



STAFF REPORT ACTION REQUIRED

Review of Fees for Accident Tows and Tows from Private Property

Date:	October 27, 2011
To:	Licensing and Standards Committee
From:	Acting Executive Director, Municipal Licensing and Standards
Wards:	All
Reference Number:	P:\2011\Cluster B\MLS\LS11023

SUMMARY

The purpose of this staff-initiated report is to review the fees charged for accident tows and tows from private property, and to provide recommendations. Other types of tow rates are not covered by the amendments. The last review of fees was conducted in 2006.

Municipal Licensing and Standards (MLS) is recommending an increase of fees for accident tows and tows from private property. Stakeholder meetings were held with the industry, insurance, and Toronto Police representatives, to discuss issues affecting the tow truck industry.

This report was prepared in consultation with Corporate Finance.

Public notice was given on the City's web site no fewer than five business days prior to the Committee meeting, and in a manner otherwise prescribed in Toronto Municipal Code Chapter 162, Notice, Public.

RECOMMENDATIONS

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

1. increase accident scene tow rates on major highways from \$188.00 to \$229.00, to cover the cost of operating a tow truck in Toronto, as reflected by the increase in the index;
2. increase accident scene tow rates on city streets from \$166.00 to \$229.00 to match the fee for accident tows on major highways, thereby eliminating the distinction between highway and non-highway accident rates;
3. increase private property tow rates be increased from \$88.00 to \$107.00 to cover the cost of operating a tow truck in Toronto, as reflected by the increase in the index;
4. adopt a maximum rate of \$107 if winching is required to recover a vehicle at an accident scene; and
5. repeal the provision in Toronto Municipal Code Chapter 545 that prohibits tow truck owners or drivers from charging for the removal or conveyance of a vehicle from a Collision Reporting Centre.

Implementation Points

MLS will distribute tariff cards with the new rates to all tow truck owners.

Financial Impact

The additional revenue generated by the increase in the rates will be collected by tow truck operators and will go to cover their higher costs. As such, there is no financial impact to the City as a result of the recommendation in this report.

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

ISSUE BACKGROUND

The City of Toronto regulates the fees for tows from accident scenes as well as those for tows from private property. These fees are regulated for consumer protection. At accident scenes, consumers are often in stressful circumstances and may be vulnerable of judgement when it comes to dealing with the hiring of a tow truck. On private property, vehicles are often towed without the knowledge and consent of the vehicle's owner. There is therefore no power to negotiate towing terms. All other towing fees are not regulated, but must be filed with Municipal Licensing and Standards.

The last review of tow truck fees was conducted in 2006, updating the index from 2003 values to 2005 values, and resulting in a 10.5% increase in accident tow rates, from \$150.00 to \$166.00 for city street accident tows, and from \$170.00 to \$188.00 for highway accident tows.

Over the past several years, the industry stakeholders have communicated concerns that the current fees set in 2006 are no longer in line with the increased cost of conducting business and that the current rates are significantly lower than those in some of the neighbouring municipalities. Staff recognise that a viable tow truck industry in which towing operators can make a reasonable profit is also in the best long-term interest of consumers. By ensuring that tow rates are competitive with those of other municipalities and that they reflect the costs of operating, consumers can be better assured of greater selection of service.

In 2011, MLS held a series of tow truck industry stakeholder consultations. A number of concerns were expressed, including the ongoing concern over accident tow rates.

COMMENTS

Accident tow rates in other municipalities

MLS staff examined tow rates in neighbouring municipalities in order to investigate the concern that tow truck owners and drivers expressed about the City of Toronto having significantly lower tow rates than other neighbouring municipalities. Staff examined Brampton, Halton Region, Markham, Mississauga and Vaughan.

The City of Toronto's accident tow rate distinguishes between city street tows and highway tows, at capped rates of \$166 and \$188 respectively. Of the municipalities examined by MLS staff, Toronto was the only one that made the distinction between highway and city road accident tows.

In the neighbouring municipalities examined, the accident tow rates varied significantly, from \$200 to as much as \$300, with various factors contributing to additional fees for accident tows.

The city of Brampton's accident tow rate is a flat rate of \$200.

Halton Region's accident tows are handled by the Halton Regional Police Services for the municipalities of Burlington, Halton Hills, Milton and Oakville. Halton Region's tow truck drivers operate within a "Rotational Tow Agreement" (for accidents that are non-serious where the police have not requested the removal of vehicles). The accident fee is a maximum of \$300 for accident service within the specified police towing municipality/zone. The rates also allow a charge of \$100 for an additional half hour at the tow scene in excess of the accident tow service. The tow fee includes the first 10 kilometres and, after that, to a maximum of four dollars (\$4) per kilometre. A maximum \$10 surcharge is applied for accident tows between 8 pm and 8 am.

The town of Markham does not currently have set tow rates. They are currently in the process of conducting a fare review. However, owners are mandated to file a schedule of their rates.

The city of Mississauga's accident tow rate is a flat rate of \$237 (plus HST), with a maximum fee of \$103 for winching and an allowance of \$3.10 per kilometre for the portion of the tow from the municipal boundary to the point requested by the hirer beyond the municipal boundary.

The city of Vaughan's accident tow rate is an all inclusive flat rate of \$250 from an accident scene within the city and allows for a maximum fee of \$2.00 per kilometre travel time for tows beyond the city limits.

Indexing of tow rates

In 2006, the City, from consultation with the tow industry at that time, adopted a cost indexing model based on the key cost drivers for the tow industry to provide a measure of the changes in the cost to operate a tow truck in Toronto. This model established a weighting for the operating cost of a tow truck based on the four key cost drivers – fuel, insurance, vehicle ownership cost, and maintenance. These cost drivers were provided by the industry and have been verified by the City (from the Metropolitan Towing Committee entitled "Towing Rate Study 2011." The Metropolitan Towing Committee represents a number of tow truck industry stakeholders; this submission was made on behalf of their members). This weighting was then applied to the change in the Consumer Price Index (CPI) to provide an estimate of the overall change in the cost of operating a tow truck in Toronto.

Industry stakeholders were provided with an update on the CPI changes for the key cost drivers between 2005 and 2011. The stakeholders indicated that the index for diesel fuel should be used instead of that for gasoline, since most tow vehicles operate on that fuel. Staff have incorporated this as a change to the model for this update (see Chart 1).

Chart 1
Key Operating Drivers Relative Weighting and Changes to CPI

A	B	C	D	E	F
Cost Driver	Index - item	Change in CPI 2005-2011	2011 Cost of Operation	2011 Weighting	Weighed Change (C x E)
Fuel – Diesel (replaces gas)	CPI- Toronto - Diesel	50.5%	\$30,720	34.7%	17.5%

(continued on the following page)

Insurance	CPI- Toronto – Insurance Premiums	44.2%	\$11,500	13.0%	5.7%
Vehicle Price	CPI- Vehicle Prices	-7.4%	\$38,193	43.1%	-3.2%
Maintenance	CPI- Toronto – Vehicle Maintenance	16.2%	\$8,200	9.3%	1.5%
TOTAL		--	\$88,613	100%	21.6%

Note - vehicle price given as \$126,500, annual cost is based on amortized monthly payments over 4-year term at 8% interest.

Proposed Tow Rate Changes

Staff applied the cost indexing model as previously described to provide an estimate of how much the tow rates should increase. On the basis of the 21.6% weighted increase in the cost drivers, the following changes to the tow rates, commencing on January 1, 2012, are recommended:

		Current max. rate	Proposed max. rate
Accident Scene Tow	Highway	\$188.00	\$229.00
	Road	\$166.00	
Private Tow	Private Property	\$88.00	\$107.00
Winching*	Highway/ Road	None	\$ 107.00

**Winching refers to the use of a specialised crank system to recover a vehicle that could otherwise not be towed from the scene.*

Currently, winching charges are not provided for in the by-law. The new proposed maximum fee would compensate tow truck operators for the extra time and effort required to winch a vehicle at an accident scene.

The recommended increases will still have Toronto tow rates amongst the lowest in the Greater Toronto Area (GTA).

Other Amendments

Staff recommend that the distinction between highway and street tows be eliminated for purposes of setting rates. No municipalities bordering Toronto make a distinction between tow rates for accidents that occur on highways and city roadways.

Staff propose to harmonize rates to the higher fee because this would bring the rates more in line with those of surrounding municipalities. If the rates were harmonised to the lower road rate, the new rate would be \$202, putting it almost at par with Brampton. Staff rationalise that since Toronto is geographically larger than any other municipality in the GTA, there is a greater chance of tows being longer and therefore more expensive.

It is proposed that the prohibition on charging for conveyance or removal of a vehicle from a Collision Reporting Centre be repealed since it limits the ability of a person from being able to hire the tow truck that conducted the initial tow. Such tows would still be subject to the rates filed annually by tow truck owners with MLS.

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