

BOARD REPORT
CITY OF LOS ANGELES
DEPARTMENT OF TRANSPORTATION

#6

Date: November 20, 2003
To: Board of Taxicab Commissioners
Subject: **TENTATIVE APPROVAL OF BOARD ORDER NO. 025 - APPROVING NEW TAXICAB RULE NO. 459 AND 799 - CREDIT CARD PAYMENT ACCEPTANCE**

SUMMARY

At its meeting of October 16, 2003, the Board requested the Department to review the current rules and regulations pertaining to the use and acceptance of credit card payment by the taxicab industry. The minimum charge for card acceptance and potential customer disclosure of their intended use of a credit card for pre-authorization of the card were discussed.

On October 20, 2003, the Department sent a letter to each taxicab operator requesting written comments and recommendations pertaining to credit card usage in the Los Angeles taxicab industry. Minimum charge allowance, pre-verification procedures and any other comments/recommendations were requested. Although responses were requested to be submitted by October 31, 2003, as of November 12, 2003, only five of the nine Los Angeles taxicab operators have provided a response (Bell Cab, United Checker Cab, United Independent Taxi, United Taxi of San Fernando Valley and Yellow Cab).

Although Beverly Hills Cab, L. A. Checker Cab, Independent Taxi and City Cab have chosen not to respond to the request for comments/recommendations, staff feels it has enough information to provide a recommendation to the Board regarding potential credit card usage requirements. A change from the current seven dollar minimum charge amount to a ten dollar figure is recommended (unless a company's internal policy is stricter). Also, a sign indicating the minimum charge amount and driver notification for card usage is also recommended to be allowed. If a company's policy is to allow all credit card usage without pre-authorization prior to the end of the service trip, they would not be required to have signage relating to the \$10 minimum charge amount or pre-authorization requirements.

RECOMMENDATIONS

That the Board, after a public hearing:

1. **FIND** that an increase in the minimum credit card charge amount required for driver acceptance from the current value of seven dollars (\$7) up to ten dollars (\$10) is reasonable; and

2. **FIND** that it is also reasonable to request the taxicab customer to provide credit card information to the driver after the start of the trip in order to provide added time for the driver to verify card validity; and
3. **FIND** that the changes to the Taxicab Rules and Regulations (Board Order No. 471 et seq.) contained in this report are needed and will greatly benefit the public, the drivers, the taxicab companies and their members, and the Department's regulatory process; and
4. **APPROVE** the attached tentative Resolution, Board Order No. 025, revising Board Order No. 546, adding Taxicab Rule No. 459 and 799, requiring 1) that all taxicabs be capable of digitally transmitting credit/debit card authorization and payment information through the taximeter; 2) that signage related to minimum credit card amount required (if any) and pre-authorization notification be placed in each cab; and 3) that a payment of \$10 or more be accepted as a credit card payment by all Los Angeles taxicab drivers (unless the individual Grantee policy is more stringent); and
5. **DIRECT** the Board's Executive Assistant to publish the tentative Resolution (Board Order No. 025) for the required five-day public review period; and
6. **DIRECT** staff to work with the taxicab industry to develop the final vehicle signage language, text size and placement for final Board approval.

DISCUSSION

Background

While the acceptance of Cityride scrip (payment vouchers up to \$12 per person per trip maximum) is not a new regulation for Los Angeles taxicab drivers, the requirement to accept major credit cards (for credit/debit payments of \$7.00 or greater) is a new regulation under current franchise agreements. Unfortunately, drivers will often tell a customer that they cannot accept their Cityride scrip or credit card payment due to the paperwork and administration fees charged to them when utilizing such payment.

This non-acceptance of payment would normally be considered as a trip refusal, but in many cases, the customer will then find another way to pay for the trip. As part of this report, staff is recommending new rules covering both credit/debit card payment acceptance and a new violation category for non-acceptance of valid payment (whether a trip was eventually completed, or not). The penalty for non-acceptance of valid payment is the same as service refusal used in Rule 752.

The current franchise regulations concerning credit card usage are included in each franchise ordinance, Section 4.3(f), as follows:

"All taxicabs used by Grantee within the City shall be capable of accepting credit/debit card payment and shall relay charge and authorization data regarding such payment

through a digital information system used in connection with the taximeter or mobile data device operating in concert with the taximeter. Grantee is not required to accept a credit/debit card payment less than \$7.00, unless required by the Board by resolution. The Board may require by resolution that the Grantee equip each taxicab used within the City with an automatic card reading device to be used for payment and authorization purposes."

Two new taxicab rules pertaining to the use and acceptance of credit cards were tentatively approved by the Board on March 6, 2003, as follows:

459. Each taxicab shall be capable of digitally transmitting credit/debit card authorization and payment information as relayed through the taximeter or mobile data device operating in concert with the taximeter. [X:X:IOS:3:X]
799. A driver shall accept valid Cityride program payment (in form and amount as authorized by the City) and/or major credit/debit card payment (if the chargeable payment amount is \$7.00 or more). Credit/debit card authorization and payment information shall be digitally relayed through the taximeter or mobile data device operating in concert with the taximeter. A driver has the right to request identification of payee. Refusal to accept valid payment, even if a trip is completed, shall be considered as a rule violation. [10-R:\$:X:3-5:B]

A discussion regarding minimum charge allowance and payment pre-authorization procedures took place on October 16, 2003. Based on industry comments received, the City is recommending a change in tentative rules 459 and 799 as previously written which would allow for a \$10 minimum payment (unless a company upholds a stricter internal policy) and also allow signage in each cab whereby the minimum credit card charge allowed and pre-authorization requirements would be included.

Industry Comments

United Independent Taxi Drivers (United Independent Taxi and United Taxi of San Fernando Valley), United Checker Cab and Yellow Cab support a recommendation to increase the minimum fare for credit card acceptance from \$7.00 to \$10.00. They also support a requirement for the passenger to inform the driver at the beginning of the trip if they are planning to pay with a credit card.

They stated that a \$10 minimum charge requirement would bring the taxicab industry in line with many other venues and businesses. In addition, by requiring the passenger to inform the driver of anticipated credit card usage at the beginning of the trip, the driver would be able to authorize the trip (validate credit card) in advance, while within communication coverage for the area. Such card pre-authorization should minimize the inconvenience to the driver and the passenger caused by delays in payment authorization at the end of the trip.

Bell Cab stated that they are against the proposed changes. They stated that as company policy, their drivers are required to accept all credit card charges without a minimum charge requirement. They

were also concerned that if a driver is "out of the area", they can still call in the credit card information directly to the company to have it verified without much of a delay to the driver or customer. Bell Cab stated their concern that the proposed changes could "open the door for short trip refusal".

Minimum Charge Recommendation

The Department recommends that the minimum \$7.00 charge be increased to \$10.00. If a company's internal policy is to accept all credit card charges, or some lower minimum amount below \$10 (i.e. \$5), their requirements would exceed this minimum franchise ordinance requirement, and would therefore not be affected by the rule change.

When the \$7.00 minimum charge requirement was established as part of the re-franchising process, the average charge for a 5 mile trip was \$9.70 (\$1.90 flag drop and \$1.60 per mile). The current charge for a 5 mile trip is \$11.80 (\$2.00 flag drop and \$2.00 per mile). This represents a 21.6% increase in the rates.

Staff believes that raising the minimum credit card acceptance requirement will not adversely affect the public. The \$10 minimum amount is similar to the minimum charge established by many other businesses and reflects both increases in the taxicab meter rates and the charges assessed to the driver when the credit card is used. Should an organization desire a lower minimum amount, or accept all credit card charges, their internal policies would be upheld, and their taxicab signage would include the minimum amount of charge required, (i.e., "Credit card payment welcomed - \$10 minimum charge required"; or "Credit card payment welcomed - \$5 minimum charge required"; or simply, "Credit card payment welcomed"[*no minimum charge requirement*]).

Pre-Authorization Approval Recommendation

The Department is also recommending that signage be allowed in each taxicab which requests the customer to notify the driver of intended credit card payment "**after**" the start of the trip for pre-authorization purposes. As included in Rule 799 below, if a passenger fails to inform the driver in advance of the planned use of a credit card, the driver must still accept the payment.

As previously proposed in Rule 799, the refusal to accept valid credit card payment at or above the minimum requirement is considered a refusal of service. By having the minimum credit card amount and pre-authorization notification as part of the same signage, staff believes it will be difficult for a driver to refuse a trip. The signage must clearly state the minimum credit card amount required for the company and that the customer is to notify the driver of the intended credit card use after the beginning of the trip.

Rule Changes

Revised rules 459 and 799 are hereby proposed as part of Board Order No. 025. Changes from the original recommendations provided in March 2003 are indicated in strikeout text for deleted material and bold/highlighted text for new language.

459. Each taxicab shall be capable of digitally transmitting credit/debit card authorization and payment information as relayed through the taximeter or mobile data device operating in concert with the taximeter. **A sign shall be placed in each taxicab, as approved by the Department, indicating minimum credit card charge requirements and requesting the passenger to notify driver of intended credit/debit card use for pre-authorization purposes (if allowed by the Grantee). Although signage requirements may differ between taxicab operators, each Grantee shall place the same sign in each of its taxicabs.** [X:X:IOS:3:X]
799. A driver shall accept valid Cityride program payment (in form and amount as authorized by the City) and/or major credit/debit card payment (if the chargeable payment amount is \$7.00 \$10.00 or more, **unless a lesser amount is required by Grantee**). Credit/debit card authorization and payment information shall be digitally relayed through the taximeter or mobile data device operating in concert with the taximeter. A driver has the right to request identification of payee **and to check credit/debit card validity prior to the end of the service trip. If a passenger fails to inform the driver in advance of the planned use of a credit/debit card, the driver must still accept any valid credit/debit card payment.** Refusal to accept valid payment, even if a trip is completed, shall be considered as a rule violation. [10-R:\$:X:3-5:B]

Digital data transmission capability and new signage requirements are established as part of Rule 459. This rule is part of Section 400 of the Taxicab Rule Book and pertains to taxicab vehicles and equipment. The signage will be pre-approved by the Department for each operator depending on its internal policies for minimum charge amount and customer pre-notification. For a company like Bell Cab which currently accepts all credit card charges without a pre-authorization requirement, the sign might simply state: "*Credit card payment welcome*". For other operators, the signage may include: "*Credit card payment welcome - \$10 minimum charge required.*"

Please notify driver after the start of trip if you plan to use a credit/debit card."

New Rule 799 establishes the \$10 minimum credit card payment requirement unless the Grantee has a stricter policy. It also authorizes the pre-authorization of the credit card. Both requirements would be included in the taxicab signage to eliminate passenger confusion. Rule 799 also adds the statement that a driver must still accept the credit card payment at the end of the trip even if the customer fails to notify them of the intended credit card use. The pre-notification requirement cannot be used as an excuse by a driver to refuse valid payment. Its only intent is to aid the driver and the passenger in providing prompt service without card validation delays.

As noted in the last sentence in Rule 799, should a driver complete a trip, but not accept the valid Cityride or credit card payment (talks the passenger into paying by other means), this is still considered a violation of Rule 799. The penalty is the same as that provided by trip refusals used in Rule 752. It should also be noted that the pre-authorization of the credit card is only used to check its validity. Final card charges will still not be assessed until the end of the service trip per Rule 753 - "*A driver shall not request payment of taxicab fare in advance of delivery of passenger to desired location except that a deposit up to the estimated amount of the fare may be collected in advance to show ability to pay as provided in Rule 752*".

CONCLUSION

This report is being presented as a result of industry concerns expressed about credit card minimum payment levels and authorization delays. The regulations proposed in Rule 459 and Rule 799 allow the Board to raise the minimum credit card charge requirement from \$7.00 to \$10.00 while still allowing an individual Grantee to use a more stringent policy (lower minimum requirement).

At the same time, the use of sign-age in each taxicab will alert the customer of their right to pay by credit card (with minimum charge amount included), and also ask them to let the driver know of the intended credit card use so that they can pre-authorize the charge (if this request is within the policy of the taxicab Grantee). This pre-authorization should decrease time delays taken for authorization at the end of the trip. If an operator is out of his normal communication area at the end of the trip, he may already have card validation for ease of transaction.

If an operator has a more stringent requirement for minimum charge amount, or if they do not allow a driver to verify card authorization prior to the end of the trip, their policy will be upheld. The vehicle sign age would only include that credit card payment is welcomed. By indicating that the credit card payment is allowed, and asking the customer to notify the driver of intended credit card use after the start of the trip, short trip refusals should be minimized. As indicated in Rule 799, the credit card payment must still be allowed, even if the customer does not notify the driver of its intended use. The pre-notification requirement cannot be used as an excuse by a driver to refuse valid payment. Its only intent is to aid the driver and the passenger in providing prompt service without card validation delays.

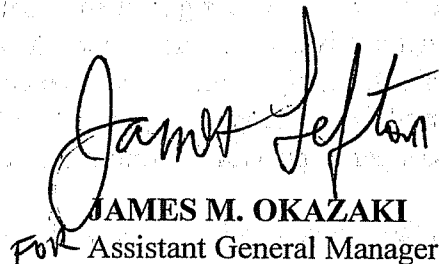
Based upon Board approval of Board Order No. 025, staff will review potential sign language, text size and placement with the taxicab industry. Variances based upon individual franchisee policies will be presented to the Board for its final approval.

Submitted:



THOMAS M. DRISCHLER
Taxicab Administrator
Taxicab Regulation Division

Approved:



JAMES M. OKAZAKI
FOR Assistant General Manager

Attachment

B03-174.jb

BOARD ORDER NO. 025
TENTATIVE RESOLUTION OF THE
BOARD OF TAXICAB COMMISSIONERS
CITY OF LOS ANGELES

WHEREAS, the Board of Transportation Commissioners adopted Taxicab Rules in Board Order No. 471, effective September 2, 1989, to enhance a high level of safe and courteous taxicab service in the City of Los Angeles; and

WHEREAS, the Board of Taxicab Commissioners adopted the third general revision of the Taxicab Rules in Board Order No. 546, effective June 10, 1999, establishing revisions of the rules and regulations for all taxicab vehicles, equipment, drivers, members and companies; and

WHEREAS, the Board of Taxicab Commissioners has determined that modification to criteria in Board Order No. 546, by adding new Rules No. 459 and 799 is needed to establish Cityride voucher program and credit/debit card payment requirements and that such rule additions will be in the best interest of the public, drivers and taxicab industry;

THEREFORE, BE IT RESOLVED, that Rule No. 459 and Rule No. 799 are hereby added to the Taxicab Rules (Board Order No. 471 et seq.), as last revised by Board Order No. 546, and shall address payment acceptance and information transmission requirements for Cityride voucher program and credit/debit card usage:

Rule No. 459 and 799, as proposed, are indicated below.

459. Each taxicab shall be capable of digitally transmitting credit/debit card authorization and payment information as relayed through the taximeter or mobile data device operating in concert with the taximeter. A sign shall be placed in each taxicab, as approved by the Department, indicating minimum credit card charge requirements and requesting passenger to notify driver of intended credit/debit card use for pre-authorization purposes (if allowed by Grantee). Although signage requirements may differ between taxicab operators, each Grantee shall place the same sign in each of its taxicabs. [X:X:IOS:3:X]
799. A driver shall accept valid Cityride program payment (in form and amount as authorized by the City) and/or major credit/debit card payment (if the chargeable payment amount is \$10.00 or more, unless a lesser amount is required by Grantee). Credit/debit card authorization and payment information shall be digitally relayed through the taximeter or mobile data device operating in concert with the taximeter. A driver has the right to request identification of payee and to check credit/debit card validity prior to the end of the service trip. If a passenger fails to inform the driver

in advance of the planned use of a credit/debit card, the driver must still accept any valid credit/debit card payment. Refusal to accept valid payment, even if a trip is completed, shall be considered as a rule violation. [10-R:\$:X:3-5:B]

I HEREBY CERTIFY THAT the foregoing Tentative Resolution, designated as Board Order No. 025, was adopted by the Board of Taxicab Commissioners at its meeting held on November 20, 2003.

Dated at Los Angeles, California this 20th day of November 2003.

By Order of the Board

ATTEST

Gregory C. Clark, Executive Assistant
Board of Taxicab Commissioners
City of Los Angeles

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