



STAFF REPORT ACTION REQUIRED

2009 Annual Review of Taxicab Fares

Date:	September 1, 2009
To:	Licensing and Standards Committee
From:	Jim Hart, Executive Director, Municipal Licensing and Standards
Wards:	All
Reference Number:	p:\2009\cluster b\mls\l&s committee\september\annual review of taxicab fares.doc

SUMMARY

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 June, 2008 to date, suggests the cost of operating a taxicab in the City of Toronto has decreased by an average of 5.9 %, as shown in Appendix "A" to this report. Given the continued volatility in fuel prices, this report does not recommend any change in Toronto's taxi cab fares at this time.

RECOMMENDATIONS

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

1. No adjustment be made to taxicab fares for Toronto licensed taxicabs in 2009.

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

Financial Impact

There are no financial impacts associated with adoption of the recommendation in this report.

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 a 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 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>

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.

COMMENTS

Current Fuel Prices

The cost of fuel has decreased by \$0.25 per litre since August 2008, according to Natural Resources Canada's Fuel Focus website at www.fuelfocus.nrcan.gc.ca. The decrease in fuel price directly impacts the daily expenses for taxicab operators in the City of Toronto.

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 current data from the Statistics Canada Consumer Price Index and the taxicab fare determination formulas for Toronto, Mississauga and Ottawa, as indicated in Appendix "A" to this report.

The calculation of taxicab fares indicated a change in taxicab fares of -3.06% according to Ottawa formula; -8.41% utilizing the Mississauga formula; and a change in taxicab fares of -6.20% according to Toronto formula, representing an average decrease of 5.89%.

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.

Table 1
Current Taxicab Fare Comparison

City	Last Fare Adjustment	Initial Drop Fee	Kilometre Charge
Toronto	June, 2008	\$4.00	\$0.25 per .155 Kilometres
Ottawa	May, 2008	\$3.30	\$0.16 per .093 Kilometres (\$0.27 per .155 km)
Mississauga	December, 2008	\$4.25	\$0.25 per .155 Kilometres

The City of Mississauga last increased taxicab fares in December, 2008. Mississauga's current taxicab fare is as indicated in Table 1, above. Mississauga last reviewed taxicab fares in June, 2009, at which time no increase was recommended. Mississauga is scheduled to review taxicab fares again in 2011.

The City of Ottawa last increased taxicab fares in May, 2008. Ottawa's current taxicab fare is as indicated in Table 1, above. The initial drop fee for Ottawa's taxicab fares is to be reduced by \$0.10 to \$3.20 in October, 2010, as the taxicab operators were provided an additional \$0.10 per fare for a period of two years in order to offset the cost of installing security cameras in their vehicles. 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 June, 2008. However, the Toronto Taxicab Industry claims that insurance for their industry has increased by as much as 24.00%, 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 24.00% increase in taxicab insurance, which indicated an average decrease of 4.74% based on the same fare calculation formulas of Toronto, Mississauga and Ottawa.

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 cost to the industry of recalibrating the taximeters, this report recommends no change in taxicab fares for Toronto licensed taxicab at this time.

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

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ATTACHMENTS

Appendix "A" – Taxicab fare Calculation Formula

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Taxicab Fare Calculation Table

Toronto Formula						Mississauga Formula			Ottawa Formula		
Components	Index percentage change 08-09	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	-24.35%	9.3%	-2.26%	26.6%	-6.49%	Fuel	15.6% 10.7% 26.3%	-6.40%	Fuel	17.1%	-4.16%
<i>OHIP</i>		1.3%		3.7%							
Automobile Cost	-5.10%	2.5%	-0.13%	7.2%	-0.37%						
Taxicab Equip	0.62%	0.5%	0.00%	1.4%	0.01%						
Leasing	-5.10%	1.3%	-0.07%	3.7%	-0.19%	Lease	22.1%	-1.13%			
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	0.62%	5.8%	0.04%	16.6%	0.10%						
Brokerage Membership	0.62%	2.2%	0.01%	6.3%	0.04%	Brokerage Dues	13.5%	0.08%			
<i>Subtotal</i>		34.9%									
Personal time	1.60%	65.1%	1.04%			Depreciation Cost	29.2%	-1.49%	Amortized Cost	7.7%	-0.39%
									Earnings	52.0%	0.83%
									Stand rent, license, union dues, other	11.3%	0.07%
		100.0%	-1.12%	100.0%	-6.20%		100.0%	-8.41%		100.0%	-3.06%

N.B.

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

Average rate change

-5.89%

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 - Statistics Canada wage increase