



STAFF REPORT ACTION REQUIRED

Taxicab Fuel Surcharge and Fare Increase Proposals

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|--------------------------|---|
| Date: | May 27, 2008 |
| To: | Licensing and Standards Committee |
| From: | Lance Cumberbatch, Acting Executive Director, Municipal Licensing and Standards |
| Wards: | All |
| Reference Number: | p:\2008\Cluster B\MLS\ls08002 |

SUMMARY

The purpose of this report is to make a recommendation for an increase in taxicab fares in the City of Toronto due to the unprecedented increase in gasoline prices and the resulting additional costs to and impact on the Toronto taxicab industry.

RECOMMENDATIONS

The Acting Executive Director, Municipal Licensing and Standards recommends that:

The City of Toronto Municipal Code, Chapter 545, Licensing, be amended to increase taxicab fares, as follows:

1. Increasing the initial taximeter drop rate by \$1.00 from \$3.00 to \$4.00;
2. Increasing in the per kilometre rate from \$0.25 per 0.170 kilometres (170 metres) to \$0.25 per 0.155 kilometres (155 metres); and
3. The City Solicitor be directed to prepare the necessary bill to give effect to the recommendations in this report.

Implementation Points

The adoption of the recommended increase in taxicab fares will require the Municipal Licensing and Standards Division (ML&S) to test and reseal approximately five thousand taximeters. The process of taximeter testing and resealing associated with the change in the taxicab fare will take approximately three weeks and will require approximately five ML&S staff to complete the process.

Financial Impact

The recommended taxicab fare increase is intended to help offset the cost for taxicab drivers of rising fuel prices. The increase will result in fare increase to passengers in the order of 11.4 per cent to 17.5 per cent for trips of five kilometres and 20 kilometres, respectively.

The adoption of the recommended increase in taxicab fares will require ML&S to purchase approximately six thousand meter seals, at a cost of approximately \$2,000.00, in order to accommodate the taximeter testing and resealing task associated with any change to the taxicab fare. A new tariff card for each licensed taxicab will also need to be printed. These direct expenditures are provided for within the current operating budget, as a normal part of service delivery by the ML&S Licensing Enforcement Team.

The Toronto Transit Commission's Wheel-Trans operating costs for sedan service to the disabled community in Toronto will be impacted by the adoption of the recommended increase in taxicab fares. These impacts will result in expenditure increases of approximately \$350,000.00 in 2008 and approximately \$1,000,000.00 in 2009. The 2008 expenditures will be accommodated within the 2008 Council Approved Operating Budget for TTC-Wheel Trans. The 2009 annualized impact of the fee increase will be considered during the 2009 Budget process.

The Deputy City Manager and Chief Financial Officer have reviewed the recommendations and concur with the financial impact statement.

DECISION HISTORY

The Licensing and Standards Committee at its meeting on May 9, 2008 referred a memo from Councillor Howard Moscoe to the (Acting) Executive Director, Municipal Licensing and Standards, with a request that he report to the Committee, at its next meeting on June 6, 2008, on the impact and implications of rising fuel costs to the taxicab industry. The referenced memo can be viewed at:

<http://www.toronto.ca/legdocs/mmis/2008/1s/bgrd/backgroundfile-12943.pdf>

ISSUE BACKGROUND

On October 28, 2005, City Council enacted By-law No. 866-2005, which amended the City of Toronto Municipal Code, Chapter 545, Licensing, by increasing taxicab fares by approximately ten per cent due to an increase in gasoline prices. City Council further increased taxicab fares by one per cent on both July 1, 2006 and January 1, 2008 by allowing the taxicab industry to retain the two per cent reduction in the G.S.T. that the federal government implemented on those two dates.

COMMENTS

Current Taxicab Fares

Table 1 below shows the current taximeter fares calculated for a five, ten and twenty-five kilometre taxicab trip. Waiting time while under engagement is calculated at \$0.25 per 31 seconds waiting time and only affects the total fare if the taxicab is stationary or proceeding at less than 25 kilometres an hour for a full 31 seconds or more.

Table 1
Current Taximeter Rates

| Drop Fee \$3.00 - \$0.25 per 0.170 Kilometres | | |
|---|-------------------|-------------------|
| 5 Kilometre Trip | 10 Kilometre Trip | 25 Kilometre Trip |
| \$10.00 | \$17.50 | \$39.50 |

Increases in Fuel Prices

The cost of fuel has increased an average of \$0.22 per litre since October 2005, according to Natural Resources Canada, as found on their website www.fuelfocus.nrcan.gc.ca. Current fuel prices are at an unprecedented high, and some industry analysts have suggested the price of gasoline could top \$2.00 per litre in 2009.

The increase in fuel price impacts directly on the daily expenses for taxicab operators in the City of Toronto and the proposed fare increase will allow the taxicab industry to offset the increase in fuel prices.

Taxicab Fare Increase Model

Taxicab Industry Cost Indices are used by municipalities in consideration of setting taxicab fares. Such indices are based on an analysis of taxicab industry operating costs and cost structure. Operating costs include: fuel, taxicab equipment, automobile financing (leasing), insurance, maintenance, accident repairs, plate lease, licensing, overhead expenses, and brokerage membership.

The indices also consider a driver's personal time and health insurance. Weighting is applied to each of the cost components, depending on the model. Over the last several years, the City of Toronto model (developed in the late 1980s), together with models from Ottawa and Mississauga have been considered together when considering fare increases for Toronto's taxicab industry.

Using these models, City staff performed calculations to estimate the impact of the rising fuel prices on operating costs, and how that may translate into fare increases. The calculation was performed by utilizing current data from the Statistics Canada Consumer Price Index and gas prices of \$1.20 per litre and \$1.50 per litre. These calculations were performed using the taxicab fare determination formulas of Ottawa, Mississauga and Toronto as indicated in Appendix "A" and Appendix "B" of this report.

The calculation of taxicab fares reflecting gasoline prices of \$1.20 per litre indicated an increase of 9.29 per cent utilizing the Ottawa formula, 12.24 per cent utilizing the Mississauga formula and 12.61 per cent in the case of the Toronto formula, representing an average increase of 11.40 per cent.

The calculation of taxicab fares reflecting gasoline prices of \$1.50 per litre indicated an increase of 15.54 per cent utilizing the Ottawa formula, 21.85 per cent utilizing the Mississauga formula and 22.36 per cent in the case of the Toronto formula, representing an average increase of 19.9 per cent.

From above, the models would support a fare increase in the order of 11-20 per cent based on fuel price ranging between \$1.20 - \$1.50 per litre. Given the continued volatility in fuel prices, staff are recommending a fare increase of \$1.00 (33.3 per cent) in the drop rate (from \$2.00 to \$3.00) and increase of 9.7 per cent in the distance rate (from \$0.25 per 0.170 kilometres to \$0.25 per 0.155 kilometres), which will result in an effective fare increase ranging from 11.4 per cent to 17.5 per cent for trips between five kilometres and 20 kilometres, respectively.

Taxicab Industry Stakeholder Consultation

On May 20, 2008, a stakeholder consultation with members of the taxicab industry took place. This consultation group was comprised of Standard Taxicab owners, Ambassador Taxicab owners, Accessible Taxicab owners, Taxicab brokers and drivers. Among others, the following proposals were considered: a ten per cent increase in fares, a 15 per cent increase in fares, a 20 per cent increase in fares, a proposal for an increase in the drop fee only of \$1.50 and a fuel surcharge on taxicab fares.

The consensus of the stakeholders was to increase the initial drop by \$1.00 from \$3.00 to \$4.00 and to increase the distance portion of the fare from \$0.25 per 0.170 kilometres to \$0.25 per 0.155 kilometres, as indicated in Table 2 below.

The stakeholders were adverse to the institution of an interim fuel surcharge on taxicab fares as they felt it might result in disputes with taxicab passengers and a reduction in tips for taxicab drivers.

Proposed Taxicab Fare Increase

Table 2 shows the proposed taximeter rate increase calculated for a five, ten and 25-kilometre taxicab trip. Waiting time while under engagement is maintained at \$0.25 per 31 seconds waiting time.

Table 2
Proposed Increase in Taximeter Rates

| Drop Fee \$4.00 - \$0.25 per 0.155 kilometres | | |
|---|-------------------|-------------------|
| 5 Kilometre Trip | 10 Kilometre Trip | 25 Kilometre Trip |
| \$11.75 | \$20.00 | \$44.00 |

Comparison of Taximeter Rates

Table 3 below indicates the percentage change increase for a five, ten and 25-kilometre taxicab trip.

Table 3
Comparison of Taximeter Rates

| Length of Trip | Old Rate | New Rate | Percentage Change |
|-------------------|----------|----------|-------------------|
| 5 Kilometre Trip | \$10.00 | \$11.75 | +17.5 per cent |
| 10 Kilometre Trip | \$17.50 | \$20.00 | +14.3 per cent |
| 25 Kilometre Trip | \$39.50 | \$44.00 | +11.4 per cent |

This report was prepared in consultation with the City of Toronto's Corporate Finance Division and the City Solicitor.

Public notice has been given in a manner prescribed in the Toronto Municipal Code Chapter 162, Notice, Public.

CONTACT

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SIGNATURE

Lance Cumberbatch
Acting Executive Director
Municipal Licensing and Standards

ATTACHMENTS

- 1) Appendix "A" - Taxicab Fare Calculation Utilizing Gasoline Price of \$1.20 per Litre
- 2) Appendix "B" - Taxicab Fare Calculation Utilizing Gasoline Price of \$1.50 per Litre

Appendix “A” – Taxicab Fare Calculation Formula Utilizing Gasoline Price of \$1.20 per Litre

Taxicab Fare Calculation Table with Gas Price of \$1.20 Per Litre

| Toronto Formula | | | | | | Mississauga Formula | | | | | | Ottawa Formula | | | |
|--------------------------------|------------------------------|----------------------|-------------|--------------------------------------|-------------|---------------------|--------|--------|--------|--------|--|--|--------|---------------------------------|---|
| Componennts | Index percentage change 2008 | 1982 formula weights | Rate change | 1982 formula Weight no personal time | Rate change | Components | 2001 | | 2003 | | Toronto rate change acc to Miss 03 weights | Components | Weight | Toronto percentage change 05-06 | Toronto rate change acc to Ottawa weights |
| | | | | | | | \$ | Weight | \$ | Weight | | | | | |
| Fuel | 46.34% | 9.3% | 4.31% | 26.6% | 12.35% | Fuel | 6,345 | 17.3% | 6,111 | 15.6% | 12.18% | Fuel | 17.1% | 46.34% | 7.92% |
| | | | | | | | 3,762 | 10.3% | 4,185 | 10.7% | | | | | |
| | | | | | | | | 27.6% | | 26.3% | | | | | |
| <i>OHIP</i> | | 1.3% | | 3.7% | | | | | | | | | | | |
| Automobile Cost | -1.80% | 2.5% | -0.05% | 7.2% | -0.13% | | | | | | | | | | |
| Taxicab Equip | 1.60% | 0.5% | 0.01% | 1.4% | 0.02% | | | | | | | | | | |
| Leasing | -0.10% | 1.3% | 0.00% | 3.7% | 0.00% | Lease | 7,752 | 21.1% | 8,640 | 22.1% | -0.02% | | | | |
| Insurance | -1.27% | 2.8% | -0.04% | 8.0% | -0.10% | Insurance | 2,850 | 7.8% | 3,516 | 9.0% | -0.11% | Insurance | 7.5% | -1.27% | -0.10% |
| Maintenance | 1.60% | 1.7% | 0.03% | 4.9% | 0.08% | | | | | | | Maintenance | 4.5% | 1.60% | 0.07% |
| Accident Repairs | 1.60% | 0.6% | 0.01% | 1.7% | 0.03% | | | | | | | | | | |
| <i>Cab License Plate Lease</i> | | 6.9% | | 19.8% | | | | | | | | | | | |
| Overhead Expense | 1.60% | 5.8% | 0.09% | 16.6% | 0.27% | | | | | | | | | | |
| Brokerage Membership | 1.60% | 2.2% | 0.04% | 6.3% | 0.10% | Brokerage Dues | 5,395 | 14.7% | 5,286 | 13.5% | 0.22% | | | | |
| <i>Subtotal</i> | | 34.9% | | | | | | | | | | | | | |
| Personal time | 2.33% | 65.1% | 1.52% | | | Depreciation Cost | 10,573 | 28.8% | 11,421 | 29.2% | -0.03% | Amortized Cost | 7.7% | -0.10% | -0.01% |
| | | | | | | | | | | | | Earnings | 52.0% | 2.33% | 1.21% |
| | | | | | | | | | | | | Stand rent, license, union dues, other | 11.3% | 1.60% | 0.18% |
| | | 100.0% | 5.92% | 100.0% | 12.61% | | 36,677 | 100.0% | 39,159 | 100.0% | 12.24% | | 100.0% | | 9.29% |

N.B.

Toronto all items 1.6% used for the components for which no separate data exist

Average rate change

11.38%

Leasing, Depreciation Cost, & Amortized cost - Statistics Canada: CPI Highlights

Fuel - Stats Canada Toronto Gas Price - average annual

Insurance - Statistics Canada: CPI Highlights, Transportation - Automotive vehicles insurance premiums

Maintenance - Statistics Canada: CPI Highlights, Automotive vehicle parts, maintenance and repairs

Personal Time - Toronto CMA 2006 Industry Profiles

| | Price of Jan 08 report | Gas price of \$1.20 | Gas price of \$1.50 |
|--------------------------------------|------------------------|---------------------|---------------------|
| Gas Price increase from Jan08 report | 82 | 46.34% | 82.93% |

Appendix “B” – Taxicab Fare Calculation Formula Utilizing Gasoline Price of \$1.50 per Litre

Taxicab Fare Calculation Table with Gas Price of \$1.50 Per Litre

| Toronto Formula | | | | | | Mississauga Formula | | | | | | Ottawa Formula | | | |
|--------------------------------|------------------------------|----------------------|-------------|--------------------------------------|-------------|---------------------|--------|--------|--------|--------|--|--|--------|---------------------------------|---|
| Componennts | Index percentage change 2008 | 1982 formula weights | Rate change | 1982 formula Weight no personal time | Rate change | Components | 2001 | | 2003 | | Toronto rate change acc to Miss 03 weights | Components | Weight | Toronto percentage change 05-06 | Toronto rate change acc to Ottawa weights |
| | | | | | | | \$ | Weight | \$ | Weight | | | | | |
| Fuel | 82.93% | 9.3% | 7.71% | 26.6% | 22.10% | Fuel | 6,345 | 17.3% | 6,111 | 15.6% | 21.80% | Fuel | 17.1% | 82.93% | 14.18% |
| | | | | | | | 3,762 | 10.3% | 4,185 | 10.7% | | | | | |
| | | | | | | | | 27.6% | | 26.3% | | | | | |
| <i>OHIP</i> | | 1.3% | | 3.7% | | | | | | | | | | | |
| Automobile Cost | -1.80% | 2.5% | -0.05% | 7.2% | -0.13% | | | | | | | | | | |
| Taxicab Equip | 1.60% | 0.5% | 0.01% | 1.4% | 0.02% | | | | | | | | | | |
| Leasing | -0.10% | 1.3% | 0.00% | 3.7% | 0.00% | Lease | 7,752 | 21.1% | 8,640 | 22.1% | -0.02% | | | | |
| Insurance | -1.27% | 2.8% | -0.04% | 8.0% | -0.10% | Insurance | 2,850 | 7.8% | 3,516 | 9.0% | -0.11% | Insurance | 7.5% | -1.27% | -0.10% |
| Maintenance | 1.60% | 1.7% | 0.03% | 4.9% | 0.08% | | | | | | | Maintenance | 4.5% | 1.60% | 0.07% |
| Accident Repairs | 1.60% | 0.6% | 0.01% | 1.7% | 0.03% | | | | | | | | | | |
| <i>Cab License Plate Lease</i> | | 6.9% | | 19.8% | | | | | | | | | | | |
| Overhead Expense | 1.60% | 5.8% | 0.09% | 16.6% | 0.27% | | | | | | | | | | |
| Brokerage Membership | 1.60% | 2.2% | 0.04% | 6.3% | 0.10% | Brokerage Dues | 5,395 | 14.7% | 5,286 | 13.5% | 0.22% | | | | |
| <i>Subtotal</i> | | 34.9% | | | | | | | | | | | | | |
| Personal time | 2.33% | 65.1% | 1.52% | | | Depreciation Cost | 10,573 | 28.8% | 11,421 | 29.2% | -0.03% | Amortized Cost | 7.7% | -0.10% | -0.01% |
| | | | | | | | | | | | | Earnings | 52.0% | 2.33% | 1.21% |
| | | | | | | | | | | | | Stand rent, license, union dues, other | 11.3% | 1.60% | 0.18% |
| | | 100.0% | 9.32% | 100.0% | 22.36% | | 36,677 | 100.0% | 39,159 | 100.0% | 21.85% | | 100.0% | | 15.54% |

N.B.

Toronto all items 1.6% used for the components for which no separate data exist

Average rate change

19.92%

Leasing, Depreciation Cost, & Amortized cost - Statistics Canada: CPI Highlights

Fuel - Stats Canada Toronto Gas Price - average annual
 Insurance - Statistics Canada: CPI Highlights, Transportation - Automotive vehicles insurance premiums
 Maintenance - Statistics Canada: CPI Highlights, Automotive vehicle parts, maintenance and repairs
 Personal Time - Toronto CMA 2006 Industry Profiles

| | Price of Jan 08 report | Gas price of \$1.20 | Gas price of \$1.50 |
|--------------------------------------|------------------------|---------------------|---------------------|
| Gas Price increase from Jan08 report | 82 | 46.34% | 82.93% |