



2017 TAXI PLATE SELECTION PROCESS

EXECUTIVE SUMMARY

On 2016 November 28, Council approved the release of 222 Taxi Plate Licences (TPLs). The draw for these TPLs was held on 2017 January 24. Shortly following the draw, process issues were identified by Administration and industry. To ensure an independent and impartial review of the process, Administration retained KPMG to review the processes and activities leading up to, during, and following the plate selection process, and to make recommendations to address the process issues and conclude the plate selection process. No evidence was found that would suggest the process issues were the result of malicious intent by any City staff member to purposely exclude applicants from the process, give any individual a greater opportunity for selection or otherwise impair the fairness of the selection process in general. The process issues were the result of human error.

In this report, Administration summarizes KPMG's findings and recommendations and seeks Council direction with respect to concluding the 2017 plate selection process.

ADMINISTRATION RECOMMENDATIONS

That Council:

1. Direct Administration to conclude the 2017 taxi plate selection process by:
 - issuing TPLs to eligible applicants selected on 2017 January 24;
 - securing the services of a third party to perform supplemental selections in accordance with the procedures detailed under the heading "Recommendation" in the body of this report to give the five inadvertently excluded applicants the same probability to receive a plate as each ballot card included in the draw on 2017 January 24, and to increase the number of names on the contingency list;
2. Release up to five additional TPLs of the 383 originally approved by Council if required to complete the 2017 taxi plate selection process;
3. Direct Administration, in advance of any future taxi plate selection process, to develop clear written procedures for the planning and execution of the selection process, and secure the services of a third party to perform the taxi plate selection;
4. Direct that this report remain confidential under sections 24(1)(a) and 27(1)(c) of the *Freedom of Information and Protection of Privacy Act* until Council has risen and reported on this matter; and
5. Direct that the in camera presentation and discussions about this matter remain confidential under section 27(1)(a) of the *Freedom of Information and Protection of Privacy Act*.

PREVIOUS COUNCIL DIRECTION / POLICY

On 2017 February 06, Administration provided an in camera briefing to Council on this matter.

On 2016 November 28, through report C2016-0918, Council approved the release of a total of 222 TPLs, all of which were previously approved by Council on 2014 September 22.

On 2014 September 22, Council approved 383 new taxi plates, including 341 TPLs and 42 Accessible Taxi Plate Licences (ATPLs). Council directed the immediate release of one-third of these new plates (112 TPLs and 14 ATPLs).

2017 TAXI PLATE SELECTION PROCESS

BACKGROUND

Following Council's approval of 383 new taxi plates and its direction to immediately release one-third of those plates, taxi plate selection processes took place on 2014 October 29 to award TPLs and ATPLs to individuals. Administration committed that those individuals not selected would be entered into future draws to allocate the remaining 257 plates. An additional taxi plate selection process occurred following the 2015 March 30 release of seven ATPLs.

The 2017 Plate Selection Process

Following Council's approval of the release of 222 TPLs on 2016 November 28, Administration initiated the 2017 taxi plate selection process. The process included applicants from the 2014 TPL taxi plate selection process that were carried forward into the 2017 process along with new applications for the 2017 plate selection. The draw, which occurred on 2017 January 24, included selections of 222 ballots of applicants who, subject to the eligibility review from LTS, would receive a TPL, as well as selections of 20 ballots for a contingency list. The contingency list was selected so that if any of the 222 successful applicants were found after review by LTS not to be eligible to receive a TPL, that applicant's place could be filled by an applicant on the contingency list. Shortly after the draw, a process issue was identified by Livery Transport Services (LTS). Subsequent to this, an additional issue was identified by industry.

As discussed with Council on 2017 February 06, following the discovery of process issues with the 2017 plate selection process, Administration put the process on hold and withheld the release of TPLs until the process issues were understood. The City retained KPMG to conduct an independent and impartial review of the process.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

KPMG examined the 2017 taxi plate selection process and provided recommendations on how to complete the current process and recommendations on how to approach any future taxi plate selection processes, as outlined below.

Findings:

KPMG found no evidence that would suggest the process issues were the result of malicious intent by any City staff member to purposely exclude applicants from the process, give any individual a greater opportunity for selection or otherwise impair the fairness of the selection process in general. The issues were the result of human error.

Process Issues Identified:

KPMG identified three process issues in the 2017 taxi plate selection process:

1. Five applicants were inadvertently excluded from participating in the selection process as a result of their ballot cards being excluded from the selection drum.
2. LTS intended to exclude from the draw any applicant who had received and still maintained a taxi plate as a result of the 2014 or 2015 selection process. However, one applicant who had received a taxi plate through one of those processes was inadvertently included in the draw. In regard to transfers, it should be noted that any applicant who had received and still maintained a taxi plate as a result of a transfer of plates between 2014 and 2017 was included in the draw. LTS' intention was that if that

2017 TAXI PLATE SELECTION PROCESS

applicant's name was drawn, the applicant would be deemed ineligible to receive a plate during LTS' eligibility review.

3. Two applicants were inadvertently allowed to submit applications for the 2017 plate selection process despite the fact that they had already applied in 2014, resulting in each of them being allowed to obtain and have entered into the selection drum two separate ballot cards each. One of these applicants had both of his ballot cards selected, once during the selection for the 222 TPLs and once during the selection for the contingency list. The other applicant had neither ballot card selected.

Impact of Process Issues on Applicant Probabilities:

The process issues that occurred in the 2017 taxi plate selection process had differing impacts on the specific probabilities that each applicant had to be selected. The five applicants that were inadvertently excluded from the drum had a zero probability of being selected. The two applicants who each had two ballots included in the drum had a selection probability that was twice that of any other applicant. All other applicants had a slightly increased probability of being selected than if the process issues had not occurred due to the cumulative impact of the process issues reducing the total number of ballot cards in the selection drum.

Recommendation:

After reviewing various options, KPMG made the following recommendations which Administration is now recommending that Council adopt along with the additional Administration recommendations noted below:

1) Award TPLs to those Selected on 2017 January 24, Subject to the Full Eligibility Review by LTS.

2) Conduct Supplemental Selection for the Five Excluded Ballot Cards:

This selection is for the purpose of making whole the five applicants whose ballot cards were inadvertently excluded from the 2017 selection process. The intent would be for each of these five applicants' ballot cards to be included in a selection that would give them the exact same probabilities of selection as each of the ballot cards included in the draw on 2017 January 24.

This means that those five ballot cards would be included in a selection drum with 2,739 other ballot cards. For this process, 222 draws would be made to determine if any of the five applicants are drawn for a TPL selection, then an additional 20 selections would be made to see if any are drawn for the contingency list.

In the event that any of the five inadvertently excluded applicants are drawn during the 222 selections, subject to the eligibility review from LTS, they would be awarded a TPL either from any residual plates remaining after determining the eligibility of the first 222 applicants in the 2017 selection list or potentially from additional TPLs made available as necessary.

In addition to adopting KPMG's recommendations, to ensure there is no impact on those who were on 2017 January 24 selected for the contingency list, Administration recommends that Council authorize the release of up to five additional TPLs to issue to any of the five applicants if they are drawn and are eligible.

2017 TAXI PLATE SELECTION PROCESS

In the event that any of the five applicants are drawn during the 20 contingency list selections, they would be added to the original contingency list immediately after the applicant originally selected in the same position of the contingency list, with all subsequent applicants on the contingency list moving down one spot. For example, if one applicant is selected 15th, they would be added to the contingency list at number 16. It is possible that the contingency list from the 2017 selection process will be fully depleted as a result of ineligible applicants being selected and therefore, any need for the ordering of any supplemental selections with the original selections would be unnecessary.

In addition to adopting KPMG's recommendations, to ensure there is no impact on those who were on 2017 January 24 selected for the contingency list, Administration recommends that Council authorize the release of up to five additional TPLs (i.e. the same set of up to five plates mentioned above) to issue to any eligible applicant who was selected for the contingency list on 2017 January 24 and would have received a plate but for the selection of one of the five applicants for the contingency list.

Given that these five applicants were not afforded the opportunity to be awarded a plate during the 2017 selection process, this selection should be performed in advance of the supplemental selection for the contingency list described below.

Administration recommends that this supplemental selection be performed by a third party.

3) Conduct Supplemental Selection for Contingency List:

One of the process issues found was that one applicant received two ballot cards and both were selected, once for the list of 222 TPLs to be issued and once for the contingency list. Since the applicant's selection for the contingency list was the ballot card that should not have been included in the selection drum (i.e. the 2017 applicant number), this selection will be nullified and the current contingency list will now be reduced to 19 applicants. In order to complete the contingency list, an additional selection should be performed, and the applicant selected should be added to the last spot on the contingency list. Additionally, initial eligibility assessments of the list of those selected for TPLs indicate that the entire contingency list may be exhausted. An additional draw for the contingency list should be performed after the supplemental selection for the five excluded ballot cards described above. This draw should include all applicants that were not drawn for a TPL or the contingency list on 2017 January 24, but will correct the process issues that were made for that draw.

Administration recommends that this supplemental selection be performed by a third party.

Alternative Approaches:

KPMG also provided some options for Council to consider as alternatives to the recommendations above.

Option: Award 222 TPLs as per the Selection List and Do Nothing Further

This option involves awarding the 222 TPLs as per the 2017 selection list, subject to LTS' full eligibility review, and not conducting any additional selections. This option would not serve to make whole the five applicants that were excluded from the draw.

2017 TAXI PLATE SELECTION PROCESS

Option: Redo the 2017 Selection Process

This option would mean that The City would nullify the results of the 2017 taxi plate selection and perform another selection that fixes the process issues that occurred. This option would serve to fully correct the 2017 process, but would likely not result in many, or potentially any of the applicants selected on 2017 January 24 being selected in the revised selection process.

KPMG provided some additional supplemental alternatives which were considered.

Future Plate Selection Processes:

Administration recommends that any future plate selections be performed by a third party with experience and expertise in this specialized field. This was one of the recommendations made by KPMG. This will increase the objectivity and transparency of the process to the industry. To support this, Administration will develop clear written procedures for the planning and execution of the selection process. The third party should consider using digital processes which remove any human element that may lead to errors, bias or a slightly reduced level of randomness from the manual process used to select ballot cards from a shuffled drum.

Stakeholder Engagement, Research and Communication

KPMG conducted several interviews with members of Administration in order to develop the recommendations provided in this report.

Strategic Alignment

This report aligns with Calgary City Council Priorities from Action Plan 2015-2018, including: a city that moves; and strategic action M5: Improve the taxi system.

Social, Environmental, Economic (External)

Securing an external review of the 2017 taxi plate selection process to ensure fairness while also obtaining recommendations to improve future selection processes furthers the objective of distributing TPLs in a fair and transparent manner.

Financial Capacity

Current and Future Operating Budget

Future operating budgets will be impacted by improvements to the taxi plate selection processes for future TPL and ATPL releases. LTS operates on a cost recovery basis, with industry fees funding operations.

Current and Future Capital Budget

This report has no associated capital budget implications.

Risk Assessment

Following the identification of process issues in the 2017 taxi plate selection process, Administration retained KPMG to review the process that was followed and to make recommendations to address any issues found and complete the process. KPMG was chosen to ensure an independent and impartial review.

2017 TAXI PLATE SELECTION PROCESS

KPMG's recommendations and those of the Administration are included under the heading "Recommendation" in the body of this report. Adopting the recommendation to hold a supplemental process will result in the five applicants who were inadvertently excluded from the original selection process securing the same probability of receiving a TPL as each ballot card that was included in that original process.

Adopting KPMG's recommendations that Administration:

- be required to develop, in advance of any future taxi plate selection process, clear procedures for the planning and execution of the process; and
- retain a third party to conduct the balance of the current process and any future selection processes;

mitigates the risk of future process issues.

REASONS FOR RECOMMENDATIONS:

Following the 2017 January 24 taxi plate selection process, process issues were identified. To ensure an independent and impartial review of the process, Administration retained KPMG to review the processes and activities leading up to, during, and following the plate selection process, and to make recommendations to address the process issues and conclude the plate selection process. After reviewing various options, KPMG made recommendations which Administration is now recommending that Council adopt along with the additional Administration recommendations noted under the heading "Recommendation" in the body of this report. KPMG also made recommendations which Administration is recommending that Council adopt noted under the heading "Future Plate Selection Processes" in the body of this report.

ATTACHMENT(S)

None