

Communication from Public

Name:

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Comments for Public Posting: Good Morning City Councilmembers, We attach this letter as public comments for Agenda Items 23 and 24. Thank you, Victor Narro UCLA Labor Center



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February 14, 2022

The Honorable City Council
of the City of Los Angeles
City Hall – Room 395
200 North Spring Street
Los Angeles, CA 90012

Re: Ordinance to Replace the Taxicab Franchise Regulatory Framework with an Open Market Permitting System

Dear City Councilmembers:

On behalf of the UCLA Labor Center for Labor Research and Education (UCLA Labor Center), I write as a labor research academic expert to provide analysis of the proposed draft ordinance under your consideration that would replace the taxicab franchise regulatory framework with an open market permitting system.

Currently, I am Project Director of the UCLA Labor Center, which is part of the UCLA Institute for Research on Labor and Employment (IRLE). I am also a Professor of Labor Studies for the UCLA Labor Studies Program where I teach classes and conduct research on topics relating to low-wage workers, low-wage industries and immigration.

At the request of Councilmember Mike Bonin, Chair of the City Council Transportation Committee I produced a report entitled, *Impact on Income and Earnings of Los Angeles Taxi Drivers by Proposed Open Market Permitting System*. I presented on the findings of my report to the Taxicab Commission, LA DOT officials, the Mayor's office and the Transportation Committee. Having reviewed the current proposal before you, I am reiterating my concerns that I highlight in my report.

In all my research and surveys of low-wage industries during the past 25-30 years, I have concluded that a drastic shift from a regulatory scheme to an unregulated open market has nowhere to go but downwards into a race to bottom that leads to deterioration of wages and other working conditions for hardworking families. The draft ordinance under your consideration will create a "race to the bottom" which will have devastating consequences for taxi drivers and a substantial negative economic impact on the taxicab industry in Los Angeles, which is already in a fragile



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situation due to the pandemic and the unfair competition by Transportation Network Companies (TNCs) like Uber and Lyft.

The City's move to deregulate the taxicab industry would force taxicab drivers into more intense competition with drivers for rideshare companies on terms that are nominally the same, but functionally heavily in favor of the TNCs. Because TNCs are subsidizing customer rides with venture capital funding, operate with relatively little regulation at the state level and no regulation at the local level, and avoid paying into worker protections by widespread misclassification of drivers as independent contractors, TNCs are able to set the market rate for personal transportation much lower from which taxicab companies can afford to operate.

Rather than seeking ways to bring TNCs under better control of the City or to raise the level of worker protections afforded to taxicab drivers, the City is instead abolishing the ability of City Council and Mayor's office to have any oversight of the industry by removing the requirement that the rates set by Taxi Commission and charged by taxis be based on time and distance, and indexed based on gas prices and other costs, which can then be used to determine taxi drivers' income and wages. This policy proposal would add an unlimited number of vehicles determined by market forces and minor cosmetic changes to regulations which do not reduce regulatory burden or cost. In essence, the City would be creating an open market permitting system that heavily favors TNCs, to the detriment of taxicab drivers. By promoting this approach, the City is giving the green light for a "race to the bottom" between cab companies and TNCs, which will result in decreased wages and income and deteriorating working conditions for taxicab drivers in particular.

While the details of the ordinance merit much closer analysis, the significance of the ordinance and its impacts on drivers can be understood at a high level. This approach overall is worthy of criticism because it doubles down on the existing "hands off" approach that the City has adopted when dealing with driver issues. Rather than stepping in to truly level the playing field by ensuring a higher level of treatment and payment for taxicab drivers, the City instead proposes to drop the taxicab industry to the level of the TNC market, and throw taxicab drivers—who provide a citywide essential service, no less—into the open market with very little oversight and no assurance of them being able to have a quality of life income for their work.

As a UCLA academic scholar in low-wage industries and low-wage workers, I have documented the "race to the bottom" in low-wage industries that result from policy decisions by government and elected officials. The UC Berkeley Labor Center has documented the wage and hour



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conditions of Uber, Lyft, and DoorDash drivers. They estimate that the pay guarantees for these drivers is actually the equivalent of a wage of \$5.64 per hour. Moreover, the UCLA Labor Center released a report in 2018 entitled *More Than a Gig: A Survey of Ride-hailing Drivers in Los Angeles*, where we highlight the lived experiences and job conditions of drivers working in the gig economy in Los Angeles County. In this study, we found that gig economy drivers have to work two or more jobs just to survive economically. Over half are working in service low-wage occupations. Aside from supporting themselves, these drivers are supporting families and children. More than half support one other person in their family, and 35% support families with at least one child present. Some drivers rely on public assistance to sustain themselves. Close to 1 in 5 receive some form of public assistance, such as food stamps or subsidized medical programs. The Los Angeles taxi industry has been in a highly fragile and precarious situation due to the economic impact from the pandemic. The proposed ordinance you are considering will throw the industry and thousands of taxi drivers into this low-income marketplace. This will be taking place as the Los Angeles City's minimum wage will be rising to **\$16.04/hour** on July 1.

The proposed ordinance also raises the need for further legal research and analysis. There may be a conflict with AB1069, the state law which went into effect in 2019. For example, section 71.02(a) of the proposed ordinance dealing with picking-up or attempt to pick-up passengers within the limits of the City of Los Angeles may be in conflict with sections of AB 1069. In addition, further analysis is necessary to determine if the proposed ordinance is in conflict or violation of existing orders and policies of the California Public Utilities Commission (CPUC).

There are many compelling arguments to justify more discussion and analysis as next steps for this City Council. I appreciate the motion that addresses the key arguments in my report. The motion does not go far enough, however. More time is needed to dive deeper into and engage in more analysis of some of the key issues at hand. If the City Council decides to vote on the current proposed ordinance today, I provide the following recommendations from my report:

- **Ensuring Quality of Life Income for Taxi Drivers** - Any new L.A. City policy must be based on at a minimum at the equivalent of the \$15/hour net wage income for taxicab drivers in accordance with the City's minimum wage This will be taking place as the Los Angeles City's minimum wage will be rising to **\$16.04/hour** on July 1. The City should work with all the key stakeholders to come up with a method for calculating taxi driver work hours for purposes of measuring whether earnings and income are on par with the Los Angeles living wage.



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- **Policy Oversight by City Council** – Any new L.A. City policy must have oversight by City Council to ensure proper implementation and regular assessment of the policy’s impact on taxicab drivers in order to comply with the City’s current living wage. As part of their annual taxi rate review, LA DOT should continue to provide, as currently implemented through rate ordinance, biannual report on taxi driver wages and income. Additionally, there should be regular audits of the operating expenses to ensure that proper staffing and resources are devoted to carry out the goals of the policy.
- **Creation of Task Force** - L.A. City Council should create a taskforce that will work on monitoring and oversight of the new policy. This task force will include representation from City Council, LADOT, taxicab drivers, taxicab companies, and other key stakeholders.

It is my hope that you will find the information in this letter useful as you move forward to consider your next step in discussing and considering a new policy for the Los Angeles taxi industry. Thank you very much for your time and attention.

Sincerely,

A handwritten signature in black ink, appearing to read "Victor Narro", enclosed in a thin black rectangular border.

Victor Narro
Project Director, UCLA Labor Center
Professor, UCLA Department of Labor Studies