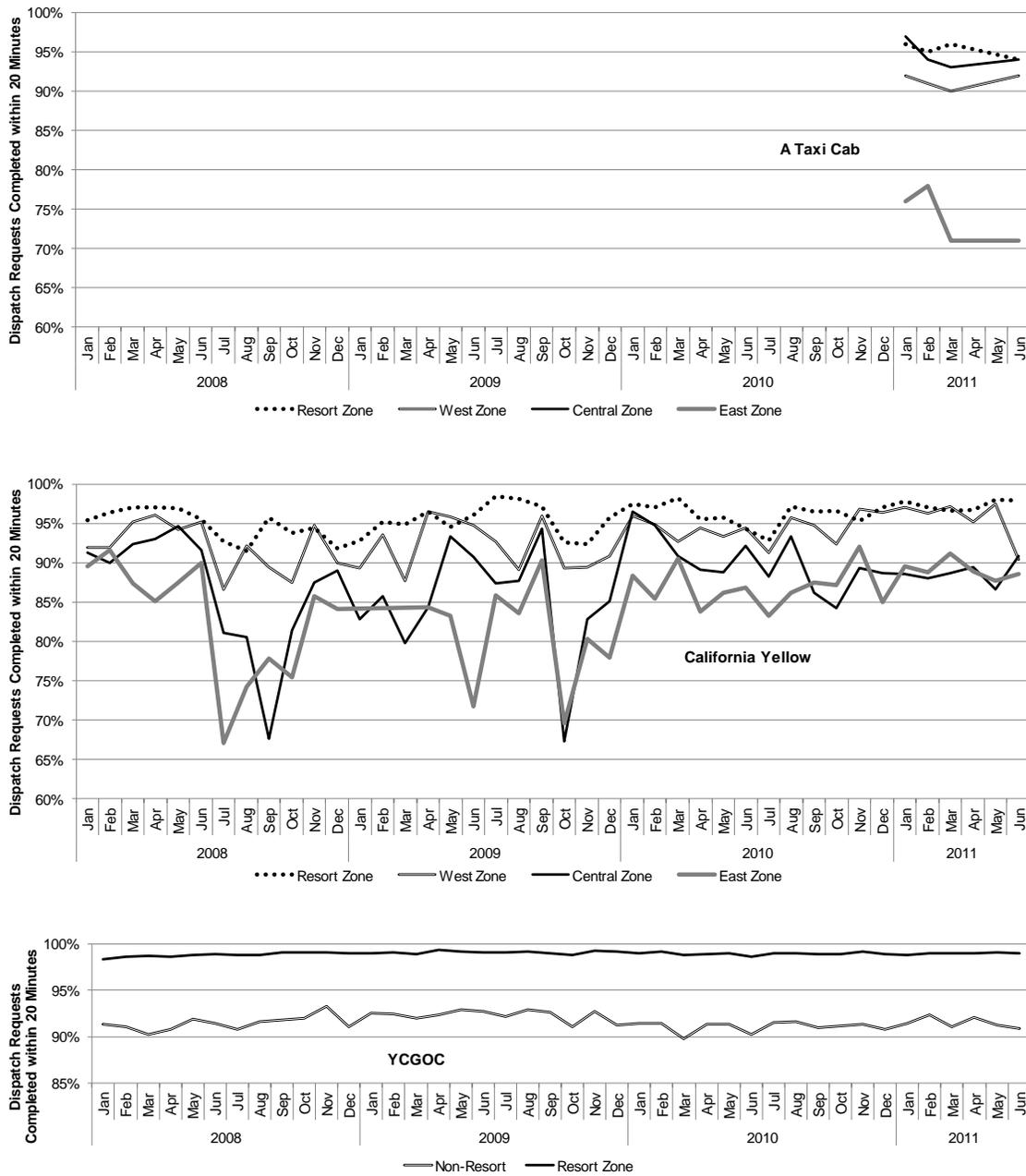
A Taxi Cab's response time performance far exceeds the City's standard of 86% completed within 20 minutes in the Resort area, and in central and western Anaheim. In eastern Anaheim, performance has been below standards in recent months. Only the four corrected months of response time data for A Taxi Cab are shown. Examination of the uncorrected data indicates that A Taxi Cab's response times outside the Resort area have improved in 2011 compared to previous years. This would be consistent with more cabs being available to respond to calls as a result of restrictions serving the large hotels.

California Yellow has consistently exceeded the City's standard in the Resort area and in western Anaheim. However, the company went through a difficult period in late 2008 and 2009 when it failed to meet the standard of 86% completed within 20 minutes in the central area and in the eastern area. Since 2010, California has mostly met the standard in all areas of the city, and far exceeded it in the Resort and western areas.

YCGOC only reports response times for Resort area and "non-Resort" area. For these areas, response time performance far exceeds the City's standard. Whether the standard is met everywhere, especially in eastern Anaheim, is not known.

The response time data indicate that the supply of taxicabs is more than adequate to respond to service calls, except in eastern Anaheim. Since taxicabs will not generally circulate in this area, preferring to remain in the Resort area, longer response times in this area are generally to be expected. (Note that the location of YCGOC's facility not far from the East Anaheim Shopping Center on Lincoln Avenue does not affect response times, since taxis still need to travel from wherever drivers choose to look for passengers, not from the company's operating base.)

Figure 6. Response Times



Results of the Hotel Manager Survey

The hotel manager survey asked about response times and about numerous aspects of service. A link to the on-line survey was sent to 149 hotels on the City’s list of active hotels and motels. Full or partial responses were received from 36 hotels, of which two-thirds were in the Resort area, 24% have 400 or more rooms, 32% have 100 to 399 rooms, and 44% have fewer than 100 rooms, including two RV parks.

Thirty-four percent of the responding hotels have an area set aside for taxis to wait for customers, but only 16% (five hotels) have a waiting area that is restricted to certain companies, of which four use YCGOC and one uses a limousine company and a non-Anaheim taxi company. When they need to call a cab, 13 of the hotels call YCGOC, 9 call A Taxi Cab, 9 call multiple companies, and four call town cars, limousines, or non-Anaheim taxis.

Sixteen respondents had complaints about taxi service. The rest had none. Three respondents remarked on long waits or shortages of cabs when there is a large convention. Other issues included overcharging, refusal to take credit cards, refusal to take short trips (e.g. to the Convention Center), unclean vehicles, rude drivers, poor English, getting lost, and times when a company other than one that was called takes a fare.

Respondents were asked about differences in taxi service between peak season and other times. Seventy-five percent said there was no difference. Those that saw a difference tended to focus on longer wait times, but one felt that service was actually better at peak times because there are more cabs then and management is more involved.

Most of the hotels (76%) also arrange non-taxi transportation for their guests. Many mentioned Super Shuttle and others mentioned other shuttles, limousines, and tour buses. Typically these arrangements are made by phone.

In response to the question, “Who do you call if you have a problem with taxicab service?”, all of those responding said they call the taxi company, sometimes mentioning specific individuals. None of the respondents mentioned OCTAP or the City.

As shown in Figure 7, most respondents perceive response times of 10 to 20 minutes, which they consider reasonable. These responses refer only to situations in which a taxi is called, not when the hotel has a place for taxis to wait.

Figure 7. Response Times from the Hotel Manager Survey

Response Time	What is the average wait time for a taxi to arrive at your establishment after being called?	What do you consider a reasonable wait time for a taxi to arrive at your establishment after being called?
Under 5 minutes	12.1%	8.8%
Around 5 minutes	12.1%	26.5%
Around 10 minutes	39.4%	44.1%
Around 15 to 20 minutes	30.3%	20.6%
Around 25 to 30 minutes	6.1%	0.0%
More than 30 minutes	0.0%	0.0%

33 responses

The hotel staff were also asked to rate 13 aspects of the taxi service they receive, as shown in Figure 8. The ratings were done on a five-point scale, where 1 was Poor and 5 was Excellent. Most of the ratings average between 3 and 4. Since 3 would be neutral, neither good nor bad, these ratings amount to an assessment that taxi service is just a little better than “okay.”

Figure 8. Rating of Taxicab Service Components

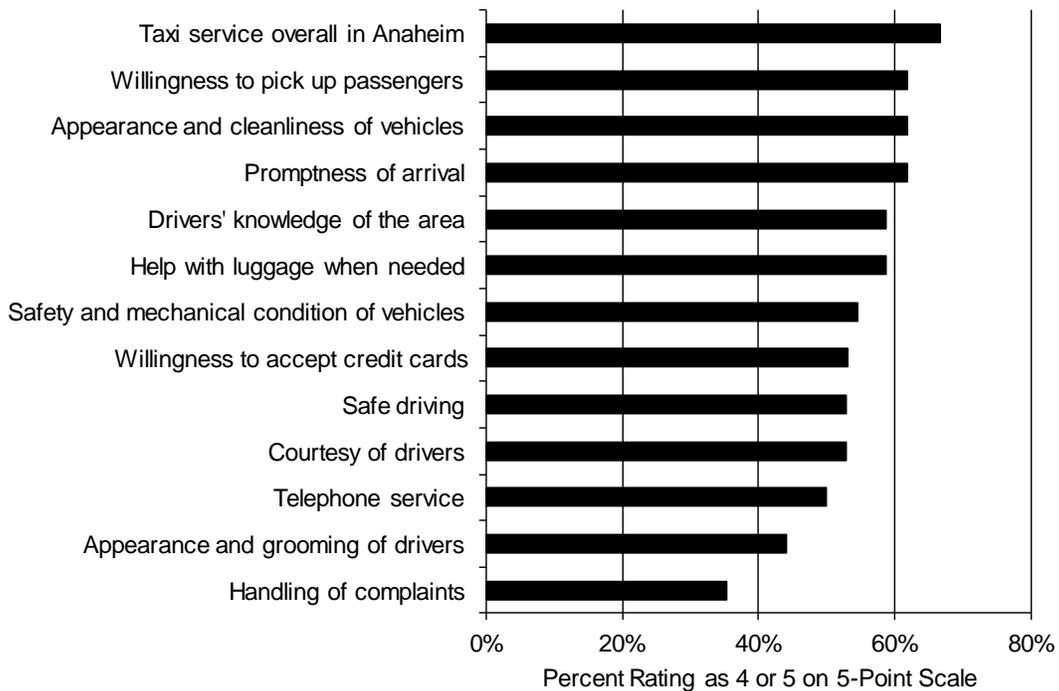
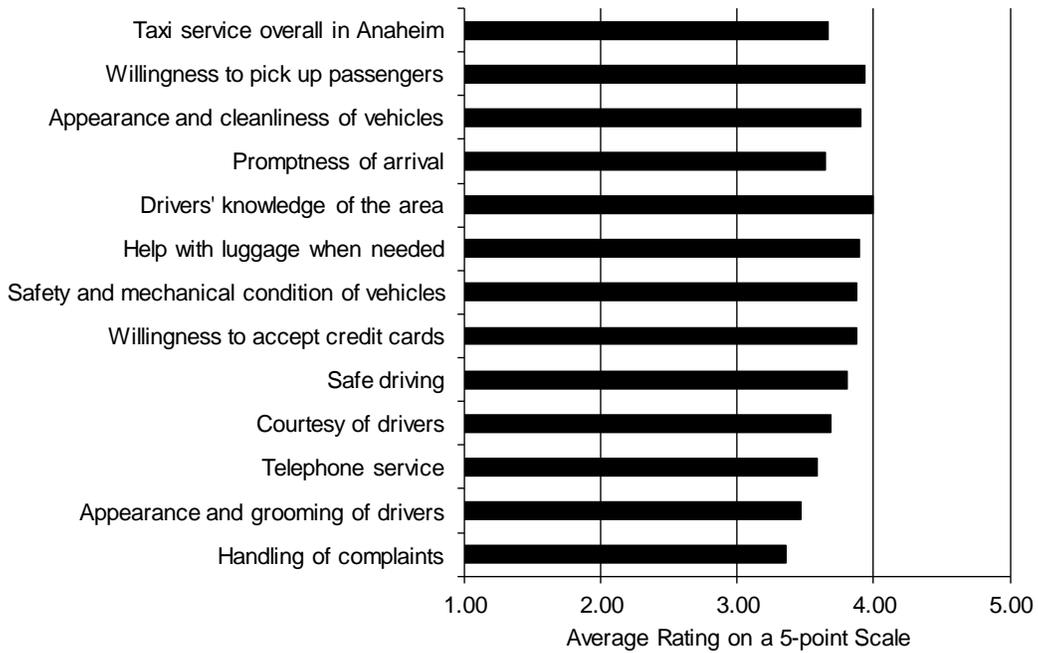
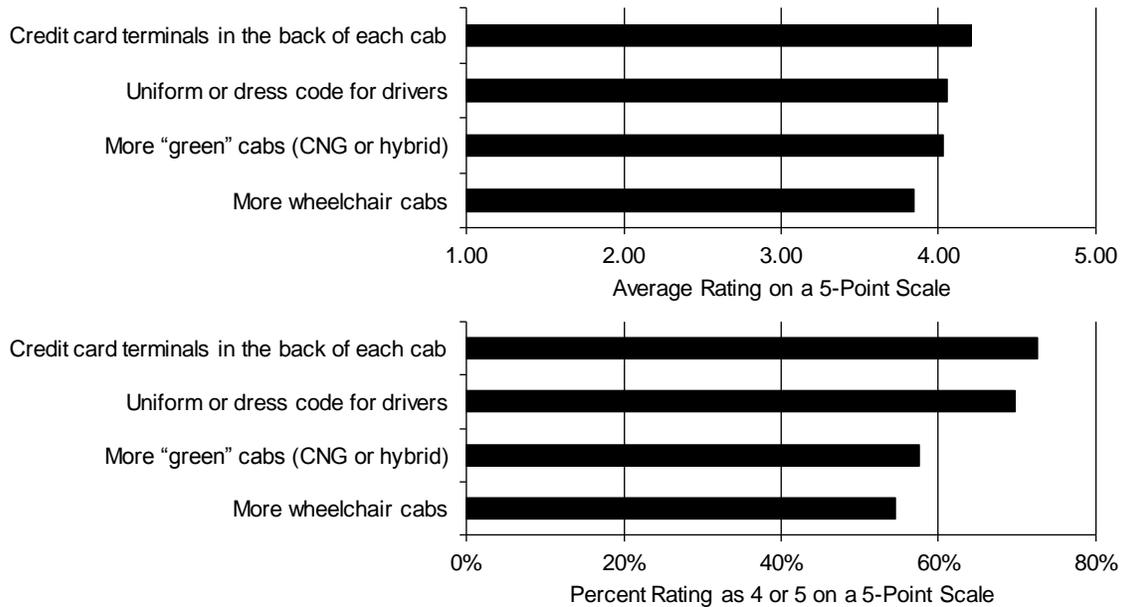


Figure 8 also shows the percentage of respondents who rated service either 4 or 5, which would be a desirable rating indicating good or excellent service. Items that most respondents feel are good include “Willingness to pick up passengers”, “Appearance and cleanliness of vehicles”, and “Promptness of arrival”, all of which are clearly essential items. Items that get notably poorer

scores include “Telephone service”, “Appearance and grooming of drivers”, and “Handling of complaints.” Notably, more respondents gave “Taxi service overall in Anaheim” a 4 or a 5 than any other item, suggesting that the items that were scored more poorly are less important than the items that were scored highly.

Opinions were asked about four possible improvements to taxi service, as shown in Figure 9. A majority of those responding were in favor of all four changes, “More wheelchair cabs”, “More “green” cabs (CNG or hybrid)”, a “Uniform or dress code for drivers”, and “Credit card terminals in the back of each cab.” Unsurprisingly, since the respondents have nothing to lose from any of these items, only five respondents rated any of improvements negatively. There was a clearer consensus about the importance of a dress code and credit card terminals than about the other items. On the issue of wheelchair accessible cabs, staff from the larger hotels were much more likely to be very positive, while staff of small hotels were generally neutral. (Drivers were asked about these same issues. Their responses are shown in a section about the driver survey.)

Figure 9. Opinion of Potential Improvements



The respondents had a variety of suggestions for City action to make taxi service better. These included:

- Make it more uniform, similar to the signage of the resort area.
- Allow [hotel] operators to choose who they wish to do business with. The level of standards of any company in the Resort District needs to be held to high level of accountability. The service to our visitors must exceed the expectations of the guest!
- Customer service training
- Cleanliness of the cab and driver
- No smoking smell
- Do not allow one company to take over a certain area.

- There should be a code of conduct in place for the drivers. When Guests are staying at a 4 or 5 diamond property or anywhere in the Anaheim Resort, there should be more professionalism and sense of urgency to help. Drivers should not be allowed to smoke inside or outside of their cabs. I like that Yellow Cab has a dress code; I think it looks more professional. The drivers should also be held responsible for keeping their vehicles clean inside and outside.
- Work with one provider.
- Contract with one company and hold them accountable.
- Select a good service company who could offer a better rate for our guests who are not aware of this area.
- Return the staging area to the Harbor side; this will keep taxis off hotel properties and sidewalks that do not have a staging area for them.
- Select the best company for motel guests' safety. Make competition fair to all companies; that will provide better service.
- Set up a help line.
- Anaheim should place a taxi line for the Anaheim guests.
- Potentially create a zone rate for Orange County so customers can accurately calculate the amount they will pay to travel within a specific radius of Anaheim. For example, within 5 miles, \$5; within 10 miles, \$15; within 25 miles, \$40, and so on.
- Lack of wheelchair cabs is a major problem and should be number one on your list to improve.
- Dress code

Others either had no comments, had positive things to say, or made very general comments like "improve service." Comments about taxi service that were not necessarily directed at desired action by the City included:

- Working with one reputable provider is highly recommended.
- Dress code and grooming is a big issue!
- More vans that hold 6 plus with luggage and more ADA cabs.
- What is the right for the city to select cab companies? This only creates special interest groups to lobby the city. Free market and competition will benefit the visitors.
- Credit card terminals in the back of cabs would constantly get broken (accidentally, on purpose, and gummed up) & would put a significant dent in the cab driver's pay. You know the company would make the drivers pay for it.
- Would like flat rate for airport pick up to quote. Also would like minivan or other to handle 4-5 guest at a time
- I prefer to use the town cars. The guest feels comfortable and often calls for repeat service.
- Taxi drivers have anger management problems.
- I have had to literally break up fist fights between drivers in dispute as to who should get the fare, in front of the customers they were called to serve.

TAXI DRIVER ECONOMICS

Concepts

A key driver of service quality and availability is the economics of taxi service as experienced by drivers. All taxi drivers in Anaheim (and almost all taxi drivers in the United States) are independent contractors who are subject to minimal supervision by companies. The drivers pay a lease fee to a company in exchange for dispatching service, marketing, the value of the company's reputation and name and, usually, use of a vehicle (although some drivers supply their own vehicle). The drivers' income depends entirely on the number and length of trips they are able to carry, whether through the dispatch system or from cab stands, hotels, personal calls, and being flagged down on the street, and on their ability to encourage tipping. Experienced drivers can increase their income by knowing when and where they are likely to find business with minimal competition from other drivers.

As the number of drivers in an area increases, response times and availability may improve, leading to more use of taxis, but each driver's income is likely to fall because of greater competition. Past some point, more drivers leads only to chaotic, cutthroat competition resulting in poor service quality, overcharging and other unfair or deceptive practices, and congestion in locations with concentrations of tourists and business travelers. Drivers' incomes suffer which further contributes to poor service quality and high turnover. Cities establish limits on numbers of taxicabs in an attempt to find the best balance of an adequate but not excessive supply of taxicabs.

In the case of Anaheim, the effect of limits set by the City is complicated by the fact that all Anaheim taxis are able to operate anywhere else in Orange County except (in most cases) John Wayne Airport. If the City sharply limits the number of taxis, then drivers of Anaheim-permitted cabs have a strong motivation to stay mostly in Anaheim and provide good service. If the City allows an excessive number of taxis, then more drivers are likely to spend a significant portion of their time in other parts of the County. How this works in practice will depend on the availability of business in other parts of the county and on how many non-Anaheim cabs there are (which is not limited by any regulation) operated by the three franchisees or any of the 27 other, mostly very small, companies licensed by OCTAP.

Data Sources

The economics of taxi driving have been analyzed using data from a survey of taxi drivers, data about lease rates and other fees provided by the taxi companies, data about volumes of trips provided by A Taxi Cab, and rates of fare as set by OCTAP.

The driver survey provides evidence about driver revenues, expenses, and sources of business. The survey was administered using an on-line survey facility. Drivers were directed to go to www.anaheim-taxi-driver.com where they could fill out a survey. Between September 26 and October 24, 57 drivers completed the on-line survey. Five more mailed in hand-completed printouts from the website, which were entered by the consultants.

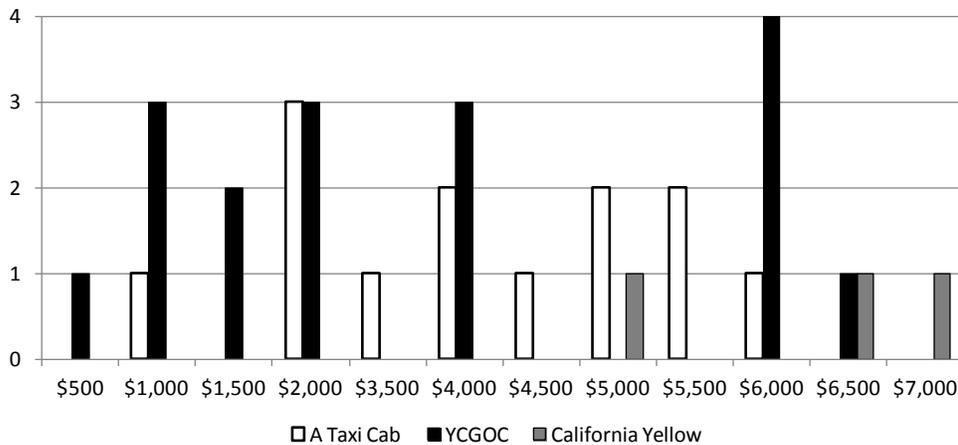
Driver Income

The drivers were asked to estimate their gross monthly revenue. The responses varied widely, as shown in Figure 10, with multiple drivers reporting revenue as low as \$1,500 and as high as \$6,500 per month. Controlling for the number of days and hours worked by each driver explains

some but by no means all of the variation. The average monthly revenue was \$3,688 and the median was \$4,000. Most drivers reported working six or seven days a week and 10 to 15 hours a day, averaging 11.4 hours a day and 6.5 days a week. Based on these reports, the drivers' gross revenue amounts to \$10.88 per hour on average.

This level of revenue is consistent with drivers carrying on the order of 10 trips per day averaging a little under four miles each. Independently, data provided by A Taxi Cab shows that drivers for that company are serving about 7.7 trips per day in Anaheim. On the survey, drivers with A Taxi Cab estimated that about 78% of the business comes from Anaheim, which would imply about 9.9 trips per day total. YCGOC's claim of over 20,000 dispatched trips in Anaheim would amount to about 5 trips per cab per day based on the company's report of about 140 cabs in service on an average day in recent months. The balance could easily be made up of trips from hotels, cab stands, and non-Anaheim sources. In the survey, YCGOC's drivers actually report somewhat lower average gross revenue than A Taxi Cab's drivers. To summarize, the drivers' reported income is reasonably consistent with the limited data available from the companies.

Figure 10. Gross Monthly Driver Revenue



Source: Driver survey

Drivers' biggest expense, aside from lease payments, is gasoline, but several drivers also mentioned substantial cell phone bills. As in the case of revenue, reported monthly expense varied widely, with multiple drivers reporting expenses as low as \$600 per month and as high as \$1,500 per month. Overall, the driver's estimated their monthly expenses at an average of \$1,223. The median was \$1,100. This would be consistent with, for example, a month cell phone bill of \$50 and driving around 220 miles per day in a vehicle that gets 19 miles a gallon (typical for a minivan or Crown Victoria) using gas costing \$4 per gallon.

Lease costs for an Anaheim-permitted vehicle range from \$600 at California Yellow, for vehicles on which the usual charge for an Anaheim sticker is being waived, to \$680 at YCGOC for a sedan. The company lease rates have been averaged to arrive at a representative monthly lease cost of \$2,727, assume 4.25 weeks per month.

The average expense and revenue values have been used to generate a variety of driver income scenarios, which are shown in Figure 11. Based on these calculations, an “average driver” is either just breaking even or making a poverty-level income.

In reality, some more experienced drivers are probably making a more substantial, but very modest income, while others probably make next to nothing, then give up to try something else, and are then replaced by others willing to try their hand at driving a taxi. In the driver survey, 16% had been driving a taxi (for any company at all) for less than a year, and another 23% had been driving for no more than two years.

This situation reflects the fact that the economics of the taxi business are very different for drivers and companies. While drivers may be making very little, companies have a nearly guaranteed income in good times or bad. In good times, many drivers will make a decent living and have no trouble paying their leases, which are the source of companies’ income. In bad time, many drivers will make little or nothing, but with no other prospects will be willing to try driving a taxi as long as they don’t actually lose money. Either way, the companies make income on leases, though lease prices may need to be reduced if business is slow.

Figure 11. Driver Income Scenarios

Item	Scenario A	Scenario B	Scenario C	Scenario D	Scenario D
Trips per day	9	10	10	12	12
Avg. trip length (miles)	4	4	5	4	5
Gross revenue per month	\$3,429	\$3,810	\$4,590	\$4,572	\$5,508
Tips (10%)	\$343	\$381	\$459	\$457	\$551
Expenses per month	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200
Lease cost per week	\$642	\$642	\$642	\$642	\$642
Lease cost per month	\$2,727	\$2,727	\$2,727	\$2,727	\$2,727
Net Income per month	-\$155	\$264	\$1,122	\$1,102	\$2,132
Hours per day	12	12	12	12	12
Days per week	6	6	6	6	6
Hours per month	306	306	306	306	306
Net income per hour	-\$0.51	\$0.86	\$3.67	\$3.60	\$6.97

RESULTS OF THE TAXI DRIVER SURVEY

The taxi driver survey provided a variety of information in addition to the economic data just reviewed.

Driving Experience

The drivers were asked how long they had been driving for their present company. The responses, shown in Figure 12, show that a significant portion of drivers have been with their current companies for just one or two years or less. However, 65% of YCGOC drivers have

working there for three or more years. Another question asked how long drivers had been working for any company. There were very few differences in the responses compared to length of time at their current company.

Figure 12. Length of Driver Experience

	A Taxi Cab	California Yellow	YCGOC	All Companies
Less than a year	5		6	11
1 to 2 years	6	1	7	14
3 to 5 years	4	3	8	15
6 to 10 years	3		7	10
More than 10 years	2		9	11
Total	20	4	37	61

Vehicles

Only three of the drivers responding owned their taxicab; the rest leased their vehicle. Fifty-six percent drive a minivan, 22% drive a sedan (Crown Victoria or similar), and 22% drive a CNG sedan. By far the majority of drivers had positive things to say about the vehicles they drove. They mentioned dependability, condition, fuel economy, and size. Only two drivers of regular or CNG sedans had negative things to say. Seven of the eight drivers of CNG sedans liked them, generally just as a safe, dependable car; only one mentioned low fuel cost. Opinion was more mixed about minivans than sedans, with six out of 22 drivers making negative comments. Positive comments about minivans include their ability to accommodate more passengers and luggage, comfort, and good condition of the specific vehicle. Negative comments included excessive size, expense of operation, and poor condition of the specific vehicle.

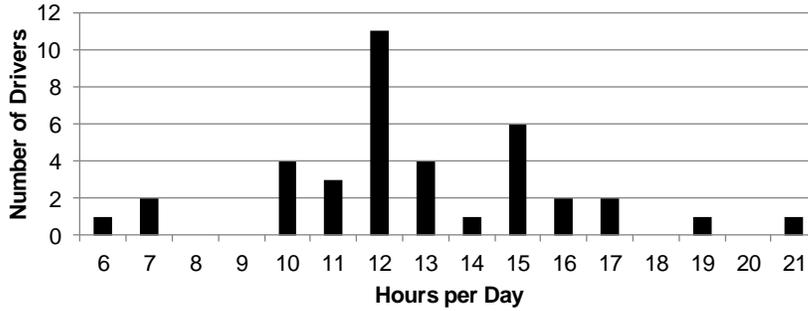
Leases and Fees

By far the most negative comments from drivers on any topic concerned the amount they pay for leases and other fees. Aside from general statements that the lease amount is too high, many noted the very long hours they have to work to cover the lease payment, some claimed that Anaheim lease rates are the highest in the U.S. (or even the world), and some complained about having to pay a processing fee on credit card payments. A handful of drivers believe the lease is reasonable, though it does make it hard for them to turn a profit. One driver noted that YCGOG dropped the lease amount by \$50 in 2009 to help drivers during the down economy. One driver claimed that his company charges drivers a "tax" in order to be able to pick up at various "paid" hotels throughout Anaheim, and that this money is then directed to bell and valet staff at these hotels.

Hours Worked

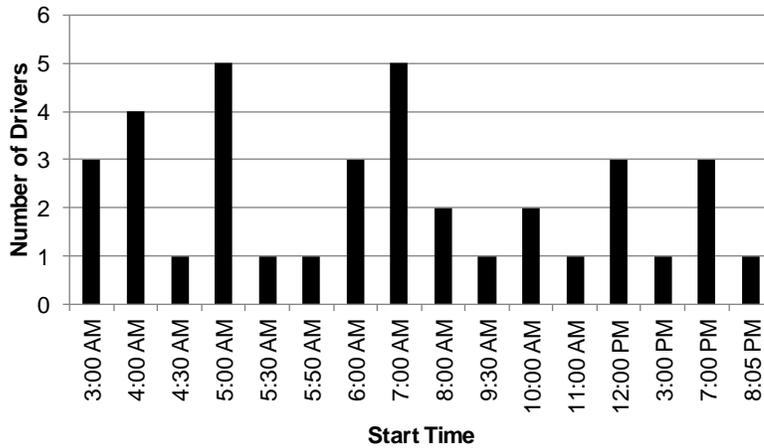
Drivers reported working an average of 11.4 hours per day and 6.5 days per week. Figure 13 shows that a handful of drivers work just 7 or 8 hours per day, but most work between 10 and 15 hours per day. A separate question asked about actual hours work the three days prior to the survey; the responses were generally consistent with the drivers' estimate of average hours worked. All but three of the drivers reported working either six or seven days a week.

Figure 13. Average Driver Hours Worked per Day



Most drivers begin their shifts between 4:00 AM and 7:00 AM. Only five of 37 drivers who answered this question start their shifts in the afternoon or evening.

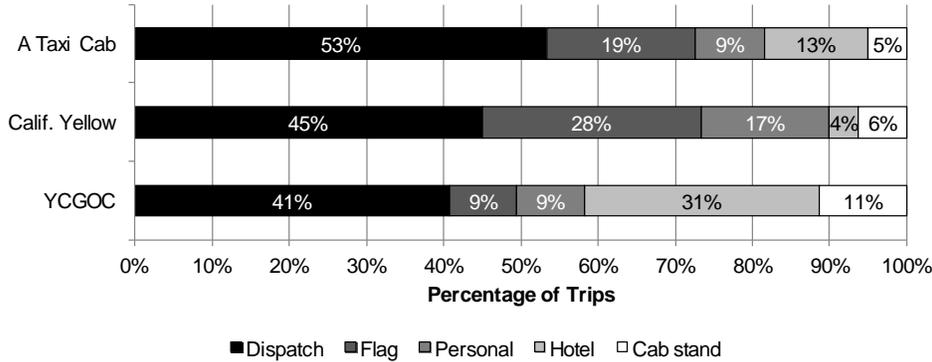
Figure 14. Driver Start Times



Sources of Work

The drivers were asked to estimate the percentage of their work that consists of trips dispatched from the company, street hails (flag downs), personals, hotel pick-ups, and trips from cab stands other than hotels. There was enormous variation among the drivers, even within one company. For example, four A Taxi Cab drivers estimated they get no business from hotels while two others estimated that 75% and 80% of their business comes from hotels. There was a similar spread among YCGOC drivers, but with a higher average value. Averaging among all the drivers, there were noticeable differences among companies, as shown in Figure 15.

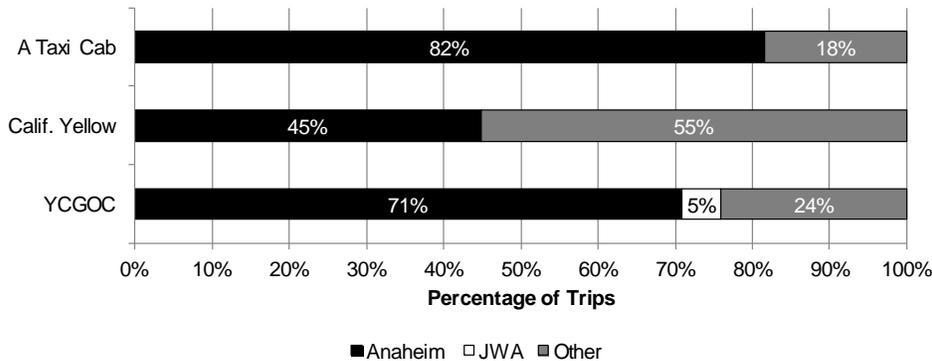
Figure 15. Source of Work for Drivers



On average A Taxi Cab drivers get a larger share of their work from company dispatches (presumably including contract trips) than drivers for the other companies. Drivers for YCGOC get a much larger share of work from hotels, and drivers for California Yellow depend the most on street hails. Note, this question did not ask the drivers to distinguish among Anaheim and non-Anaheim business.

A separate question asked drivers to estimate the percentage of their work that comes from Anaheim, John Wayne Airport (JWA), and the rest of Orange County (Figure 16). Drivers for A Taxi Cab and YCGOC who responded to the survey get the great majority of their work from Anaheim, while the three respondents who drive for California Yellow get about half of their work from Anaheim. Only a few YCGOG drivers get any work from John Wayne Airport.

Figure 16. Portion of Work from Anaheim



Drivers and the City of Anaheim

When asked “How fairly do you feel you are treated by City of Anaheim personnel (police, enforcement officers, clerks)?”, 31% said “Good”, 56% said “Fair”, and 13% said “Poor.” There was no clear difference among companies. Examining the open-ended responses, it appears that some of the drivers who checked “Fair” had in mind that staff act fairly, not that their treatment is not fully satisfactory. Several negative comments were related to issues around the hotels that work only with YCGOC. One driver noted, “Day to day it is very good but when a big event comes to town and we get new rules and inexperienced officers it gets tough to understand.” Another said, “Usually a little belligerent; pretty much the same attitude in every city though.” Others (from multiple companies) complained of rudeness and disrespect. There were also a number of

positive comments, again from multiple companies, including “They're doing a good job” and “Very friendly and helpful.”

Drivers were also asked “What should the City of Anaheim do to make your life as a taxi driver better?”

- The most common responses concerned *eliminating exclusive arrangements* in the Resort area.
- In addition five drivers requested that the City establish *more taxi stands*. For example, one wrote, “There should be taxicab stands in the Anaheim area at malls and hotels in order to decrease miscommunications between drivers and customers as to specific locations of where to meet.”
- There were also eight requests to *reduce the lease rates* charged by the companies, whether through City limits or voluntary action by the companies.
- One driver asked the City to *enforce a “no pay for play” rule* at Anaheim hotels. According to this driver, “Drivers are forced to pay \$10-\$15 for JWA trips and \$20-\$25 for LAX to the hotel bell and valet staff.” Taxi company management also described similar behavior by hotel staff as a common practice.

There were also requests that the City somehow intercede to ensure better treatment of drivers by their companies. Specific issues concerned general lack of respect and requiring that drivers be treated as employees.

Opinion of Potential Changes

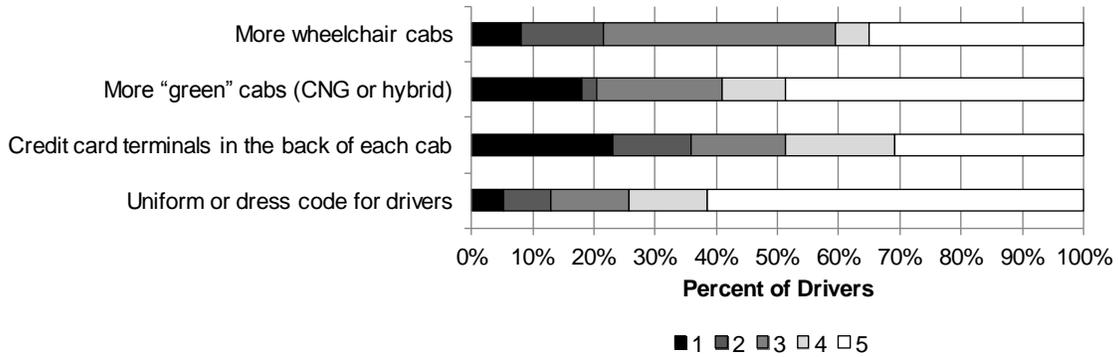
Drivers were asked their opinion of the same five potential changes that hotel managers were asked about. As shown in Figure 17, the change most supported by drivers is a uniform or dress code, which was rated positively by 74% of the 39 drivers responding. One driver noted that, “We already adhere to dress standards of white shirt, black slacks and shoes, and my tips and income have increased as a direct result; our enhanced appearance, service first attitude, have had a huge impact on the area.” More “green” cabs were also supported by 59% of drivers and only 21% outright oppose such a change. Several drivers expressed a preference for hybrid vehicles over CNG because of issues finding CNG fuel and lack of power in a CNG vehicle. On the issue of more wheelchair cabs, only 41% were definitely in favor, by only 22% were definitely opposed, with the largest segment being neutral. Credit card terminals generated the most opposition, from 36% of drivers, with 49% giving a positive rating. Some negative comments about back-seat credit card terminals included:

- I don't like the credit card terminal in the back. What happens if the credit card is stolen or no good? The customer can break the credit card terminal and driver has to pay for it.
- The terminals in the back seat are no good--people break them.

In other cities where back seat credit card terminals are common or required, there have been many complaints about unwanted noise from continuous advertising, even when there is no passenger in the cab.

Figure 17. Driver Rating of Potential Changes

(1 = Very Negative, 5 = Very Positive)



ASSESSMENT OF THE SUPPLY OF TAXICABS

All of the evidence supports a conclusion that the current supply of taxicabs is more than adequate and should not be increased:

- Response times exceed City standards, except in East Anaheim for at least some companies.
- Drivers are barely able to make a living.
- Two out of three companies are not operating their allowed number of cabs and two have reduced their lease rates.
- There is no evidence of a strong upsurge in demand.