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Dear Tom,

It was good talking to you about the goals LA has to improve taxi operations in relation to environmental issues, and we were pleased to hear how interested and open the Mayor is to ideas.

We enjoyed sharing with you some of our experience and analysis from studying the taxi and limousine market over the last two years, and the various ways in which municipalities can improve their situations, simultaneously reducing pollution, our reliance on foreign oil, local trade deficit, all while providing drivers a raise—yet without raising taxi fares. This is all part of our ROGTM—Return on GreenTM analyses at Stax. We've been pleased to work with a handful of municipalities on these issues, and we find it a terrific way to apply our strategy, marketing, and investment skills to "Good Business."

Based on our discussion, we agreed to share some of our thoughts on how Los Angeles can move swiftly and efficiently toward your goals of reducing emissions and fuel consumption. An important note—each city we're working with has a different political makeup, regulatory system, vehicle standard, and desire for change. Each of these is important to understand when developing a localized strategy.

Based on what we heard as your situation, our analysis of other markets and experience in developing go-to-market strategies, following are a few ideas that may be helpful, and some data points that you can cite from our work.

Big Ideas

Here are some ways for the mayor to rally and include constituents and leverage the press, while ensuring everyone up and down the chain, from seller to owner to driver, has incentive to move in the same direction. With all of these ideas, Stax will be pleased to discuss how we could help pull these together with you and your team.

1. *Get the drivers on board.* Develop fliers to hand out to drivers at the airport with the statistics that follow. Depending on union rules at the airport, it may be that dispatchers can include these fliers with normal information/tag checking required for your five-day rotation schedule. Given your five-day rotation schedule, every driver should be in once in those five days, so you could get them all done in one week. The flyer could read:

According to a study by Stax Inc., an independent consulting firm, in New York City:

- A hybrid taxi saves \$800–\$1,000 per month in fuel, which is \$57,000–\$67,000 in fuel over a five-year period—almost enough to buy two hybrids.
- Because of these savings, most drivers are willing to pay more to fleet owners to rent a hybrid rather than rent a non-hybrid.

Tom Drischler
 February 28, 2008
 Page 2

- Sharing these gas savings should provide a positive return on investment to both fleet owners and drivers of a hybrid.
 - (Tom, with a little bit of data from you, we calculate the relative ROI.)
 - Ask your fleet owner if he/she is considering a hybrid taxi.
2. *Get the vehicle owners on board.* The Mayor's office can set up a roundtable discussion with the nine co-ops to discuss the potential savings to be gained by moving to a hybrid fleet. You can cite that, according to Stax, a vast majority of taxi drivers are willing to pay more for a fuel-efficient vehicle than they are for a non-fuel-efficient vehicle. Further, in cities with both hybrids and non-hybrids, the hybrids are fully rented, while the non-hybrids have lower utilization.
- Show co-op partners the same economic story as the drivers, and that drivers in New York, Boston, and San Francisco have been willing to pay higher rates for hybrids.
3. *Get the auto dealers doing the hard work.* Show them how much money they can make. The Mayor can convene a roundtable discussion with large auto dealerships from major manufacturers to discuss the financial opportunity of selling and servicing a hybrid taxi fleet. Stax's cost benefit analysis would be useful here to show dealers how they can locate owners of taxi fleets based on public record filings:
- Taxi fleets represent a large, consolidated, untapped customer base for auto dealers in Los Angeles, as most such vehicles are used as police cars or taxis.
 - While Los Angeles does not have as large a taxi fleet as New York City, 2,000 vehicles with an average life of five years is 400 cars per year—more than \$10M a year in new vehicle sales, not to mention the substantial stream of revenue for parts and repair.

A press release could read: "Over the last month, Mayor Antonio Villaraigosa has brought together taxi owners, taxi drivers, and auto industry representatives to show them the potential profits in switching their taxis from traditional vehicles to hybrids. Given the stop-and-start and 24-hour running of these vehicles, this represents an excellent opportunity for everyone to participate in profitably improving our environment. Gas savings alone, according to an independent consulting firm, Stax Inc, could reach \$67,000 in fuel per hybrid over a 5-year period. According to Stax, if all of our taxis went hybrid, this would be similar to removing XX vehicles from our road, reduce our fuel consumption by YY, and simultaneously provide a raise for the roughly ZZ-thousand taxi drivers/owners/operators in our city."

4. *Call on the citizens of Los Angeles.* The Mayor can reaffirm their interest in accelerating environmental change in LA.

The press release could read: "Following two months of bringing together taxi owners, car companies and drivers to collaborate on reducing LA's pollution from taxis, Mayor Antonio Villaraigosa is calling on LA residents and hotels to pitch in for their own cause, and reward good businesses. When you call for a taxi, ask for a hybrid. If we all got together and showed our service providers that we want a better vehicle, the good businesses will provide them and thrive, and they'll be doing well by doing good. We'll be a model for making change, and I know the people of LA can do this."

Tom Drischler
February 28, 2008
Page 3

Additional Notes from Our Work

Here are a few more points that you may want to have handy to answer a variety of questions. We've cited the location in our presentation, as it may be a helpful reference.

- When working with the auto manufacturers and dealers to push their sales efforts, challenge to address the points on slide 14—put the right product on the streets and quell driver fears through education and service.
- Our work has focused on hybrids, but there are many other clean air options out there, such as E85 Flex-Fuel, CNG, EV, Bio-Diesel, and others. Slide 15 offers a point of view on E85. Simply put, there isn't much in the way of cost savings with E85, and hence no cost savings with which to rationalize buying a more expensive, lower-fuel-consumption vehicle. As for ethanol, in the U.S. it is driving up our cost of food, and that can't last.
- It sounds like the Mayor's office is already sold on the public benefits of moving to hybrids. Slide 16 walks through calculations and thoughts about the environmental and economic benefits of a hybrid taxi population for a municipality.

Working together, we can update any of the analyses in the presentation, and adapt them to LA's particular situation.

To date, Stax has funded and undertaken all of our ROG™ work independently. In addition to the taxi industry, we have studied the limousine industry, and a variety of issues facing municipalities, such as water management, healthcare, educating students on health, and helping cities lower their overall energy consumption. By applying the analytical skills Stax ordinarily places at the disposal of our corporate clients and investment firm clients to municipalities, we believe we'll have the opportunity to simultaneously "Do good" and "Do well."

Please call or email to discuss, and I look forward to talking again soon.

Sincerely,

Rafi Musher
CEO

Jeremy Wall
Manager