

INTERIM REPORT ON THE TAXI MEDALLION SALES PILOT PROGRAM

HISTORY

On _____, the SFMTA Board of Directors authorized the sale of S.F. taxicab medallions on a provisional basis and under specific conditions* (include authorization language as attachment). The key elements of this pilot sales program were:

1. All sales to be voluntary
2. The pool of potential sellers to be limited to individuals 70 or older, or any medallion holder with a qualifying disability
3. The pool of potential buyers to be limited to active drivers on the medallion applicant waiting list
4. An established sale price of \$250,000
5. The creation of a Taxi Advisory Council to oversee the pilot program and to advise the SFMTA Board of Directors on taxi industry matters

The first medallion sale took place on _____. As of _____, _____ sales have been completed with an additional _____ sales being processed. _____ potential sellers filled out the initial application and placed themselves in the pool. Medallion holders in the pool were and are still able to opt out of the program. Applications to participate in the pilot program were accepted until _____, and the Division of Taxi Accessible Services has set a goal of June 15, 2011 for conclusion of the program and consummation of all sales.

The program goals are to:

1. Create an effective exit from the industry for the elderly and disabled
2. Increase the movement of medallions to working drivers
3. Generate additional revenues for the SFMTA

This preliminary report will evaluate the pilot program's success in meeting these goals. Additionally, the report will assess aspects of delay, uncertainty, displacement, and disruption connected with the program but not directly related to program goals. Where appropriate, the TAC has made specific recommendations for improvements in and continuation of the program.

EFFECTIVE EXIT FOR THE ELDERLY AND DISABLED

At the inception of the pilot program there were:

_____ Prop K medallion holders 70 or older

_____ Pre K medallion holders 70 or older

_____ Prop K medallion holders under the age of 70 with disability applications on file

Of this group of ____, ____ signed up to participate in this program.

INCREASE MEDALLION MOVEMENT

The medallion applicant waiting list consists of ____ individuals and is currently closed to additional applications. Of this group, the top ____ on the list have so far been offered an opportunity to participate. Of these, ____ have applied to purchase a medallion. Those toward the top of the list have had to weigh the possible future opportunity of receiving a 'earned' or issued medallion when they reach the top of the list against the present value of purchasing a medallion as part of this program. In spite of the fact that cab drivers often have no credit history or worse a poor credit history, the credit unions have been able to fund loans to almost all applicants * (appendix reference). If all potential sellers are qualified and participate, ____ medallions will have passed to the medallion applicant waiting list.

REVENUES FROM THE PROGRAM

To date, ____ medallion sales have been completed, generating ____ in revenue, of which ____ goes to the SFMTA, and ____ goes to the driver's fund. If all potential sellers participate, the pilot program will generate a total of ____, ____ to the SFMTA, and ____ to the driver's fund.

There are five primary participants in the San Francisco taxi industry:

1. Taxi companies or 'color schemes
2. Taxi customers
3. The city of San Francisco
4. Medallion holders
5. Taxi drivers both on and off the waiting list

This program is designed to change medallion transfers from a model which seeks to transfer retired or revoked medallions to applicants based on waiting list seniority for minimal fees to a purchase model in which the medallion acquires asset status and is owned by the purchaser. Although the industry is obviously in the initial stages of this transition, tentative assessments are possible for the five primary industry participants:

1. Taxi companies
It is fair to say that thus far the program has had no significant impact on taxi companies generally although reduced revenue from affiliate leasing is a concern and the exit of elderly medallion holder drivers should reduce accidents.
2. Taxi customers

Taxi customers have probably observed no changes in service although as mentioned above they are arguable safer.

3. The city

The city directly benefits from increased revenues and the elimination of costly litigation connected with medallion revocation.

4. Medallion holders

Elderly and disabled medallion holders clearly benefit by receiving significant compensation for their medallions enabling them to retire from the industry with some dignity and quality of life.

5. Driver

Taxi drivers off the waiting list are not directly affected by the program.

Drivers on the waiting list benefit by greater medallion movement and are generally enthusiastic about the opportunity to purchase a medallion at this price. However, drivers at the very top of the waiting list are clearly being disadvantaged by the program to the extent that medallions which would have been issued for minimal fees in the past are now being sold. Without question, movement at the top of the waiting list has slowed dramatically.

Overall the program has clearly met its goals of creating a financially viable exit for the elderly and disabled, of increasing medallion transfers, and of generating revenue for the city. Medallion sales should be endorsed by the SFMTA Board of Directors and the program should be expanded.

Although the TAC as a body endorses the program, we also believe the program can be improved in several ways particularly with respect to the applicant waiting list. In the following section the report will address secondary issues that have been raised with respect to the program. At the end of the report the TAC makes specific recommendations.

SECONDARY ISSUES: DELAY, UNCERTAINTY, DISPLACEMENT, AND DISRUPTION

DELAY

As mentioned earlier in the report but should be emphasized, although medallion movement overall has increased, 'earned' medallions issued to the top of the medallion applicant waiting list has clearly slowed down. _____ medallions which prior to the pilot program would have been issued to those at the top of the waiting list have been sold to individuals farther down the list. There is a direct relationship between medallions controlled by the city which are sold and the slowing down of issued medallions to the top of the waiting list. The TAC feels strongly that this issue should be recognized and addressed by the SFMTA Board.

UNCERTAINTY

The pilot program has been impacted adversely by uncertainty in two areas:

1. Medallion pricing

Some medallion holders appear to be refraining from participating based on the possibility that the medallion sale price will be set at a higher level in the near future

2. Medallion issuance of an 'earned' medallion at some unknown future date or medallion purchase now

Due to a lack of knowledge as to how the program will proceed, applicants toward the top of the waiting list do not currently have a reliable basis for making the assessment as to whether to purchase a medallion immediately or wait for issuance of an 'earned' medallion from the top of the waiting list at a later date.

DISPLACEMENT

Preliminary results indicate a trend away from medallions operated by the color scheme on a shift basis, also known as 'gas and gate', and to affiliate leases, an arrangement where the medallion holder purchases and maintains his own vehicle and manages the drivers who operate it. This trend is of concern to the TAC because:

1. Experienced company drivers may lose shifts
2. Affiliate leases are far less profitable to the color scheme
3. Affiliate leases are more difficult for the lending institution to monitor and less subject to regulatory oversight by the DTAS

Although the TAC in prior meetings passed two separate resolutions designed to address this trend (reference votes) the council felt this trend worthy of inclusion in this report.

DISRUPTION

Concern that the pilot program would result in dramatic shifts of medallions between color schemes has not materialized, primarily because the staff at DTAS has conscientiously and effectively matched buyers and sellers from the same color scheme. With the exception of one color scheme which had a large number of aging and disabled medallion holders, and fewer medallion applicants in the qualifying group, medallion counts have not been significantly altered by the pilot program. Medallion applicants have thus far shown a remarkable loyalty to their color scheme.

RECOMMENDATIONS

The TAC recommends the following (votes in parentheses):

1. Endorsement of the medallion sales program with a recommendation that the program be extended to medallion holders 60 and older and that the application deadline for participation be eliminated (Vote: _/_)
2. Requirement of any waiting list applicant prior to receiving a medallion that he/she has demonstrated a detailed knowledge of city streets and taxi regulations and a safe driving record (Vote: _/_)
3. Adequate staffing of the Division of Taxi Accessible Services to enable it to effectively oversee and regulate medallion sales and the industry. (Vote: _/_)

SUMMARY

Medallion sales to working drivers at a set price can provide a foundation for a world class taxi industry; **IF** both the interests of the industry and the city are taken into account; **IF** we remember that safe, reliable and affordable service to the riding public is our goal; and **IF** oversight of the industry is properly funded with individuals of sufficient quality and number to perform the task.