

Taxicab Board Meeting Minutes  
May 22, 2014

Members Present: Michael Benson Robert Goeddel  
Stephen Kunselman Eric Sturgis  
Tom Crawford LouAnne Bullington

Members Absent: None

Guests:

Officer Jamie Adkins  
Alex Keszler, City Attorney's Office  
Dave Askins, The Ann Arbor Chronicle  
Mark Neumann, Stadium Taxi  
Bill Chinchon, AirTran  
Mark LaSarge, Yellow Car/Select Ride  
Rick Clark, Amazing Blue  
Tyler Hoffman, U of M Student

I. CALLED TO ORDER – 8:36 a.m. by Mr. Benson

II. APPROVAL OF AGENDA

**Mr. Sturgis moved to approve the agenda, Mr. Goeddel seconded. The motion passed.**

Mr. Benson asked that the agenda be amended to have the election of the Board Chair and Vice Chair discussed before Old Business.

**Mr. Kunselman moved to approve the amendment to the agenda as recommended by Mr. Benson. Ms. Bullington seconded. The motion passed.**

III. PUBLIC COMMENTARY

Tyler Hoffman, UM student, commented on Lyft and Uber's. He has been in Ann Arbor for three years and believe the public's response to Lyft and Uber is too great to try and make them to go away. He said the city's cease-and-desist letters sent to Lyft and Uber has done nothing. He has used the service many times since the letters went out. He believes both have a great service, good price and feels it is something that the public and the students want. Another advantage cited by Hoffman is that Lyft and Uber have a more modern fleet as well as being very quick, efficient and cashless.

Mr. Hoffman said a Lyft driver told him he also works for one of the local taxicab companies and that he knew this was the direction that innovation was going in the industry. These new services also created competition and Mr. Hoffman felt that's always a good thing. Mr. Hoffman characterized the issue of insurance as convoluted, so he didn't know if he was going to be protected if he gets into an accident. But the difference between having a chauffeur's license and not having a chauffeur's license is the difference between spending 45 minutes at the Secretary of State's office and handing over \$25, he said. To him, that procedure did not improve your ability to drive safely. The question of insurance was more of a legitimate issue, he said.

Mr. Hoffman also said the City is being proactive in dealing with the taxi rates and deregulation.

IV. ELECTION OF BOARD CHAIR AND VICE CHAIR

**Mr. Sturgis made a motion to nominated Mr. Benson as Board Chair for one year, Ms. Bullington seconded. The motion passed.**

**Ms. Bullington made a motion to nominated Mr. Kunselman as Vice-chair for one year, Mr. Sturgis seconded. The motion passed.**

## V. OLD BUSINESS

### 1. Approval of Taxicab Board Minutes from April 23, 2014

Mr. Sturgis made a correction to the minutes. Item II, Approval of Agenda motion should read “Mr. Sturgis moved to approve the agenda as amended, Ms. Bullington seconded. The motion passed.

**Ms. Bullington moved to approve the Board Minutes of March 13, 2014, seconded by Mr. Kunselman. The motion passed.**

### 2. Taxi Rate Deregulation

Mr. Benson said this is a continued discussion from last month’s Taxicab Board meeting. He hopes the Board can come up with a variety of possibilities such that city staff can present proposals based on those idea that can be voted on at the next meeting. Also, he said, after we narrow down what we want to do, we should further advertise the June or July meeting and invite the public as well as the industry to come in to speak to those proposals.

Mr. Kunselman said it’s been many years since they were last raised. But he really didn’t want to be the “guinea pig” community trying to create a rate system that is more complicated. “If we just want to raise the rates to allow the taxicab companies to have a better time trying to compete, then I’m all for that” he said.

Mr. Kunselman said the bigger issue is the cease-and-desist order and whether the city is going to begin enforcement against “gypsy companies”. Mr. Kunselman said he appreciated the comments from Tyler Hoffman during public commentary, but the point that Mr. Hoffman had skipped over was the insurance requirements that are necessary to operate vehicles for hire. Competition is important, Mr. Kunselman said, but when you compete by cheating, that’s not acceptable – and that’s what Uber and Lyft were doing when they use drivers who are using private cars with private insurance. Mr. Kunselman said he has read that when an accident occurs, a passenger is not covered. A \$1 million insurance policy that’s provided by Uber and Lyft is not necessarily a guarantee, “It’s just a marketing ploy.” Mr. Kunselman referred to an accident that occurred in San Francisco where a six year old girl was killed and was not covered by the Uber driver’s insurance. It’s a new and dynamic change in the industry, he said, but that’s not to say that Yellow Car, Amazing Blue, and other local taxicab companies will not come out with their own apps and provides that same sort of service. He felt Uber and Lyft would be pushed aside when competition catches up.

Mr. Kunselman said Ann Arbor is a hot market that has a lot of peaks and valleys in the demand, and that led him to another concern he had with the Uber and Lyft business model: “Surge pricing” is more like price gouging, he said. That’s why there are taxicab rates, so that it’s fair to everyone – wealthy, poor and middle class alike. If the industry uses “surge pricing,” he noted, then during peak demand, only the wealthy are going to get ride. “That’s not equitable, and that’s not appropriate, and I don’t think that’s what this community is about. If that’s the kind of elitism that University Michigan students want, then that’s disappointing,” he said.

Mr. Kunselman said there are issues the state of Michigan might need to address. He characterized the business models used by Lyft and Uber as “basically cheating,” and that they would get caught eventually; citing other states where Uber and Lyft had been accused of racketeering. Uber and Lyft are pushing the envelope, he said, but at some point it only takes one accident and one lawsuit to shut them down. As far as taxicab rate deregulation, Mr. Kunselman said he’d just as soon recommend raising the rates at the next meeting, and let the taxicab companies try to compete at that level, and then see what happens.

Mr. Sturgis thanked Mr. Hoffman for coming to the meeting. He said it is nice to hear a different perspective. Mr. Sturgis said our number one goal is safety. Uber and Lyft use drivers who are not registered with the State. The city doesn’t know if there’s a felon out there taking people around in a car, he said. Mr. Sturgis pointed out that the number of registered taxicabs was decreasing. Ann Arbor is an intelligent community, Mr. Sturgis said, and he didn’t think the Board should be telling people that they’re not smart enough to know which taxicab to take based on fares. He said he’d be willing to look at taking small steps to start, but he’d like to see the Board head in the direction of deregulation.

Mr. Benson said the Board has to balance a few competing priorities – first and foremost public safety. The taxi industry is the only industry that solely operates on the public right of ways. So the city has a responsibility to ensure not just safety, but a level of competitiveness.

Mr. Benson said the Uber and Lyft cease-and-desist orders are a first step. He said he didn't know what Lyft or Uber do to inspect vehicles. Maybe the standards are different from what the city requires for vehicles for hire. So if someone is offering to drive a vehicle for hire, there should be a common standard, he said. The city needs to be able to address that.

All of these businesses are operating in the public right-of-way, Mr. Benson said, and that makes them different from a restaurant or anything else. That's why the taxicab industry should be regulated. Mr. Benson felt that some kind of rate increase is necessary. He expressed concern that the current rates don't take into account the rising cost of insurance for taxi operators. He agrees with Mr. Kunselman in that we should not be a 'guinea pig' and think we can move toward some sort of deregulated environment. One approach would be to increase the fares beyond a \$0.25 or \$.50 increase. He also supported allowing a surcharge for three or four passengers as presented in Mr. Rick Clark's proposal.

Ms. Bullington said that if the Board deregulated taxicabs, then cabs would essentially be providing limousine service. She felt it would be appropriate to increase the maximum rate based on increases in gas prices. She would like to see Uber and Lyft enter the Ann Arbor market, but she also has concerns about public safety. If Uber wants to operate here, they can go to Lansing and get a limo license and operate as a legitimate business. Ms. Bullington also felt that taxicab companies would be adopting new technologies as well, and would be able to let customers know when they're coming in real time. She like the fact that there are taxicab and people have their choice. She hoped that Uber starts playing fair and becomes registered as a limo company, like they should be.

Mr. Sturgis said the decrease in the number of registered taxicabs in the city is a great concern to him. Because of the decrease number of taxicab, Uber and Lyft are allowed to enter the market and they are seizing the opportunity. He felt the reason the number of taxicabs is decreasing can be attributed to the cost of insurance. He said he wants the best service possible and the safest service possible, which Uber and Lyft don't provide. Raising the maximum rate could be a short-term fix, but wondered if there was a longer-term vision.

Mr. Crawford offered two points of caution. The first is how to interpret the number of taxicabs registered as 96 in the materials provided to the Board. He pointed out that the figure is footnoted because the count had not been completed. Mr. Crawford also said while the Board is talking about the taxicab industry, it may be that the city's perspective is to have a variety of ways to meet transportation needs. So the Board should be cautious about concluding that there is a "right number" of taxicabs. The city may need more taxicabs or less, in light of other transportation options that are available.

Mr. Kunselman noted that voters had just approved a new transit millage that's going to increase service in the evenings and weekends. That's going to change the dynamic as well – because bus transportation would be a lot cheaper than a limo or a taxi, he said.

Mr. Crawford pointed out that the Board was discussing two things at once: Rate deregulation and a new entrant in the market. The new entrants actually have a business model, as he understood it, where they potentially have a lower cost of doing business than the taxicab industry. So that would drive rates down. When you have a new entrant that is competing with a different cost structure, that could work out economically to lead to the destruction of the taxicab industry. This might be the time that we don't want to deregulate. Instead, it might be more important to make a very clear distinction about what is a taxicab and what is not a taxicab. Mr. Crawford said he understands the excitement of the new business model, but it is not a model that is delivering the same product that a taxicab is delivering. A differentiation of those business models might be healthier for the industry. Deregulation at this time might result in a race to the bottom of the lowest rate. And that could lead to riskier, less secure businesses.

Mr. Goedel said he does not think our current system preclude our "race to the bottom" from happening. He said rates can already go as low as they need to go. So we're already in a situation where a race to the bottom is a risk. But he did not want to see a scenario where people are not using taxicabs because taxicabs are going out of business – because they cannot afford to be in business. If the taxicab industry is going to change because of the dynamic in the market, he wanted that to be because there's a better service out there – not because it's impossible to do business. He said, right now, it does not seem possible to do business and be competitive.

Mr. Goeddel agreed with a comment that Mr. Kunselman had made at the Board's previous meeting that more options might not lead to better price – citing the example of increased downtown housing units. He said, after building all those new apartments downtown, many people thought it would drive rents down – but that is exactly the opposite of what has happened. He is paying more to live in Ann Arbor than ever before, reporting that his rent rose by 10% last year. He was amenable to raising the rates, but felt that \$0.25 would not be sufficient. He said he might be interested in “pseudo regulation,” where rates are raised beyond the point of reason, which would give the appearance of deregulated rates without taking the full leap.

Ms. Bullington contended that Ann Arbor has some of the highest gas rates in the country, so she was interested in raising the maximum rate for that reason. Mr. Crawford pointed out that the last time the Board had recommended raising the maximum rate, they had also concluded that if gas prices moved out of a certain range for a certain period, then the maximum rate could be revisited. But gas prices have been lower than that since that time. So he thought that insurance has been more of a cost issue than the price of gas.

Mr. Benson noted that the option being considered is not to deregulate the taxicab industry: “We’re still going to inspect vehicles. We’re still going to license the drivers.” The point of discussion was the fare structure. Even if the fares were deregulated, the city would still have interest in compliance on vehicle inspection and licensing the drivers.

Mr. Benson said he was pleased that the Board was considering either a potential rate hike or deregulation – to allow the industry to be able to compete, but also perhaps distinguish itself in the service it was offering. He pointed out that there are multiple models in which a taxicab can operate. For example, a taxi can be hailed on the street – and that’s the only vehicle that can legally do that. But you can also call a taxicab dispatcher and if a company does have an iPhone app or something similar, you can request a cab and away you go, much like a limo service.

Mr. Benson thought it was critically important to educate people about the difference in the modalities. An ordinance change was approved by city council a few years ago that tried to help make that distinction. Some people are aware of the difference between a taxicab and a limo, but a lot aren’t. So the educational component is critically important.

Mr. Benson asked Officer Adkins what could be done to educate folks that taxis are taxis and limos and limos. Officer Adkins said that part of the problem is getting police officers to understand the difference – because they think that all for-hire drivers are the same.

Mr. Benson summarized the option that the Board had discussed: full deregulation of rates; a fare increase to cover cost of business, including insurance; or a fare increase beyond the cost of doing business to allow some play in the market. Mr. Benson also mentioned the possibility of allowing for a passenger surcharge to allow a higher rate for three or four passengers.

**Mr. Kunselman moved to direct staff to draft language necessary to change the rates for taxicabs to be discussed at the next meeting. Ms. Bullington seconded.**

**A question was called by Mr. Sturgis on Mr. Kunselman’s motion to direct staff to draft language for the Board to review and vote on at the next meeting. The motion had 3 yeas, 1 nay. The motion passed.**

Mr. Crawford told Mr. Kunselman that he didn’t have a problem with the rates and the publication structure that had been suggested by Rick Clark from Amazing Blue. Mr. Crawford then checked his understanding of the kind of rate structure the Board wanted him to draft. Mr. Crawford said he got the message that the Board wanted to see a substantially higher maximum fare set. He also understood that rates would be published on the rear vehicle doors and should also require the meter to be revalidated and a fee charged if the company changed its published rates outside of the annual process.

Mr. Kunselman also wanted to allow for flat rates. If a taxicab drops the flag on the meter and goes out to the airport, the meter might say \$60, but they should be able to charge \$40 for the trip. Mr. Kunselman summarized his view by saying he wanted to give taxicab companies the ability to charge a higher rate, but to compete by offering cheaper rates.

## VI. NEW BUSINESS

### 1. Ordinance Amendment to Register Vehicles for Hire

Mr. Kunselman led the discussion of the general drivers-for-hire ordinance by saying he understood that the assistant city attorney did not have a draft ordinance ready for review that day – but it was in the works. Mr. Kunselman stated that he didn't think the ordinance should be about registering vehicles, but rather registering drivers for hire.

Mr. Kunselman continued by saying that drivers for Uber and Lyft are not registered anywhere. As for Uber and Lyft's business models, Mr. Kunselman said he didn't know of any private sector business that self-regulates for public safety. Uber and Lyft are cheating by not requiring proper insurance. He said that the new ordinance might need to be separate from the taxicab ordinance. The Taxicab Board has a responsibility to protect the unsuspecting public.

Mr. Kunselman said the people may have forgotten one of the reasons the state's limousine law was tightened up years ago. It happened when one of the Detroit Red Wings players, following the Stanley Cup win back in the 1990s, was in the back of a limo – which he believed was improperly regulated – and was paralyzed when he went flying from one end of the limo to the other. Mr. Kunselman said when that happens with a Uber driver and their uninsured car, we'll end up with the same problem.

Mr. Kunselman wanted the Board to consider a totally separate ordinance that regulates drivers who are offering their vehicles for hire. The ordinance should allow the city to require that drivers provide proof of insurance, that the vehicles they're driving for their business are safe. That way, the city could do its part as a public entity to ensure public safety.

Mr. Benson responded to Mr. Kunselman's focus on registering drivers as opposed to vehicles, saying that the city should have a way of registering vehicles other than taxicabs, which it currently licenses; maybe requiring them to have a different medallion. The idea would be to ensure that a vehicle used to provide rides for hire meets minimal standards. Those standards might be the same as what the state requires for limousines. Or maybe the standards would be more like the standards for taxicabs. But Mr. Benson felt that all vehicles for hire in the city needed to be registered.

Mr. Sturgis disagreed with the idea that young people don't care about public safety. He think they may not be educated about Uber and Lyft. He said students are price conscious because of the high cost of tuition.

Ms. Bullington wanted police officers to have the ability to pull over a driver for hire and ask if they are registered with the city. It's about putting more teeth in the law, she said.

Mr. Crawford offered a word of caution about lumping Uber and Lyft into the same category, saying that based on his very cursory research on Uber and Lyft, they appear to have different business models. It might turn out that one or the other of those business models is more amenable to the way the taxicab industry wants to proceed.

**Mr. Kunselman moved to direct staff to look at the taxicab ordinance in relation to this, as this proposal will have teeth. He would like to see if we can strengthen the teeth in the existing taxicab ordinance as well. Ms. Bullington seconded. The motion passed.**

## VII. ADMINISTRATOR COMMENTS

None

## VIII. PUBLIC COMMENTARY

Mark Newman, of Stadium Taxi, told the Board he thought the Taxicab Board needed to get the word out to the students that services like Uber and Lyft are illegal. Mr. Newman said if a student gets into an accident while using Uber or Lyft, they are going to sue the city of Ann Arbor. He's talked with several different police officers in the evenings, he said, and they're not doing anything. He said his business has gone down 30% because of Uber and Lyft. Mr. Newman called on the city to put a cease-and-desist order on the software

application itself, so that it could not be used. It was stated that Stadium Taxi is a not a license taxicab but a limo.

Mark LaSarge of SelectRide said in Mr. Newman's defense, he thought Mr. Newman was "stomped on" for not being a taxicab company, pointing out that public commentary is for public commentary. Mr. LaSarge complimented Mr. Kunselman for his remarks about price gouging and possible racketeering issues associated with Uber and Lyft. Many of the concerns are based on fear and doubt, he said. Fear and doubt are "twin thieves" that steal from you the ability to do what you would otherwise do right, he said. A business model is the business of that business, not the city, he said. The city's business is making sure that everybody is conducting business safely according to the appropriate regulations, and providing a basic standard uniform service. Is the driver a safe driver? Are the vehicles appropriate? Is the insurance appropriate? He said how he sets his price is irrelevant to the Board.

Rick Clark of Amazing Blue Taxicab was skeptical that software apps were the answer to everything, partly because of the surge pricing. A young college student might think it's great that he can get a ride like that, Clark said, but during a UM football game, that student is going to get gouged.

At the end of all the public commentary, Mr. Benson extended his apologies to Mr. Newman for any implication that he didn't have a right to speak.

#### IX. ADJOURNMENT

**Mr. Kunselman moved to adjourn the meeting, Mr. Goeddel seconded. The motion carried and the meeting was adjourned at 9:46 a.m.**