

Public Safety and Regulatory Services Committee
Taxi Cab Fare Increase
July 30, 2008
Staff Report

Industry Background

Taxicab service companies provide vehicle owners dispatch service, advertising, office space, record keeping, telephones, and rental of equipment such as radios, computers, and GPS. Normally this is accomplished through a service agreement with the taxicab vehicle owners. The costs for these services average \$130 per week but may be as high as \$305 per week depending on the level of service provided.

Taxicab vehicle licensees are the vehicle owners. They can drive their own vehicles or lease their vehicles to a licensed taxicab driver after establishing a service agreement with a taxicab service company for dispatch services. Taxicab licensees are responsible for all vehicle expenses except fuel. Representatives from the Minneapolis taxi cab industry have indicated that vehicle lease fees typically range from \$45 to \$70 (max allowed by ordinance is \$85) for a 12 hour shift. These rates have increased 5.3% since 2005. The lease fee covers the taxi owner's vehicle license, insurance, maintenance, and dispatch services.

Taxicab drivers who do not own a vehicle lease from a taxicab vehicle licensee who may be either an independent vehicle owner or a service company. Drivers generally lease a vehicle for a 12 hour shift. In some instances vehicles are leased for a 24 hour shift and the driver chooses the times they wish to work. Expenses include the lease and fuel. Drivers collect their income from the customers they serve based on the taxicab meter rate. This is the element of the taxicab industry that has been most impacted by the recent fuel increases.

Most of the taxicab vehicles currently in service are full-sized cars. For estimation purposes, we can assume a 17 gallon tank. Current industry estimates report that drivers purchase a tank of fuel per cab per day. At \$4.00 per gallon, fuel costs equal approximately \$68 per day. Fuel costs represent approximately 50% of drivers' estimated \$138 daily expenses.

During a discussion at committee of our original proposal linking the city's taxi cab fare increases to the CPE (Consumer Price Expenditure), it was identified that the cost of fuel may not be appropriately represented in this price index. Unleaded gasoline is one of 2197 items measured in the 335 subject categories of the CPE.

An alternative option would be to consider using a Midwest Region CPI -U (Consumer Price Index-Urban) which specifically measures transportation expenditures. This measurement includes costs for eleven categories including new and used motor vehicles and all types of gasoline. With the exception of automobile insurance and dispatch services, the CPI-U (Transportation Expenditure Category) is the closest measure of the changes in expenses incurred by the taxi drivers.

We have calculated the change in the Midwest CPI-U (Transportation) from June, 2005 to June, 2008 to equal a 24% increase in costs. In relation to cab fares, this equates to a \$0.45 per mile increase raising fares from \$1.90 per mile to \$2.35 per mile. We recommend evaluating this annually. In comparison to the attached survey of the 20 most populated metropolitan areas in the United States, Minneapolis would rank fifth in cab fares. This includes Seattle's approved increase effective October 1 2008.

Midwest CPI-U (Transportation)

June, 2005	June, 2008	Percentage Increase
171.7	213.465	+24.3%

Source: Bureau of Labor Statistics, Table 11

Industry Fuel Saving Initiatives

We have surveyed the taxi industry regarding actions taken to reduce fuel consumption. Responses indicate that service companies are 1) Educating the drivers on driving habits and their effect on fuel efficiency. Examples include avoiding quick starts, driving within the speed limits, eliminating cruising for fares and increased use of taxi cab stands. 2) Encouraging regular vehicle maintenance to maximize engine performance. 3) Developing plans for the purchase of additional/replacement fuel efficient vehicles. 4) Use of GPS to eliminate unnecessary mileage. 5) Testing smaller vehicles and analyzing current minivan performance measures

regarding fuel efficiency. 6) Informing drivers of their fuel efficiency. 7) Reducing Idling time.

We have inventoried the service company's fleets related to the city's fuel efficient vehicle ordinance mandate. Each company was required to have 5% of their overall fleet to include fuel efficient vehicles by Dec, 2007. This number increases to 10% by Dec, 2008 and will require an additional 10% of their fleet to be wheelchair accessible. Of the 15 companies, 9 have met minimum compliance standards. The other six have been issued citations for failure to comply. Three of the companies have appealed their citations. One of these three company's charges have been upheld by a Hearing Officer and an appeal has been filed to the Minnesota Court of Appeals.

The Division of Licenses and Consumer Services recommends the committee adopt the proposed fare increase language attached.