

Testimony Of:

The Philadelphia Parking Authority

Before the

House Consumer Affairs Committee

Thursday, June 7, 2018

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Good morning, Chairman Godshall, Chairman Caltagirone and all of the Committee Members and staff. Thank you for permitting the Philadelphia Parking Authority to testify today concerning the implementation and effects of Act 164 of 2016.

Background

In 2005 the Authority began to regulate taxicab and limousine service in Philadelphia. The Authority began by requiring the use of newer vehicles, instituted more frequent and detailed vehicle inspections and required more thorough background checks and training for drivers. The Authority also advocated for the use of new technology and required Philadelphia medallion taxicabs to install a modern meter system that included payment by credit card and GPS functionality. It was the first of its kind in the United States.

Act 164 assigned the Authority the additional task of regulating transportation network companies (“TNCs”) in Philadelphia. That alone placed more than 20,000 additional vehicles within the Authority’s jurisdiction. The Authority now regulates more than 23,000 vehicles, 865 businesses and 25,500 people engaged in providing for-hire vehicle services in a city of 1.5 million people.

More than **128,000 trips** are provided by taxicabs and TNCs in Philadelphia, *every day*.

Unsafe vehicles

One of the most important services that the Authority can deliver to consumers is consistent high-quality inspections of for-hire vehicles in Philadelphia. No matter the cost or the speed of the service, we all want to arrive at our destinations safely.

The Authority employs PennDOT certified mechanics to conduct inspections of the regulated vehicles. Mechanics place each vehicle on a lift, remove the tires and examine the condition of the entire vehicle. I could exhaust all of my allotted time today reviewing the unconscionable vehicle conditions we have found over the years, but they include:

- Animal feces in trunk.
- Gas tank leaks, plugged with rags (soaked rags placed in trunk).
- Vehicle suspension parts missing.
- Headlights, tail light, brake lights taped in place.
- Obscene/vulgar stickers.
- Meters not functioning.

- Rear door locks disabled from inside.
- Missing seat belts.
- Holes in the floor.
- Exhaust leaks into passenger compartments.
- Jagged and exposed metal around passenger compartment.
- Bald tires with belts exposed.
- Wood blocks holding vehicle frame in place.
- Failure to display TNC signage.
- Dead animal in ceiling and MORE.

I have provided a portable hard drive to each member of the committee containing a video of two standard vehicle inspections. One of the vehicles in the video was found to have a damaged catalytic converter that was leaking carbon monoxide into the passenger compartment. The other had a missing axel shaft cotter pin and missing cotter pins from the tie-rod that could easily have resulted in the tire separating from the vehicle while in transit or causing inability to control the steering of the vehicle. As you will see, one was a taxicab and the other a TNC vehicle. Each of these vehicles had undergone a state inspection outside of the Authority, and specifically the TNC vehicle had its state inspection down within the previous two months.

Act 164 cut taxicab inspections from twice a year to once every 4 years. Act 164 limits the inspection of TNCs to approximately 70 a month, out of the more than 20,000 vehicles in service. The Authority does have discretion to select which TNC vehicle it inspects, but we must rely on a list produced by each TNC.

We do not believe that the limitations on inspections imposed by Act 164 are in the best interests of the public.

Unique TNC issues

The Authority frequently hears from members of the public, regulated parties and elected officials about things it should do to more closely regulate TNCs. The suggestions often focus on congestion issues, surge pricing, demands for service data, out of state drivers, audits of operations, etc.

Act 164 specifically prevents the Authority from acting upon any of those requests, for example:

- The Authority may not restrict vehicles registered in other states (a restriction in place in most jurisdictions).

- The Authority is not permitted to know what vehicles or drivers are providing TNC service in the city.
- The Authority may not conduct background checks on drivers.
- The scope of the vehicle inspections the Authority can conduct are limited by Act 164.
- TNCs are not required to provide basic trip data or other service information.
- What little information TNCs do provide may not be provided to “any third party” (if read literally would include prohibited disclosure to this Committee, we presume this was not the intention).
- The Authority has no oversight over basic fees charged by TNC’s including the 1.4% surcharge currently added to each TNC fare.
- The Authority may not review or limit surge pricing.
- The Authority may not require any variation in insurance different from that identified in Act 164.

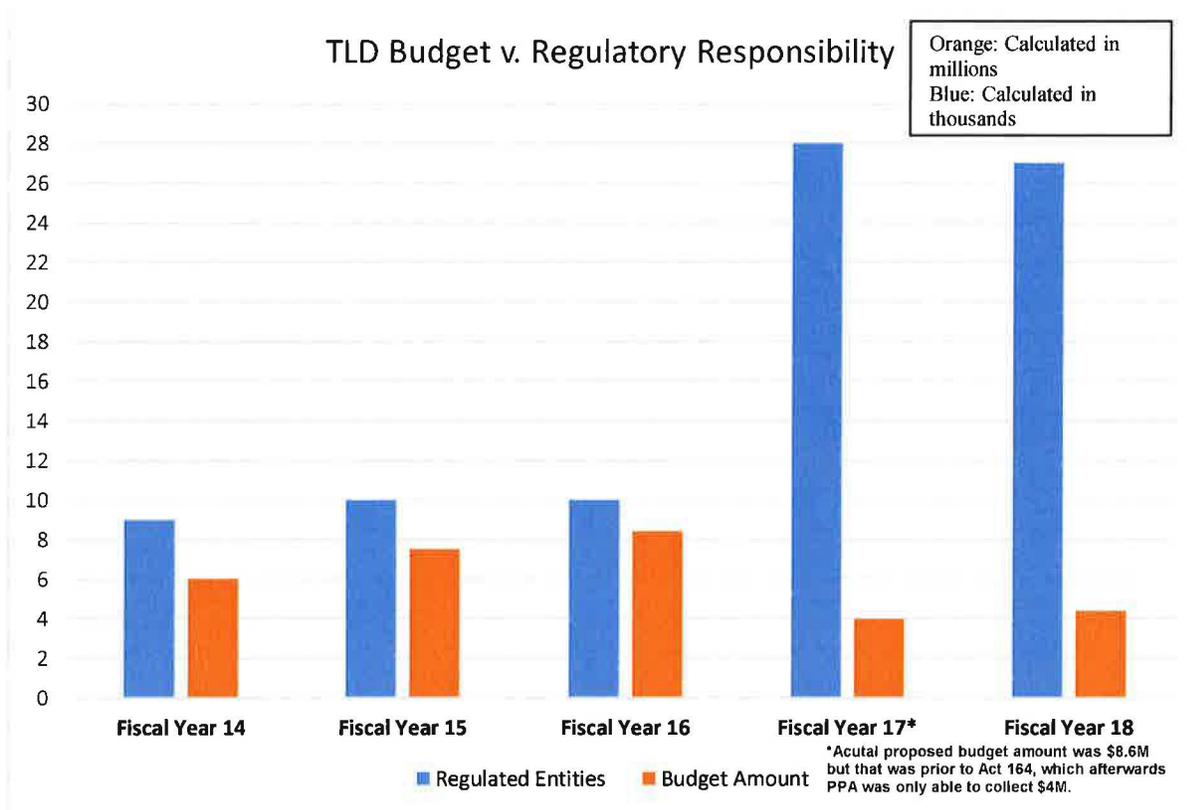
The language of Act 164 calls into question the value or need for separate regulations due to its specificity and limited discretion available to the regulator.

Funding Cuts

Act 164 also made drastic cuts to the Authority’s regulatory budget. The fiscal note to Act 164 confirms that changes to taxicab assessments reduced funding by more than \$2M. Confusion related Act 164’s assessment language has caused litigation and the refusal of some taxicab owners to pay even this lower assessment.

Last minute changes to the final version of Act 164 cut \$3M from planned TNC regulatory funding. In total, regulatory funding has been cut by 58%, just as more than 20,000 vehicles were placed under the Authority’s jurisdiction. This has necessitated a 55% reduction to regulatory staff. In fact, there are only 7 Enforcement Officers. Those 7 must cover all shifts.

The chart below shows the Authority’s budget prior to Act 164 compared to the number of regulated entities (in thousands) and how the budget dramatically declined after Act 164, as the number of regulated entities massively increased.



It has been suggested that the Authority should just use money from some other account to cover these regulatory deficits. However, the revenue raised by different Authority operations already have mandated recipients. For example, net on-street parking revenue must go to the City and the School District, Red Light Camera revenue must go to PennDOT’s Motor License Fund, revenue from Airport parking operations must go to the City to support airport operations, and so on.

The Authority’s regulatory operation must be self-supporting and the Authority simply cannot adequately regulate the taxicab, TNC and limousine industries with the funding left in the wake of the cuts imposed by Act 164.

Proposed solution

Therefore, Mr. Chairman, the Authority proposes that the assessment structure for all regulated entities be modified, we have attached suggested language. For taxicabs and TNCs, a \$.50/trip surcharge is proposed. Surcharges like this are already in place in Chicago, Massachusetts, Seattle, and New York, where the assessment is \$2.50 per trip. This surcharge will **replace** current assessments.

Two-thirds of the TNC assessment will continue to be directed to the Philadelphia School District. Based on the most recently reported number of TNC

trips in Philadelphia, school funding would approximately increase under this proposal from \$3M to \$11M. One Hundred percent of the TNC assessment goes to the State Treasurer. That office distributes the revenue back to the School District. There is no overhead reduction applied to school funding revenue.

The proposed language will also relieve taxicab owners and drivers of the need to collect or pay **any assessment at all** and create assessment parity between taxicabs and TNCs. Customers will pay the same clear surcharge for each service.

We also propose language that provides stability and predictability to the assessment charged to dispatchers and limousines. These assessments will be set at current levels and only increases based upon a CPI calculation made by the Department of Labor and Industry.

I must stress that the changes we propose only relate to funding. Act 164 effectively removed the Authority's prescreening powers. Our focus must now be on service while in progress. To do that properly, we need more people on patrol.

In total, this revised assessment language will adjust the Authority's budget and permit additional staffing and resources totaling \$5M just to cover TNC enforcement and regulation and \$4M to continue to cover the costs of regulating taxicabs and limousines. The Authority would allocate these resources by hiring 15-20 new Enforcement Officers to cover various shifts, 2 Enforcement supervisors, 3 mechanics, and 7 administrative staff to properly fulfill our mission.

Mr. Chairman, the Authority would be happy to discuss the details of the aforementioned issues along with the proposed legislation at any time and we are certainly available for questions now.

Thank you again for permitting this testimony.

This is a draft of the Authority's proposed changes to Chapter 57, 57A and 57B of Title 53 relating to the assessment of taxicabs, limousines and TNCs in Philadelphia.

§ 5701. Definitions. The following words and phrases when used in this chapter shall have the meanings given to them in this section unless the context clearly indicates otherwise:

"Authority." A parking authority in a city of the first class.

"Call or demand service" or "taxicab service." (1) Local common carrier service for passengers, rendered on either an exclusive or nonexclusive basis, where the service is characterized by the fact that passengers normally hire the vehicle and its driver either by telephone call or by hail, or both. The term does not include transportation network service as defined in section 57A01 (relating to definitions) or limousine service.

(2) A request for taxicab service made through any form of electronic medium, including voiceless communication or mobile telephone applications will be considered a telephone call for purposes of this definition.

§ 5707. Budget and assessment.

(a) Budget submission.

(1) The authority shall prepare and, through the Governor, submit annually to the General Assembly a proposed budget consistent with Article VI of the act of April 9, 1929 (P.L. 177, No. 175), known as the Administrative Code of 1929, consisting of the amounts necessary to be appropriated by the General Assembly out of the funds established under section 5708 (relating to funds) and 5707 (c)(2)(iii) (relating to assessments) necessary for the administration and enforcement of [this] chapters [and] 57, 57A and 57B for the fiscal year beginning July 1 of the following year. The authority shall be afforded an opportunity to appear before the Governor and the Appropriations Committee of the Senate and the Appropriations Committee of the House of Representatives regarding its proposed budget. Except as provided in section 5710 (relating to fees), the authority's proposed budget shall include a proposed fee schedule.

(2) The authority's proposed budget shall include an estimate of the amount of its expenditures necessary to meet its obligation to administer and enforce [this] chapters 57, 57A and 57B and an estimate of revenue available to support those expenditures from the following sources: [. The authority shall subtract from the expenditure estimate:]

(i) [The estimated fees] Fees to be collected under section 5710 during the fiscal year.

(ii) Money deposited into the regulatory fund as payment for assessments, fees or penalties and any other moneys collected pursuant to [this chapter] chapters 57, 57A and 57B, but not [allocated] disbursed during a prior fiscal year. [Unallocated assessment revenue from a prior fiscal year shall be applied to reduce the portion of the total assessment applicable to the utility group from which the unallocated assessment originated.]

(iii) Money budgeted for disbursement from the medallion fund, if any, as part of the authority's

estimated budget.

(iv) Assessments to be collected under subsections (c) and (e).

[(3) The remainder so determined, herein called the total assessment, shall be allocated to, and be paid by, the utility groups identified in subsection (c) in the manner prescribed.]

* * *

(c) Assessments.

(1) Taxicab assessments.

(i) Each taxicab owner will pay an assessment based on the number of rides provided by each of its taxicabs. The assessment will be \$.50 for each taxicab trip originating in a city of the first class and will be paid by the passenger. The taxicab meter system approved by the authority must have the ability to calculate and collect the assessment provided for in this paragraph.

(ii) For purposes of assessment calculation a trip occurs when taxicab service is provided to one or more passengers regardless of the number of stops, for which the meter is required to be in operation recording the fare.

(iii) Upon payment of the fare or assessment, or both, through cashless or electronic methods, the taxicab meter system shall immediately transfer the assessment to an account maintained by the authority for deposit into the regulatory fund on behalf of the taxicab owner.

(iv) Upon payment of the fare or assessment, or both, with cash, the taxicab meter system shall, upon the conclusion of the driver's shift or upon completion of payment processing, account for and transfer an amount equal to any assessment payments provided to the driver in cash. The transfer shall be made from the account used to hold money from fares paid through card payments on behalf of the driver. The transfer shall be made to an account maintained by the authority for deposit into the regulatory fund on behalf of the taxi owner.

(v) The authority may provide for additional procedures related to the collection of the assessments provided for in this paragraph by regulation.

(vi) A taxicab driver or taxicab owner may petition the authority at any time to dispute the accuracy of an assessment payment transfer made pursuant to this paragraph.

(2) Transportation network company assessment.

(i) Each transportation network company authorized by a license issued by the authority will pay an assessment based on the number of prearranged rides facilitated by the transportation network company. The assessment will be \$.50 for each prearranged ride originating in a city of the first class. The term "prearranged ride" is defined in section 57A01 (relating to definitions).

(ii) The transportation network company assessment shall be paid by the license holder to the authority on a quarterly basis on October 15, January 15, April 15 and July 15 of each fiscal year.

(iii) The transportation network company assessment payment shall be deposited into a restricted receipts account in the State Treasury. The State Treasurer shall distribute 66.67% to a school district of the first class and 33.33% to the authority on a quarterly basis and within 45 days of receipt.

[(1) The following relate to assessments for taxicabs:

- (i) The taxicab utility group shall be comprised of each taxicab authorized by the authority pursuant to sections 5711(c) (relating to power of authority to issue certificates of public convenience) and 5714(a) and (d)(2) (relating to certificate and medallion required).
- (ii) On or before March 31 of each year, each owner of a taxicab authorized by the authority to provide taxicab service on a noncitywide basis shall file with the authority a statement under oath estimating the number of taxicabs it will have in service in the next fiscal year.
- (iii) The portion of the total assessment allocated to the taxicab utility group shall be divided by the number of taxicabs estimated by the authority to be in service during the next fiscal year, and the quotient shall be the taxicab assessment. The taxicab assessment shall be applied to each taxicab in the taxicab utility group and shall be paid by the owner of each taxicab on that basis.
- (iv) The authority may not make an additional assessment against a vehicle substituted for another already in taxicab service during the fiscal year and already subject to assessment as provided in subparagraph (iii). The authority may, by order or regulation, provide for reduced assessments for taxicabs first entering service after the initiation of the fiscal year.
- (v) The taxicab assessment for fiscal years ending June 30, 2013, and June 30, 2014, shall be \$ 1,250.

(2) The following relate to assessments for limousines:]

(3) Limousine assessment.

- (i) The limousine utility group shall be comprised of each limousine service authorized by the authority pursuant to section 5741(a) (relating to certificate of public convenience required). Vehicles approved by the authority to provide limousine service pursuant to section 5741(a.3)(2) shall not be considered part of the limousine utility group for assessment purposes, but may be required to pay fees as provided in section 5710.
- (ii) On or before March 31 of each year, each limousine service owner shall file with the authority a statement under oath estimating the number of limousines it estimates to have in service in the next fiscal year.
- (iii) [The portion of the total assessment allocated to the limousine utility group shall be divided by the number of limousines estimated by the authority to be in service during the next fiscal year, and the quotient shall be the limousine assessment. The limousine assessment shall be applied to each limousine in the limousine utility group and shall be paid by the owner of each limousine on that basis.] The limousine assessment for fiscal year ending June 30, 2018, shall be \$550. The limousine assessment shall be paid on or before August 1 of each fiscal year.
- (iv) The authority may not make an additional assessment against a vehicle substituted for another already in limousine service during the fiscal year and already subject to assessment as provided in subparagraph (iii). The authority may, by order or regulation, provide for reduced assessments for limousines first entering service after the initiation of the fiscal year.
- [(v) The limousine assessment for fiscal years ending June 30, 2013, and June 30, 2014, shall be \$ 350. By order or regulation, the authority may discount the limousine assessment for each limousine service owner operating 16 or more limousines authorized by the authority.]

[(3)] (4) [The following relate to assessments for dispatchers:] Dispatcher Assessment.

- (i) The dispatcher utility group shall be comprised of each centralized dispatch system authorized

by the authority as provided in section 5711(c)(6).

(ii) [The portion of the total assessment allocated to the dispatcher utility group shall be divided by the number of dispatchers estimated by the authority to be in service during the next fiscal year, and the quotient shall be the dispatcher assessment. The dispatcher assessment shall be applied to each dispatcher in the dispatcher utility group and shall be paid by the owner of each dispatcher on that basis] The dispatcher assessment for fiscal years ending June 30, 2018, shall be \$ 3,000 and shall be paid on or before August 1 of each fiscal year.

[(iii) The dispatcher assessment for fiscal years ending June 30, 2013, and June 30, 2014, shall be \$ 2,750.]

* * *

(c) Adjustment. Adjustments to the base amounts specified under subsection (c) shall be made as follows:

(1) The Department of Labor and Industry shall determine the percentage change in the Consumer Price Index for All Urban Consumers: All Items (CPI-U) for the United States City Average as published by the United States Department of Labor, Bureau of Labor Statistics, for the 12-month period ending April 30, 2019, and for each successive 12-month period thereafter.

(2) If the department determines that there is no positive percentage change, then no adjustment to the base amounts shall occur for the immediately following fiscal year beginning July 1.

(3) If the department determines that there is a positive percentage change in the first year that the determination is made under paragraph (1), the positive percentage change shall be multiplied by each base amount, and the products shall be added to the base amounts, respectively, and the sums shall be preliminary adjusted amounts.

(4) In each successive year in which there is a positive percentage change in the CPI-U for the United States City Average, the positive percentage change shall be multiplied by the most recent preliminary adjusted amounts, and the products shall be added to the preliminary adjusted amount of the prior year to calculate the preliminary adjusted amounts for the current year. The sums thereof shall be used to determine the new final adjusted base amounts for purposes of subsection (c).

(5) The determinations and adjustments required under this subsection shall be made in the period between May 1 and June 15 of the year following the effective date of this subsection and annually between May 1 and June 15 of each year thereafter.

(6) The final adjusted base amounts and new final adjusted base amounts obtained under paragraphs (3) and (4) shall become effective July 1 for the fiscal year following the year in which the determination required under paragraph (1) is made.

(7) The department shall publish notice in the Pennsylvania Bulletin on or before June 30 of each calendar year of the annual percentage change determined under paragraph (1) and the unadjusted or final adjusted base assessment amounts determined under paragraphs (3) and (4), for the fiscal year beginning the first day of July after publication of the notice. The notice shall

include a written and illustrative explanation of the calculations performed by the department in establishing the unadjusted or final adjusted base amounts under this subsection for the ensuing calendar year.

§ 5707.1. Assessment notice and hearings.

(a) Notice of assessment and payment.

[(1)] The authority shall serve notice of the assessments determined pursuant to section 5707 (c) (relating to budget and assessments) to each owner or licensee by electronic mail, as provided in 52 Pa. Code § 1001.51(b) (relating to service by the authority). The authority shall post notice of each [the] assessment provided for in 5707 [for each utility group] on its Internet website.

[(2) Except as provided in paragraph (3), an assessment must be paid within 30 days of service as provided in 52 Pa. Code § 1001.54(a)(4) (relating to date of service).

(3) The authority may provide by regulation for the payment of an assessment in scheduled installments.]

* * *

§ 5710. Fees.

(a) Fees authorized.--The authority may collect fees necessary for the administration and enforcement of this chapter and chapters 57A and 57B. Payment of fees may be enforced in the same manner and to the extent provided for the payment of assessments under section 5707 (relating to budget and assessments). Fees collected under this section for the administration and enforcement of this chapter must be deposited into the regulatory fund. The authority shall post the current fee schedule on its Internet website.

* * *

Chapter 57A
TRANSPORTATION NETWORK COMPANIES

* * *

[§ 57A22. Assessment.

(1) A transportation network company operating in a city of the first class shall pay to the authority an assessment amount equal to 1.4% of the gross receipts from all fares charged to all passengers for prearranged rides that originate in the city. The amount assessed shall be remitted on a quarterly basis and deposited into a restricted receipts account in the state treasury. The state treasurer shall distribute 66.67% to a school district of the first class and 33.33% to the parking authority on a quarterly basis. This section shall expire December 31, 2019.

(2) If an assessment is imposed after December 31, 2019, the percentage amount may not be less than the percentage amount imposed under paragraph (1).]

CHAPTER 57B
REGULATION OF TAXICABS AND LIMOUSINES
IN CITIES OF THE FIRST CLASS

§ 57B02. Regulation of taxicabs and limousines.

* * *

(c) Issues.--The authority shall address the following in the temporary and final-form regulations required by this subsection:

(1) The dollar amount of all fees and assessments issued by the authority. [The following shall apply:

(i) Annual assessments issued by the authority to medallion owners shall not exceed 1% of the annual gross operating revenue of a medallion owner. Assessments may only be made upon the fare collected and shall not include tips or tolls.

(ii) Assessments may be payable to the authority in a lump sum or on a quarterly basis.]

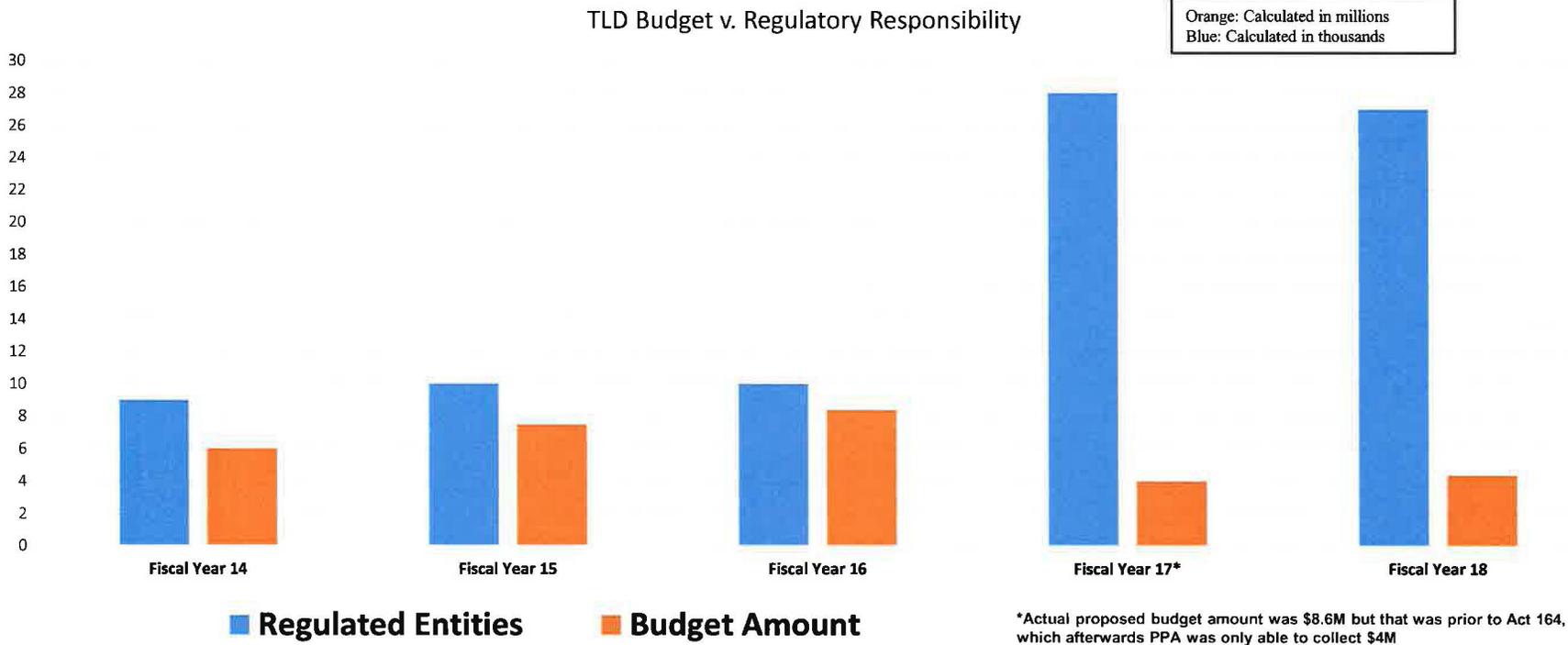


Supplement to the Testimony of
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Act 164 reduced the Authority's anticipated annual funding by \$5.6M, a 58% cut.

- The Authority's Taxicab and Limousine Division's regulatory staff has been reduced through layoffs, attrition, etc. from 38 people to 17, a 55% workforce reduction.
- Only 7 of these employees are Enforcement Officers who actually engage in patrol functions.
- These remaining employees must oversee the regulation of approximately 23,000 vehicles, 865 businesses and 25,500 people engaged in providing for-hire vehicle services in a city of 1.5 million people.

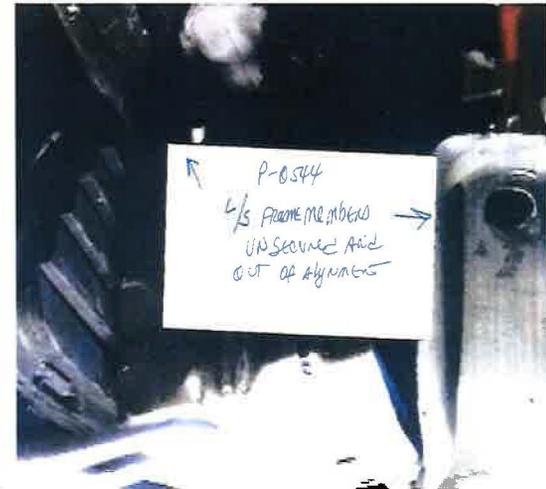
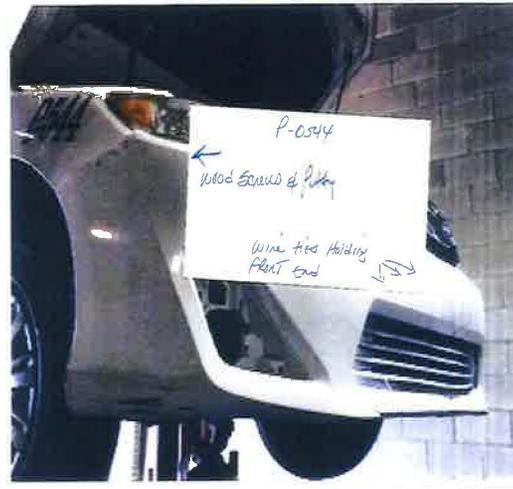
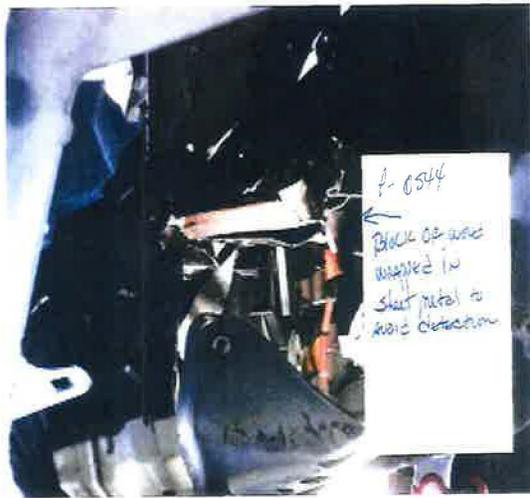
The chart below shows the Authority's budget amounts (in millions) prior to Act 164 in comparison to the regulated entities (in thousands) and how the budget dramatically declined after Act 164 while the number of regulated entities massively increased



Because Act 164 removed the Authority's prescreening powers, our focus must now be on service while in progress.

- Based upon the very limited inspections that Act 164 allows the Authority to conduct, we have found vehicles in unconscionable and unsafe conditions.
- Therefore, the Authority needs proper funding to hire more Enforcement officers to properly patrol the City of Philadelphia and investigate complaints to ensure the safety of the riding public.
- Samples of those bad vehicles conditions are attached in the slides to follow.

1. Taxicab that has a block of wood wrapped in sheet metal (to avoid detection) being used as a framing member to hold the bumper and other structural members together, fenders held in place with putty, bumper secured with wire ties and leaking brake fluid.



2. TNC vehicle with fender being held to the vehicle with tape, rear bumper hanging off and cracked windshield.



3. Taxicab bearing newly issued PennDOT inspection stickers but the engine light was on indicating an engine malfunction, which would have not passed emission testing. The stickers are not reported to the State and the vehicle is not reported as being recently inspected. The vehicle inspection revealed: battery not secure, 3 power wires exposed (fire hazard), oil leak on both sides of the engine, cotter pins missing from outer tie rod ends on both sides, loose bumper being held in place with exposed sheet metal screws, windshield washer reservoir missing, back seat disconnected from retainers and left-front marker light out.



4. TNC vehicle with extreme bald tires and metal exposed.



5. Taxicab with broken door hinge and extremely dirty.



6. TNC vehicle with bent frame and falling apart.

