

# Driven Into Poverty

A Comprehensive Study of the Chicago Taxicab Industry

Report III: Lease



University of Illinois at Chicago  
School of Labor and Employment Relations

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Author Information

Dr. Robert Bruno

Associate Professor of Labor & Employment Relations

Director, Labor Education Program

School of Labor and Employment Relations

University of Illinois at Chicago

Labor Education Program, Rice Building, Suite 110, 815 W. Van Buren, Chicago, IL 60607

phone (312) 996-2623

fax (312) 413-2997

email [bbruno@illinois.edu](mailto:bbruno@illinois.edu)

URL <http://www.illinoislabored.org>

Rachel Hewitt

Research Assistant

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## **I. Introduction: History of the Taxi Worker Organizing Project**

The initial idea for the for American Friends Service Committee's (AFSC) Taxi Worker Organizing Project came about in 2006 when leaders from its partnering organization, the Council of Islamic Organizations of Greater Chicago (CIOGC), urged AFSC to publically respond to the violent murder of cabdriver, Haroon Paryani. The Council has functioned as an advocacy group for the city's roughly 60 percent of cabdrivers who are Muslim.

AFSC and CIOGC decided to jointly respond to the murder of Haroon Paryani and address other problems plaguing Chicago cabdrivers. These problems included crimes in the form of physical violence as well as poor working conditions, racial profiling, and anti-cabdriver media bias.

Under the auspices of AFSC's national Human Migration and Mobility/Project Voice program a partnership was built between the two organizations to develop a long-term strategy to organize Chicago cabdrivers for the purpose of attaining better working conditions and respect for the rights of the mostly immigrant worker population.<sup>1</sup> The partnership produced the Taxi Worker Organizing Project.

In 2007, CIOGC stepped back from its role as an active partner while AFSC continued to be at the forefront of the project. In December 2007, the Taxi Worker Organizing Project was instrumental in persuading the suburban Village of Skokie to partially overturn its ban on street parking for cabs. A few months later, leaders of what would soon become the United Taxidrivrs Community Council and Taxi Worker Organizing Project staff worked with the City of Chicago to come to a resolution to stop ticketing drivers for parking while they were praying at the O'Hare Airport Staging Area.

In January 2008, the United Taxidrivrs Community Council (UTCC) was formed after core leadership from the Taxi Worker Organizing Project campaigns met to discuss a long-term strategy to organize cabdrivers. A top priority of AFSC-UTCC was to collect reliable data on the working conditions experienced by city cabdrivers. While a few studies have reported on cab drivers in other major urban areas, this is the first comprehensive study of Chicago taxicab drivers.

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<sup>1</sup> Project Voice is a program that focuses on immigrants' and workers' rights.

## II. Survey Methodology

AFSC-UTCC set out to design an unprecedented baseline study of Chicago taxi drivers addressing issues of *income, leasing, violence, and interactions with law enforcement*. In early 2008 the organization developed and piloted an initial questionnaire. Subsequent to the piloting period, AFSC-UTCC met with faculty at the University of Illinois' School of Labor and Employment Relations (LER) to assess the survey and recommend substantive changes. At that point LER faculty in Chicago agreed to assume direction and control of the survey project. The final product was a 49-item survey instrument that was administered to 920 taxi drivers between June and August of 2008.<sup>2</sup> According to statistics that the Department of Business Affairs and Consumer Protection (formerly the Department of Consumer Services) provided to AFSC-UTCC, there were approximately 10,500 licensed taxi drivers in Chicago at the time the survey was conducted. The number of survey responses therefore represents 8.76 percent of the total population.

It is important to note that AFSC-UTCC did not have access to drivers' names, mailing addresses or phone numbers. Therefore randomly drawing a sample population to survey was impossible. Instead, survey recipients were approached and interviewed in person by AFSC employees, predominantly at the taxi staging area of O'Hare International Airport. The majority of interviews occurred between the hours of 12:00pm and 3:30pm and took approximately 20 minutes to complete.

This survey was not assessed by the UTCC or AFSC. Although this does not ensure survey validity or eliminate all response biases, the independent origin of the analysis work does provide some important mitigation against such problems. In addition, all responses were recorded anonymously thereby protecting the respondent from first-person pressure to answer as he or she believed was expected. It is also important to note that responses originated from within a unitary population, i.e., Chicago taxi drivers. As a largely single site survey (O'Hare International Airport), the sample responses can better approximate the actual assessment of the larger population than questionnaires spread across multiple groups and locations. The same survey conducted at multiple locations, would, in effect, be a series of separate surveys with likely very low response rates. Instead, the interviewers based themselves almost solely at one location over

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<sup>2</sup> All questions may be directed to Dr. Robert Bruno, Director of the Labor Education Program at the School of Labor and Employment Relations at the University of Illinois at Chicago.

the 2008 summer months, which encouraged drivers who were initially suspicious or doubtful of the interviewers' intentions to choose to participate in the study. We believe this method mitigates against a group sampling bias skewing the final results.

The survey included the following eight control variables: country of origin, race/ethnicity, religious affiliation, fluency in other languages, residential zip code, voter registration or eligibility, age, and gender. All responses were selected from closed-choice items except language and age. Those questions concerning country of origin and religion also allowed for self-reported specification of "other."

This particular report is specific to drivers who lease their vehicles (Chart 1.1 All charts and tables are in an appendix following this report.), which is the significant majority of the total drivers in the survey, 73.11 percent. Medallion owners and medallion-only lease drivers own their vehicles<sup>3</sup>, and therefore their responses do not contribute to the topic of taxicab leasing.

Variables related to leases in the survey included both objective and subjective questions. Objective variables included; length of tenure as a Chicago taxi driver, how many days drivers worked in the past 30 days, ownership or leasing of taxi, type of lease, corporate taxicab lessor, taxi affiliation and specific itemized lease charges.

The subjective variables addressed in this report include the level of concern drivers have about the maintenance of their cars and drivers' opinions of how they are treated by the taxicab affiliations. In addition, multivariate analysis of covariance was also run using the demographic characteristics of the respondents as the independent variable to determine if any particular items explained the observed outcomes. It is important to take note that in this particular report, in order to acquire the most accurate information possible, the data regarding specific lease items and shift durations was obtained during the driver interviews from the actual lease agreements. Participant anonymity is a high priority; therefore interviewers did not collect any driver identification information.

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<sup>3</sup> Medallion only lease drivers own their vehicles, but lease their medallions.

In order to address the overall topic of Chicago taxicab leasing expenditures, the study assesses survey respondents according to two standard business models among drivers who lease their vehicles: weekly-lease drivers (54.7 percent of all drivers), shift-lease drivers (17.9 percent of all drivers)<sup>4</sup>. Weekly lease drivers are further discussed according to whether or not their leases include maintenance. The study findings are divided into five subsections according to the breakdown of the lease: Base Rate, Mandatory Allowable Charges, Optional Allowable Charges, Lease Violations (which also addresses concerns about vehicle condition and maintenance), and Taxi Industry Business Structure. These subsections provide a more detailed discussion of the four major business models (Chart 1.2): 12-hour single shift lease drivers (7.2 percent), 24-hour single shift lease drivers (21.4 percent), 12-hour weekly lease drivers (18.2 percent), and 24-hour weekly lease drivers (53.2 percent).

While the Taxi Driver study is a comprehensive examination of issues related to income, leasing, violence, and interactions with law enforcement, separate reports will be developed and issued on each subject. The report included below focuses on taxicab leasing.

### **III. Data Set**

There are 920 taxi drivers participating in this survey. The taxi drivers participating in this survey are a very diverse group representing 76 countries and demonstrating fluency in over 100 languages. The most common foreign languages<sup>5</sup> (Chart 1.3.) are Arabic (17.7 percent), Yoruba (13.8 percent), Urdu (13.7 percent), and French (12.6 percent). The majority of drivers (53 percent) were born in Nigeria (18.3 percent), United States (9.9 percent), Pakistan (9.8 percent), Somalia (8.2 percent) and Ghana (6.8 percent) (Chart 1.4). A majority of the respondents who were born in the United States (Chart 1.5), were African-American (51.6 percent), however, they are closely followed by Caucasian drivers (38.7 percent).

Respondents are overwhelmingly male (98.3 percent). Drivers' age ranges from 20 to 78 years, with the average age being 42 years.

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<sup>4</sup> Weekly lease drivers lease their cabs every week, while shift lease drivers lease their vehicles on a daily 12 or 24 hour basis.

<sup>5</sup> Respondents were asked the open-ended question, "What language(s) do you speak fluently other than English?"

Survey participants are nearly equal numbers Christian (42.0 percent) and Muslim (37.0 percent). Some drivers self-identify as having no religious affiliation (11.4 percent). There were also small numbers of drivers self-identifying as Buddhist, Hindu, Jain, Jewish, and Sikh (Chart 1.6).

Respondents included both seasoned and newer drivers, but this survey (Chart 1.7) captured a majority of newer drivers who began driving within the past 6 years (53.2 percent). A slight majority of respondents are registered voters (50.9 percent), while 12.5 percent are eligible (Chart 1.8) but not registered to vote.

Drivers' residences are dispersed over a large area (Chart 1.9). Respondents live within 142 different zip codes. The most common residential zip codes of Chicago taxi drivers are 60660, 60625, 60626, 60659, 60645 and 60640 (42.3 percent of respondents). These zip codes make up an area of Chicago's far north side, bordered by Lake Michigan to the east, Montrose Avenue (4400 North) to the south, Pulaski Road (4000 West) to the west and Touhy Avenue (7200 North) to the north.

The above demographic information refers to the survey as a whole; however this report reflects responses from 553 surveyed leased drivers who provided complete and relevant information.

#### **IV. Taxicab Lease Report Findings**

The lease study had two objectives. The first objective was to create a baseline survey of Chicago taxi drivers' leases, including lease type and itemized lease expenses. "*Taxicab lease* means a written contract between the licensed owner of a City of Chicago taxicab medallion ("lessor") and a City of Chicago licensed public chauffeur ("lessee") authorizing the use of the medallion and, if applicable, a taxicab vehicle, by that chauffeur for a specific period of time."<sup>6</sup> The second objective was to calculate lease regulation compliance and determine the rate of non-compliant taxicab leases.

In order to address the overall topic of Chicago taxicab leases (Charts 2.1-2.3), the authors took into account many factors. The first subsection focuses on the "base rate maximums," which is the

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<sup>6</sup>. City of Chicago Department of Business Affairs and Consumer Protection, Public Vehicle Operations Division Rules and Regulations for Taxicab Medallion License Holders. Section VIII, Rule 8.01a.



main portion of the Chicago taxicab lease. The second, third and fourth subsections focus on other allowable lease charges called “mandatory allowable charges,” “optional allowable charges,” and “other acceptable lease items.” The fifth subsection addresses lease non-compliance, vehicle maintenance and safety, and the final subsection addresses the business structure of the taxi industry.

There are certain expenses that are common to most lessees. These expenses are regulated by the City of Chicago Municipal Code. Leases are broken down into several sections of allowable charges; the **base rate**, which is comprised of the service agreement, insurance, ground tax, safety shield, and new car fee (if applicable), **mandatory allowable charges (MAC)**, which are comprised of worker’s compensation, a five percent Illinois auto rental tax <sup>7</sup>, and a subtraction for advertising costs, and **optional allowable charges**, which include supplementary insurance and collision damage waiver (CDW) which require the driver’s signature for charge authorization.

However, many taxicab leases also include the umbrella heading **other acceptable lease items** (sometime referred to as “miscellaneous” charges). While some items like advertising remittances can procure some modest income, others like a bond payment, generate additional costs for the driver.

A separate disallowable charge is “car rental.” Additionally, any occurrence where the driver has been charged for the CDW or supplementary insurance, but has not initialed or signed for it, is also considered non-compliant. There is also a final category of lease charges that can be classified under the ambiguous “other” heading.

The fourth subsection addresses these non-compliant charges and examines specific types of lease violations as well as non-compliance as a whole.

All lease drivers may lease on either a 12 or 24 hour basis. Some leases include maintenance expenses, while others leave that expense to the responsibility of the driver.

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<sup>7</sup> 35 ILCS 155 Automobile Renting Occupation and Use Tax Act. The Illinois Auto Rental tax should be 5 percent of a driver’s base rate.

Lease drivers are subdivided by the type of lease they hold (Chart 1.2). A majority of lease-drivers have a 24-hour weekly lease (53.2 percent). The remaining lease-drivers have either a 24-hour single shift (21.4 percent), 12-hour weekly (18.2 percent) or 12-hour single shift lease (7.2 percent).<sup>8</sup> Weekly lease drivers lease their cabs every week, while shift lease drivers lease their vehicles on a daily 12 or 24 hour basis. It is a lease violation for shift lease drivers to be forced to lease their cabs seven consecutive days on a 24 hour basis. It is also a violation for lessors to charge lessees more than the weekly lease base rate maximums for the same number of days through a series of consecutive shift leases (Chart 3.1).<sup>9</sup> These non-compliance issues will be investigated further in the fourth subsection of this report.

### **Base Rate Maximum**

The base rate maximums include the service agreement, insurance, ground tax, safety shield, and new car fee (if the car is its first year of use).

Based on the City of Chicago Municipal Code (CCMC), the following table describes the maximum allowable base lease rates (including the service agreement, insurance, ground transportation tax, safety shield and if applicable, a new car charge:

<b>Lease Type</b>	<b>Base Maximum Rate</b>	<b>New Car Maximum</b>
Single Shift 12-Hour Lease	\$57.00	\$59.00
Single Shift 24-Hour Lease	\$78.50	\$81.50
Weekly 12-Hour Lease	\$399.00	\$413.00
Weekly 24-Hour Lease	\$473.00	\$489.00

The figures in the narrative below are based on the totals in the “new car maximum” column. While these caps only apply to new car owners, because they reflect the maximum possible lease charges, they provide the most exhaustive metric for measuring the scale of lease compliance or noncompliance.

#### *12 hour single shift*

<sup>8</sup> Both 12-hour and 24-hour weekly-lease drivers can be further sub-categorized into “maintenance included” or “no maintenance” included. However, the City of Chicago sets maximum base rates regardless of maintenance costs.

<sup>9</sup> City of Chicago Department of Business Affairs and Consumer Protection Public Vehicle Operations Division Rules and Regulations for Taxicab Medallion License Holders Section VIII, Rule 8.06e

The City of Chicago Municipal Code sets the base rate for *12 hour single shift* drivers at \$59. These 12 hour single shift drivers had an average base rate cost of \$44.01, but 7.14 percent reported a base rate charge in excess of the city cap (Chart 3.2). The average **non-compliant** charge is \$86.69. The maximum daily payment was \$100; \$41 more than the allowable city maximum. Drivers who had 24 hour (daily) shift leases paid an average base rate of \$71.37, while 3.8 percent reported leases that exceeded the city cap (Chart 3.3). The average **non-compliant** charge was \$107.50. The highest 24 hour daily lease payment was \$145.32 exceeding the base rate city cap by \$63.82 (Chart 2.1).

### *Weekly Leases*

The average weekly payment for *12 hour weekly leases* was \$324.69, but 22.64 percent of these drivers had leases that are non-compliant due to charges exceeding the city cap (Chart 3.4). The average **non-compliant** charge was \$471.60. The highest weekly payment of \$558.00 exceeds the \$413.00 city cap by \$145.00.

The *24 hour weekly lessees* represent the largest group of lease drivers. These drivers reported an average weekly base rate payment of \$451.97 and 14.29 percent of these leases exceed the city cap and are non-compliant (Chart 3.5). The average **non-compliant** charge was \$518.29. The highest weekly payment is \$689.40 and exceeds the \$489.00 city cap by \$200.40 (Charts 2.2 and 2.3).

In summary, 12 percent of the weekly and shift leases were non-compliant solely in regards to base rate overcharging (Chart 3.6).

To better understand how the cumulative lease charges are derived and how the base rate allowable maximums are exceeded it is necessary to separately examine the items that comprise the caps. The largest portion of the leased base rate costs is the *service agreement* (definition from CCMC) which covers rental of the medallion and/or vehicle. There is no city regulation cap of the service agreement itself, as it falls under the stipulations of the base rate.

The average payment per shift on a 12 hour daily shift leases is \$39.56, while the highest reported daily payment is \$73.37. The average service agreement payment per shift for 24 hour shift lease drivers is \$59.05 with some 24 hour shift lease drivers paying \$89.99. Drivers with 12 hour

weekly leases, make an average weekly service agreement payment of \$243.09 with the highest reported weekly payment of \$473.00. The average service agreement payment for 24 hour weekly lease drivers is \$362.21 and the highest reported payment is \$580.00.

In addition to the service agreement, licensees must carry public *liability and property damage insurance* with solvent and responsible insurers approved by the commissioner, licensed by and authorized to do business in the State of Illinois, and qualified under the laws of Illinois.<sup>10</sup> The average 12 hour shift lease insurance payment is \$8.97 with a maximum payment of \$24.00. The average 24 hour shift lease insurance payment is \$18.38, and the maximum payment is \$48.33. For weekly lessees, the average 12-hour and 24-hour payments are \$75.57 and \$103.14 respectively. The respective maximum payments on these leases are \$145.00 and \$159.90.

A *safety shield device* capable of completely separating the driver's seat from the rear passenger compartment is also required for issuance or renewal of a taxi license.<sup>11</sup> The safety shield charges are a part of the regulated base rate and have no individual charge caps. The average safety shield payment for 12 and 24 hour leased drivers is \$0.73 per shift with a maximum payment of \$2.00. The average weekly lease safety shield payment is \$3.68, with a maximum reported payment of \$30.00

Finally, a *new car charge* may be assessed as part of the total base rate if the vehicle is in its first year of use. The vehicle must be purchased by the lessor, new and unused. The vehicle may not have new car status for more than twelve months. The charges for new car cost should be \$2.00 for 12 hour shift leases, \$3.00 for 24 hour shift leases, and \$15.00 for weekly leases<sup>12</sup>. There were minimal responses to this lease item, but 73 percent reported that their new car charge was \$20.

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<sup>10</sup> MCC 9-112-220

<sup>11</sup> MCC 9-112-105a-1

<sup>12</sup> City of Chicago Department of Business Affairs and Consumer Protection Public Vehicle Operations Division Rules and Regulations for Taxicab Medallion License Holders Section VIII, Rule 8.01k

### **Mandatory Allowable Charges (MAC)**

Mandatory Allowable Charges include “Worker’s Compensation” and a five percent “Illinois Car Rental Tax.”

All public passenger licensees must carry adequate *worker’s compensation insurance*. Failure to provide worker’s compensation insurance will result in license suspension. Additionally, if it is discovered that a vehicle has been in operation without proper worker’s compensation insurance, the license is subject to revocation.<sup>13</sup> Worker’s compensation charges are capped at \$4.50 for daily shift drivers and \$31.50 for weekly lease drivers. The average payment for single shift lessees was \$4.39. Of the single shift lease drivers, four out of 70 (5.71 percent) reported making payments higher than the maximum amount allowed by the state of Illinois, (Charts 3.2 and 3.3), with the non-compliant charge averaging \$6.79 and the maximum daily payment reaching \$10.50, more than twice the allowable amount. Average weekly payments were \$30.35 with 34.97 percent reporting payments exceeding the limit (Charts 3.4 and 3.5), including a \$150.00 weekly payment that is nearly five times the regulated maximum. The average non-compliant charge was \$38.89.

Almost a quarter of all leases (24.89 percent), are non-compliant regarding worker’s compensation. It is notable that the charges for weekly drivers are the same whether they lease on a 12 hour or 24 hour basis.

The *Illinois car rental tax* should equal five percent of the base rate. However, 10.5 percent of respondents reported an Illinois auto rental tax exceeding 5 percent of the base rate. Also, 73.68 percent of respondents who reported paying more than 5 percent of the base rate are paying between 5.50 percent and 6.70 percent, while 15.79 percent pay between 10.5 percent and 12.5 percent of the base rate, and another 10.53 percent pay over 100 percent of their base rate in state auto rental taxes (Charts 3.2-3.5). Contrarily, a large majority (80.5 percent) reported paying significantly less than 5 percent of their base rate, many of them at a rate lower than 1 percent.

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<sup>13</sup> MCC 9-112-080b-8

### **Optional Allowable Charges**

Optional Allowable Charges include “Supplementary Insurance” and the “Collision Damage Waiver (CDW).” According to Chicago City Municipal Code, in order for lessors to charge lessees for either of these optional allowable charges, the driver must initial or sign the appropriate area of the lease.

*Collision Damage Waiver (CDW)* refers to optional collision coverage available on leased vehicles. Drivers must initial or sign their consent on a CDW charge. If they are charged without a signature or initial the lease is non-compliant with city code. A large majority (83.44 percent) of drivers who reported making a CDW payment did not sign or initial this lease item (Chart 3.6). Average CDW payments were \$10.30 for daily shift leases and \$48.15 for weekly shift leases and maximums were \$34.75 and \$97.00 respectively. The charges for CDW must also be based on the lessor’s reasonable incurred costs.<sup>14</sup>

The CCMC caps *supplementary insurance* charges at \$4.00 for daily shift leases, \$25.00 for weekly leases. Because too few respondents answered the question regarding whether or not they paid for supplementary insurance through their leases there was insufficient data for analysis on this question.

### **Other Acceptable Lease Items**

If the lessor receives any income from advertising maintained in or on the vehicle, the lessor must pay 35 percent of this income in *advertising remittances* to the lessee by means of a subtraction from the lease payment.<sup>15</sup> Shift lease drivers received advertising remittances ranging from \$0.48 to \$1.65 with an average of \$.96. Also, 74 weekly lease drivers received subtractions ranging from \$0.48 to \$67.40 with an average amount of \$8.27.

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<sup>14</sup> City of Chicago Department of Business Affairs and Consumer Protection Public Vehicle Operations Division Rules and Regulations for Taxicab Medallion License Holders Section VIII, Rule 8.06j-3

<sup>15</sup> City of Chicago Department of Business Affairs and Consumer Protection Public Vehicle Operations Division Rules and Regulations for Taxicab Medallion License Holders Section VIII, Rule 8.06b-1

Leases may also include *a bond* of no more than \$500 which is to be added to the lease rate.<sup>16</sup> A bond is defined as an amount of money given to the lessor by the lessee to ensure compliance with certain provisions in the lease.<sup>17</sup> In response to this question, 106 drivers reported an average payment of \$204.44. However, 2.83 percent made a bond payment of more than \$500. The average non-compliant charge was \$1,329.85 and the maximum payment was \$2,214.54; more than \$1,500 in excess of the maximum allowable charge (Charts 3.2-3.5).

### **Non-Compliant Charges**

As previously noted any additional charges not included and defined in the base rate, mandatory allowable charges, or optional allowable charges are considered violations (Chart 3.6).

Nonetheless, when asked to note from a list of charges whether their leases contained “other charges” more than one out of ten drivers (11.21 percent) listed a dollar amount. In most of these cases respondents did not identify a specific type of expense. But regardless of the nature of those items the amounts are prohibited lease charges. These charges ranged from \$0.84 to \$419 per week (shift lease drivers’ payments were re-calculated to reflect a weekly payment) and averaged \$76.32.

Along with the undeclared “other” expenses, an unlawful *car rental fee* was assessed on 8.92 percent of respondents, with cost averaging \$43.65 and a maximum overcharge of \$100.50.

As previously mentioned in this report it violates the CCMC code if shift lease drivers are forced to *lease their cabs seven consecutive days on a 24 hour basis*. But in fact, according to the survey nearly half (48 percent) of the respondents that have 24 hour shift leases are leasing seven consecutive days a week, violating the city code. Additionally, it is also a violation for lessors to charge lessees more than the weekly base rate through a series of consecutive shift leases. However, 43.28 percent of 12 and 24 hour shift drivers leasing on seven consecutive days have a base rate which would have exceeded the cap for a weekly lease.<sup>18</sup> The average overcharge for 24 hour shift drivers is \$543.63, with the highest overcharge amount coming to \$737.66. While it

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<sup>16</sup> City of Chicago Department of Business Affairs and Consumer Protection Public Vehicle Operations Division Rules and Regulations for Taxicab Medallion License Holders Section VIII, Rule 8.06j-7

<sup>17</sup> City of Chicago Department of Business Affairs and Consumer Protection Public Vehicle Operations Division Rules and Regulations for Taxicab Medallion License Holders Section VIII, Rule 8.01j

<sup>18</sup> Of the drivers with 12 hour shifts, only one would have exceeded a weekly base rate cap at the weekly rate of \$513.59.

is a violation for 24 hour shift drivers to lease on seven consecutive days, it is a violation for a lessor to charge more than the weekly base rate cap through a series of consecutive shift leases (Chart 3.1).

While the survey did not record personal identification information in order to preserve respondent anonymity, it is important to note that all lease agreements must include the lessor's name, address, telephone number, and Taxicab Medallion License number. The lease must also include the beginning and expiration dates and times of the lease agreement. Exclusion of these items is considered a violation.<sup>19</sup>

### **Maintenance Concerns**

In addition to looking at the lease items, the authors of this report asked drivers questions regarding the maintenance and repair of their vehicles. When asked the question “Are there currently any maintenance or repair issues with the vehicle you lease?” Approximately one quarter of drivers (25.2 percent or 160 out of 635) who responded to this question said “yes” there were repair and maintenance issues with their vehicles. Of these 160 drivers, 77.5 percent (124 out of 160) have leases in which maintenance is included. The authors of this report cross referenced cab corporation information given in the survey and a list of medallion managers used by these companies. Using this information, the authors were able to determine the medallion management corporations associated with 60 of the respondents who reported maintenance issues. Chicago Elite Cab Corp., manages 50 percent of these leases and 28.33 percent are managed by Taxi Medallion Management, LLC.

Drivers were also asked to indicate their level of concern about the maintenance issues on a scale of one to five, one being “not concerned” and five being “very concerned.” More than one-third (36.0 percent) of drivers that indicated their concern stated that they were “very concerned” about the repair and maintenance issues with their vehicles (Chart 4.1). Importantly, 75.44 percent of survey respondents who indicated being “very concerned” with maintenance and repair issues on their vehicles are drivers whose maintenance is included in their leases. In their responses to the open ended question regarding further description of their issues, drivers gave examples such as

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<sup>19</sup> City of Chicago Department of Business Affairs and Consumer Protection Public Vehicle Operations Division Rules and Regulations for Taxicab Medallion License Holders Section VII, Rule 8.02



problems with brakes, transmission, worn tires and air conditioning. It is pertinent to note that all cabs must be in safe and clean condition or lessors can face medallion suspension.<sup>20</sup> All cabs must also be equipped with working air conditioning to comply with city regulations.<sup>21</sup> Periodic inspections are required by the City of Chicago Municipal Code. A licensee's failure to bring in a vehicle for inspection or reschedule will result in a \$300 fine and a two day license suspension. Inspection failure will incur a \$50 re-inspection fee.<sup>22</sup> No licensee may discriminate against a lessee for filing a report regarding vehicle conditions.<sup>23</sup>

## V. Overall Non-Compliance Figures

A staggering **80 percent** of lease drivers had one or more lease violations, based on the items discussed in this report (Chart 3.6 and 3.7). The total number of violations from this pool of respondents was 527, with an average of 1.5 violations per lease (Chart 3.8), but a total of 8.83 percent of leases had at least three violations (Chart 3.8). A plurality (23.1 percent) of these individual violations was for the lack of a signature for CDW charges, followed by lease overcharge violations (19.17 percent) (Chart 3.9). Additionally, the average dollar amount of overcharges was **\$191.95** per driver, per week<sup>24</sup>. If these average overcharges remained steady for one year, they would produce a form of income theft equal to **\$9,981.40** per driver, per year. Collectively however, under this scenario the average overcharges would have shifted **\$3,483,508.60** per year in income from Chicago lease cab drivers to lessors.

Any medallion license holder<sup>25</sup> who violates any of the rules and regulations regarding lease charges is subject to a fine between \$200 and \$750, and possible suspension or revocation of his/her license. Each day that a violation continues is a separate offense. In addition, each non-

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<sup>20</sup> City of Chicago Department of Business Affairs and Consumer Protection Public Vehicle Operations Division Rules and Regulations for Taxicab Medallion License Holders Section II, Rule 2.13

<sup>21</sup> City of Chicago Department of Business Affairs and Consumer Protection Public Vehicle Operations Division Rules and Regulations for Taxicab Medallion License Holders Section II, Rule 2.02

<sup>22</sup> City of Chicago Department of Business Affairs and Consumer Protection Public Vehicle Operations Division Rules and Regulations for Taxicab Medallion License Holders Section II, Rule 2.10

<sup>23</sup> City of Chicago Department of Business Affairs and Consumer Protection Public Vehicle Operations Division Rules and Regulations for Taxicab Medallion License Holders Section VII, Rule 7.06

<sup>24</sup> Overcharge amounts for shift leases have been recalculated to reflect a weekly amount. A more detailed breakdown shows an overcharge of \$62.44 per shift for shift lease drivers, and \$119.35 per week for weekly lease drivers.

<sup>25</sup> A licensee is defined by the City of Chicago Department of Business Affairs and Consumer Protection Public Vehicle Operations Division Rules and Regulations for Taxicab Medallion License Holders as the holder of a taxicab medallion license issued by the City of Chicago pursuant to the provisions of Chapter 9-112 of the MCC as amended.

compliant lease that is executed or renewed is a separate offense.<sup>26</sup> License managers are also liable for violations. In the event that a lease violation occurs, the license holder and license manager will be held jointly and separately responsible for penalties.<sup>27</sup> Fines for license managers are the same as the penalties for license holders for the first offense, and the minimum fine increases to \$350 and \$500 for two subsequent offenses committed within a twelve month period. If five or more violations occur within this period, a license manager's registration may be canceled.<sup>28</sup> Lease violations may also result in jail time of up to 21 days depending on the number of offenses.<sup>29</sup>

In addition to an unlawful transfer of wealth from drivers to license holders and medallion managers, there is a second financial windfall and cost involved in the practice. Aggregately, the 527 **one time** (i.e., single day) violations highlighted in this report would have cost lessors between \$105,400 and \$395,250 in single- day penalty payments. If we apply an average fine of \$475 per offense (taking the mid point between the minimum \$200 and maximum \$750) and multiply each of the 527 violations by seven days (assuming violations remained unaddressed for one week) the amount of potential penalty payments owed to the City of Chicago for just one week would be **\$1,752,275**. These calculations are made based solely on the liability of the license holder. These total penalty amounts would be significantly higher if a license manager were also fined or if subsequent offenses occurred. It is also notable that it is prohibited for a taxicab medallion license holder to refuse to hire or renew a lease with, or take other adverse or punitive action against a driver who has made a report against a license holder for lease violations or any other violations of city code or state law.<sup>30</sup>

## **VI. Taxi Industry Business Structure**

Within the taxi industry there are several entities which may hold responsibility for the writing of leases, and more importantly, liability in lease compliance. A medallion owner or medallion

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<sup>26</sup> City of Chicago Department of Business Affairs and Consumer Protection Public Vehicle Operations Division Rules and Regulations for Taxicab Medallion License Holders Section VIII, Rule 8.09

<sup>27</sup> City of Chicago Department of Business Affairs and Consumer Protection Public Vehicle Operations Division Rules and Regulations for License Managers, Rule 11.

<sup>28</sup> City of Chicago Department of Business Affairs and Consumer Protection Public Vehicle Operations Division Rules and Regulations for License Managers, Rule 12.

<sup>29</sup> MCC 9-112-550

<sup>30</sup> City of Chicago Department of Business Affairs and Consumer Protection Public Vehicle Operations Division Rules and Regulations for Taxicab Medallion License Holders Section VII, Rule 7.06

corporation owns the medallions, maintaining a minimal number in order to minimize liability. The medallion owner may own one or more cab corporation(s), and pass on responsibility for lease/medallion management and compliance reliability to the cab corporations, who may then transfer this liability to a “medallion management corporation,” upon which the liability for any lease violations will fall. Medallion owners may or may not also own the medallion management corporation used to manage their medallions. If there is no medallion management corporation, the liability is incumbent upon the cab corporation. One medallion management corporation may be responsible for multiple medallions and one medallion owner’s medallions may be split up among multiple cab companies and subsequently, medallion management corporations (Charts 5.1a and 5.1b).

Taxi affiliations<sup>31</sup> primarily provide corporate branding and color schemes, and occasionally dispatch services. Affiliations are not involved in lease execution or the handling of liability for lease agreement compliance. According to the leases examined for this study, the overwhelming numbers of (85 percent or 5 out of every 6) of non-compliant leases are managed by three medallion management corporations (Chart 5.2): Taxi Medallion Management, LLC, Chicago Elite Cab, and Medallion Leasing & Management.<sup>32</sup>

## **VII. Conclusion**

In looking at the details of the lease agreements of the nearly three quarters of drivers who lease their cabs (73.11 percent), one thing stands out; Lease drivers, no matter the business model, are being significantly overcharged on their leases, and must deal with a variety of violations which result in overcharging.

While shift leases have two additional possibilities for violation (leases whose base rates when calculated to a weekly basis add up to more than the weekly base rate cap and drivers who are forced to lease their cabs seven consecutive days on a 24 hour basis), both shift leases and weekly leases had similarly high non-compliance rates at 83.11 percent and 76.71 percent, respectively.

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<sup>31</sup> An affiliation is defined in 0-112-010a of the CMCC as an association of license holders, incorporated for the purposes of providing a registered business address and telephone number, color scheme and emblem where applicable and dispatch services where applicable. Affiliations may also provide insurance and the designation of an authorized registered agent.

<sup>32</sup> See attachment for a breakdown of which medallion management corporations are used by which cab corporations.

The high rates of lease noncompliance indicate that one of the vital legs of Chicago's transportation infrastructure is functioning more like a mobile sweatshop than a modern legitimate service industry. Lease overcharges equivalent to an average of \$191.95 per driver, per week are a burdensome "tax" that if applied steadily for one year, would cost individual drivers nearly \$10,000 in earned income. Driving a cab in Chicago is by nature a tough way to earn a living; workers should not be dispossessed of the income they have rightfully earned. While some lease infractions may be unintentional and minor, the multiplying economic loss to drivers with very small profits margins creates a perverse financial outcome. Drivers are compelled to work ever longer hours in pursuit of revenue that exceeds their operating costs. However, because their actual costs are inflated by noncompliant lease charges, drivers are working some portion of each day, not to provide a necessary city service or to operate a successful business, but to merely satisfy an illegitimate expense. It is therefore incumbent on the Department of Business Affairs and Consumer Protection (DBACP) to aggressively and regularly monitor lease compliance.

The taxi industry in Chicago, like labor markets in other service and low-wage industries, could reduce lease abuse by establishing a monitoring and enforcement partnership with legitimate driver organizations. According to this survey the invitation to create an enforcement oversight mechanism would be well received by drivers. In addition to the lease data collected for this report, drivers were given the opportunity to respond to a couple of open ended questions. While some of the respondents (7.7 percent) expressed general dissatisfaction with DBACP, it was the drivers' exclusion from the regulatory process that generated the most comment. Importantly, when asked also to indicate their feelings about the following statement, "Drivers should be included in the process of developing new rules and regulations" an overwhelming 94.26 percent of drivers<sup>33</sup> responded that they "strongly agreed" or "agreed."<sup>34</sup> The degree of lease noncompliance and financial consequences of loss income to drivers (and lost revenue for the city in fines) recommends a high-impact, low cost way to help the city preserve the integrity of its taxi cab industry. The city's Department of Consumer Services has an obligation to take regulatory action against medallion management companies for lease violations. It is reasonable to assume

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<sup>33</sup> The 94.26 percent refers to the entire pool of survey respondents, not just drivers who lease their taxis.

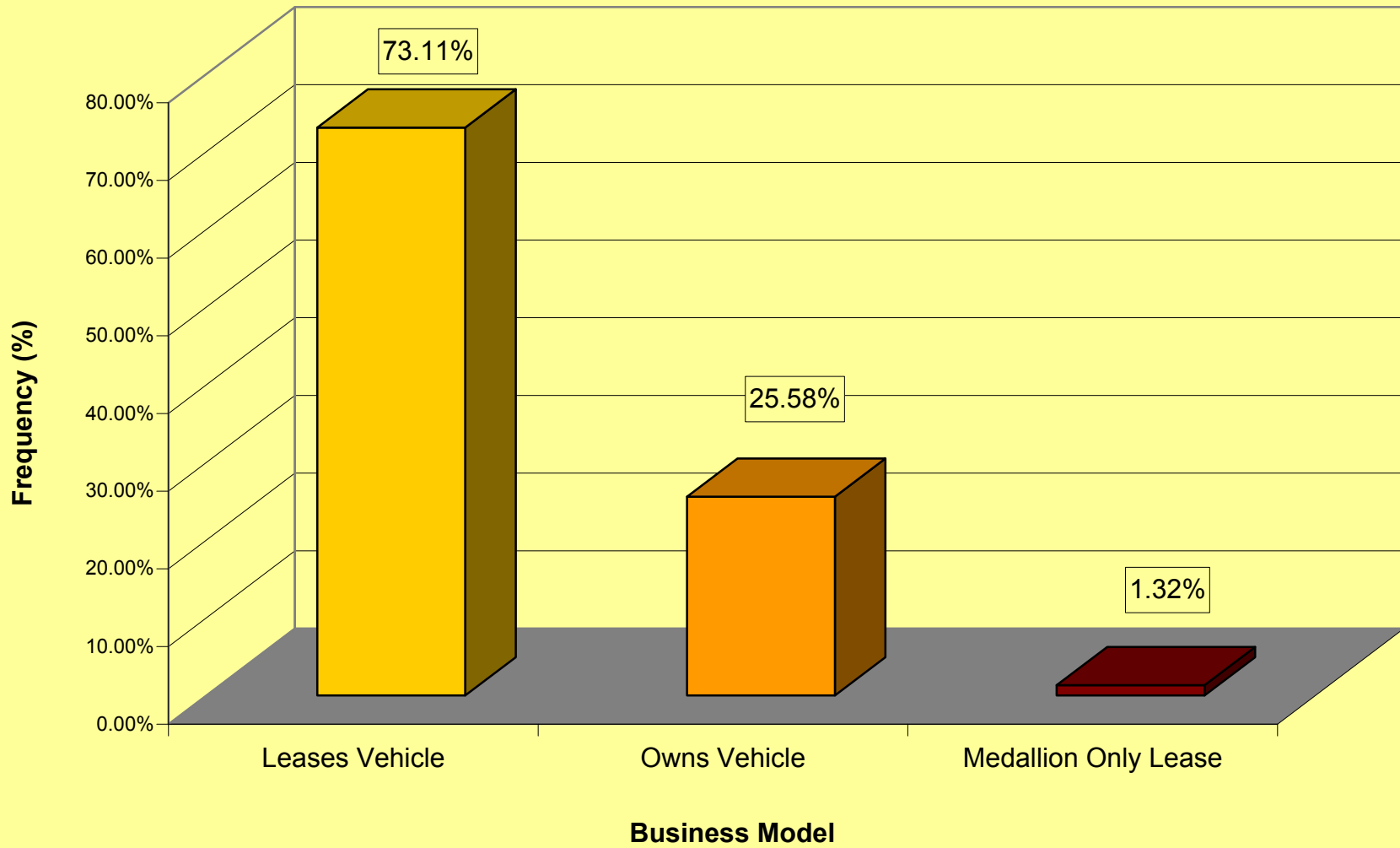
<sup>34</sup> Drivers were asked to indicate whether they "Strongly Disagree," "Disagree," have "No Opinion," "Agree," or "Strongly Agree" with a series of statements about issues and problems that taxi drivers would like to see changed.

that in cooperation with vigilant driver activism, a strong proactive campaign by the city would likely contribute to a noticeable reduction in illegal lease charges and boost the profitability of driving a cab for a living

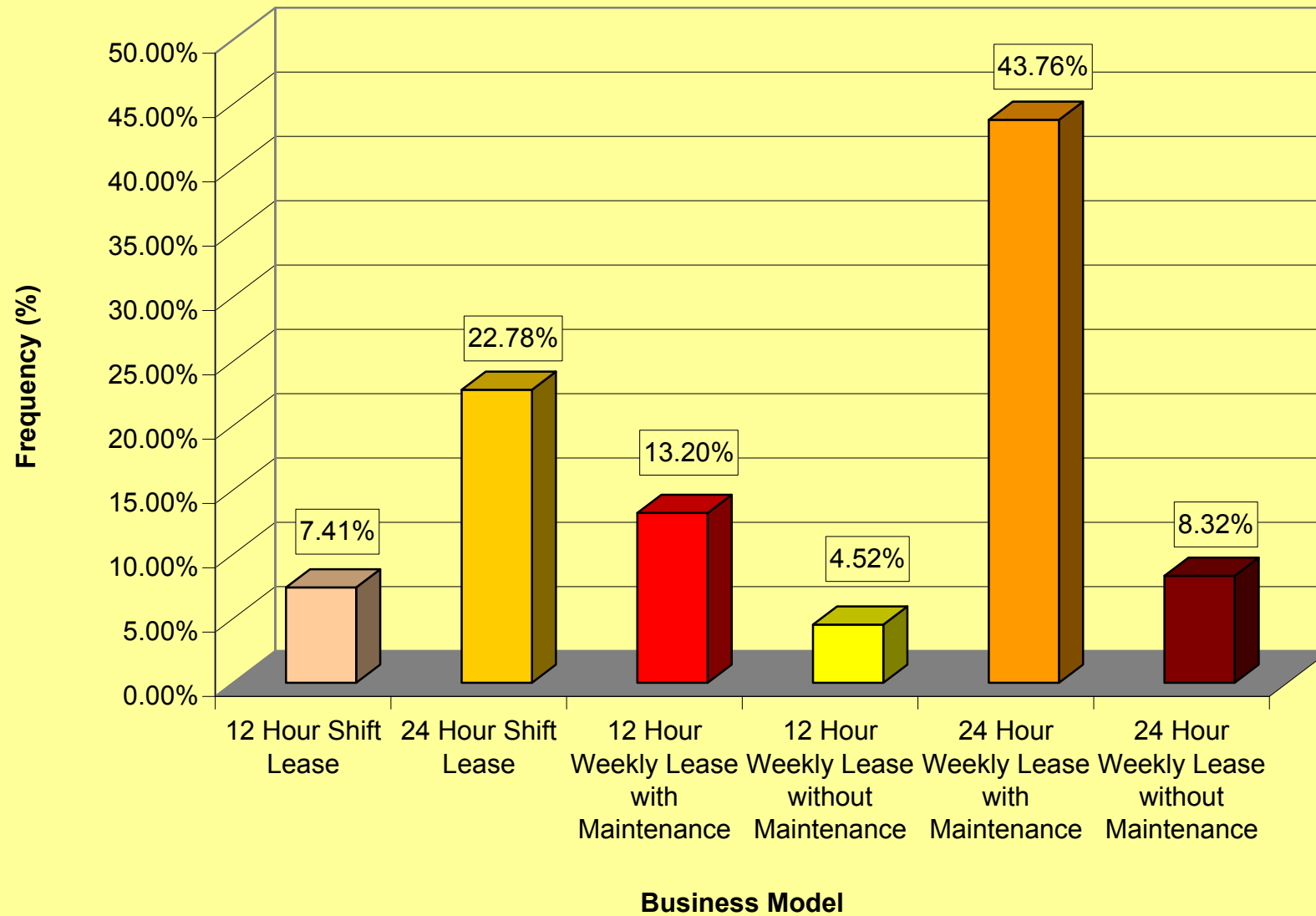
# **Charts Section**

<b>Page 20</b>	<b>Demographics</b>
<b>Page 29</b>	<b>Lease Examples</b>
<b>Page 32</b>	<b>Lease Violations and Compliance</b>
<b>Page 41</b>	<b>Vehicle Condition Concerns</b>
<b>Page 42</b>	<b>Taxi Industry</b>

**Chart 1.1 Own or Lease Vehicle**

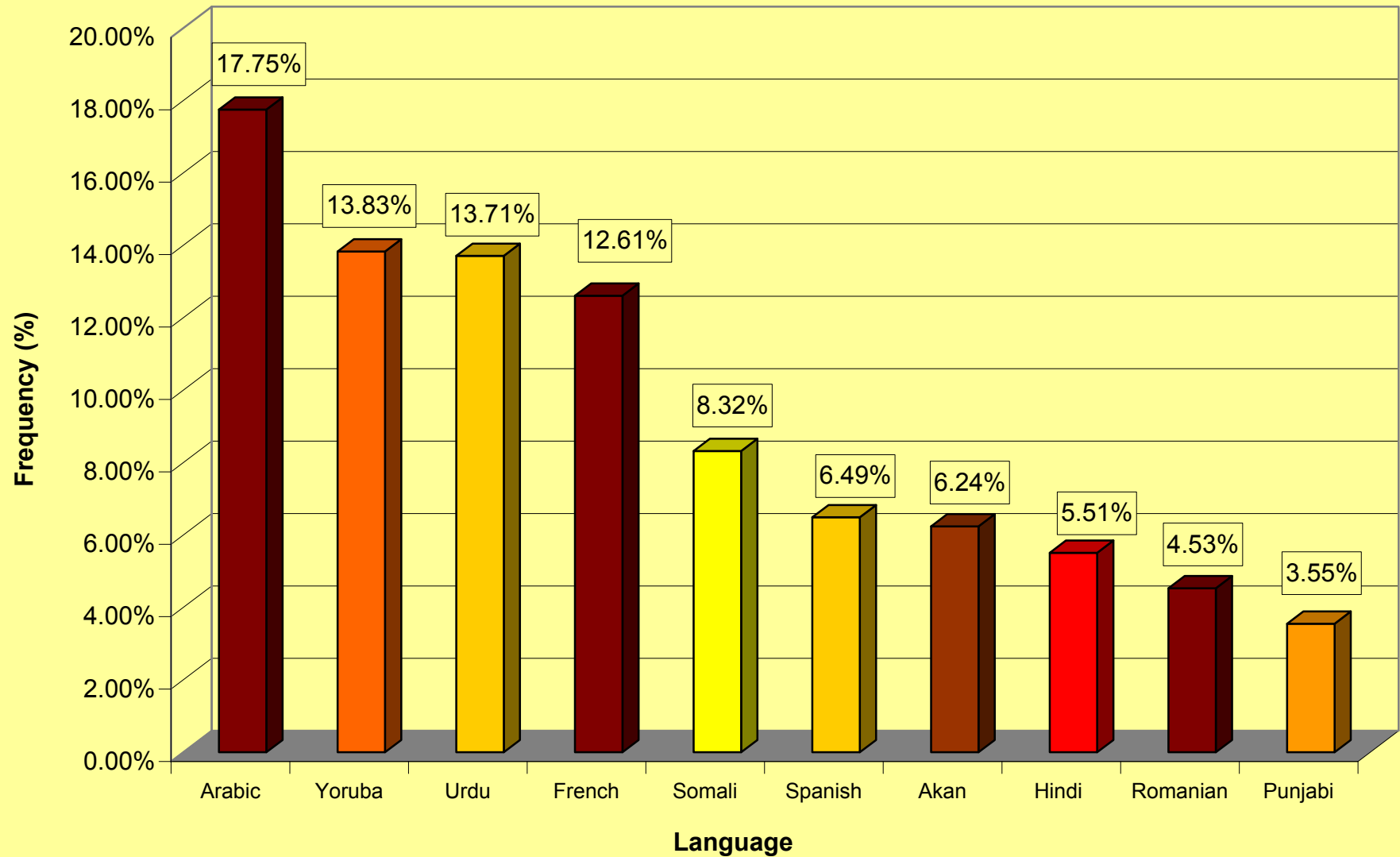


**Chart 1.2 Taxi Lease Business Models**

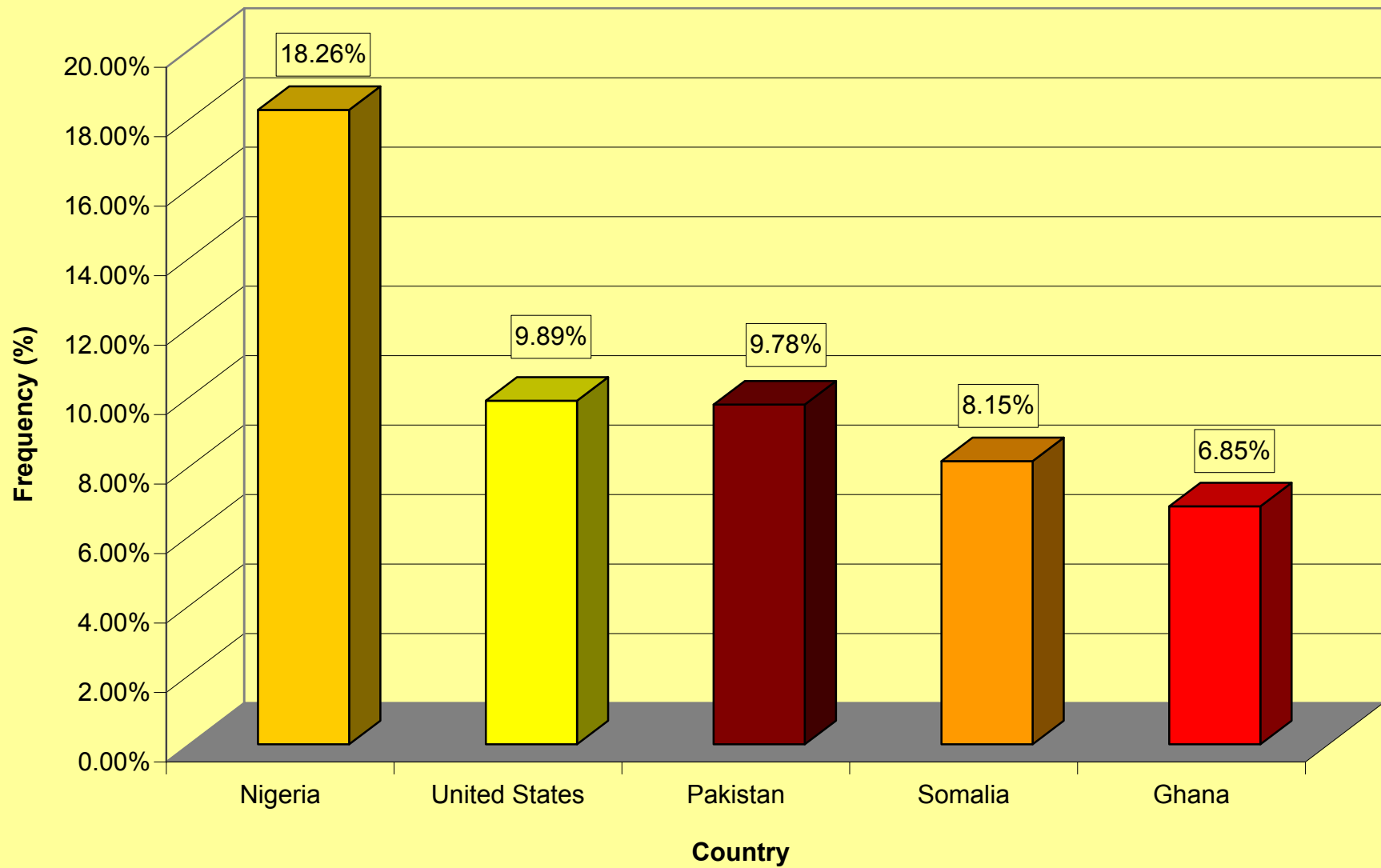




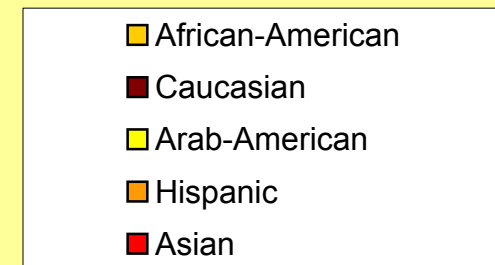
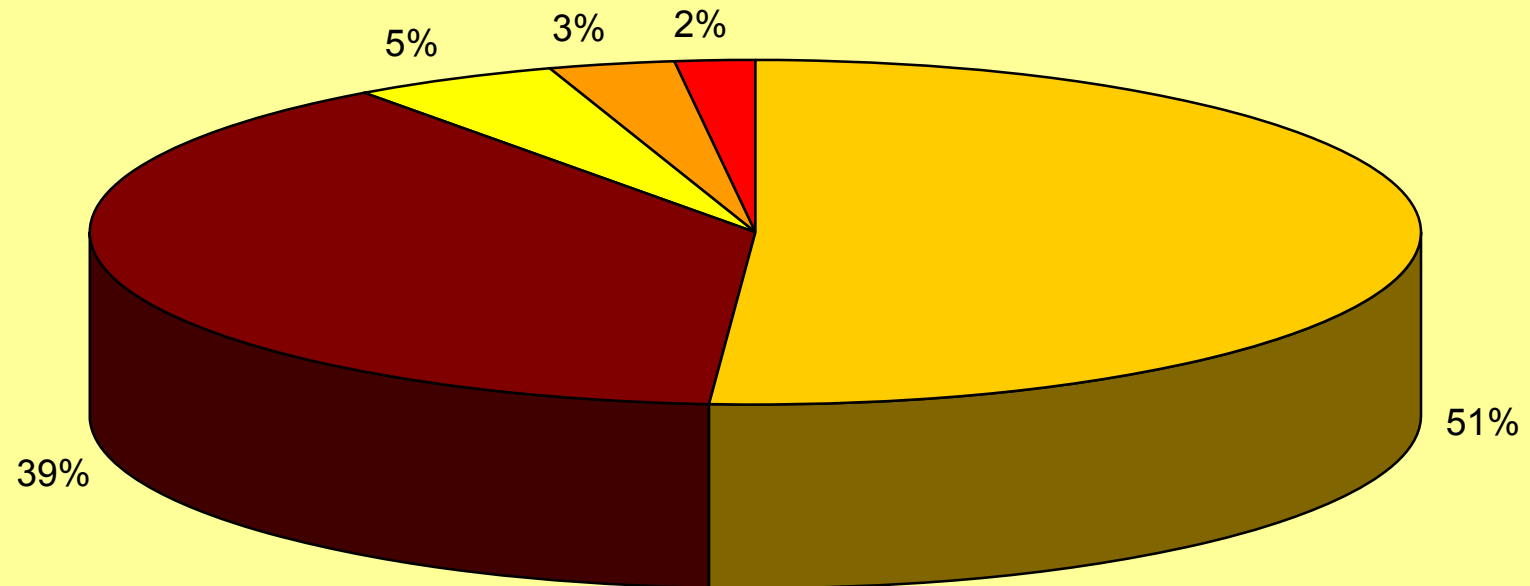
**Chart 1.3 Most Common Foreign Languages Spoken**



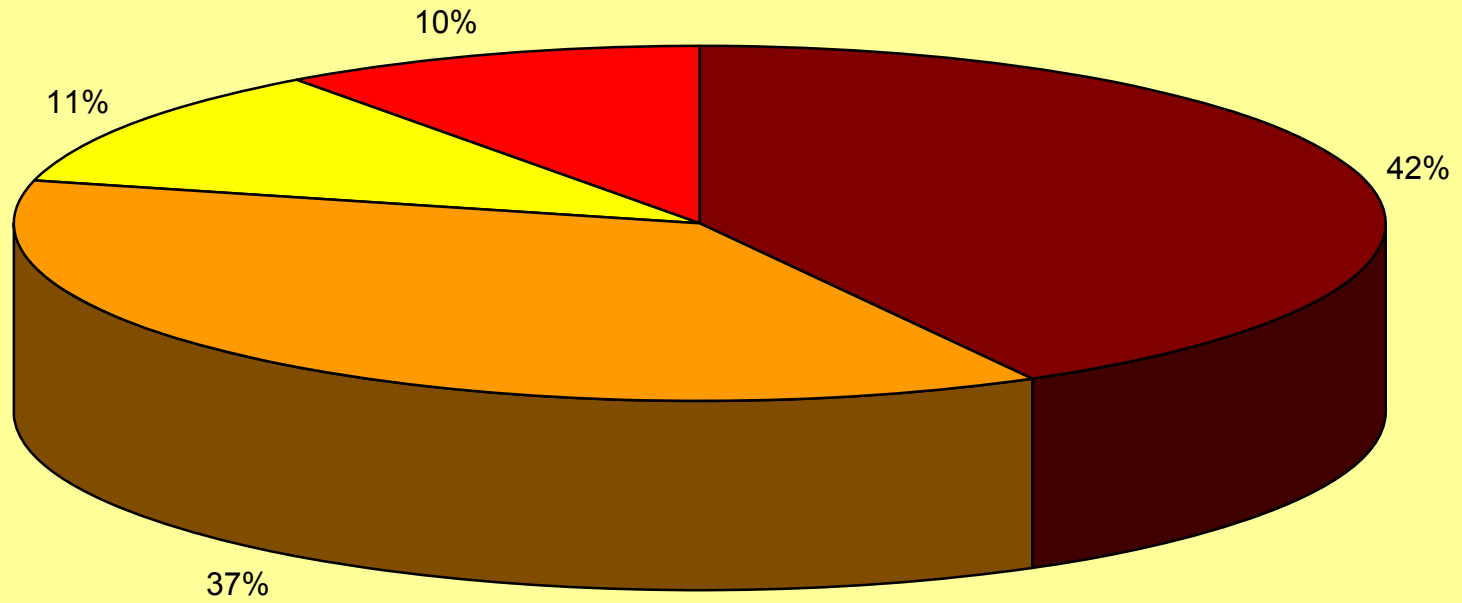
**Chart 1.4 Most Common Countries of Origin**



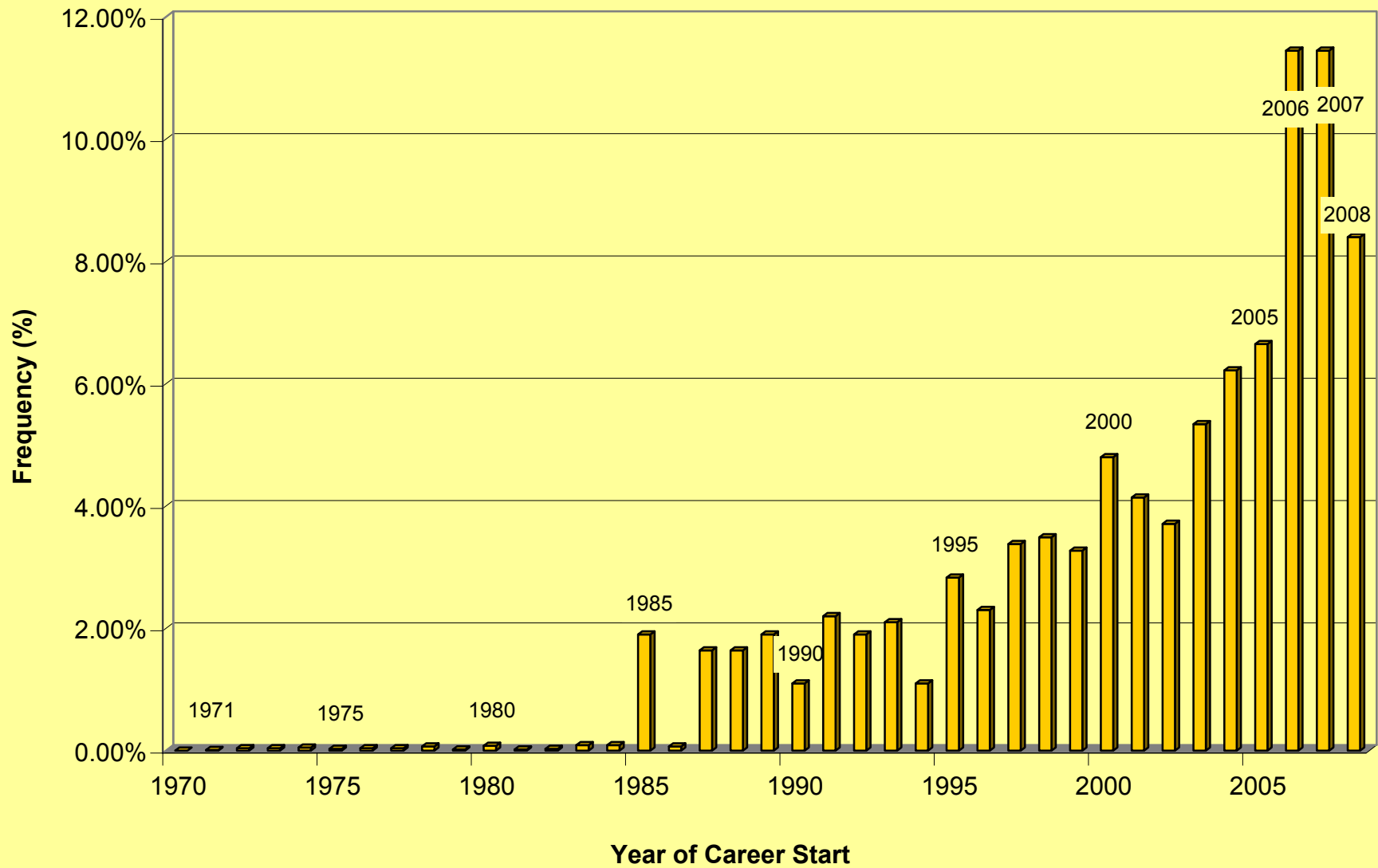
**Chart 1.5 Race/Ethnicity of American Born Drivers**



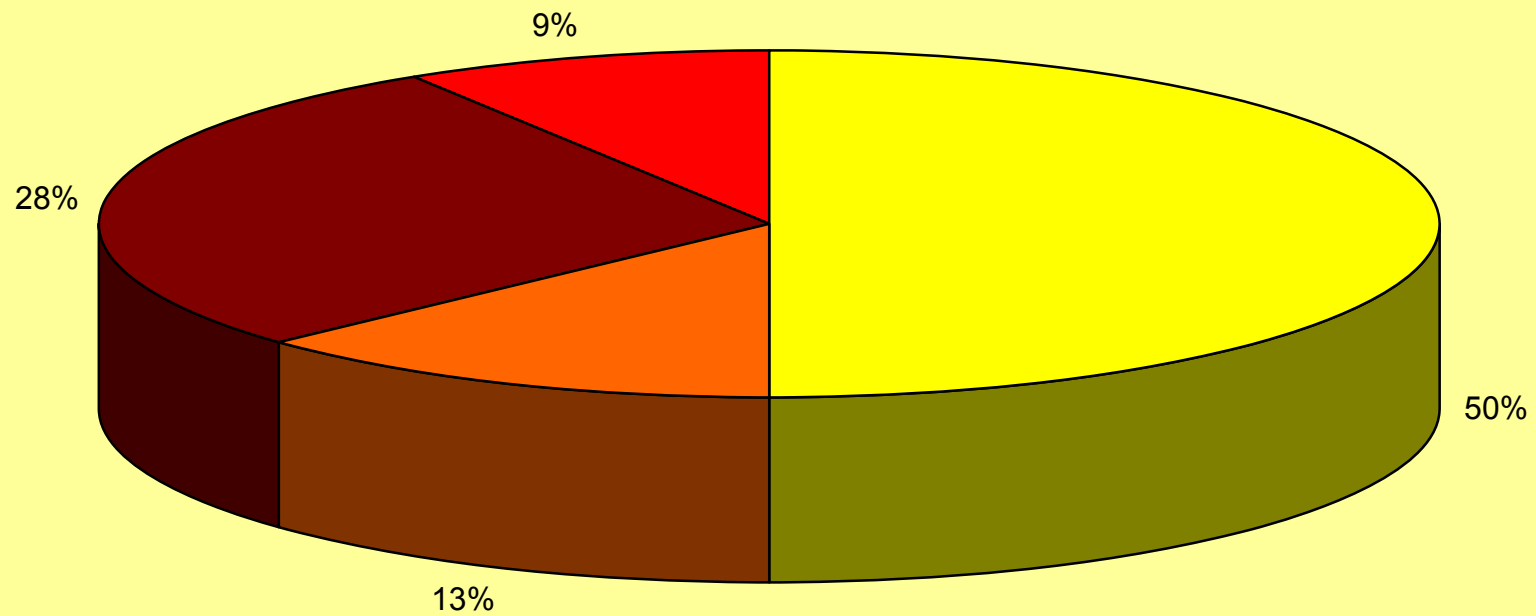
**Chart 1.6 Religious Affiliations**



**Chart 1.7 Length of Tenure**



**Chart 1.8 Voter Registration**



- Registered
- Eligible/Not Registered
- Not Eligible
- Unknown Eligibility

**Chart 1.9 Most Common Residential Zip Codes**

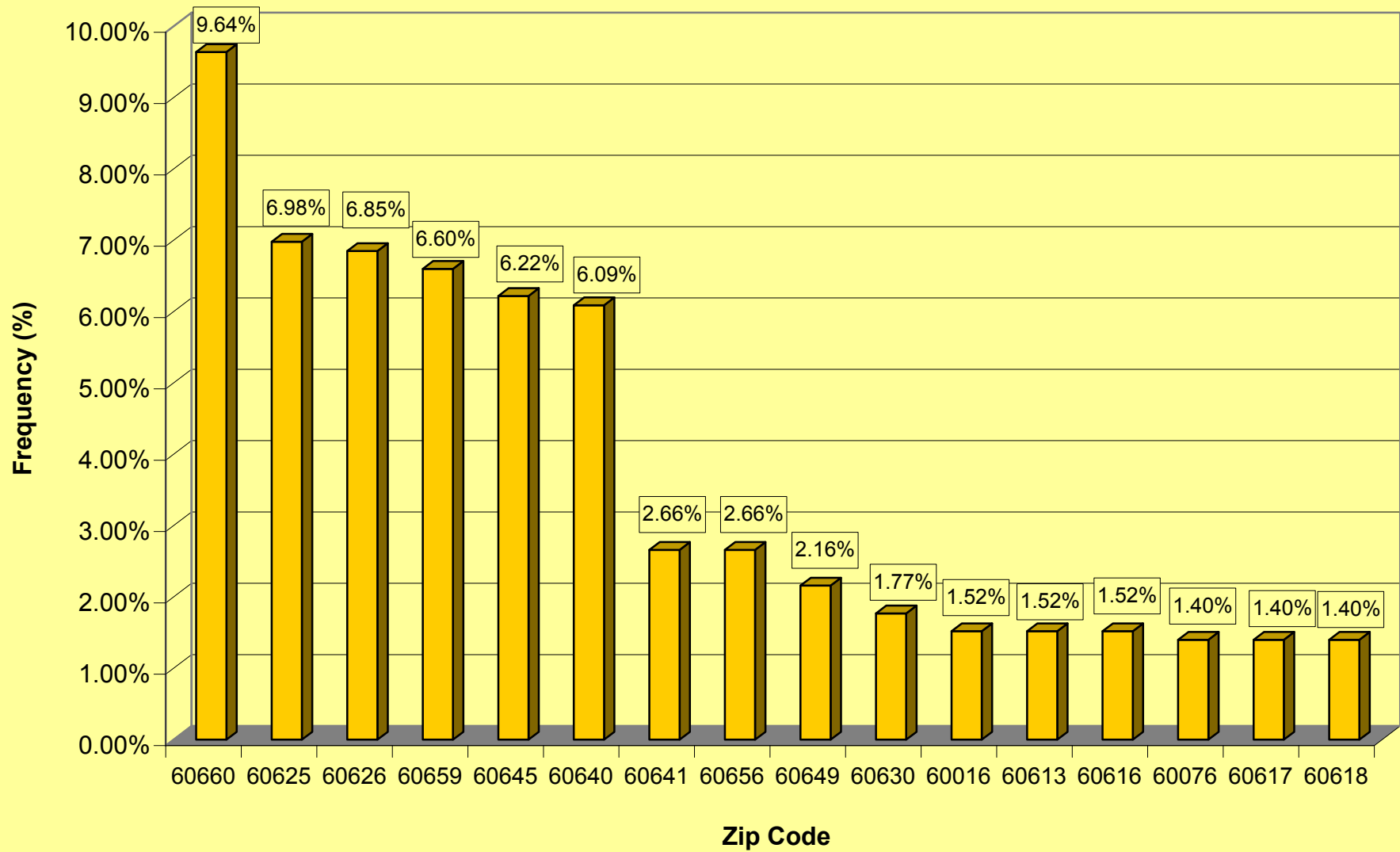


Chart 2.1 Lease of Averages- Shift Leases

12 Hour Shift Lease Averages*		
Base Rate		
Lease/Service Agreement		\$39.56
Insurance		\$8.97
Ground Transportation		\$3.96
Safety Shield		\$0.72
New Car Charge		n/a
	<b>Total Base Rate</b>	\$44.01
Mandatory Allowable Charges (MAC)		
Worker's Compensation		\$3.41
5% Illinois Auto Rental Tax		\$1.05
	<b>Total MAC</b>	\$6.35
Optional Allowable Charges (OAC)		
Supplementary Insurance		n/a
Collision Damage Waiver		\$9.49
	<b>Total OAC</b>	\$9.49
Bond Amount		\$92.90
Non-Compliant Charges		
Other Charges*		\$131.34
Car Rental		\$18.00
<b>Total of Itemized Lease Charges</b>		\$133.51

\* These figures comprise an exemplar "lease of averages" taken from the average of each of the lease items per business model

\* Only four drivers reported "Other Charges"

24 Hour Shift Lease Averages*		
Base Rate		
Lease/Service Agreement		\$59.05
Insurance		\$18.38
Ground Transportation		\$5.96
Safety Shield		\$0.75
New Car Charge		n/a
	<b>Total Base Rate</b>	\$71.37
Mandatory Allowable Charges (MAC)		
Worker's Compensation		\$4.62*
5% Illinois Auto Rental Tax		\$1.70
	<b>Total MAC</b>	\$6.32
Optional Allowable Charges (OAC)		
Supplementary Insurance		n/a
Collision Damage Waiver		\$10.57
	<b>Total OAC</b>	\$10.57
Bond Amount		\$173.97
Non-Compliant Charges		
Other Charges*		\$172.46
Car Rental		\$32.00
<b>Total of Itemized Lease Charges</b>		\$248.30

\* These figures comprise an exemplar "lease of averages" taken from the average of each of the lease items per business model

\* Only six drivers reported "Other Charges"

\*Red text indicates amount in excess of allowable maximum.



Chart 2.2 Lease of Averages 12Hr Weekly Leases

12 Hr Weekly Lease with Maintenance Averages*		
Base Rate		
Lease/Service Agreement		\$239.00
Insurance		\$70.29
Ground Transportation		\$10.97
Safety Shield		\$2.00
New Car Charge		n/a
	<b>Total Base Rate</b>	\$314.18
Mandatory Allowable Charges (MAC)		
Worker's Compensation		\$20.51
5% Illinois Auto Rental Tax		\$7.89
	<b>Total MAC</b>	\$15.32
Optional Allowable Charges (OAC)		
Supplementary Insurance		n/a
Collision Damage Waiver		\$30.19
	<b>Total OAC</b>	\$30.19
Bond Amount		\$118.33
Non-Compliant Charges		
Other Charges*		\$18.33
Car Rental		\$42.00
<b>Total of Itemized Lease Charges</b>		\$365.76

\* These figures comprise an exemplar "lease of averages" taken from the average of each of the lease items per business model

\* Only three drivers reported "Other Charges"

12 Hr Weekly Lease without Maintenance Averages*		
Base Rate		
Lease/Service Agreement		\$255.07
Insurance		\$94.55
Ground Transportation		\$16.44
Safety Shield		\$2.50
New Car Charge		n/a
	<b>Total Base Rate</b>	\$357.00
Mandatory Allowable Charges (MAC)		
Worker's Compensation		\$24.93
5% Illinois Auto Rental Tax		\$9.50
	<b>Total MAC</b>	\$19.32
Optional Allowable Charges (OAC)		
Supplementary Insurance		n/a
Collision Damage Waiver		\$44.59
	<b>Total OAC</b>	\$44.59
Bond Amount		\$400.00
Non-Compliant Charges		
Other Charges*		\$18.33
Car Rental		n/a
<b>Total of Itemized Lease Charges*</b>		\$610.39

\* These figures comprise an exemplar "lease of averages" taken from the average of each of the lease items per business model

\* Only three drivers reported "Other Charges"

Chart 2.3 Lease of Averages-24Hr Weekly Leases

24 Hr Weekly Lease with Maintenance Averages*		
Base Rate		
Lease/Service Agreement		\$366.63
Insurance		\$101.60
Ground Transportation		\$19.35
Safety Shield		\$4.20
New Car Charge		\$20.00
	Total Base Rate	\$450.99
Mandatory Allowable Charges (MAC)		
Worker's Compensation		* \$32.80
5% Illinois Auto Rental Tax		\$21.50
	Total MAC	\$28.56
Optional Allowable Charges (OAC)		
Supplementary Insurance		n/a
Collision Damage Waiver		\$51.07
	Total OAC	\$51.07
Bond Amount		\$251.09
Non-Compliant Charges		
Other Charges		\$47.30
Car Rental		\$55.00
Total of Itemized Lease Charges*		\$502.61

\* These figures comprise an exemplar "lease of averages" taken from the average of each of the lease items per business model.

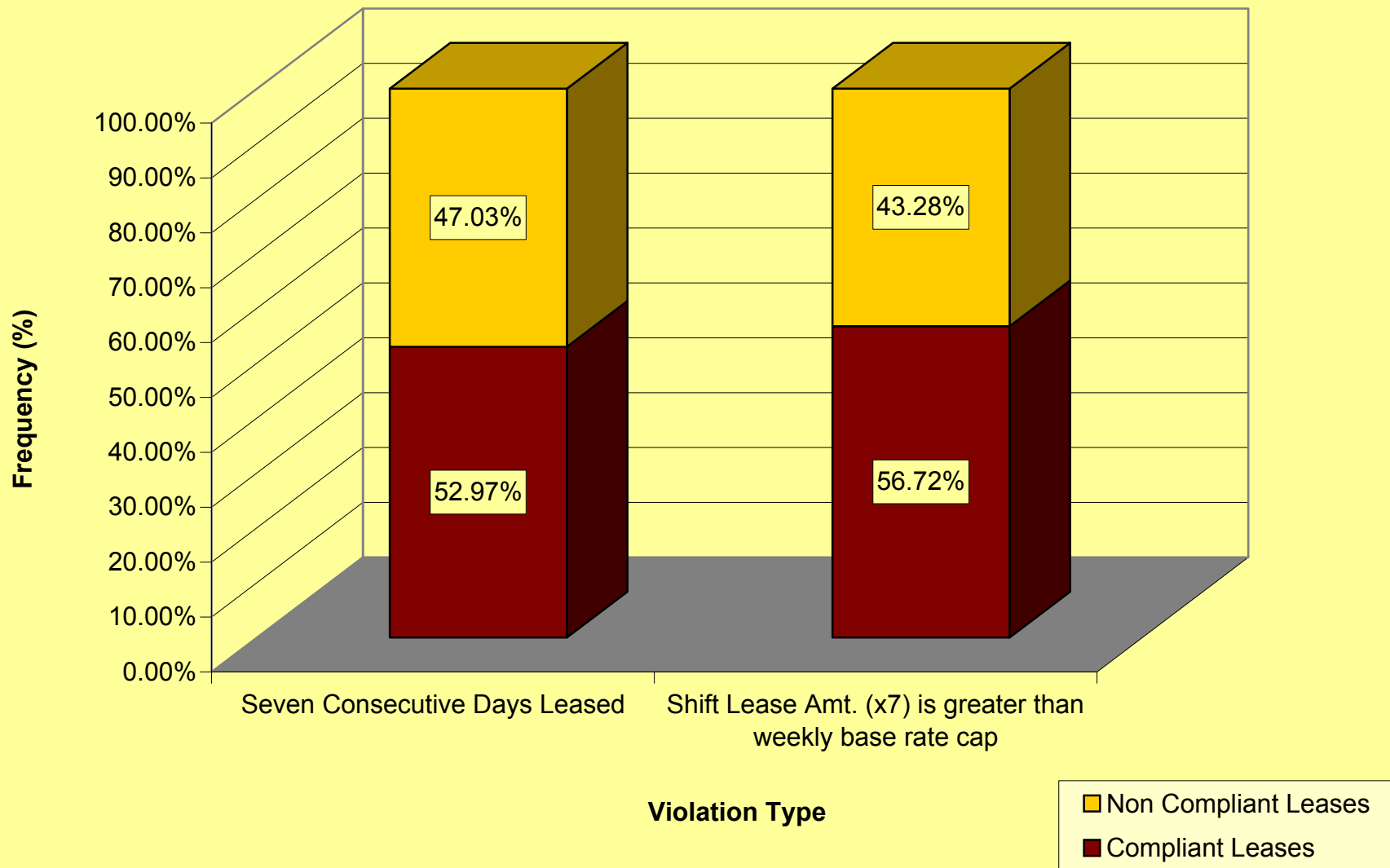
\*Red text indicates amount in excess of allowable maximum.

24 Hr Weekly Lease with Maintenance Averages*		
Base Rate		
Lease/Service Agreement		\$333.90
Insurance		\$113.30
Ground Transportation		\$16.12
Safety Shield		\$2.50
New Car Charge		n/a
	Total Base Rate	\$458.76
Mandatory Allowable Charges (MAC)		
Worker's Compensation		\$30.39
5% Illinois Auto Rental Tax		\$10.64
	Total MAC	\$23.52
Optional Allowable Charges (OAC)		
Supplementary Insurance		n/a
Collision Damage Waiver		\$43.75
	Total OAC	\$43.75
Bond Amount		\$215.00
Non-Compliant Charges		
Other Charges		\$175.50
Car Rental		n/a
Total of Itemized Lease Charges		\$448.48

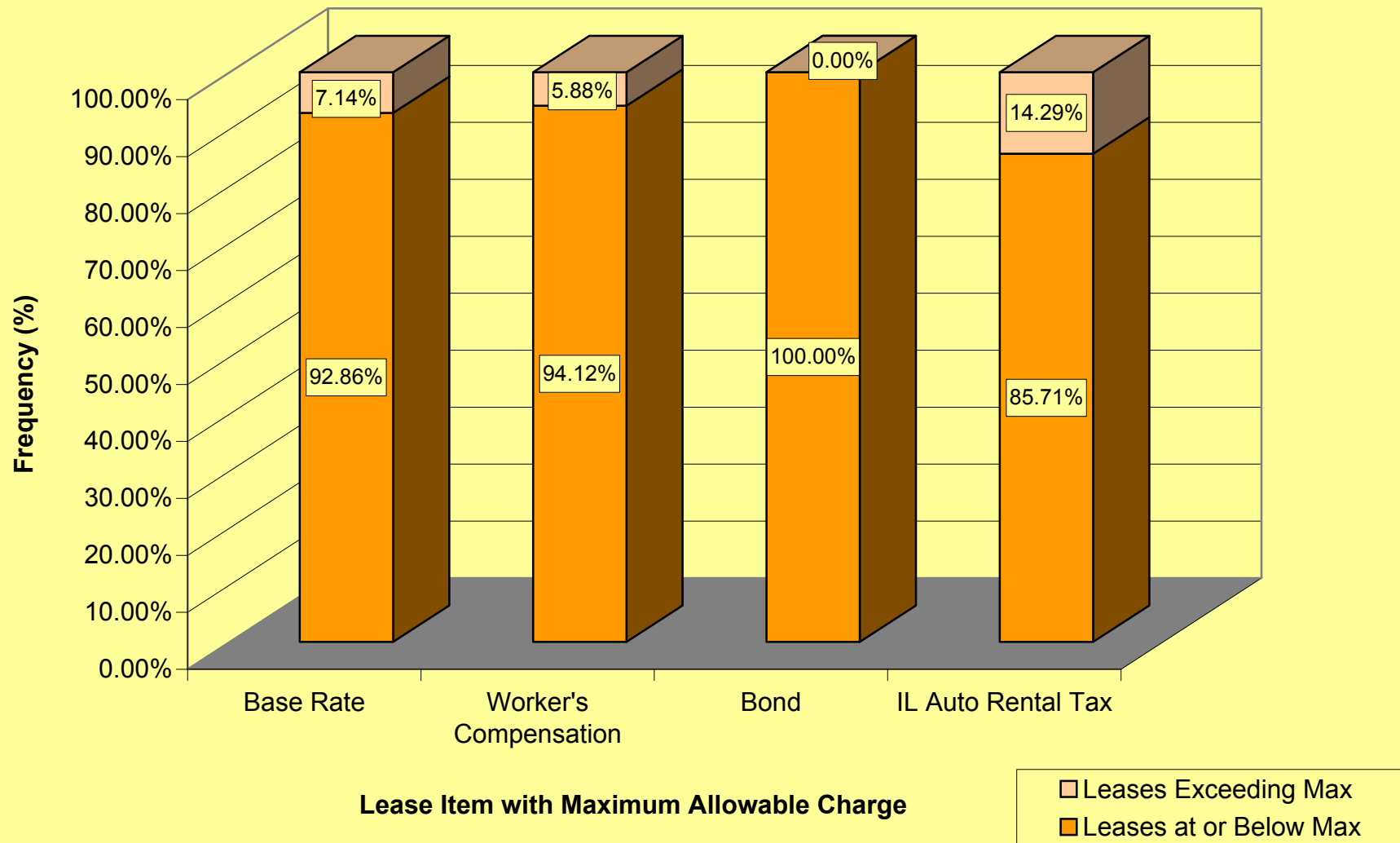
\* These figures comprise an exemplar "lease of averages" taken from the average of each of the lease items per business model.

Only two drivers reported "Other Charges"

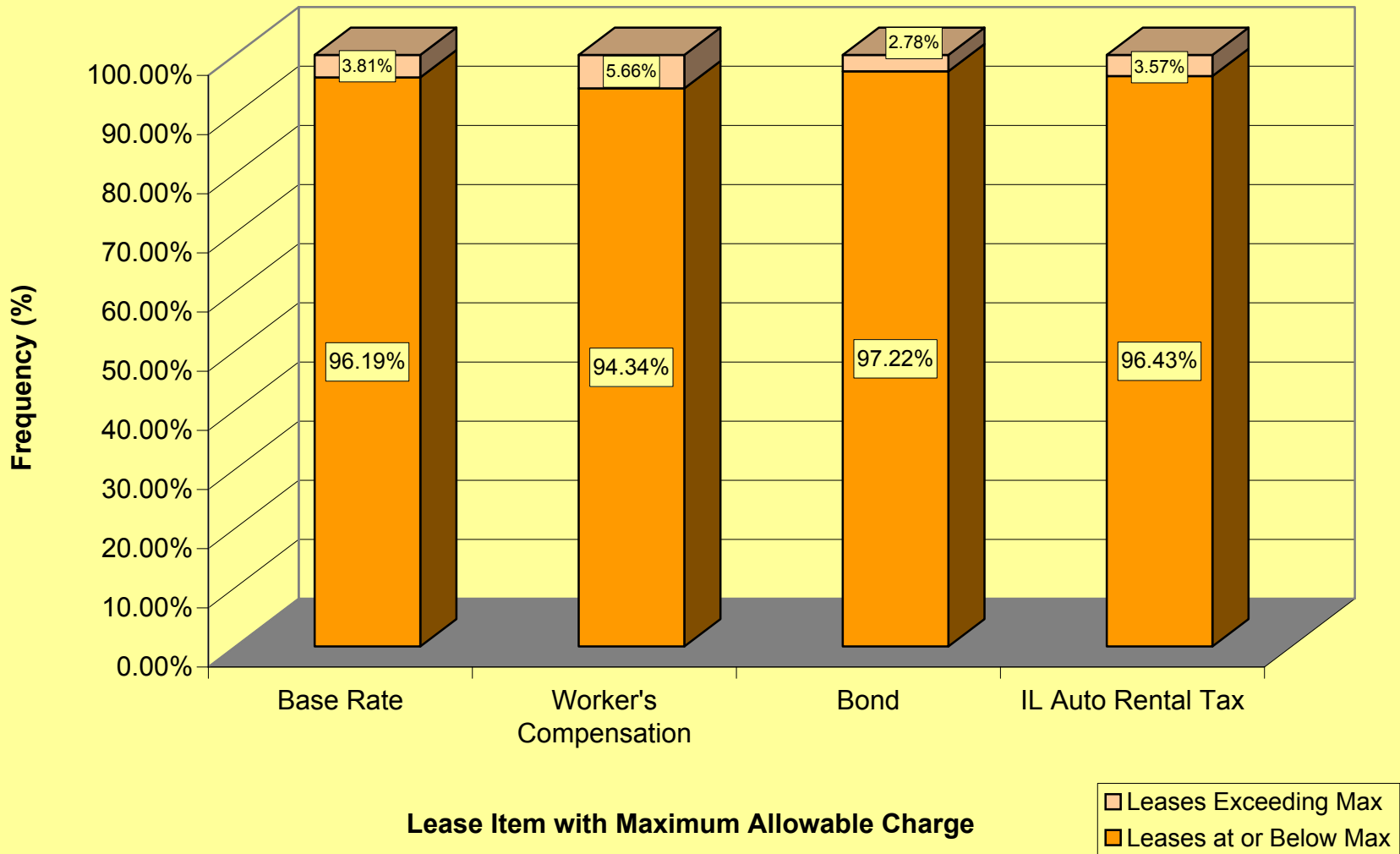
**Chart 3.1 Violations Specific to Shift Leases**



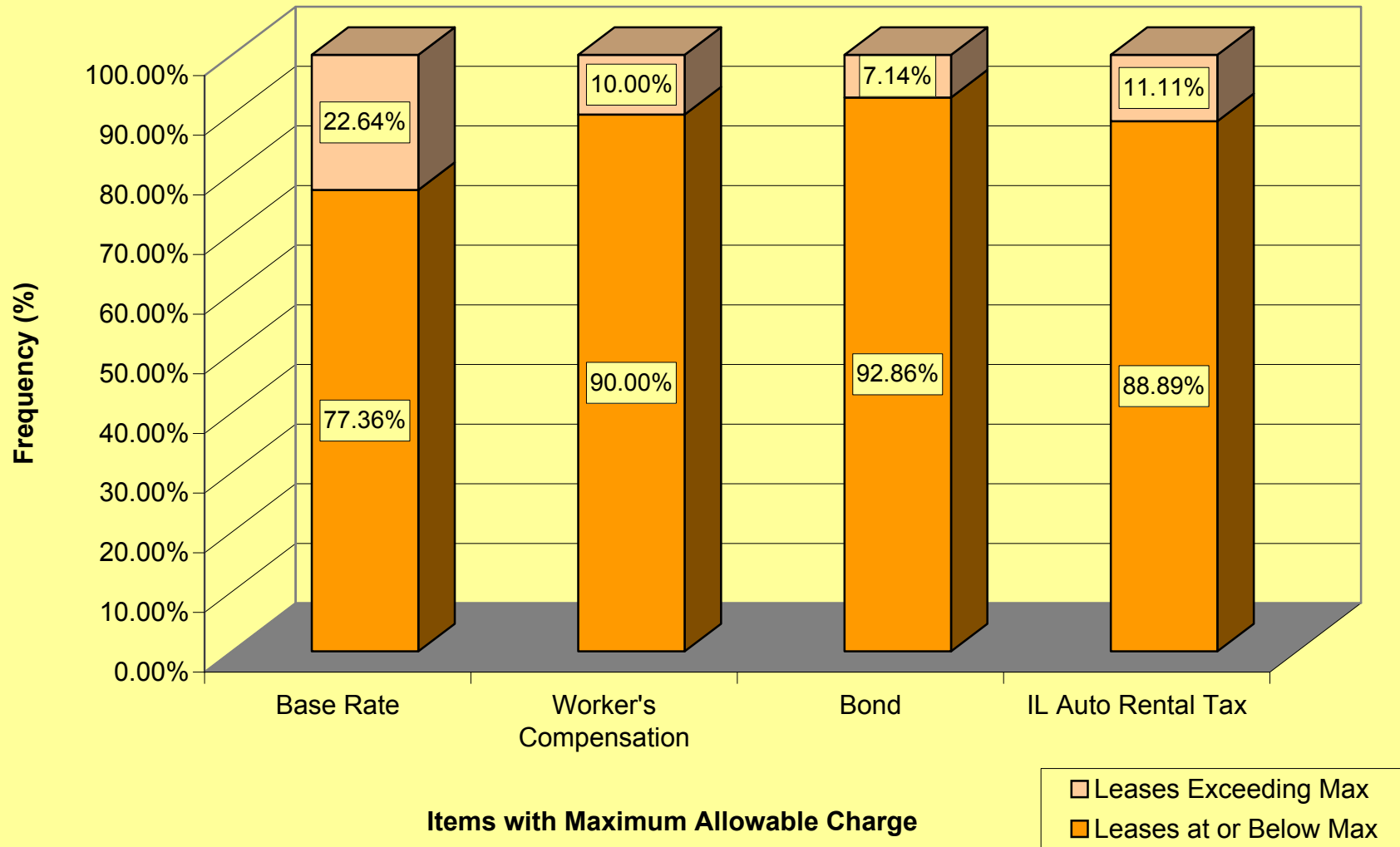
**Chart 3.2 Maximum Charge Compliance 12 Hour Shift Lease**



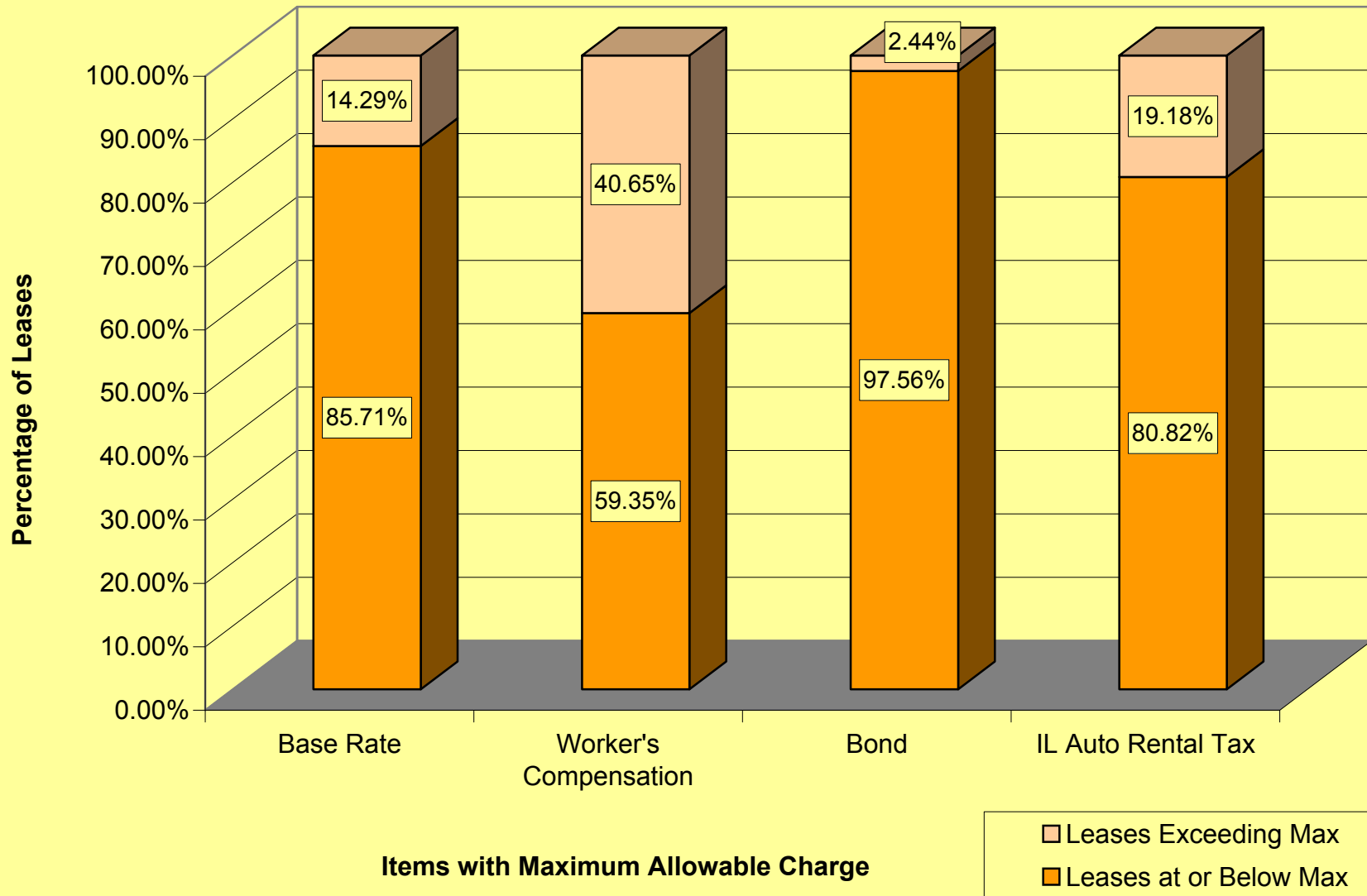
**Chart 3.3 City Cap Compliance 24 Hour Shift Lease**



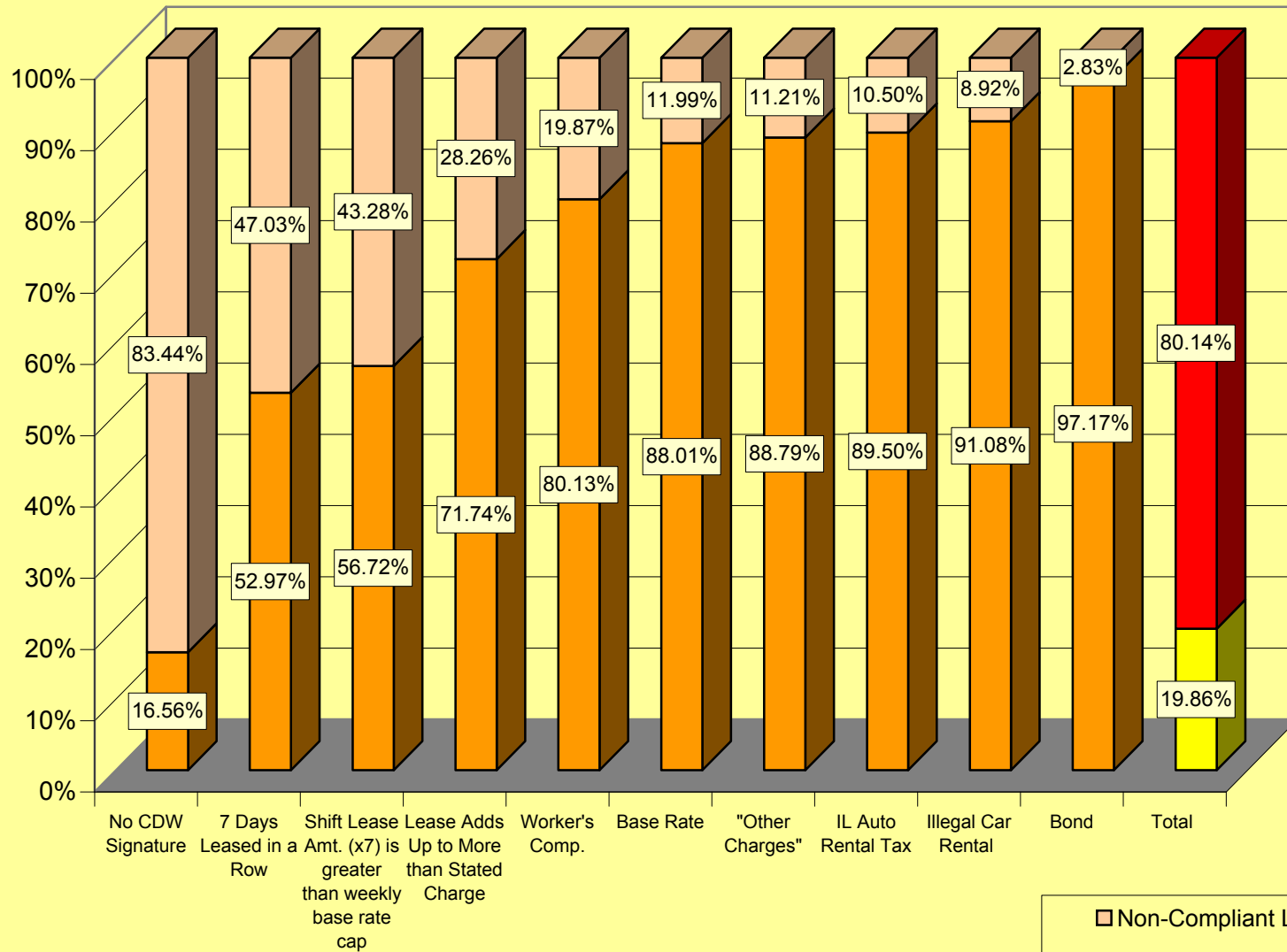
**Chart 3.4 City Cap Compliance 12 Hour Weekly Lease**



**Chart 3.5 City Cap Compliance 24 Hour Weekly Lease**



**Chart 3.6 Lease Non-Compliance**

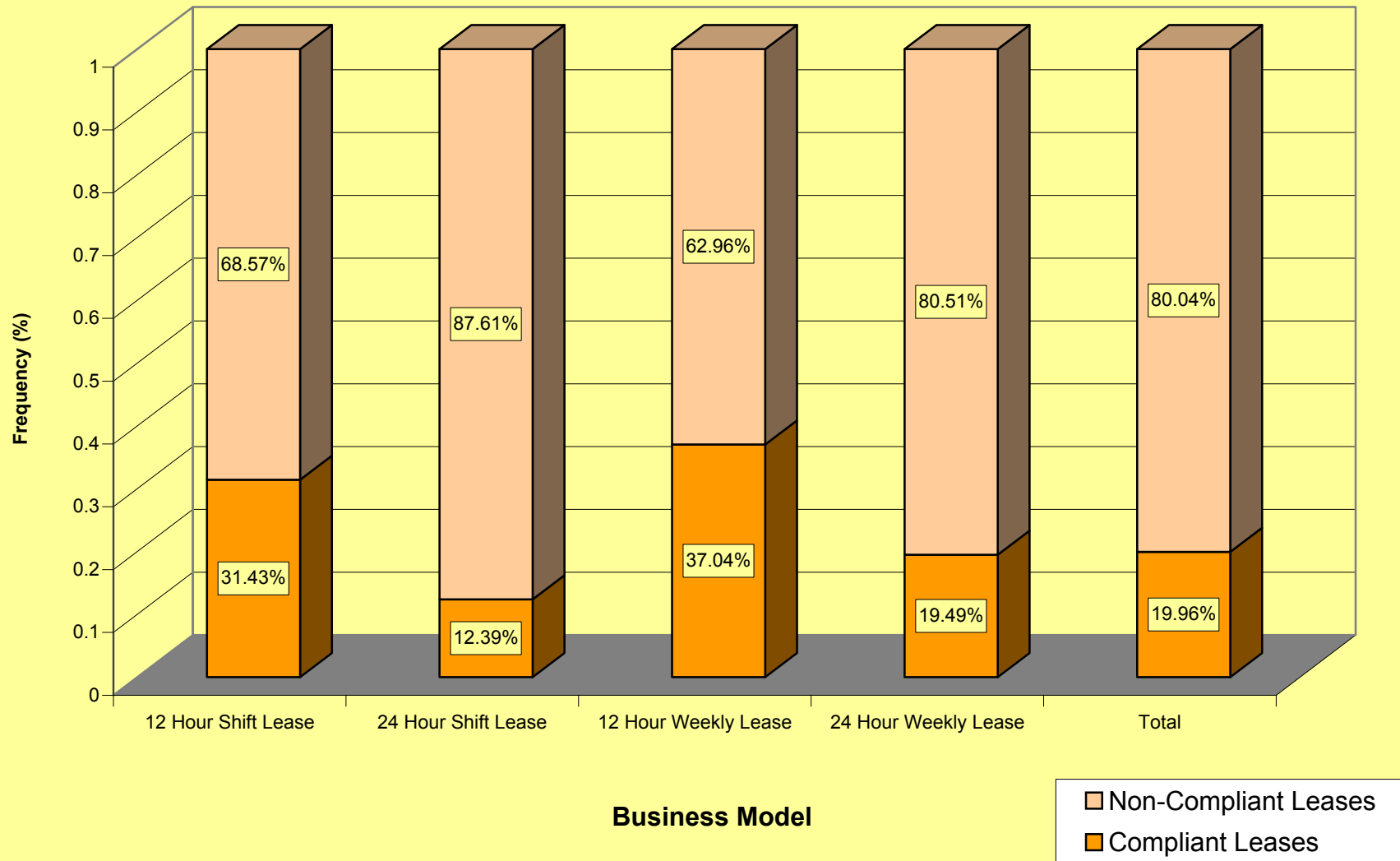


**Lease Items Relating to Compliance**

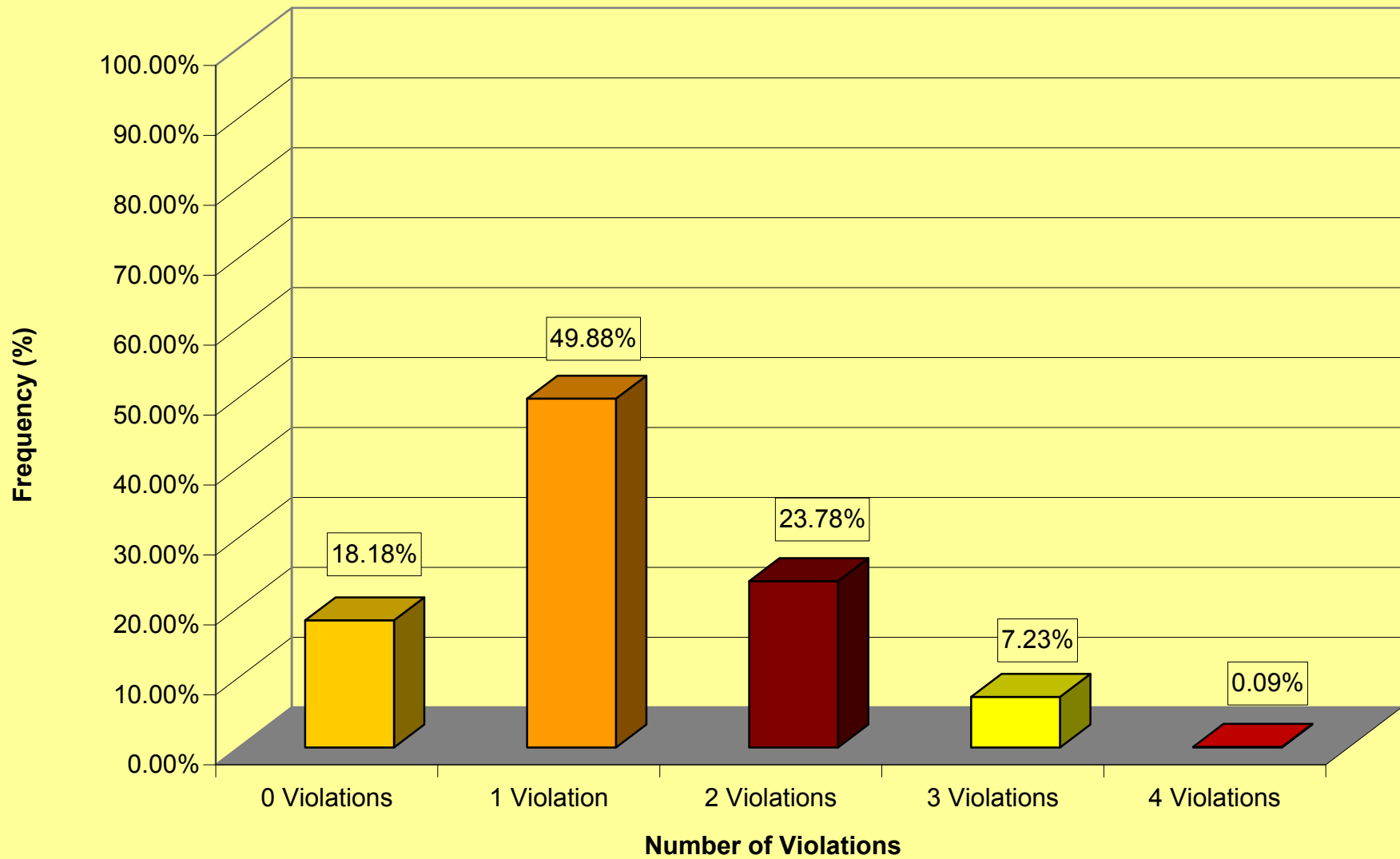
■ Non-Compliant Leases  
■ Compliant Leases



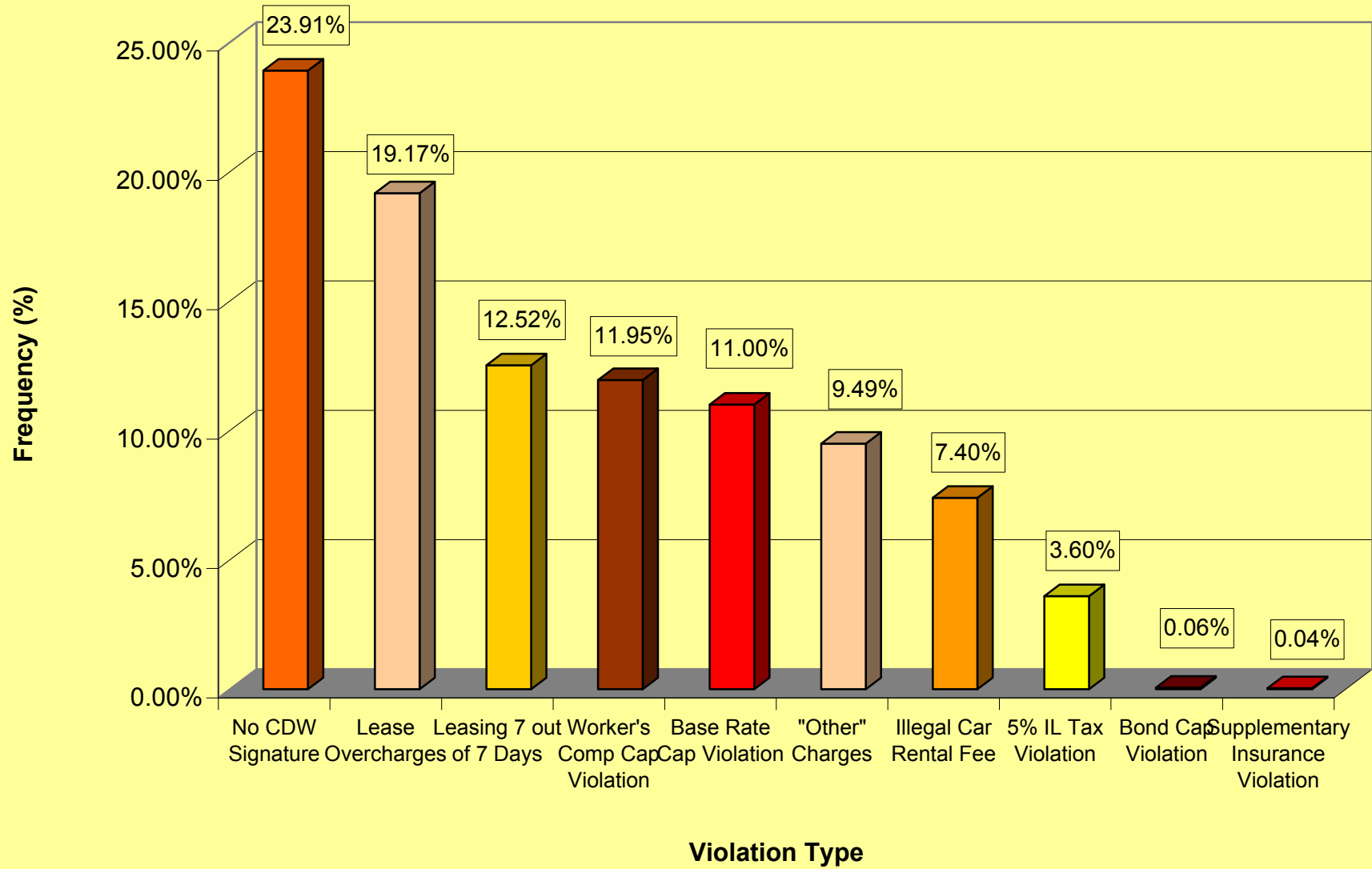
**Chart 3.7 Non-Compliance by Business Model**



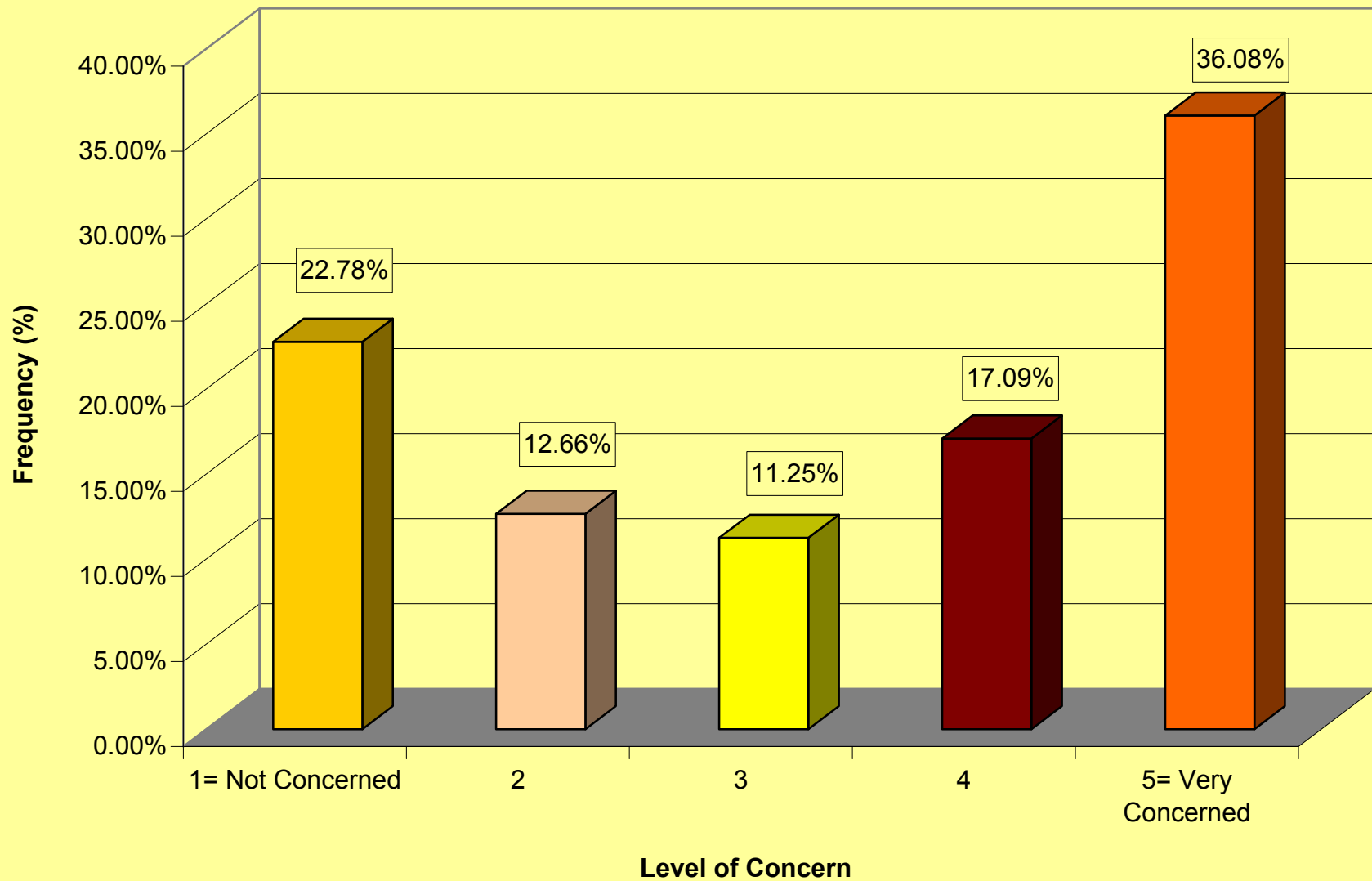
**Chart 3.8 Number of Violations Per Lease**



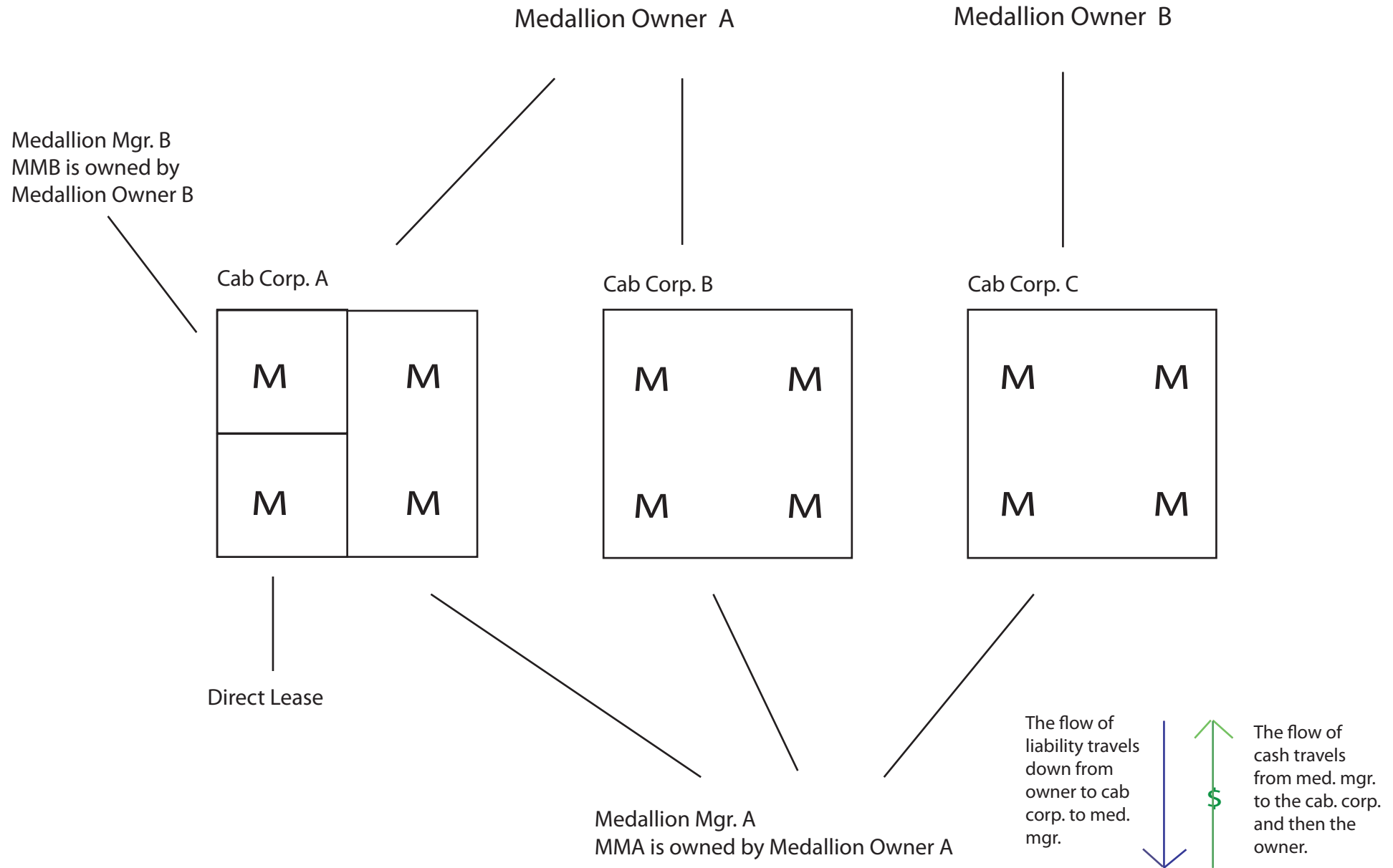
**Chart 3.9 Sources of Lease Violations**



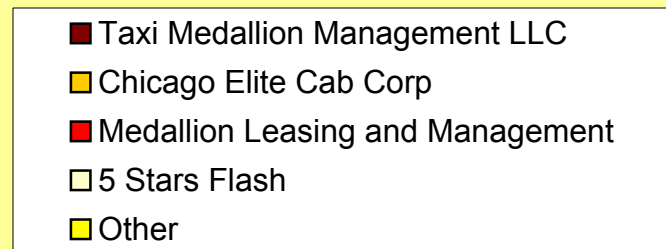
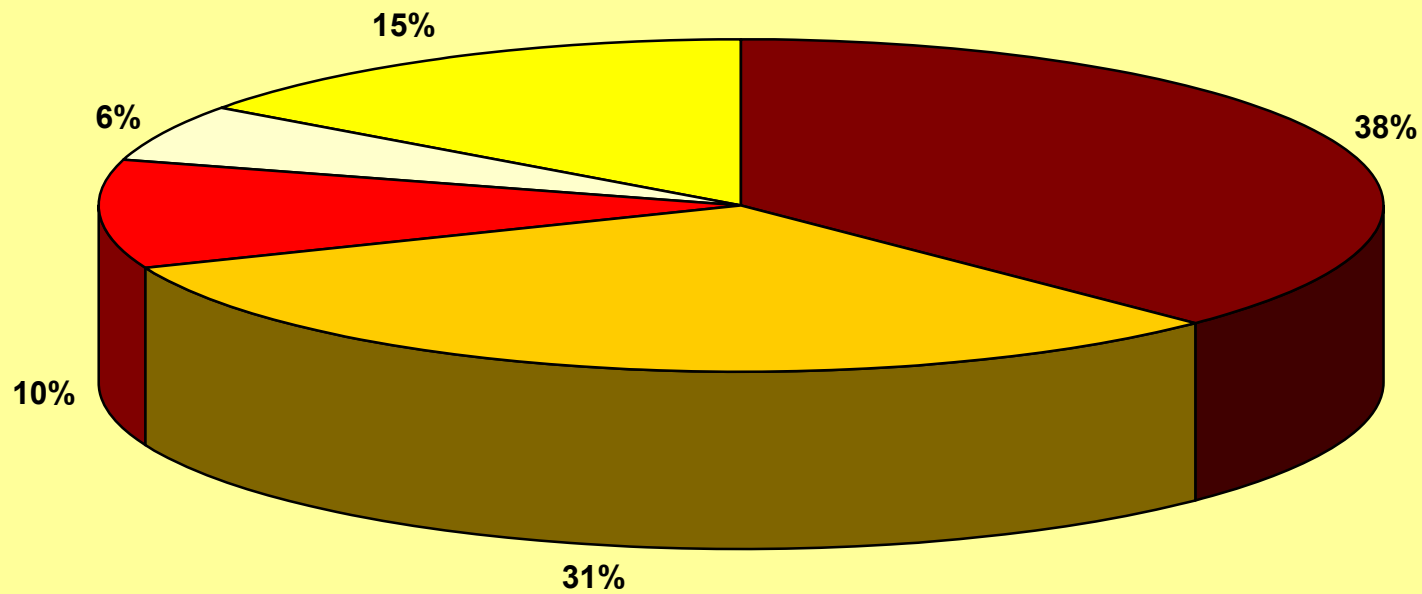
**Chart 4.1    Concern About Vehicle Condition**



# Chart 5.1 Medallion Management Flow Chart



**Chart 5.2 Percentages of Non-Compliant Leases by Medallion Management Corporation**



**Chart 5.3 Cab Corporations Using the Three Most Non-Compliant Medallion Management Corporations**

Corporations that use the medallion management corporation "Taxi Medallion Management, Inc."

Deb Cab  
Dispatch  
Medallion Funding Chicago Corp  
New Way Cab Co.  
Roadway Cab Co.  
Taxi Medallion  
Taxi Medallion Inc.  
Taxi Medallion Mgmt.  
YC26, Inc.  
Yellow "Taxi Medallion Management Inc"

Corporations that use the medallion management corporation "Medallion Leasing and Management"

Aquarius Cab Inc  
Castle Cab Co.  
Chicago Taxi Inc.  
Cornell Inc.  
Deka Three  
Fare Cab Corp  
Florina Inc  
Kay Bri Hacking  
Libra Taxi Inc.  
Mikhailia Cab Three  
Nicki & Emmy Inc.  
Santorini Five Ca Co.  
Savoy Cab  
Taurus Cab  
Virgo

Corporations that use the medallion management corporation "Chicago Elite Cab Corp."

Alexandra School Corp.  
Barbie in Chicago Cab Corp  
BLUE EYES Cab Corp.  
Briana Cab Co.  
Brooklyn Cab  
Brown Eyes Cab Corp.  
Chartreuse Zone Cab Co.  
Cherry Cab Corp  
Drifting Snow Cab Corp.  
Forecast II Hacking Corp  
G Brothers Cab Corp.  
Galina Cab Corp.  
June Cab Corp.  
King Edward Cab Corp  
LMB Taxi VI, Inc.  
Low Pressure Hacking Corp.  
Lucky 7  
Magenta Zone Cab Co.  
Mauve Zone Cab Co.  
Michael two Cab Corp  
Mikhailia Cabs  
November Cab Corp.  
October  
Pink Zone Cab  
Playing Polo in Chicago  
PNINA Two Cab Corp  
Precipitation Hackin  
Pretty Enette Cab Corp.  
Pretty Rachel in Chicago Inc.  
September  
Snowblind Cab Co.  
Snowstorm II Hacking Corp.  
Susan Cab Corp  
Taxale Cab Co.  
Thin Ice Hacking Corp.  
Tina Hacking Corp  
Tina Two Hacking Corp  
Tiptom Too Inc.  
Violet Zone Cab Co.  
Chicago Polo 1  
Chicago Polo II Cab Co.  
Chicago Polo III Cab Corp  
Chicago Polo IV  
Chicago Polo VIII  
Chicago Polo XII, Inc.  
Chicago Polo XIV, Inc.  
Chicago Polo XV, Inc.  
Chicago Polo XVII  
Chicago Seven Cab  
Chicago Seven, Inc.





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