DRAFT

LADOT TAXI AND FOR-HIRE VEHICLE STUDY

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0. Executive Summary

Section 1: Background and Methodology

The growth of shared and on-demand mobility over the last decade has presented challenges for urban transportation and policy. While this growth in Transportation modes is expanding the number of mobility options available to Angelenos, it is also impacting congestion, impacting the incumbent taxicab industry, and thus, requires attention. Most of these modes are owned and operated by private companies and operate within the public right-of-way. LADOT is embarking on a proactive approach to manage these companies to protect consumers, ensure public safety, manage curb space, level the playing field for incumbent taxicab companies, and minimize modal conflicts.

Since the arrival of transportation network companies (TNCs) in Los Angeles, taxi ridership in the city has declined by 51% between March 2013 (peak ridership) and March 2017 (latest data available). Assuming a linear rate of decline consistent with trends from other large U.S. metropolitan areas, the report estimates a 77% decline in taxi ridership between March 2013 and November 2018. There is no question that the competition and disruption created by TNCs and other shared modes have set the stage for a broader paradigm shift in transportation policy and regulation. This disruption has led governments to start thinking about transportation regulation as not just about the management of roadways and public transportation systems, but also about the integration of private for-hire transportation services into the overall mix of public and private modes. Addressing these emerging issues are important because the distinctions between modes and sub-modes, as well as between public and private transportation, continue to become more blurred as a result of technological innovations (e.g., shared mobility networks, connected and automated vehicles, smartphone technology, and data-sharing platforms).

Recognizing this evolution, disruption, and growing multimodal nature of travel within Los Angeles' mobility ecosystem, the Los Angeles Department of Transportation (LADOT) is eager to understand how the growth of shared micromobility and TNCs, the potential for growth of automated taxis and urban air mobility, and changes in travel behavior can help Angelenos reimagine the transportation network. In 2018, LADOT initiated a planning process to determine the best framework for regulating taxis, TNCs, microtransit and all forms of for-hire transportation services according to a single for-hire vehicle framework in accordance with the department's strategic implementation plan. The city hired a consultant to independently review and evaluate current regulatory practices and suggest alternative approaches, where appropriate.

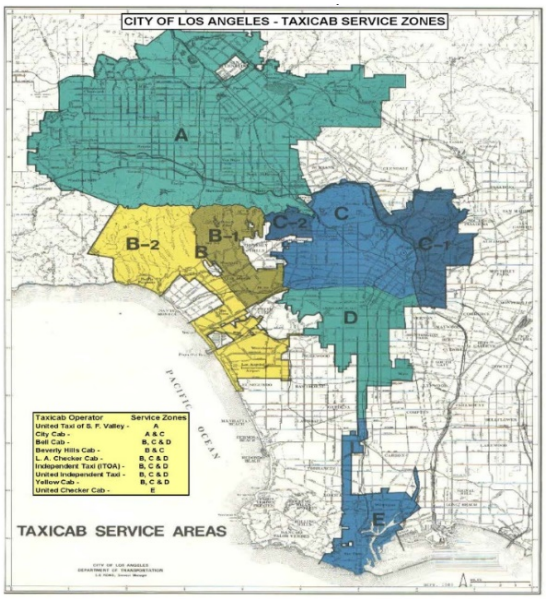
Existing Regulatory Structure

LADOT regulates taxicabs as a public utility subject to the jurisdiction of the Board of Taxicab Commissioners and the Los Angeles Department of Transportation. Anyone wishing to operate a taxicab in Los Angeles must obtain a franchise agreement with the city and each vehicle must be permitted by the Taxicab Commission. The five-member Taxicab Commission is responsible for adopting rules and regulations governing the taxicab utility industry, including rules and regulations pertaining to the service, safety, and operation of the vehicles; rules and regulations prescribing limitations, conditions and qualifications of applicants for vehicle permits and driver permits; and rules and regulations specifying the monetary penalties that may be assessed against operators and drivers. LADOT is responsible for general administration and enforcement of the established rules and regulations

applicable to taxicab companies, drivers, and vehicles, including conducting background checks and permitting of both taxicab drivers and taxicab vehicles.

As of August 2019, there are nine existing ordinances granting franchises to provide taxicab service in Los Angeles. These franchises were granted by the City Council following determination of public need analysis using the procedures prescribed in Administrative Code Section 13 and Ordinance No. 58200 for granting franchises, permits, and privileges. While the city initially adopted a franchise model in the mid-1990s, the existing ordinances became effective in 2001 and the city granted extensions to all current taxicab operators under their existing franchise agreements through December 31, 2019.

The franchise system places geographic restrictions on where taxicab companies and drivers may operate. The City of Los Angeles is divided into five different service zones (A through E). Each operator maintains primary service responsibility in at least one service zone but may have responsibility for up to three service zones. Under the terms of the franchise ordinance, a certain percentage of the operator's fleet must be dedicated to operating within the assigned service zone(s), and franchisees are expected to distribute their fleets through the service zone as necessary to meet demand and service response levels. Taxicab companies may supply service throughout the City but must maintain acceptable service in their primary service area.



In addition to regulating service areas, the franchise system maintains specific requirements for:

- Data reporting
- Performance standards and evaluation
- Vehicle safety and inspections
- Driver requirements
- Enforcement by the Taxi Commission and the LADOT For-Hire Policy and Enforcement Division, the Authorized Taxicab Supervision (ATS) at LAX, and the Los Angeles Police Department (LAPD)
- Equitable service standards including compliance with the Americans with Disabilities Act (ADA) and prohibiting discriminatory practices
- Vehicle and technology requirements to encourage innovation and environmental sustainability

The existing regulatory structure and requirements under the franchise system are reviewed in greater detail in the report.

Report Overview and Study Methodology

This report reviews Los Angeles' existing franchise system and operating requirements for taxis, discusses the impacts of TNCs on the taxi industry, and reviews issues related to bandit cabs and enforcement. As part of this study, the consultant conducted a peer review of regulations, policy

considerations, current practices, and organizational structures as part of a broader review of the city's for-hire service regulation. The consultant employed a multi-method approach that included a:

- **Taxi and Private Transportation Vehicle Study Framing Workshop** to determine the study's goal and focus
- **Peer city review** regulations, policies, or accepted practices regarding taxicabs and for-hire vehicles from 11 domestic and international cities
- **Stakeholder engagement** with taxi operators, TNCs, taxi drivers, Los Angeles World Airports (LAWA), AccessLA Paratransit Services, and the Los Angeles City Council
- **Review of taxi complaints** submitted to the LADOT and a **customer satisfaction survey** conducted by the Fairfax Research Group for Access paratransit services
- **Customer satisfaction survey** implemented in partnership with taxi app Curb
- **Development of a proposed regulatory framework**
- **Review of the department's staffing and organizational structure**, with an examination of how this could evolve given changes in transportation technology and the regulatory framework

This report summarizes key findings from stakeholder engagements and customer surveys. Finally, this study proposes a framework to regulate all for-hire vehicle services in Los Angeles and incentivizes services that align with the city's goals and objectives. The proposed framework discusses the purpose of for-hire regulation, key policy considerations (e.g., equity, congestion mitigation, accessibility, staffing implications, etc.), and proposes an incentive program and implementation plan.

Section 2: Findings

The following section outlines the findings from the study and provides recommendations for the regulatory framework and incentive system.

Proposed Regulatory Framework

LADOT will transition from the Franchise System to an Open Market with Entry Requirements system as a primary step to level the playing field between the incumbent taxicab industry and TNCs. This includes being part of a universal dispatch system coupled with relaxed requirements on trade dress, an expedited onboarding system, and other enhancements including TNC-like upfront pricing models to help modernize taxi service for customers in the Los Angeles region.

In addition, recognizing the notable transformation that has occurred with the arrival of microtransit, shared micromobility, TNCs, and other mobility innovations, as well as the potential disruption associated with upcoming vehicle automation and urban air mobility, this report proposes a flexible, incentive-based regulatory framework that can be applied to all incumbent, innovative, and emerging mobility service providers to achieve the city's goals and preferred outcomes. The proposed framework identifies eight regulatory categories:

- For-hire Services (Taxi/TNCs)
- Automated For-Hire Services (Taxi/TNCs)
- High-Occupancy Vehicle (HOV)/Microtransit
- Automated HOV/Microtransit

- Goods Delivery
- Automated Goods Delivery
- Urban Air Mobility (UAM)
- Shared Micromobility

The proposed framework is guided by five key principles:

- Improving transportation equity and accessibility;
- Reducing and mitigating congestion;
- Expanding economic opportunities for all Angelenos;
- Fostering innovation and preparing for changes in mobility and technology; and
- Leveling the playing field among various for-hire services.

Incentive Structure

The incentive structure is based on LADOT's values surrounding mobility and will require mobility providers to meet certain performance metrics in order to access certain privileges in that category. Within each regulatory category, there will be a menu of incentives to reward participants for reaching or exceeding certain performance metrics, as determined by LADOT. With this, LADOT can use choice architecture to encourage private mobility companies towards better decisions. Decisions are not made within a vacuum and choice architecture refers to the design in which choices can be presented to companies and the impact of that on decision making. This framework is intended to provide flexibility and allow the LADOT to encourage mobility service providers to serve public interest while encouraging private sector innovation.

The foundation of the proposed policy framework is that measurable metrics will be used to judge the performance of taxi and other for-hire transportation services. Each metric is tied to one of LADOT's goals in order to ensure that we are encouraging actionable behaviors that will lead to our preferred outcome. Metrics are also tied to specific incentives to reward participants for reaching or exceeding each performance metric. the following incentive structure is proposed for taxicabs, TNCs and microtransit and is in addition to minimum permitting requirements.

Goal 1: Improve Transportation Equity and Accessibility

Performance Indicators	**Incentive**
Diverse payment options – cash and card options available	Minimum required to access incentives in this category
Coverage of underserved areas (e.g., low-income, minority, and other communities): average wait times in low-income and minority communities must relatively be within a certain percentage of	For taxis, participation in third party universal booking system, if spatial equity performance is documented through provision of MDS data.

all other areas served within jurisdictions where vehicles are permitted to operate.	For TNCs and microtransit, partial refund on trip accessibility fee.
Accessible vehicles: successful location and matching of an accessible vehicle within a certain percentage wait time compared to the service's overall wait time.	Collected Accessibility trip fees may be used for maintenance or purchase of Wheelchair Accessible Vehicles (WAVs). The LADOT will also explore a reduction or elimination of WAV permit fees for top performers.

Goal 2: Decrease or mitigate congestion; emissions reductions.

Performance Indicators	**Incentive**
Participation in pooled ride services (either their own, as a microtransit service, or through a service such as Bandwagon)	Minimum required to access incentives in this category
Meet minimum average vehicle occupancy goals or percentage of pooled rides	Access to network of HOV lanes, including on surface streets
Documented use of designated pick-up and drop-off areas only in identified congestion zones (through provision of MDS data)	Access to off-street driver rest areas with EV charging stations, bathrooms and vending.

Goal 3: Expand economic opportunities and fostering innovation.

Performance Indicators	**Incentive**
Compliance with data sharing in standard MDS format	Minimum standard for taxis; Permit to operate automated vehicle and urban air mobility pilot programs for TNCs and taxis

Goal 4: Enhance openness and flexibility to new technology.

Performance Indicators	**Incentive**
Participation in universal booking application	Mandated schedule with pilot program in future minimum requirements for permitting.

Goal 5: Level the playing field among the various for-hire vehicle sectors.

Performance Indicators	Incentive
Participation in a universal booking system	Access to airport property in coordination with Los Angeles World Airports (LAWA/LAX)
Compliance with transitional taxi automation schedule	See incentives for improving transportation equity and accessibility.

Preparing Los Angeles for Changes in Transportation

The study recommends that LADOT undertake a number of actions to prepare the organization and its regulations for changes in mobility. It is clear that technological, mobility, and societal trends are changing how Angelenos are travelling. While Los Angeles has been and is still heavily dependent on the personal automobile for mobility, changes in technology, demographics, economics, and attitudes are transforming how mobility is accomplished. Increasing congestion and the need to maximize existing infrastructure use—coupled with the growth in telecommuting, goods delivery, and digital consumption—are changing mobility needs, consumption, and traveler behavior. Increasingly, consumers are accessing mobility, goods, and services on-demand by dispatching or using shared mobility, micromobility, automated vehicles, courier services, automated (or self-piloted) aerial vehicles and drones, and public transportation solutions.

In the future, automation could be the most transformative trend to impact regions and public transportation since the automobile. Vehicle automation may result in fundamental changes to public transportation by altering the built environment, costs, commute patterns, and modal choice. Reduced vehicle ownership due to Shared Automated Vehicles (SAVs) could result in changes in parking needs, particularly in urban centers. While SAVs may compete with public transit ridership, infill development could also create higher densities to support additional public transit ridership and allow for the conversion of bus transit to rail transit in urban cores. However, the growth of telecommuting and AVs also make longer commutes more practical, which could shift consumer preferences in favor of suburban and exurban living.

This report represents an important milestone for LADOT to prepare for this transformation. While the impacts of emerging technologies on auto ownership, parking, travel behavior, equity, and the environment remain to be seen, this report outlines a framework that LADOT can use to develop policy and regulate existing and emerging mobility services; monitor environmental, equity, and travel metrics; incentivize desired outcomes; and prepare for an automated taxi future.