

Vehicles-for-Hire and COVID-19 related Financial Hardship

Date: November 16, 2020

To: General Government and Licensing Committee

From: Executive Director, Municipal Licensing and Standards

Wards: All

SUMMARY

At its meeting on October 27, 2020, City Council adopted *MM25.1 - Supporting Taxi Operators from COVID-related Financial Hardship*, which directed the City Manager, in consultation with the Executive Director, Municipal Licensing and Standards and the Chief Financial Officer and Treasurer, to undertake a broad review of relief measures for the taxicab industry and report to the November 30, 2020 meeting of the General Government and Licensing Committee, with any financial impacts to the City addressed through the 2021 budget process. Council directed that this review include the feasibility and impact of:

- a 12-month moratorium on enforcement of the age of vehicle provision for taxicabs and limousines, or an extension to the maximum age of vehicle provision for vehicles used as taxicab and sedan limousines by one year;
- a reduction to the Vehicle-for-Hire Accessibility Fund Program's regulatory charges;
- a 12-month moratorium on licensing renewal fees for taxicabs; and/or a significant reduction or elimination of taxicab licensing renewal fees for 2021.

As with many licensed businesses, the vehicle-for-hire industry has suffered financially due to the COVID-19 pandemic. The closure of non-essential business, such as bars and restaurants, cancellation of large events such as concerts and sporting events, and a substantial increase in people working from home has contributed to lower consumer demand for vehicles-for-hire. While the taxicab industry does not currently provide trip data to the City, the TTC Wheel-Trans has indicated that their taxicab contract has been operating at 35-40 percent of normal capacity (November 2020). Private transportation company (PTC) trips continue to be down by approximately 65 percent (when comparing March to July 2020 to the same time period last year); however, at their lowest level in April 2020, they were down approximately 80 percent.

This report recommends that any changes adopted by City Council should be consistent for the entire vehicle-for-hire industry (taxicabs, limousines, and private transportation

companies such as Facedrive, Lyft and Uber). This is considered an equitable approach, and is intended to mitigate the risk of possible legal court challenges.

MLS reviewed the proposal to place a 12-month moratorium on the enforcement of the vehicle age provision for taxicabs and limousines and determined that this would only support 2013 model year owners. Further, this proposal is considered inequitable, as it would only apply to taxicabs and limousines, and not Private Transportation Company vehicles (such as Facedrive, Lyft and Uber) who have also reported lower ridership during the pandemic, posing the risk of possible legal court challenges.

To support the vehicle-for-hire industry, it is instead recommended that the maximum age of all vehicles licensed under the Vehicle-for-Hire By-law be extended by one year. The proposed change would extend the maximum age of taxicab, sedan limousine and PTC vehicles from seven model years to eight model years, for vehicles of the 2013 model year and onward, and the maximum age of stretch limousine vehicles from eight model years to nine model years, for vehicles of the 2012 model year and onward. This change recognizes that all members of the vehicle-for-hire industry have been affected by the COVID-19 pandemic. It would also be a longer-term support, as it is unknown when the pandemic will end and how long it may take the vehicle-for-hire industry to recover.

Staff have determined that this recommendation is feasible given that industry members have reported a decrease in ridership during the pandemic, and since the age of a vehicle is not necessarily linked to its state of repair. Members of the vehicle-for-hire industry expressed support for this proposal as a way to provide relief during the COVID-19 pandemic, in response to a survey conducted by MLS. Taxicab brokerages, limousine service companies or private transportation companies would still be able to implement more restrictive vehicle age requirements, as a business decision.

With respect to regulatory charges for the Vehicle-for-Hire Accessibility Fund Program, MLS worked with the Policy, Planning, Finance and Administration Division to determine that a 75 percent reduction in the monies to be collected from non-accessible vehicle-for-hire members in 2021 is feasible. This temporary reduction would allow the City to maintain the intention of the fund (that is, to offset the higher cost of providing wheelchair accessible vehicle-for-hire service for accessible vehicle-for-hire members), while providing immediate financial relief to the non-accessible vehicle-for-hire industry for one year. Financial impacts could be accommodated through the existing budget due to the City's initial self-funding of the Accessibility Fund Program in 2019 and regulatory charges collected thus far.

Staff also reviewed the proposal for a 12-month collection moratorium on business licensing fees and the proposal to significantly reduce business licensing fees. As mandated under the *City of Toronto Act, 2006*, business licensing fees are established based on cost-recovery. Therefore, any changes would result in negative budget pressures, and would need to be offset through other revenue sources, or through expenditure control measures during the budget process. To reduce the business licensing fees of one category, and not others is also likely to be seen as unfair by other licensed categories and may lead to requests for the same treatment. MLS licenses and permits 99 different businesses. If reductions in one class of business licence are made,

the City should consider reductions in to other licence classes, resulting in further negative budget pressures on the City's budget. In addition, reducing the business licensing fees for one licensing category, but not others, may also lead to legal challenges.

A broader report on the vehicle-for-hire industry, including responses to outstanding directives, is expected later in 2021.

This report was prepared in consultation with Legal Services, Policy, Planning, Finance and Administration, the Office of the Chief Financial Officer and Treasurer and the City Manager's Office.

RECOMMENDATIONS

The Executive Director, Municipal Licensing and Standards recommends that:

1. City Council amend Toronto Municipal Code, Chapter 546, Licensing of Vehicles-for-Hire to extend the maximum age of vehicles used as a taxicab, sedan limousine or private transportation company vehicle from seven model years to eight model years, for vehicles of the 2013 model year and onward, and the maximum age of vehicles used as a stretch limousine from eight model years to nine model years, for vehicles of the 2012 model year and onward.
2. City Council direct that changes to the City of Toronto Municipal Code Chapter 546, Licensing of Vehicles-for-Hire come into force on January 1, 2021.

FINANCIAL IMPACT

There are no current or known future year financial impacts arising from the recommendations contained in this report. The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial implications as identified in the Financial Impact section.

This report responds to City Council direction to explore the feasibility of amending Toronto Municipal Code Chapter 441, Fees and Charges, to temporarily reduce the regulatory charges for the Vehicle-for-Hire Accessibility Fund Program (AFP) by 75 percent for the year 2021 and reinstate the fees to their 2020 levels in 2022. Staff have reviewed this proposal and determined that this temporary reduction of the AFP regulatory charges is feasible.

If Council proceeds with this approach, AFP disbursements in 2021 and 2022 will be paid for from the Vehicle-for-Hire Reserve Fund (funded from the City's initial in-year budget adjustment as outlined in *GL6.31 - Review of the City of Toronto Municipal Code Chapter 546, Licensing of Vehicles-for-Hire*), and regulatory charges collected thus far. Therefore, financial impacts would be accommodated through the 2020 approved budget. Staff advise that AFP regulatory charges would need to resume in 2022 to their

2020 levels to ensure the City is able to meet its future obligation of the AFP (i.e. disbursements in 2023). See Attachment 1.

As outlined in *EX 17.1 - Towards Recovery and Building a Renewed Toronto*, adopted by City Council October 27, 2020, the COVID-19 emergency has created financial pressures for the City that were unimaginable in previous years. The City is grappling with a significant revenue loss: \$916.3 million as of August 30, 2020. The City estimates the year-end financial impact will be \$1.885 billion.

A 12-month collection moratorium and/or a reduction in vehicle-for-hire licensing fees would result in negative budget pressures. For example, a 12-month moratorium on vehicle-for-hire licensing renewal fees would result in a \$10.8 million negative financial budget pressure. A reduction in vehicle-for-hire licensing renewal fees by 25, 50 or 75 percent would result in a negative budget pressure of \$2.7, \$5.4 or \$8.1 million, respectively. Reductions in one class of business licence are likely to lead to similar requests from other licence classes, resulting in further negative budget pressures on the city's budget.

EQUITY STATEMENT

As part of the Vehicle-for-Hire Economic Impact Study conducted in 2019, a driver survey was completed to understand the ridership and revenue figures in the vehicle-for-hire industries and to learn of driver demographics. While the survey relied on self-reports, the results of the survey indicated that majority of PTC drivers and vehicle-for-hire drivers (taxicab and limousine) identified as racialized and cited lower than average household incomes (\$20,000 to \$59,999).

It is well documented that the economic pressures of the COVID-19 pandemic disproportionately affect vulnerable communities, particularly Indigenous and equity-seeking communities.

This report recommends supports, where appropriate, to alleviate some financial pressure felt by the industry. By extending the maximum age of vehicle by one year, drivers who purchase vehicles will have additional time to save for a large financial purchase.

DECISION HISTORY

On October, 27, 2020, City Council adopted, with amendments, [MM25.1: Supporting Taxi Operators from COVID-related Financial Hardship](http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.MM25.1) (<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.MM25.1>), which highlighted that economic hardships experienced by the taxicab industry have been exacerbated by the COVID-19 pandemic. City Council directed staff to report to the November 30, 2020 meeting of the General Government and Licensing Committee on the feasibility of possible relief measures to assist the taxicab industry, including options related to licensing fees, the Accessibility Fund Program regulatory charges, and the maximum vehicle age.

On October 27, 2020, City Council adopted, with amendments, [EX 17.1 - Towards Recovery and Building a Renewed Toronto](http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.EX17.1) (<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.EX17.1>), providing information on the response to COVID-19 by the City including, and outlining a roadmap towards recovery and rebuild. The report also describes significant financial pressures created by COVID-19 emergency; this included significant revenue loss for the City (\$916.3 million as of August 30, 2020) and an estimated the year-end financial impact will of \$1.885 billion.

On July 16, 2019, City Council adopted, with amendments, [GL6.31: Review of the City of Toronto Municipal Code Chapter 546, Licensing of Vehicles-for-Hire](http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.GL6.31) (<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.GL6.31>), resulting in By-law updates related to public safety, data collection, vehicle requirements, licensing, and enforcement, and the establishment of the Accessibility Fund Program and Vehicle-for-Hire Reserve Fund. The review addressed a number of outstanding directives including how to proceed with an accessibility strategy, the results of a transportation impact study and an economic impact study and recommendations for addressing issues such as mandatory equipment, training and a reduction on taxicab licensing renewal fees. Council directed staff to report back by the third quarter of 2020 on safety data, effects of vehicles-for-hire on congestion and emissions, and the implementation of the Accessibility Fund Program.

On May 3, 2016, City Council adopted, with amendments, [LS10.3 A New Vehicle-for-Hire Bylaw to Regulate Toronto's Ground Transportation Industry](http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.LS10.3) (<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.LS10.3>), resulting in a series of changes to the vehicle-for-hire industry, including permitting private transportation companies to operate under a licensing regime. City Council directed staff to report back on a number of items, including rates/fares, congestion management, the City's accessibility strategy, implementation updates and outcomes of the by-law.

On February 19, 2014, City Council adopted, with amendments, [LS26.1: The Taxicab Industry Review - Final Report](http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.LS26.1) (<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.LS26.1>) which directed staff to report back on a number of items related to accessible taxicab availability, cabstands, hail spots, and insurance.

COMMENTS

Background

The Vehicle-for-Hire By-law came into effect in July 2016 to establish a set of rules and regulations for taxicabs, limousines, and private transportation companies such as Facedrive, Lyft and Uber. The By-law reset and modernized the City of Toronto's approach to regulating for-hire drivers and vehicles. It responded to the public's request for choice in regulated transportation options and provided an opportunity for the City to shift from prescriptive regulation to a risk-based licensing approach. The transition was rooted in the City's regulatory purpose of ensuring public safety and consumer protection and created the opportunity for competition.

As directed by City Council, staff completed a comprehensive review of the Vehicle-for-Hire By-law between 2018 and 2019. In July 2019, City Council adopted a number of amendments to the By-law, including the creation of an Accessibility Fund Program, additional data requirements, mandatory training for all drivers, and an increase in the years of driving experience for all drivers from one to three years.

The COVID-19 pandemic has had significant health, social and economic effects on Toronto residents and businesses. While some businesses were forced to close (due to provincial emergency orders to close non-essential businesses), other businesses, such as the vehicle-for-hire industry, continue to experience reduced consumer demand.

Engagement with the Industry

To better understand the effects of COVID-19 on the vehicle-for-hire industry, staff conducted an online survey that was publicly available from August 14 to September 2, 2020. The survey solicited feedback on how the hours of work and number of trips in the industry have been affected during the pandemic, and whether respondents supported extending the maximum age of vehicles by one year.

The survey was advertised through the City's Vehicle-for-Hire e-mail listserv, the Vehicle-for-Hire website, the City's social media accounts, and through targeted stakeholder e-mails to taxicab brokerages, limousine service companies and private transportation companies. In total, 301 individuals responded to the survey with 251 completing the survey in full. Over half of respondents identified as a driver or owner in the vehicle-for-hire industry, while the remaining identified as a taxicab operator or brokerage, limousine service company, PTC, or member of the general public. Survey findings are detailed below.

Proposed Vehicle Age Extension:

Approximately 84% of respondents agreed/strongly agreed that the maximum age of vehicles should be extended by one year. When asked why they support a vehicle age extension, respondents stated that vehicles are not being used at their full capacity; they are concerned they will not be financially able to purchase a new car in 2021 or 2022; that the change will not adversely affect passenger safety (as vehicle age is not tied to the maintenance/safety of the vehicle); and vehicle age is already higher in other jurisdictions.

Approximately 15% of respondents disagreed/strongly disagreed with extending the maximum age of vehicles by one year. Respondents stated that they support a vehicle age extension by greater than one year; or that a vehicle age extension will delay the transition to low emission vehicles; and/or they believe vehicles are already in poor condition and should be replaced.

Hours and Trips per Week (2019 vs. 2020):

Survey respondents who identified as drivers were asked how their hours of work and number of trips differed between 2019 and 2020 (between March and July). Results showed that vehicle-for-hire drivers (taxicab and limousine industry) worked 45 percent fewer hours in 2020 (March to July) compared to 2019, while PTC drivers worked 40 percent fewer hours. The survey also showed that vehicle-for-hire and PTC drivers

completed 40 and 35 percent fewer trips in 2020 (March to July) compared to 2019, respectively. Note, these results are self-reported and cannot be validated by MLS.

Additional Feedback:

As a final survey question, respondents were asked to provide any additional feedback related to the licensing and enforcement of the vehicle-for-hire industry. Staff also received feedback from a number of stakeholders in the City's Vehicle-for-Hire dedicated e-mail account. Below are examples of what was heard in the survey and from stakeholder e-mails:

- Other industry supports should be explored, such as reducing licensing fees;
- The hours of work and number of trips will continue to decrease if the pandemic continues and tourism remains low or businesses are forced to close again; and
- Vehicles need to transition to electric or low-emission to support the City's climate change goals.

Response to Directives in MM25.1

As outlined above, feedback heard during the City's engagement process has largely focused on the continued financial effects of the COVID-19 pandemic on the vehicle-for-hire industry. However, in *MM25.1 - Supporting Taxi Operators from COVID-related Financial Hardship*, the directives are specific to the taxicab industry only. Below, staff respond to the directives of the member motion and recommend that any changes be introduced for the entire vehicle-for-hire industry (taxicabs, limousines and private transportation companies). This recognizes that the vehicle-for-hire industry as a whole, along with many other licensed businesses, have suffered financially due to the COVID-19 pandemic. Therefore, to consider relief measures for some parts of the industry and not others would be unfair. It may also mitigate the risk of court challenges based on perceived inequities in providing support for one business licensing category, but not others in the same general industry.

1. Maximum Age of Vehicles

Current Regulations:

Under the Vehicle-for-Hire Bylaw, all vehicles licensed as a taxicab, sedan limousine or PTC vehicle must be seven model years old or less, while stretch limousines may be up to eight model years old. Therefore, any vehicle used as a taxicab, sedan limousine, or PTC vehicle must be replaced by December 31 of its seventh model year or if it's a stretch limousine, be replaced by December 31 of its eighth model year. To provide greater flexibility for the industry, MLS has operationalized a grace period until March 31 of the year following. For example, all 2012 model year vehicles for taxicabs, sedan limousines and PTCs should have been replaced by December 31, 2019 or at the latest, by March 31, 2020.

Recommendation:

It is recommended that the maximum age of all vehicles licensed under the Vehicle-for-Hire By-law be extended by one year. The proposed change would extend the maximum age of taxicab, sedan limousine and PTC vehicles from seven model years to eight model years, for vehicles of the 2013 model year and onward, and the maximum

age of stretch limousine vehicles from eight model years to nine model years, for vehicles of the 2012 model year and onward. The recommendation recognizes that the vehicle-for-hire industry as a whole, has suffered financially due to the COVID-19 pandemic. For the change to be effective, it must be in effect by January 1, 2021.

It is recommended that the vehicle age extension only applies to vehicles of the 2013 model year and onward for taxicabs, sedan limousines and PTCs, and vehicles of the 2012 model year and onward for stretch limousines. This ensures that the City does not indirectly benefit individuals who have not complied with the requirements of the By-law, as these vehicles should have been replaced by March 31, 2020, essentially prior to a decrease in ridership as a result of COVID-19.

Extending the maximum age of vehicles is strongly supported by members of the vehicle-for-hire industry as a way to provide relief during the COVID-19 pandemic. When MLS sought public input on a one year maximum vehicle age extension, approximately 84 percent of survey respondents agreed or strongly agreed with the proposal. Almost 5,900 drivers and owners (of all vehicle-for-hire licensing categories) will immediately benefit, as their vehicles will reach the current maximum vehicle age by the end of 2020. However, while a one year enforcement moratorium would only benefit those with 2013 vehicles, extending the maximum age of all vehicles would provide benefits across the vehicle-for-hire industry. This is important as the entire vehicle-for-hire industry has been affected by reduced hours of work and number of trips.

This recommendation also aligns Toronto's vehicle age requirement with other North American cities. In July 2020, staff completed a jurisdictional scan of age requirements for taxicab and PTC vehicles in 24 Canadian and American cities. The jurisdictions were chosen for their size and comparability to Toronto. Staff found that most jurisdictions have less restrictive vehicle age regulations than Toronto. Of the jurisdictions reviewed, 19 of 24 permit taxicabs to be 8 years of age or older, and 18 of 21 permit PTC vehicles to be 8 years or older. Additionally, other municipalities have extended the maximum age of vehicles to support recovery efforts in the vehicle-for-hire industry, including Kansas City, Missouri and Brampton, Ontario.

The age of a vehicle is not necessarily linked to its state of repair, as confirmed by consultations with experts in vehicle safety and manufacturing. Licensed vehicles-for-hire will continue to be held to safety standards through regular mechanical inspections as mandated in the Vehicle-for-Hire By-law. It should also be noted that this change would not prohibit taxicab brokerages, limousine service companies or private transportation companies from introducing more restrictive vehicle age requirements, as a business decision.

Currently, the average model year for a PTC and sedan limousine vehicle is 2017, while the average model year for a taxicab is 2015. While the higher average vehicle model year supports the City's low-emission goals (as vehicle emissions and fuel efficiency continue to improve significantly as the automotive industry advances), an extension to the maximum vehicle age would also support the City's environmental goals, as it ensures that vehicles (that are still safe for passenger transportation) are not prematurely disposed of.

Moratorium on the Enforcement of Vehicle Age Provisions

It is not recommended that the City impose a one year moratorium on the enforcement of maximum vehicle age provisions. Such a policy would only offer support to a small subset of the vehicle-for-hire industry (i.e. those with 2013 model year vehicles for taxicabs, sedan limousines and PTCs); however, the entire vehicle-for-hire industry has felt the financial effects of the COVID-19 pandemic. Additionally, it is unknown how long the pandemic will last, or for how long the vehicle-for-hire industry will feel its effects. Therefore, a time-limited response, such as a moratorium, is not recommended.

2. Accessibility Fund Regulatory Charges

Current Regulations:

The Vehicle-for-Hire Accessibility Fund Program (AFP) was created to help offset the higher cost of providing wheelchair accessible vehicle-for-hire service and ensure that accessible vehicle-for-hire service is readily available for the public. It responds to direction from City Council to create an accessibility fund and addresses the provincial requirement, under the *Accessibility for Ontarians with Disabilities Act, 2005*, to take steps to ensure that equitable vehicle-for-hire service is available to all individuals. The program disburses funds, based on a funding formula and service standards, to City-licensed wheelchair accessible taxicab owners and vehicle-for-hire drivers who are not affiliated with the TTC Wheel-Trans contract.

In 2020, the first year of AFP disbursements, the City disbursed \$1.78 million to 327 wheelchair accessible taxicab owners and 349 accessible vehicle-for-hire drivers. The majority of accessible drivers and owners received the maximum annual disbursement of \$2,187.50 and \$3,625.42, respectively. Disbursements are retroactive and based on the previous years' service (that is, 2020 disbursements are based on providing accessible service in 2019). The City self-funded the first year of the AFP through an in-year budget adjustment in 2019. Moving forward, disbursements will be funded through a regulatory charge on members of the vehicle-for-hire industry that do not provide wheelchair accessible service. The in-year budget adjustment and regulatory charges are held in a Corporate Discretionary Reserve Fund called the Vehicle-for-Hire Reserve Fund.

The City began collecting AFP regulatory charges on January 1, 2020. A breakdown of the current vehicle-for-hire licensing fees and AFP regulatory charges is provided in Attachment 1. Note, TTL owners and standard taxicab owners with an accessible vehicle are exempt from the AFP regulatory charge when they present proof of vehicle conversion at licensing renewal. Vehicle-for-hire drivers with accessibility training must pay the regulatory charge; however, if they apply and meet the requirements of the AFP, the regulatory charge is reimbursed as part of the disbursement.

Accessible taxicab owners and vehicle-for-hire drivers must apply to the AFP by completing the City's application and declaration of accessible service. This information may be audited by MLS' compliance team, and/or a third party auditor procured by MLS. If it is determined that incomplete or inaccurate information was provided as part of this process, an owner or driver would be barred from the AFP for two years, and may be

guilty of an offence under the By-law. MLS is in the process of implementing a back-end data system that will aid in the collection, evaluation and validation of service standards. This would replace the declaration process. The data requirements for taxicab brokerages were enhanced as of January 1, 2020, but the implementation has been delayed due to the COVID-19 pandemic.

Feasibility of Reducing Regulatory Charges:

Staff have determined that it is feasible to temporarily reduce regulatory charges by 75 percent in 2021 only. This proposal will not impact current or future access to the AFP by applicants, and will not have an impact on the delivery of accessible vehicle-for-hire service.

If this were directed by Council, a standard taxicab owner would save approximately \$93.99, a vehicle-for-hire driver would save approximately \$46.99, and a PTC driver would save \$5.42. This reduction was determined in consultation with the Policy, Planning, Finance and Administration Division. AFP disbursements in 2021 and 2022 would be funded by the City's remaining previous in-year budget adjustment and regulatory charges collected thus far. Therefore, financial impacts could be accommodated through the 2020 approved budget.

This reduction is also feasible, in part due to the lower than anticipated uptake of the AFP by accessible vehicle-for-hire drivers since its launch. To ensure the City was able to meet the potential obligations of the AFP in 2020, staff had to conservatively estimate the highest number of potentially eligible accessible vehicle-for-hire drivers when developing the program. This is due to the lack of data currently available in the taxicab industry. After the full implementation of taxicab data requirements, more refined estimates of the supply and demand of accessible vehicle-for-hire service will be determined. To account for the lower trip volumes in 2020, the service standards used to determine eligibility for the AFP in 2021 will be reviewed and updated.

To ensure the City is able to meet its future obligation of the AFP (i.e. disbursements in 2023), AFP regulatory charges would need to resume in 2022 to their 2020 levels.

Staff will continue to monitor the uptake of the AFP and will include an update on the program in the report expected at Council later in 2021.

3. Business Licensing Fees

Current Regulations:

Business licensing fees for the vehicle-for-hire industry (taxicab, limousine and private transportation companies) are provided in the table below.

Table 1: Vehicle-for-Hire Licensing Fees

Licence	Fee Type	2020 Licence Renewal Fee
Taxi Brokerage	Flat-rate yearly	\$281.95
Limo Brokerage	Flat-rate yearly	\$281.74

Limousine Owner	Flat-rate yearly	\$709.74
Private Transportation Company	Per-trip	\$0.31
Private Transportation Company Driver	Flat-rate yearly	\$15.30
Standard Taxi Operator	Flat-rate yearly	\$306.00
Standard Taxi Owner	Flat-rate yearly	\$1,003.84
Standard Taxi Owner - Accessible Taxicab	N/A	\$0
TTL Owner (Accessible)	N/A	\$0
VFH Driver	Flat-rate yearly	\$132.60

As per the *City of Toronto Act, 2006*, business licensing fees are based on a cost recovery model. This means that the fees recover the full cost of those services (direct, indirect and cost of capital).

The licensing fee structure, such as flat-rate or per-trip, was determined based on the differentiated types of business. The taxicab and limousine industry pay a flat-rate fee upon application or renewal. The fee considers the cost to licence and enforce each of these licensing categories based upon estimated volumes of each individual licensing category.

When the PTC licence was introduced in 2016, City Council adopted a scalable licensing model (reflecting the supply and demand model of PTCs). While PTC drivers pay an annual flat-rate licensing fee upon application or renewal, the majority of the licensing and enforcement costs are covered through the per-trip fees. Per-trip fees require a substantial amount of data to be collected, such as volume of trips and the origin-destination of trips (i.e. to determine if the trip originated in Toronto). PTCs, representing approximately 70 percent of the trips in the industry, pay the majority of the licensing and enforcement costs, compared to the taxicab and limousine industry that represent approximately 30 percent.

Feasibility and Impact of a Moratorium on the Collection or Reduction in Licensing Renewal Fees:

Due to the cost recovery model of business licensing fees, a moratorium or reduction on business licensing fees would result in a negative budget pressure. For example, a 12-month moratorium on vehicle-for-hire licensing renewal fees would result in a \$10.8 million negative financial budget pressure. A reduction in vehicle-for-hire licensing renewal fees by 25, 50 or 75 percent would result in a negative budget pressure of \$2.7, \$5.4 or \$8.1 million, respectively. This pressure would need to be offset through other revenue sources, or through expenditure control measures.

During the COVID-19 pandemic, a significant portion of MLS' enforcement capacity has been redirected in support of the education and enforcement of pandemic-related by-laws and regulations. While these activities may not directly benefit the many

businesses who pay business licensing fees, the goal of the enforcement efforts was to help reduce the spread of COVID-19, and as a result, ensure that our City's economy was able to restart.

There are dozens of categories of licensed businesses that have likely suffered financial harm, at varying levels, as a result of the COVID-19 pandemic. For example, there are businesses, such as bars and restaurants, barber shops and hair salons, that were forced to stop operating due to provincial emergency orders, businesses that were affected by the closures due to reduced consumer demand, such as the vehicle-for-hire industry, and businesses that remained open and operating with increased demand, such as grocery stores. However, business licence fees are not assessed (or pro-rated) by whether a business is forced to close unexpectedly or temporarily suspend operations.

To reduce the business licensing fees of one category, and not others, is likely to be seen as unfair by other licensed categories and may lead to requests for the same treatment. MLS licenses and permits 99 different businesses. It is unsustainable to reduce business licensing fees on an ad-hoc basis. Any moratorium on fees or discounts to fees could exacerbate the City's current financial situation.

Under COTA, fees levied by the City must generally correspond to the cost of delivering a service. Legal issues may arise if the City is believed to be cross-subsidizing fees across different licensing categories (potentially, for example, by reducing the business licensing fees of the taxicab industry only), especially within the same general industry.

Next Steps

It is recommended that the proposed changes to Toronto Municipal Code, Chapter 546 Licensing of Vehicles-for-Hire, come into effect on January 1, 2021. This ensures that the vehicle-for-hire industry receives support and financial relief as quickly as possible. Staff will continue to monitor the ongoing effects of the COVID-19 pandemic on the vehicle-for-hire industry, as well as other business licensing categories, and will report any updates through the General Government and Licensing Committee, if required..

A broader report on the vehicle-for-hire industry, including responses to outstanding directives such as emissions, is expected by the end of 2021.

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SIGNATURE

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ATTACHMENTS

Attachment 1 – Current Vehicle-for-Hire Licensing Fees and Accessibility Fund
Regulatory Charges and Feasibility of 75 percent Reduction to Regulatory Charges