Taxi Study:
Credit Card Processing Fees, Back-Seat Monitors, and Electronic Waybills

A presentation to
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Three-Topic Study

- Fees Assessed to Credit Card Trips
- Back Seat (Passenger Information) Monitors
- Electronic Capture and Reporting of Waybill Data

- Perceptions of three topics intertwined because of the "waiver" program…but
- They are three separate topics and each should be considered separately

Presentation Organization

- Study methodology
- For each topic, we will first present/discuss:
  - Background
  - Driver perceptions and concerns
  - Other relevant findings
- Recommendations

Study Methodology

- Review of SFMTA documents and correspondence
- Web review of industry literature
- In—person interview with SFMTA Taxi Services staff
- In–person interviews with local stakeholders
  - Taxi owners and managers
  - Drivers and driver representatives

Study Methodology (continued)

- Follow-up clarification phone calls
- Collection and review of relevant data from 11 cities
- Phone interviews with credit card processing firms
- Analysis of additional credit card trip data
- Incorporation of staff comments on draft report

Background:
Fees Assessed on Credit Card Trips

- Processing fees on credit card trips have been assessed to drivers since the advent of credit card usage in taxis

- Charging drivers for such fees banned in 1997 at a time when credit card usage was not prevalent

- Some companies ceased practice; some did not.

- SFMTA introduces "waiver" program, authorizing the charging (to drivers) of up to 5% on credit card trips (industry standard)

Background (continued): Fovees Assessed on Credit Card Trips

- Waiver participants must (1) install back seat monitors; and (2) electronically collect waybill data, with reporting requirements TBA

- Waiver program meant to incentivize

- SFMTA approved five companies to participate

- Driver fees assessed since April 2011 to present

- SFMTA has put a "freeze" on new participants, pending outcome of this study

Driver Perceptions and Concerns: Fees Assessed on Credit Card Trips

- 5% fee in part resulted in driver protests

- Town meetings held to understand drivers' concerns

- Concerns about fee focused on:

  - Drivers believing processing cost is <u>much</u> less than 5%
  - Drivers perceiving remainder of fee is used to cover cost of acquiring/maintaining back seat monitors
  - Drivers being assessed "one more cost" lumped onto to other costs stemming from institutionalized tipping

- Also concerned about 1099-K form – reports on credit card trip revenues for each driver

Findings:
Fees Assessed on Credit Card Trips

- Is the cost of processing credit cards less than 5%?
  - One credit card firm rep stated cost equates to about 3%
  - Another stated that cost ranges from 2.35 to 2.5%
- 5% industry standard largely based on NYC fee
- What does balance go toward?
  - Equipment costs and their installation, air time, 24/7 tech support, customer service support, chargeback service, warrant services, <u>and profit</u>

  - No breakdown data available

Findings (continued):
Fees Assessed on Credit Card Trips

- Is the 5% fee onerous?

- When considered by itself, some drivers say - No

Percent of Trips Paid with Credit Cards	Average Income on Credit Card Trips Based on $300 Revenue/Day Total	Fee @ 5%
30%	$90	$4.50
40%	$120	$6.00
50%	$150	$7.50

- But, when considered with other costs - Yes

Findings (continued):
Fees Assessed on Credit Card Trips

- Other fees and institutionalized tipping add up

  - Bank fees: ATM fees (with cash withdrawal limits), transfer fees, and customer service call fee charges
  - Late fees – another 5% charged if 24 hours late
  - Company charge drivers for supplies associated with collecting data and credit card processing
  - Internal tipping ranges from $12 to over $20 per day
  - External tipping ($10 for hotel doorman)

Findings (continued): Fees Assessed on Credit Card Trips

- Driver concerns regarding Form 1099-K

  - Reports annual credit card income for each driver
  - Some drivers fear that report total will not "agree" with income reported to the IRS
  - Report will prompt other drivers to file with IRS
  - Other drivers fear that reported credit card income will show they are no longer eligible for public assistance
  - Concerns regarding electronic capture and reporting of data are similar

Findings (continued): Fees Assessed on Credit Card Trips

- Driver use of the "Square" and other devices
  - Some drivers have begun using the Square to lower their fees assessed on credit card trips

  - 2.75% (Square) vs. 5% assessed with credit card trips processed via installed equipment

Findings (continued): Fees Assessed on Credit Card Trips

- Use of the Square & similar devices decentralizes data

- Use of the Square and similar devices creates a kink in customer support

  - Print-outs from in-vehicle equipment show the meter amount, extra charges, tip, the date, the time, the cab number, and a unique trip ID

  - Better for customer; easier for company to respond

- Security of personal information more secure with in-vehicle equipment; whole solution is PCI compliant

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Background:
Back Seat Monitors (PIMs)

- Touch screens mounted in back, providing:
  - A way to pay for credit card trips
  - Key information about taxicab, driver and rates
  - Wayfinding information, entertainment and ads
  - Volume control

- Card reader built-in
  - able to read credit cards and paratransit fare debit cards
  - some with capability to handle contact-less credit cards

- Connected to computer/meter/GPS via cable

- Some have required disabling of front card reader from handling credit cards; these also have driver screens

National Experience: Back Seat Monitors

- Required in Boston and New York
- New York installations accompanied credit card capability
- Installed by some companies in Dallas/Ft. Worth, Las Vegas, Los Angeles, Philadelphia, Seattle

Back Seat Monitors and The Waiver Program

- 5 companies were "approved" to participate in waiver program; at time of interviews (mid-Sept)

Taxi Company	PIMs	Notes
DeSoto	110	Virtually the entire fleet
Luxor	60	Out of 229 cabs
Metro	0	Out of 24 cabs
National	76	Virtually the entire fleet
Yellow	50	Out of 500+ cabs

- Included in waiver program because monitors were thought to enhance customer experience
- Anecdotal info: driver tips would increase

Do Back Seat Monitors Enhance The SF Taxi Customer Experience?

- No one knows for sure; data lacking.
- Things to like:
  - Ability to pay without surrendering credit card
  - Key information about taxicab, driver and rates
  - Wayfinding information
- Need more data on customer perceptions on:
  - Ads and TV clips (volume)
  - Brightness
  - Ease of use
  - Alternative devices for card readers

Other Thoughts on Customer Experience: Back Seat Monitors

- Anecdotal data available from drivers at town hall meetings and interviews:
  - Both positive and negative perceptions
  - One key negative: when system is not available
- Anecdotal data from taxi managers interviewed:
  - Mostly positive; provide convenience and consistency
  - A good way to distinguish real cabs from illegal cabs
- NYC customer survey about taxi likes/dislikes
  - "Taxi TV is annoying" – 2nd most popular dislike

Driver Perceptions / Concerns about Back Seat Monitors

- Anecdotal data from other cities suggests that initial negative perceptions but drivers have since "gotten used to them"
- Positive Comments from SF Drivers:
  - Tip increase? Would like to see hard data.
- Negative Comments from SF Drivers:
  - Noise and ads annoying; compromise safety
  - Time-consuming; delays responding to next trip
  - Inability to "test" credit card
  - Must use imprint machine if system is down
  - Can present an obstacle (if mounted in a certain way)
  - Destroy driver-customer relationship
  - Radio frequency exposure may be harmful

Other Thoughts on Driver Experience: Back Seat Monitors

- Anecdotal data available from taxi managers:
  - Both positive and negative perceptions
  - One manager believes his driver likes them
  - Other managers agree that noise can be distracting, and wouldn't mind if audio was disabled
  - Another manager acknowledged driver contention that front-seat readers take less time
  - Drivers free top re-align with companies that do not have back-seat monitors

Other Company Rep Thoughts Regarding Back Seat Monitors

- Should be a business decision and not tied in with a requirement or incentive program

- Some have done this in order to pass along costs of processing credit card transactions

- Some point to lack of consistency in monitoring compliance with waiver conditions

- Advertising revenue may be a non-issue

Do Back Seat Monitors Prompt Higher Tip Amounts?

- Preliminary SF data suggests <u>Yes</u>
  - Yellow analysis: 2.5% higher
  - DeSoto analysis: 3.2% higher
- Shortcomings of analyses suggest more thorough research is necessary
- DeSoto's data also shows a huge increase in credit card fares for same cabs
  - Credit card tips doubled
  - Do back seat monitors induce credit card use?
- Yellow: Credit card trips - 30% to 35% of total and increasing by a difference of 2% to 3% a year

Do Back Seat Monitors Increase Radio Frequency Exposure?

- Preliminary SF data suggests No
- SFMTA conducted tests in July 2011
  - RF readings taken in three cabs
  - Readings taken all around drivers and inside and outside the cabs
  - Real-time RF readings recorded
- Zero readings for all samples
- Additional tests should be made because:
  - Small sample
  - A small part of the UHF RF region was missing from test

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Background: Electronic Capture and Reporting of Waybill Data

- Waybills are the manifests where trips (and trip information) are documented manually by drivers

- Drivers turn waybills into taxi companies

- Waybill information used by SFMTA to confirm driver history for medallion applicants and holders

- Waybills must be stored for 6 years

Issues with Paper Waybill Data

- Unreliable as a source of data for planning – under-reporting of service

- Documented cases of waybills being manufactured -- some drivers don't fill out waybills

- Why? Some drivers wish to minimize income reported; similar in other cash businesses

Pros and Cons of Electronic Capture of Data

- Electronically captured data generally regarded as more accurate than data recorded on paper waybills
- Several SF taxi companies (reflecting 65% of cabs) already capture waybill data electronically
- Shortcomings: inaccuracies need to be addressed
  - Drivers forget to turn meter off/on
  - Drivers do not indicate correct number of passengers
  - Drivers "high-flag" on trips with negotiated flat fares
  - Driver invoke meter to indicate "busy" on top light
  - Holes in GPS system

Driver Perceptions about Data Electronically Captured/Reported

- Drivers generally agree that data electronically captured is more accurate and that the accuracy of data is key to proper planning

- Drivers understand that certain driver information is needed to confirm driver history

- Drivers do not want income data reported to SFMTA

  - Reporting of income to IRS

  - Jeopardizes public assistance

  - Susceptible to hacking

  - May be used to "red-flag" excessive hours

Industry Trends: 11 Cities Reviewed

Industry Trends: Findings

- 8 of 11 cities contacted require drivers to accept credit cards
- Fees charged on credit card trips
  - Fees charged to drivers on credit cards range between 3% and 10%; 5% most common
  - Customers pay fee in Las Vegas via pass
  - Breakdown of fee unavailable from cities
  - NYC is considering a fee reduction (5% to 4%)
- Most of the cities contacted do not have a credit card minimum
  - Los Angeles has a $7 minimum

Industry Trends: Findings (continued)

- Most of the cities contacted do not require back seat monitors
  - Required in Boston and New York City
- Half the cities contacted require electronic reporting
  - Monthly/annual electronic reporting required in: Boston, Ft. Worth, Las Vegas, Los Angeles, New York City and Seattle
  - Data reported includes statistical information (e.g., dispatch data, trip counts, revenue miles)

Recommendations: Actions related to credit card processing

1. **SFMTA should formally pre-qualify a credit card company or companies**

   - RFI/RFQ/RFP process
   - Evaluation criteria based on rates and rate structure, services (and fees), and relevant experience
   - The goal is to minimize costs for drivers -- given they would likely end up covering this cost
   - A Las Vegas-style customer "pass" or automatic fee could still be implemented but would require a change to a state law and could result in fewer taxi trips

Recommendations: Actions related to credit card processing

2. **Drivers should be allowed to designate bank accounts for deposit of credit card (net) income**

- This potentially reduces / eliminated fees associated with bank accounts set up by credit card processing companies
- At least once company already has adopted this policy

3. **SFMTA should establish a credit card minimum**

- Goal: to help reduce total fees related to credit card charges
- Pilot program to determine impact on customers/ridership
- Or, conduct research first to determine current use of credit cards for short trips and customer attitudes

Recommendations: Actions related to credit card processing

4. SFMTA should require use of installed in-vehicle equipment for credit card processing

- Likely more secure than some alternative devices
- Enhances customer experience
  - Information on printed receipt; facilitates questions
- Easier for taxi companies to address questions/complaints
- Centralized data ensures data integrity, accurate reporting
- Major attraction of alternative devices (lower fee) may be moot with implementation of #1; but, could still serve in back-up role

Recommendations: Actions related to back seat monitors (PIMs)

5. **SFMTA should mandate the disabling of audio or the installation of equipment allowing driver control of volume**

- The repetitive noise factor is more than an annoyance; it is a potential safety hazard for drivers
- Either action provides a technological "fix"

6. **SFMTA should remove the installation of back seat monitors as a waiver program condition**

- Should be a business decision and not linked to fees on credit charge trips charged to drivers
- Additional data on customer preferences should be sought

Recommendations: Actions related to back seat monitors (PIMs)

7. **SFMTA should conduct a "before and after" analysis of credit card tip data to determine effect of back seat monitors on tip amounts**

   ▫ Analysis important to drivers

   ▫ Preliminary analyses encouraging but not definitive

   ▫ Conclusive positive results, in combination with recommendation #5, should result in higher driver acceptance

Recommendations: Actions related to electronic capture of waybill data

8. **SFMTA should require all taxi companies to (a) collect waybill data electronically; (b) periodically report service/statistical data; and (c) retain driver-specific data for specific oversight needs**

   ▫ Data currently available electronically may provide a slanted picture
   ▫ Reporting conforms to the "compromise" approach
   ▫ Approach results in more accurate data, less fraud, and less staff time devoted to identifying/combating fraud

9. **SFMTA should implement ways to improve accuracy of electronic data capture**

   ▫ Fix the 'top light" issue so drivers do not have to invoke meter
   ▫ Ensure training/re-training addresses misuse of meter