



## STAFF REPORT ACTION REQUIRED

### 2011 Review of Taxicab Fares

<b>Date:</b>	April 13, 2011
<b>To:</b>	Licensing and Standards Committee
<b>From:</b>	Executive Director, Municipal Licensing and Standards
<b>Wards:</b>	All
<b>Reference Number:</b>	P:\2011\Cluster B\MLS\Ls11006

#### **SUMMARY**

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The purpose of this report is to present the results of the annual review of taxicab fares, utilizing the most recent Statistics Canada Consumer Price Index for the Province of Ontario and applying it to the taxi cab fare calculation formulas for Toronto. Changes in fuel costs and in the cost of insurance to the Toronto taxicab industry have been given consideration in this report.

The taxicab fare calculation formulas used by the City of Toronto, for the period since the last fare change in June, 2008 to date, suggests the cost of operating a taxicab in the City of Toronto has changed by an average of 0.18%, as shown in Appendix "A" to this report. Despite the recent spike in fuel prices, staff believe that this is likely not a long-term trend. For this reason staff are not recommending a change in fares at this time.

The City Solicitor and the Chief Financial Officer were consulted in the preparation of this report.

#### **RECOMMENDATIONS**

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

1. No adjustment be made to taxicab fares for Toronto licensed taxicabs in 2011.

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

## **Financial Impact**

The recommendations will have no financial impact beyond what has already been approved in the current year's budget.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

## **DECISION HISTORY**

At its meeting on October 26, 27, and 28, 2005, Toronto City Council adopted the recommendations in a report from the Planning and Transportation Committee dated September 20, 2005, regarding taxicab fares. This report recommended that taxicab fares be reviewed by City staff in the third quarter of each successive year utilizing the most recent Statistics Canada Consumer Price Index for the Province of Ontario with special attention being paid to the current cost of fuel at the time of the review. This report can be viewed at:

<http://www.toronto.ca/legdocs/2005/agendas/committees/plt/plt051006/it006.pdf>

On July 1, 2006, the Federal government reduced the G.S.T. from 7% to 6%. On January 1, 2008, the Federal government again reduced the G.S.T. from 6% to 5%. With each of these changes in GST, Council authorized that the fare be maintained, with the effect that the revenues to the taxicab industry increased by approximately 1% with each 1% reduction in G.S.T. The 2006 motion and 2008 report to City Council can be viewed respectively at:

[http://www.toronto.ca/legdocs/2006/agendas/council/cc060627/nomj\(35\).pdf](http://www.toronto.ca/legdocs/2006/agendas/council/cc060627/nomj(35).pdf)

<http://www.toronto.ca/legdocs/mmis/2008/ls/bgrd/backgroundfile-9793.pdf>

At its meeting on June 23 and 24, 2008, City Council adopted, without amendment, the recommendations in a report from the Executive Director, Municipal Licensing and Standards dated June 16, 2008, regarding a taxicab fare increase. That report resulted in an increase in taxicab fares of approximately 14% for Toronto licensed taxicabs as of mid 2008. This increase was largely driven by the extraordinary escalation in fuel prices at that time. This report can be viewed at:

<http://www.toronto.ca/legdocs/mmis/2008/cc/bgrd/ls14.3a.pdf>

At its meeting on September 30, 2009, City Council adopted, without amendment, the recommendations in a report from the Executive Director, Municipal Licensing and Standards dated September 1, 2009. The report recommended no changes in fares despite a decrease in fuel prices of \$0.25 per litre over the previous 12 months, which resulted in an overall decrease of 5.9% in the cost of operating a taxicab. This report can be viewed at:

<http://www.toronto.ca/legdocs/mmis/2009/ls/bgrd/backgroundfile-23256.pdf>

Finally, at its meeting on February 22, 2010, City Council adopted recommendations, as amended, in a report from the Executive Director, Municipal Licensing and Standards dated February 19, 2010. The report recommended that fares be adjusted to reflect the introduction of the Harmonised Sales Tax (HST), effective July 1, 2010. This report can be viewed at:

<http://www.toronto.ca/legdocs/mmis/2010/cc/bgrd/backgroundfile-27501.pdf>

## **ISSUE BACKGROUND**

Since 2005, the calculation and setting of fares for Toronto taxicabs has been annually reviewed in order to keep taxicab fares in line with the overall costs to the taxicab industry. There was also an adjustment made on July 1, 2010 to take into account the introduction of the HST. However, due to the Fall break for the municipal election, no report came before City Council to review the other cost drivers in the industry.

## **COMMENTS**

### **Current Fuel Prices**

One of the major operating costs of a taxicab is fuel. The cost of fuel has increased by approximately \$0.25 per litre over the last twelve months. As at the end of March 2011, this brought the price of regular gasoline to approximately the same level that was prevalent in August 2008 (Natural Resources Canada's Fuel Focus website at [www.fuelfocus.nrcan.gc.ca](http://www.fuelfocus.nrcan.gc.ca)). This increase in fuel prices has a direct impact on the daily expenses for taxicab operators. Although prices have continued to rise, staff do not expect them to be above \$1.25 in the long run. Given that the last fare increase of June, 2008 was based on a gas prices between \$1.20 and \$1.50, the current taxicab fare model has been based on a 0% change in prices.

### **Calculation of Taxicab Fares**

The Corporate Finance Division of the City of Toronto performed a calculation to determine if an adjustment for taxicab fares in Toronto, is required at this time, using the latest data from the Statistics Canada Consumer Price Index of February 2011 and the taxicab fare determination formulas for Toronto, Mississauga and Ottawa, as indicated in Appendix "A" to this report.

With fuel prices at \$1.20 (as at February 2011), the taxicab fare model indicates a change in taxicab fares of 0.40% according to the Ottawa formula; -1.52% utilizing the Mississauga formula; and a change in taxicab fares of +1.66% according to the Toronto formula; representing an average increase of 0.18%.

Even at fuel price levels of \$1.25 and \$1.30, there will be close to a 0% fare impact on trips of 15 kilometres or less. Taxicab fares for a 25 kilometre trip would be subject to an average rise of 2.12%, according to the model, using current rates.

## Taxicab Fares in Toronto, Ottawa and Mississauga

Table 1, below, shows a comparison of the current taxicab fares in Toronto, Ottawa and Mississauga, including the month and year of the last adjustment of taxicab fares. The initial drop fee is the fee shown on the meter at the start of the trip. Waiting fees are not included in the table.

Table 1  
Current Taxicab Fare Comparison

City	Last Fare Adjustment	Initial Drop Fee	Kilometre Charge
Toronto	July 2010	\$ 4.25	\$ 0.25 per .143 km
Ottawa	July 2010	\$ 3.45	\$ 0.16 per .086 km
Mississauga	December 2010	\$ 4.25	\$ 0.25 per .140 km

The City of Mississauga last increased taxicab fares in December, 2010. Mississauga's current taxicab fare is as indicated in Table 1, above. Mississauga did not increase its initial drop fee, but did increase its kilometre fee by 10.7%. The City of Ottawa last increased taxicab fares in July, 2010. Ottawa's current taxicab fare is as indicated in Table 1, above. The initial drop fee for Ottawa's taxicab fares increased by \$0.15 to \$3.45. It also increased its kilometre fee by 8.1%. Ottawa reviews taxicab fares, in a particular calendar year, upon request from their licensees if the request is received no later than June 1st of that year.

### Current Taxicab Insurance Rates

Statistics Canada Consumer Price Index which is used in the taxicab fare calculation formula for Toronto indicates an increase in vehicle insurance rates by 5.8% since January, 2008. However, the Toronto Taxicab Industry claims that insurance for their industry has increased by as much as 24.0%, on average, over the same time period. Currently there is only one insurance company underwriting taxicab insurance policies for Toronto licensed taxicabs, but it is anticipated that two other insurance companies will be entering the market shortly.

It has been reported that an individual owner/operator such as a Standard Taxicab owner operating his own taxicab, an Ambassador Taxicab owner or a single taxicab driver leasing a Standard Taxicab plate are currently paying approximately \$4,000.00 annually for insurance. It was also reported that Accessible Taxicab owners are being charged approximately \$7,000.00 annually for insurance.

In order to address the Taxicab insurance data, Corporate Finance did a comparative taxicab fare calculation utilizing a 24.0% increase in taxicab insurance, which indicated an average increase of 1.66% based on the same fare calculation formulas of Toronto, Mississauga and Ottawa. Even with an increase in insurance rates of 24.0% and fuel prices at \$1.30, the modelled rates would only be 3.61% higher (i.e., a \$10.00 ride would now be \$10.36).

The review of taxicab fares indicates a small decrease in fares may be warranted, but given the volatility of gasoline prices, the increase in the cost of insurance to the taxicab industry and the recent cost to the industry of recalibrating the taximeters, this report recommends no change in taxicab fares at this time for Toronto licensed taxicabs.

## **CONTACT**

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## **SIGNATURE**

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Jim Hart  
Executive Director  
Municipal Licensing and Standards

## **ATTACHMENTS**

Appendix "A" – Taxicab Fare Calculation

## Appendix A

### Taxicab Fare Calculation Table

Components	Index percentage change Jan '08 - Feb '11	Toronto Formula				Mississauga Formula			Ottawa Formula		
		1982 formula weights	Rate change	1982 formula Weight no personal time	Rate change	Components	Weight	Toronto rate change acc to Miss weights	Components	Weight	Toronto rate change acc to Ottawa weights
Fuel	0.00%	9.3%	0.00%	26.6%	0.00%	Fuel	15.6% 10.7% 26.3%	0.00%	Fuel	17.1%	0.00%
<i>OHIP</i>		1.3%		3.7%							
Automobile Cost	-5.70%	2.5%	-0.14%	7.2%	-0.41%						
Taxicab Equip	6.50%	0.5%	0.03%	1.4%	0.09%						
Leasing	-5.70%	1.3%	-0.07%	3.7%	-0.21%	Lease	22.1%	-1.26%			
Insurance	5.80%	2.8%	0.16%	8.0%	0.47%	Insurance	9.0%	0.52%	Insurance	7.5%	0.44%
Maintenance	3.50%	1.7%	0.06%	4.9%	0.17%				Maintenance	4.5%	0.16%
Accident Repairs	3.50%	0.6%	0.02%	1.7%	0.06%						
<i>Cab License Plate Lease</i>		6.9%		19.8%							
Overhead Expense	6.50%	5.8%	0.38%	16.6%	1.08%						
Brokerage Membership	6.50%	2.2%	0.14%	6.3%	0.41%	Brokerage Dues	13.5%	0.88%			
<i>Subtotal</i>		34.9%									
Personal time	-0.95%	65.1%	-0.62%			Depreciation Cost	29.2%	-1.66%	Amortized Cost	7.7%	-0.44%
									Earnings	52.0%	-0.49%
									Stand rent, license, union dues, other	11.3%	0.73%
		100.0%	-0.04%	100.0%	1.66%		100.0%	-1.52%		100.0%	0.40%

**N.B.**

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

Average rate change      **0.18%**

Leasing & Automobile Cost - Statistics Canada: CPI Major Components, Canada, Transportation

Fuel - Stats Canada Toronto Gas Price

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

Maintenance - Statistics Canada: CPI Major Components, Canada, Transportation, Automotive vehicle parts, maintenance and repairs

Personal Time - Statistics Canada, Earnings, average hourly, by industry, Transportation and warehousing/Transit and passenger transportation