

**Testimony of Meera Joshi
Commissioner and Chair, New York City Taxi & Limousine Commission
Intro Nos. 1474 & 1475**

City Council Transportation Committee

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Good morning Chair Rodriguez, and members of the Transportation Committee. I am Meera Joshi, Commissioner and Chair of the New York City Taxi and Limousine Commission. Thank you for the opportunity to share the TLC's views on Intros 1474 and 1475. As always, we appreciate the committee's ongoing interest in, and support of, our agency. Our partnership has produced real results for passengers and for our licensed drivers, and I know that we will continue to work together to further improve our City's for-hire service.

Since the proposed Intros would amend longstanding medallion regulations, I want to provide you with a brief history of the medallion. The medallion is a physical object placed on yellow taxis that conveys the exclusive right to do street hails throughout New York City. The medallion system began in 1937 through the Haas Act, which was enacted in order to address an overabundance of taxicabs on the street. The Haas Act froze the number of taxicab licenses to those which existed at the time of enactment, which was 13,500, and set the ratio of corporate medallions (which are typically owned by corporations and must be owned in groups of two or more with no limit on the number that can be owned) to independent medallions (which can only be owned by an individual who is limited to owning just one) at 58 to 42.

The Haas Act codified the definition of an independent medallion, and limited the purchaser to owning only one. When authorized by the state, medallions are sold at an auction conducted by the TLC to the highest qualified bidder. Medallions can also be sold for a price negotiated by the owner and buyer on a secondary market. Historically independent medallions

have sold for less than corporate medallions, as an independent medallion can only be sold to an individual who does not own any other medallions.

Since the enactment of the Haas Act, the number of active medallions has fluctuated, dropping to 11,787 in the 1940s. Between 1996 and 2014, there have been several auctions which resulted in the issuance of hundreds of medallions. Some of the auctions were for alternative fuel medallions and others were solely for accessible medallions. The TLC is authorized to conduct auctions for an additional 1,650 accessible medallions. At present there are 13,587 medallion vehicles serving the City.

In December of 2013, the TLC reached an agreement with disability rights organizations to phase in wheelchair accessible medallion taxicabs so that fifty percent would be accessible by 2020. Corporate minifleets with two vehicles must have at least one vehicle hacked up with an accessible vehicle and minifleets with more than two medallions must have at least one half of the medallions assigned to an accessible vehicle. Independent medallion owners were entered into a lottery that determined when they would need to be hacked up with an accessible vehicle.

As the medallion industry has changed significantly in the last few years, the TLC has also tried to ease unnecessary burdens on the medallion system. For example, Owner Must Drive rules which set a minimum amount of hours independent medallions had to be driven by their owners per year were established in 1990. As a result of better driver training, the rules were revised in 2011, reducing the number of hours required and expanding the definition of ownership to include up to four people. The number of required hours was again reduced in 2015

and the rule was finally repealed in 2016. Now potential buyers of independent medallions do not have to be concerned with driving a minimum amount of hours.

Additionally, the TLC has amended vehicle retirement requirements for independent medallions and corporate medallions. The vehicle retirement schedule for independent and corporate medallions varied between five and three years, respectively. However, in the past year the TLC has changed the retirement schedule to seven years for all vehicles. Similarly, the rules regarding vehicle partitions for independent and corporate medallions were quite distinct. Independent owners had the choice of either installing a partition or an In Vehicle Camera system while corporate medallion taxicabs were required to have a partition. In 2016, the TLC removed the differing requirements allowing owners to decide whether to use a partition or an In Vehicle Camera system. Last year, as a result of Council legislation originated in this committee, the TLC created a universal TLC Driver License, which allows flexibility for drivers to work across different platforms, and allows medallion owners to recruit from the entire pool of drivers, now 155,000, previously they were limited to those drivers qualified to drive medallions before the adoption of the universal license, about 50,000.

So the TLC generally supports both Intros as they would make buying and selling a medallion more like the sale of other transferable TLC licenses such as base licenses or green taxi permits.

Transfer Tax (Intro No. 1474)

Turning to the proposed legislation, Intro 1474 would amend the Administrative Code to decrease the transfer tax that is assessed on each transfer of a taxicab license or interest from five percent to one half of one percent.

This proposed amendment would reduce the amount of tax the seller of a medallion must pay upon completing a sale. The current transfer tax of five percent creates a burden for sellers who may be deterred by the amount of money they would owe upon completion of a transfer. For example, if an owner sold a medallion for \$500,000, the transfer tax owed would be \$25,000. Reducing it to this lesser percentage would align medallion requirements more closely with the requirements for our other licensees. I note that there is no city transfer tax due upon the transfer of bases or green taxi permits.

While we support the reduction of the transfer tax, we believe that the sunset provision is unnecessary and indeed counterproductive. A lower transfer tax rate may increase medallion transfers but if this benefit is only temporary there is little incentive for buyers to enter the market knowing that in a short time they will be burdened by a heavy transfer tax which will depress future sales. We recommend against any sunset provision because it would nullify the impact of the proposed transfer tax reduction.

Medallion Transfers (Intro No. 1475)

The next Intro, No. 1475, would amend section 19-504 of the Administrative Code, which grants the Commission the authority to revoke any license after sixty consecutive days of nonuse as long as that nonuse was not caused by strike, riot, war, public catastrophe, and acts beyond the control of the owner or disability of the owner. First, Intro 1475 would change TLC's revocation of a license for nonuse from mandatory to permissive. The TLC recommends leaving this provision unchanged. The language that requires revocation helps to ensure that licensees not only place vehicles into service but also keep them in service. Mandatory revocation is a powerful tool that ensures licensees make every effort to keep their vehicles on

the road. Permissive revocation would not adequately express the serious consequences of not complying with the service requirement. Since the TLC is in the process of overseeing 50% of the fleet convert to accessible vehicles, this provision could play an important role in ensuring the requisite numbers of vehicles are available. As the City's transportation demands increase, it is important to maintain this provision so that there is a mechanism by which the TLC can ensure that licensees provide sufficient levels of service and accessible service.

Intro 1475 would also add "foreclosure, involuntary transfer, surrender of a medallion in lieu of foreclosure" as instances where nonuse would not result in revocation. The TLC recommends that these circumstances not be included. They would create a loophole large enough to defeat the mandatory service requirements of the regulation.

19-504 – Medallion Ratio

Intro 1475 would also repeal subdivision (i) of section 19-504 of the Administrative Code, which requires the current ratio between corporate medallions and independent medallions be 58: 42. The TLC supports repeal of subsection (i). The TLC has found that the distinction between corporate and independent medallions no longer serves its original purpose, to create a path to ownership for drivers, and we have taken actions to conform our rules accordingly. More recently we eliminated one of the main distinctions between independent medallions and corporate medallions. Prior to the change, owners of independents needed to drive a certain amount of hours per year, while corporate owners could be passive investors. Initially, the TLC reduced the number of required hours for independent medallions but ultimately repealed any driving requirement for independent medallions in February of 2016. As a result of this repeal, an independent medallion owner may now sell his medallion to any qualified buyer as opposed to searching for a buyer willing to personally drive. The proposed repeal would create a larger

market for independent medallion owners, as they could sell freely to any qualified party, including other owners. The TLC fully supports these measures to reduce regulatory obstacles in the medallion market.

19-512 (a & c)

Intro 1475 would also amend subdivisions (a) and (c) of section 19-512 of the Administrative Code, which set out the requirements that must be met before a taxicab license is transferred. Specifically, subdivision (a) states that a taxicab license can only be transferred to a person whom the commission deems qualified to assume the responsibilities of a licensee, and that either the transferee or transferor shall secure a bond to cover all outstanding tort liabilities. Subdivision (b) does not permit a transfer of a taxicab license where there is an outstanding judgment against the holder of the license unless the owner posts a bond. However, a bond is not needed where the owner is able to obtain written permission from judgment creditors or if the proceeds of the sale are paid into escrow. Subdivision (c) allows an owner's interest in a taxicab license to be transferred involuntarily, and when that involuntary transfer occurs, a new license is to be issued to the purchaser or vendee. In the case of an involuntary transfer by reason of a tort judgment against the involuntary transferor, no bond would be needed with respect to the judgment.

The proposed amendments to (a) and (c) would carve out an exception for creditors of taxicab licensees and agents who have come into possession of the taxicab license. These parties would not be subject to the requirements in subdivision (a), specifically they would not be required to file a bond to cover outstanding tort liabilities in excess of the amount covered by a bond or insurance policy.

Instead of these limited revisions, the TLC believes that subdivisions (a), (b) and (c) of 19-512 should be repealed in their entirety, because the goal they are meant to achieve -- the financial protection of persons involved in a crash -- is already addressed by state tort law and TLC insurance requirements. When tort claims arise after a crash, the TLC's insurance requirements, which greatly exceed state minimums, obviate the need for any additional bond to protect passengers or others harmed in a collision. Furthermore, this requirement does not exist for other TLC license types. The removal of this requirement would remove another impediment to transfers, which the TLC fully supports, particularly because it provides no real protection or advantage to persons who have been injured.

19-513 (Repossessions)

Intro 1475 would also amend Section 19-513 of the Administrative Code, which allows medallions that are transferred involuntarily because of a default to be operated by the purchaser of the owner's interest. The proposed amendment to subdivision (a) would add transfer by surrender to the type of transfers covered. The proposed amendment would also add the default of an obligation secured by a security interest to the types of default covered. Additionally, Intro 1475 would repeal the requirement that a one year temporary license is to be issued to the purchaser.

Intro 1475 would also add subdivision (b) to Section 19-513, which permits a licensed agent or a purchaser of a taxicab license that was transferred involuntarily or as a result of surrender upon default of an obligation to operate the taxicab license for a period of at most three years. The TLC does not believe the proposed amendments to subdivisions (a) and (b) of 19-513 are necessary. The amendments seem to address the need of secured parties to operate multiple medallions that come into their possession. However, if section 19-504(i)'s corporate:

individual owner ratio is repealed, as also contemplated by Intro 1475, the ownership requirements that previously impeded a secured party from operating medallions, specifically independent medallions, would no longer be in place.

We believe changes such as these that ease the process of buying and selling medallions could have a positive effect on the industry. But the sunset provision, which repeals the law after two years, would completely undo this work. It would create uncertainty for purchasers whose medallions might then be subject to a different regulatory scheme upon repeal. For that reason the sunset provision would severely limit any positive effect of allowing broader ownership of medallions. Moreover, it is unclear what a temporary repeal of 19-504(i) would mean to medallion owners upon reactivation of the ownership limitations, and what consequences would result for owners of more than one formerly independent medallion. For these reasons, the sunset provision should be removed from Intro 1475.

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Thank you for the opportunity to testify on these bills, and I am happy to answer any questions you may have.