

BOARD REPORT
CITY OF LOS ANGELES
DEPARTMENT OF TRANSPORTATION

#5

Date: December 4, 2003

To: Board of Taxicab Commissioners

Subject: **FINAL APPROVAL OF BOARD ORDER NO. 025 - APPROVING NEW TAXICAB RULE NO. 459 AND 799 - CREDIT CARD PAYMENT ACCEPTANCE**

SUMMARY

At its meeting of November 20, 2003, the Board tentatively approved Board Order No. 025 to add new taxicab rules no. 459 and 799 (report attached). Tentative Board Order No. 025 was published on November 25, 2003. No public comments have been received by the Department.

Rule 459 establishes the requirement for each taxicab to be capable of digitally transmitting credit/debit card authorization and payment information as relayed through the taximeter (required by ordinance). It also establishes signage possibilities for minimum charge requirements and credit card pre-authorization requests (if allowed by Grantee).

Rule 799 increases the minimum credit card charge amount from \$7.00 (initial requirement established by ordinance) to \$10.00. If a Grantee has an internal policy for a lower charge card acceptance level than this minimum requirement, the Grantee's higher standard would supersede the minimum level established in Rule 799. This rule also establishes the penalty for non-acceptance of valid payment (whether it be Cityride scrip or credit/debit card).

The City Charter specifies the procedures to be followed for the Board to adopt or modify a rule or regulation. Briefly, the procedure is for the Board to tentatively adopt a new Board Order; the tentative Resolution is published; written comments are received during a five day public review period; and the Board considers any comments at a second public hearing and may approve the final Board Order. The final Board Order is again published and becomes effective thirty (30) days after publication, unless specified otherwise.

RECOMMENDATIONS

That the Board, after a public hearing:

1. **APPROVE** the attached final 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 upon future Board signage approval action; 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 4) that the refusal to accept valid Cityride

or credit/debit card payment is a rule violation, even if the trip is completed with payment made in another form; and

2. **CLARIFY** that although the minimum credit/debit card charge requirement of \$10.00 will become effective with the approval and publication process for Board Order No. 025, that any additional or modified signage requirements pursuant to this rule will not be required to be placed in each taxicab until the specific signage requirements (language, text size and placement) are approved by the Board in a future meeting; and
3. **DIRECT** the Board's Executive Assistant to publish the final Resolution (Board Order No. 025) to become effective thirty days after publication.

DISCUSSION

Background

On March 6, 2003, the Board provided tentative approval for new taxicab rules 459 and 799 dealing with Cityride voucher and credit/debit card payment acceptance.

On 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.

Based on the responses provided, staff prepared tentative Board Order No. 025 recommending revisions to taxicab rules 459 and 799 as previously presented to the Board in March 2003. The Board approved tentative Board Order No. 025 on November 20, 2003.

As part of the November 20, 2003 Board action, the Department is to review potential signage requirements and return to the Board with its recommendations. The Board requested that all taxicab signage requirements be reviewed by the Department and the taxicab industry for possible modifications.

Issues of Concern

As discussed in the November 20, 2003 meeting, Bell Cab was concerned that its present policy (which exceeds the minimum franchise and rule requirement) for credit/debit card usage and acceptance be maintained. Bell Cab requires drivers to accept all major credit cards without a minimum charge requirement. As was explained, if a Grantee's internal policy for minimum charge

card acceptance level or pre-authorization is more stringent than that provided in Rules 459 and 799, the Grantee's policies will be upheld (see "if allowed by Grantee" in Rule 459, and "unless a lesser amount is required by Grantee" in Rule 799).

As also discussed in the November 20, 2003 meeting, Independent Taxi was concerned that some companies would have more stringent policies than the minimum requirement (e.g., Bell Cab). They stated that all companies should adhere to the same policies. The Board and staff stated that these are the minimum requirements established by franchise ordinance and, now, taxicab rule. Similar to the franchise proposal process, should an operator exceed minimum franchising requirements, then the City is not opposed.

Rule Revisions

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]

CONCLUSION

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 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.

Staff believes that raising the minimum credit card acceptance requirement from seven to ten dollars 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 may apply"; or "Credit card payment welcomed - \$5 minimum charge required"; or simply, "Credit card payment welcomed"[*no minimum charge requirement*]).

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, 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. 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.

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. 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). 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.

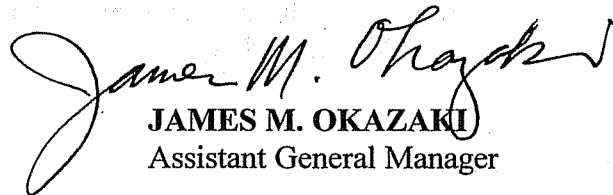
Staff will meet with franchised operators to discuss general taxicab signage requirements, including the new requirements for credit card acceptance. Recommendations will then be brought to the Board for approval regarding any additions or modifications to current taxicab signage standards.

Submitted:

Approved:



THOMAS M. DRISCHLER
Taxicab Administrator
Taxicab Regulation Division



JAMES M. OKAZAKI
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Attachments (Board Report dated November 20, 2003 and Final Board Order No. 025)

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