



PHILADELPHIA REGIONAL LIMOUSINE ASSOCIATION

**Testimony of Steve Rhoades
President**

The Philadelphia Regional Limousine Association

**PA House of Representatives Consumer Affairs Committee
Public Hearing Examining Act 64 of 2016
Harrisburg, Pennsylvania
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Good Morning Chairman Godshall, Chairman Caltagirone, and esteemed members of the Committee,

Thank you for the opportunity to testify today regarding Act 64 of 2016 and the impact this relatively new statute has had on limousine operators providing service in the City of Philadelphia and the Philadelphia International Airport. My name is Steve Rhoades and I am the President of the Philadelphia Regional Limousine Association (PRLA) and the CEO of Rhodes Limousine located in Douglasville, Pennsylvania. With me are Anthony Viscusi, President of Global Limousine, Jordan Sands, President of Hollowsands Luxury Limousine and Michael Barreto of Eagle Chauffeured Services.

Today we are am going to provide the Committee with information regarding the impact Act 64 of 2016 is having on Philadelphia limousine operators with a specific emphasis on the Philadelphia Parking Authority's (PPA) inequitable regulatory assessment process imposed on our industry. It is our goal to provide the Committee with insight and recommendations necessary to not only improve the regulatory assessment process but also to level the regulatory playing field with limousine operators providing service throughout the rest of the Commonwealth. After our testimony is complete we would be happy to answer any questions the Committee may have.

Background

Established in 1984, the PRLA is a non-profit organization dedicated to providing educational and networking support to over 25 members of the Commonwealth's chauffeured ground transportation industry. It provides a forum for the free exchange of ideas and opportunities that enable its members to preserve and protect their ability to operate profitably. The PRLA is dedicated to informing, educating and professionalizing its members, which include chauffeured ground transportation operators, suppliers, and vendors, to ensure the continued growth, development and prosperity of their own companies in an ever-changing competitive market.

PRLA represents member operators from the Philadelphia region as well as those who are based in New Jersey, Harrisburg, Pittsburgh, Scranton and other regions of the Commonwealth. Member companies are private and publically owned with the largest percentage being owner/operator structured companies that range in size from the single vehicle operation to companies that have a mixed fleet of equipment, some with over fifty vehicles. All PRLA members have Pennsylvania Public Utility Commission (PUC) granted authority to operate within the Commonwealth and most also possess Federal Department of Transportation Authority to operate on an interstate basis and PPA certificated authority, which permits them to operate solely within the county of Philadelphia.

The members of PRLA are all considered small businesses as they employ fewer than 500 people. Their staffs are made up of local individuals from within their own specific geographic region and typically include office staff, reservationists, dispatchers, accountants, human resource representatives, professional chauffeurs and vehicle maintenance personnel. PRLA members also contribute to local economies through the procurement of goods and services from local insurance providers, vehicle dealerships, vehicle maintenance shops, car washes, body shops, banks etc.

Our industry has been turned upside down since June 2012 when Uber began to operate its "UberBlack" service in Philadelphia without legal authorization and in direct competition with PPA certificated limousine operators. As a result of that illegal operation, the PPA began to impound Uber affiliated vehicles. Thereafter, Uber representatives duly applied to the PPA to operate legally and were approved to do so in February 2013. After starting with only 11 vehicles, Uber now operates hundreds of affiliated luxury vehicles in Philadelphia. All of those vehicles should now have commercial license plates, be fully insured, inspected and operated by PPA certificated drivers. While the members of PRLA are coexisting with these new market entrants today (UberBlack & UberX), there are several regulations and policy initiatives that could be implemented to alleviate PPA imposed regulatory stress on incumbent limousine operators. But for the purposes of today's public meeting, the PRLA will focus its comments on the PPA's outdated and unsubstantiated assessment process imposed on limousines operating in the City of Philadelphia and the Philadelphia International Airport (PIA).

History of Limousine Regulatory Assessments

Prior to April 10, 2005 the PUC maintained regulatory oversight of all taxi and limousine operations through the issuance of certificates of public convenience (CPC's), which authorizes intrastate taxi and limousine service for compensation. Intrastate service involves the picking-up and dropping-off of passengers where both the origin and destination points are in Pennsylvania. At that time, taxi and limousine operators paid the PUC a regulatory assessment that was based on their gross receipts.

Once Act 94 of 2004 took effect (April 10, 2005), oversight of taxis and limousines providing service between points within Philadelphia, and service from an airport, railroad

station or hotel located in Philadelphia, was transferred from the PUC to the PPA. Limousine carriers that hold operating authority from both the PUC and the PPA are regulated by the PPA for transportation to and from Philadelphia. The PPA's scope of limousine service also includes carriers providing limousine service, airport transfer service and group and party service as defined by the PUC.

When Act 94 took effect, the regulatory assessment imposed on taxis and limousine operators providing service within the City of Philadelphia and the Philadelphia International Airport changed from a percentage of gross receipts to a per-vehicle assessment. This assessment mechanism remained unchanged until the enactment of Act 164 of 2016, which provided for the regulation of Transportation Network Companies (TNCs) and modernized taxi and limousine regulations in the Commonwealth. When the new law took effect in January 2017, both taxis and TNC's operating in Philadelphia and the Philadelphia International Airport were assessed regulatory fees by the PPA that are based on a percentage of taxi owner's or TNC's gross revenues. Yet, PPA assessments on limousine operators providing service in the City of Philadelphia and the Philadelphia International Airport remained on a per-vehicle basis. Hence, the members of the PRLA are here today to ask for the General Assembly's assistance to level the playing field and provide parity in terms of the PPA's regulatory assessment on industry participants providing service in the City of Philadelphia and the Philadelphia International Airport through the enactment of PRLA supported remedial legislation introduced in both the House (HB1977) and in the Senate (SB1004) because today:

- All taxis operating in the Commonwealth (in and outside of Philadelphia) are required to pay regulatory assessments to either the PUC or the PPA that is based on a percentage of their gross revenues;
- All TNCs operating in the Commonwealth (in and outside of Philadelphia) are required to pay regulatory assessments to either the PUC or the PPA that is based on a percentage of their gross revenues;
- All limousine operators providing service outside of Philadelphia are required to pay the PUC a regulatory assessment that is based on a percentage of their gross revenues; and
- Limousine operators providing service in the City of Philadelphia and PIA are required to pay the PPA a per-vehicle regulatory assessment.

2016 Federal Court Proceedings

For fiscal year 2014/2015, the PPA assessed limousine operators that provide service in the City of Philadelphia and the PIA an assessment of \$371.00 per limousine. For fiscal year 2015/2016, the per vehicle assessment on Philadelphia limousine operators increased to \$404 per-vehicle. Then on August 12, 2016, the PPA issued an Annual Assessment notice to limousine operators providing service in the City of Philadelphia and the PIA which assessed every limousine vehicle at \$858 for fiscal year 2016/2017 absent any discussion or substantiation for the more than doubled increase. As a result, several of the members of the PRLA, with the support of the association, filed suit in the United States District Court for the

Eastern District of Pennsylvania, at Docket No. 5:16-cv-05625-MMB against the PPA in October of 2016. In their pleading, members of the PRLA argued that:

- 1) The PPA's more than doubled regulatory assessment was unconstitutional because the PPA levied a burdensome and costly tariff on limousine operators while not equally taxing the similarly suited TNC's, which operate in direct competition with them in Philadelphia;
- 2) The PPA's taxing of and expenditure of limousine assessment money was being used by the PPA to pay for its own regulation and the regulation of its competitors.
- 3) The PPA's annual regulatory assessments violate the Equal Protection Clause of the fourteenth amendment to the United States Constitution, which prohibits states and local governments from denying persons the equal protection if the laws: *similarly situated persons must be treated in the same way.*

The PRLA and the PPA, with the encouragement of the federal judge overseeing the case, entered into a settlement agreement and mutual release that resulted in a \$500 per vehicle assessment for fiscal year 2016-2017 and a per vehicle assessment not to exceed \$550 for fiscal year 2017-2018. It is important to note that throughout the settlements negotiations, the federal judge repeatedly stated that in order to achieve parity in terms of the limousine assessment, the statute would need to be amended and the PPA agreed that in order to change the assessment from a per-vehicle to a percentage of gross revenues like all other ground transportation providers, that Title 53 of Pennsylvania Consolidated Statutes, Chapter 57 would need to be amended with remedial legislation to effectuate the desired change. The PRLA and the PPA likewise mutually acknowledged that the settlement agreement constituted a good faith settlement of disputed claims and was entered into solely for terminating and concluding the litigation, and that the agreement did not constitute an admission or concession of wrongdoing by any party.

2017 Legislative Activity

In May of 2017, the PRLA initiated legislative discussions to amend Title 53 of Pennsylvania Consolidated Statutes, Chapter 57 to change the PPA's regulatory assessment process from a per vehicle assessment to a percentage of gross receipts assessments like all other ground transportation providers with members of the General Assembly. At that time, we learned that the PPA was advocating changing the regulatory assessments imposed on taxis and TNCs from a percentage of gross receipts to a \$.50 per ride surcharge that could be passed through to consumers. The PRLA and its representatives were invited to participate in numerous round table discussions with PPA officials, taxi & TNC representatives, elected officials and staff to further discuss. While the PPA's attorneys that were present at the settlement table agreed with our members and the federal judge overseeing those discussions

that the assessment mechanism imposed on limousines needed to be amended in statute to achieve regulatory parity, the PPA refused to incorporate PRLA's proposed revisions in the numerous drafts it circulated to the impacted parties and behind closed doors fiscal code negotiations last year.

Instead of accommodating the PRLA's request for regulatory parity, the PPA requested estimated gross revenues from the PRLA membership, which was provided to the PPA and elected official overseeing the fiscal code negotiations. When time ran out last October and neither the PRLA nor the PPA were successful in having amendatory language inserted into the fiscal to change the limousine assessment statutory provisions requested by PRLA or to amend the statutory provisions related to the PPA's budget process which was found unconstitutional by Judge Brobson in an appeal filed by Germantown Cab Company v. the PPA and filed on September 2017, we both were told to introduce stand-alone legislation. And that is exactly what PRLA did and is embodied in SB1004 and HB1977.

Only when SB1004 was placed on the Senate Consumer Protection and Professional Licensure Committee voting agenda, did the PPA reach back out to our association, the taxis and TNCs to continue negotiations concerning all our assessments. And while the Board of the PRLA met with the PPA and provided ridership numbers for limousine operations in Philadelphia, the PPA has yet to introduce standalone legislation to accomplish their goals. Instead, the PPA is again trying to negotiate language that is not agreed to by the PRLA, medallion taxis or TNCs operating in Philadelphia. Hence, we are testifying before you here today to shed light on this important issue and to respectfully request the Committee place HB1977 on its next voting agenda, in the public full view rather than continue to chase the PPA's closed door discussions for amendments in this year's fiscal or administrative code, which do not include regulatory assessment parity for limousine operators providing service in Philadelphia.

For years, limousine operators in Philadelphia have objected to how the PPA assesses their businesses primarily because the PPA adopted a per vehicle assessment, which results in an inequitable allocation of regulatory expenses. The PRLA does not believe that the number of vehicles in an operator's fleet directly correspond to the company's profitability. Philadelphia limousine operators are not taxis and there is no direct relationship between the number of vehicles being operated and profitability and revenues. An example is an operator who has one vehicle and decides to expand to five vehicles. The PPA has no reasonable basis for concluding that the limousine carrier will be five times more profitable, thereby justifying an assessment five times bigger. The PPA arbitrarily adopted the assessment methodology without any evidence to back it up and is now lobbying to include language in the fiscal code to codify the federal settlement of a per-vehicle assessment of \$550 annual plus the rate of inflation. This is not fair; it is not constitutional, and it does not honor the settlement negotiations that took place before a federal judge last October.

The PPA's per-vehicle assessments are very costly to the operator and there is no way for the operator to control his/her costs. There is simply no way to know how many PPA trips

an operator will need to make on any given day/month to make up the lost revenue. While the PRLA has continued to advocate in good faith with regard to working with the PPA on a per-ride or a percentage-based assessment, it appears that the PPA is more interested in maintaining the status quo to the detriment of industry. The PPA is bleeding money and is more interested in filling their budget holes by codifying an unconstitutional assessment on one industry while the others continue to compete in the marketplace with assessment certainty. This hurts both the industry and the riding public.

It might interest the members of this Committee to know that the members of the PRLA filed a Right-to-Know request with the PPA to identify the number of certificated limousine companies that have been granted operating authority in Philadelphia. We also requested information from the PUC with regard to its 2017 budget and assessment processes. According to the PPA, there are 125 limousine operators certificated by the PPA to operate in Philadelphia at the requested regulatory budget of \$887, 996. Of the 125 certificated limousine operators, 80 limousine operators already possess a CPC from the PUC. Conversely, the PUC regulates 364 limousine operators providing service throughout the rest of the Commonwealth with a budget of only \$753,430. The PUC regulates three times as many limousine operators operating statewide (with the exclusion of Philadelphia) with a lower budget. If the PPA is reluctant to agree to support regulatory assessment parity for limousine operators providing service in Philadelphia, perhaps now is the time to move all limousine regulation back under the PUC, which has clearly demonstrated its commitment to competition and assessment parity amongst all ground transportation providers under its jurisdiction.

The PRLA would like to close its comments by reiterating its commitment to developing strong working relationships with local, state and federal elected officials and regulators to promote the advancement of sound public policy and regulatory initiatives that stimulates the industry's growth and protects the general riding public. We believe the enactment of SB1004 or HB1977 is a good start.

Again, thank you for the opportunity to testify here today. I would be happy to answer any questions that the Committee may have.