



**STAFF REPORT  
ACTION REQUIRED**

**Information Regarding Municipal Code, Chapter 545,  
Licensing, Article VIII, Owners and Drivers of Taxicabs**

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| <b>Date:</b>             | March 10, 2015  |
| <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:\2015\Cluster B\MLS\LS15005                         |

**SUMMARY**

This report addresses three report requests made by the Licensing and Standards Committee at its meeting of January 21, 2015. These matters involve By-law No. 503-2014 which was enacted on June 13, 2014 following the adoption by City Council of Item LS26.1 headed, "The Taxicab Industry Review – Final Report", as amended.

The three requests made by Licensing and Standards Committee were for:

1. A review of the rationale for restricting the transfer of the Standard Taxicab licence;
2. The rationale for choosing July 1, 2014 as the date that the Ambassador taxicab licence can be transferred; and
3. The process for reinstating regulations for the Standard taxicab licence that existed prior to February 19, 2014.

Two comprehensive reviews of the taxicab industry have been conducted over the last 17 years: the 1998 Taxicab Industry Review and the 2014 Taxicab Industry Review. Both reviews involved complex, inter-related issues and both reviews resulted in significant changes to the taxicab industry.

The most recent review was directed in May 2011 by Licensing and Standards Committee and provided direction to undertake comprehensive reform, including addressing the two-tier licensing system that had resulted from the creation of the Ambassador licence arising from the 1998 review.

Throughout the course of this review, staff undertook extensive consultation and reported to Licensing and Standards Committee with three separate reports, the Preliminary Report in September 2012 where the guiding principles for the review were adopted, the

Framework for Change report in June 2013 which outlined the proposed changes and formed the basis for the next phase of consultation, and the Final Report in January 2014 which created a new taxicab licence, provided a plan for harmonization of the multiple tiers of licences, and enabled the strategy to achieve metered on-demand wheelchair accessible taxicab service. These recommendations were subsequently adopted, with amendments, by City Council in February 2014, and the bill enacting the new by-law was passed at the City Council meeting of June 2014.

## **RECOMMENDATIONS**

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

1. Licensing and Standards Committee receive this report for information.

### **Financial Impact**

There are no financial impacts 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**

November 25, 1998, City Council adopted the 1998 Taxicab Industry Review which created the Ambassador Taxicab licence and restricted the transfer of Standard taxicabs to licensed taxicab drivers, among other changes to the industry.

<http://www.toronto.ca/legdocs/minutes/council/appa/cc981125/ep13rpt.htm>

February 19, 2014, City Council adopted the Taxicab Industry Review Final Report with amendments, which created the Toronto Taxicab Licence, an owner-operated and wheelchair accessible taxicab, among other changes to the industry.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.LS26.1>

January 21, 2015, Licensing and Standards Committee directed staff to provide information regarding the licensing regimes of the Standard and Ambassador taxicabs and the process for reinstating taxicab regulations for Standard taxicab owners that existed prior to February 19, 2014.

<http://app.toronto.ca/tmmis/viewPublishedReport.do?function=getDecisionDocumentReport&meetingId=9796>

### **ISSUE BACKGROUND**

There are approximately 5,000 licensed taxicabs currently operating in the City of Toronto and it is estimated that 65,000 trips are taken in taxicabs every day. In 2014, the average wait time for a taxicab was less than 10 minutes, with consistent service provided across the city, time of day, and season. Residents and visitors alike depend on taxicab service to get them where they need to go.

Toronto currently has four types of taxicab licences: Standard Taxicab (3,450), Ambassador Taxicab (1,268), Wheelchair Accessible (28) and Toronto Taxicab Licence (266).

## **Regulating Taxicabs**

The City of Toronto has regulated the taxicab industry since before the 1950s. In 1956, the Metropolitan Licensing Commission (MLC) was formed and a year later issued approximately 1,579 of the approximate 1,602 existing taxicab licences from the 13 former municipalities, including Toronto, to create one licensing regime for Metropolitan Toronto.

Since this time, there have been several changes to the regulation of the taxicab industry in Toronto. Most of these changes have been in response to issues of safety, consumer protection and industry viability. Two comprehensive reviews of the taxicab industry have been conducted over the past 17 years: the 1998 Taxicab Industry Review and the 2014 Taxicab Industry Review. Both reviews resulted in significant changes to the taxicab industry and aspects of both reviews were subject to legal challenge.

Highlights of regulatory changes include:

- 1963 – Standard Taxicabs are permitted to be sold
- 1963 – Approved list of taxicab drivers to be issued taxicab owners' licence is established
- 1974 – Leasing of taxicabs permitted
- 1998 – Industry review resulting in various changes including:
  - Creation of the Ambassador Taxicab Licence (1998)
  - Creation of the Passenger Bill of Rights (1999)
  - Maximum number of hours per taxicab shift set (1999)
  - Leasing more than one taxicab prohibited (2000)
  - Cameras and emergency lights required in taxicabs (2000)
  - Standard Taxicabs can only be sold to a licensed taxicab driver (2003)
- 2003 – Cell phone use by taxicab drivers prohibited except for emergencies
- 2003 – Increase minimum insurance for taxicab from \$1 Million to \$2 Million
- 2014 – Industry review resulting in various changes including:
  - Creation of the Toronto Taxicab Licence (TTL)
  - Availability of metered on-demand wheelchair accessible taxicab service
  - Amendments to Ambassador class licence, including transferability
  - Harmonization of all licences to the new TTL, over time
  - Creation of Taxicab Bill of Rights

## **2014 Taxicab Industry Review**

The staff review and consultations of this process were extensive. There were a number of goals for the 2014 Taxicab Review, most significant of which was to eliminate the perceived inequalities between the different classes of taxicab owners' licences.

The primary outcomes of this review which were adopted by City Council were: the creation of a new licence, the harmonization of all licences over time, and the enabling of metered on-demand wheelchair accessible taxicab service.

### **Toronto Taxicab Licence (TTL)**

The creation of the TTL, and the plan to harmonize all existing taxicab licences over time, advances the principles of owner-operated taxicabs. The TTL was created with many of the positive properties of the existing licences, with benefits for the drivers, passengers and the City of Toronto as a whole. The description and the rationale for the TTL from the 2014 Review final report are excerpted below:

*"The proposed new owner's licence, referred to as the Toronto Taxicab Licence (TTL) holds many of the positive properties from each of the existing owner's licence types. The proposed properties of the TTL will minimize the creation of operating models that encourage absentee owners, limit the role for non-driving participants, encourage owners to cover their operating costs without compromising driver or passenger health and safety, provide an exit strategy for owners wishing to leave the industry at a time of their own choosing, and an entry strategy for drivers to transition to owners.*

*This licence harmonizes key operating aspects of the existing licences:*

- *The same owner-operator principles which inspired the creation of the Ambassador Licence form the core properties of the Toronto Taxicab Licence.*
- *The wheelchair accessible vehicle and 3 additional shift drivers are similar properties of the Accessible Taxicab Owner's Licence.*
- *The financial security and round-the-clock service provision arising from the ability to rent a taxicab to shift drivers, and the exit strategy and opportunity for new owners to enter the market provided by transferability are properties that have been incorporated from the Standard Licence."*

### **Accessibility Goals**

The 2014 Review resulted in City Council adopting the goal of 100% wheelchair accessible taxicab service available for metered and on-demand service over time. The details and the rationale from the 2014 Review final report are excerpted below:

*"People with disabilities, including those who rely on wheelchair accessible transportation, face challenges in obtaining affordable and on-demand taxicab service. The City of Toronto must ensure that taxicabs meet the needs of people with disabilities.*

*In this report, the term ‘wheelchair accessible taxicab’ is used to describe a taxicab that allows a passenger to ride in the taxicab without having to transfer from his or her wheelchair. The term ‘accessibility’ is used more broadly to discuss recommendations that would reduce barriers to Toronto’s taxicabs. Although the City currently has an appropriate number of taxicabs to service passengers who do not rely on wheelchair accessible taxicabs, Toronto currently has a shortage of wheelchair accessible taxicabs.*

*Only 3.5% of all Toronto taxicabs are wheelchair accessible. Most of these taxicabs are not readily available for on-demand taxicab service because they are contracted to deliver public transportation service through TTC Wheel-trans. This means that residents and visitors who are in wheelchairs cannot expect on-demand taxicab service in Toronto as is available to other passengers.*

*The City of Toronto recognizes the diverse needs of all residents and visitors. Ensuring access to wheelchair and otherwise accessible taxicab service is part of the City’s commitment to being an inclusive place to live and visit.*

### ***Legislated on-demand Accessible Taxicab service***

*The Accessibility for Ontarians with Disabilities Act (AODA) requires that all municipalities consult on, and take steps to, provide on-demand wheelchair accessible taxicab service. AODA defines “on-demand” as the ability for a person requiring a wheelchair accessible taxicab to request and receive service in the same way as people who do not need wheelchair accessible taxicabs. This includes telephoning for a taxicab or hailing a taxicab on the street.*

*Under AODA legislation, the City is required to:*

- 1. Consult with its municipal accessibility advisory committee, the public and persons with disabilities to determine the proportion of on-demand accessible taxicabs required in the community*
- 2. Create an accessibility plan that identifies progress made toward meeting the need for on-demand accessible taxicabs*

*The City of Toronto needs to increase its availability of wheelchair accessible taxicabs to both serve the needs of residents and visitors and to meet its obligations under AODA."*

## **COMMENTS**

City Council adopted the 2014 Taxicab Industry Review Final Report, as amended, in February 2014. The 2014 Review recommended the creation of a new licence, the Toronto Taxicab Licence (TTL) which is an owner-operated and wheelchair accessible taxicab. There are currently 266 TTL taxicabs on the road today in Toronto with an additional 151 in process. At this rate, the City of Toronto is set to exceed its goal of 6% wheelchair accessible taxicabs available in time for the Pan Am/ParaPan Games. At the

current rate of transition, it is projected that 10% of Toronto's taxicabs will be wheelchair accessible by the Games.

The By-law resulting from this review was challenged at the Ontario Superior Court of Justice and was substantially upheld.

The Court decision is available online at:

<http://www.canlii.org/en/on/onsc/doc/2015/2015onsc685/2015onsc685.html>

On January 21, 2015, Licensing and Standards Committee adopted three motions directing staff to report on: a review of the rationale for restricting the transfer the Standard Taxicab licence; the rationale for choosing July 1, 2014 as the date that the Ambassador taxicab licence can be transferred; and the process for reinstating regulations for the Standard taxicab licence that existed prior to February 19, 2014.

These three motions all involve matters which were considered in two prior reviews of the taxicab industry: the 1998 Taxicab Industry Review and the 2014 Taxicab Industry Review.

In summary, both reviews addressed complex, deeply rooted difficulties within the taxicab industry and both reviews attempted to balance the various divergent interests having regard to the primary goals of consumer protection, quality of service and viability of the industry. Both reviews resulted in significant changes to the taxicab industry and aspects of both reviews were subject to legal challenge.

### **1998 Taxicab Industry Review**

In 1998, Toronto City Council adopted, as a policy goal, the principle of owner-operated taxicabs. This resulted from a comprehensive review in 1998 which identified that the prevalence of middlemen, absentee owners and passive investors had caused a significant deterioration in the condition of vehicles and in the quality of taxicab customer service. Accordingly, the 1998 review resulted in by-laws which, among other things, gave effect to the owner-operator principles by creating a new class of owner-operated taxicabs called the Ambassador Taxicab. The 1998 Review also resulted in changes to the Standard Taxicab operation including: ending multiple leasing of taxicabs and mandating that only licensed taxicab drivers could purchase taxicabs, which meant that corporations could no longer purchase taxicabs, and owners of existing taxicabs could no longer purchase taxicabs.

### **2014 Taxicab Industry Review**

The primary impetus for the 2014 Taxicab Industry Review was concerns about perceived inequality between Standard taxicab owners and Ambassador taxicab owners, and the impact of that perceived inequality on taxicab service to the public. During the 2014 Review, many stakeholders were adamant that an imbalance in the industry prevented Toronto's taxicabs from delivering the best level of service. Concerns

respecting inequity in licensing regulations, unnecessary middlemen, and prohibitive regulations were expressed, as were concerns about the long-unresolved problem of a lack of metered on-demand taxicab service for people with disabilities.

The 2014 Taxicab Industry Review included extensive consultations which took place over two and a half years. The primary change which resulted from this review was the creation of the TTL licence. This new class of taxicab is owner-operated, wheelchair accessible and transferable. The Final Report from the 2014 Taxicab Industry Review is contained in Attachment 1 of this report.

### **LS18.1: Review of the rationale for restricting the transfer of Standard Taxicab licences**

In 2003, City Council enacted By-law 906-2003 which came into effect on January 1, 2004. This was one of the by-laws which resulted from the 1998 Taxi Review. This By-law changed the regulations governing standard taxicabs by providing that standard taxicabs could only be transferred to a person licensed as a taxicab driver. The Toronto Taxi Alliance challenged the validity of this By-law in a court proceeding. By a unanimous decision, the Court of Appeal for Ontario dismissed the court application and upheld the validity of the By-law.

The Court decision is available online at:

<http://www.canlii.org/en/on/onca/doc/2005/2005canlii47232/2005canlii47232.html>

By-law No. 906-2003 is directly linked to the owner-operator principle adopted by City Council in 1998. At that time, the Task Force charged with reviewing the industry determined that poor customer service and health and safety concerns had resulted from the "deplorable working conditions for many drivers" because of the industry structure which, at that time, allowed for absentee owners and middlemen such as non-driving agents and lessees.

The 1998 Review noted a correlation between owner-operator taxicabs and higher standards of service and safety. Accordingly, the purpose of By-law No. 906-2003 was to give effect to owner-operator principles by eliminating multi-ownership through the gradual process of sale and reissuance, and by attempting to ensure that the recipients of these licences, being people who were licensed as taxicab drivers were, indeed, active participants in the industry.

The 1998 Review commented on how the Standard taxicab licence was negatively influencing the industry, resulting in poor customer service and low vehicle quality:

*"The structure of the industry has given rise to the absentee owner, and furthermore, has led to notion of a taxicab plate as a financial investment similar to other income-producing investments such as bond, further boosting the plate's market value. The higher the market value, the less opportunity a driver has to*

*purchase a plate. As long as the supply of plates is restricted and there is surplus of taxi drivers, drivers will continue to depend on leased plates.*

*It is believed, with plate leasing and the creation of the middleman or designated agent, a growing number of plate owners have a decreased incentive to provide a high quality or type of service since it has no direct financial impact. The owner's financial benefits stem from plate lease revenues. Therefore the greatest benefit would be to keep the lease fees at a high percentage of the driver's gross earnings and promoting practices to keep the operating costs low. Thus vehicle replacement is deferred to the extent that is allowed by the By-law."*

The 1998 Review also identified that poor working conditions of drivers was exacerbated by the number of participants within the operation of the Standard Taxicab:

*"Concerns raised with respect to industry structure focussed on the perception that deplorable working conditions for many drivers results from the current industry structure. Many stakeholders passionately linked low driver income to the poor quality of service. They felt that pride in one's work and the ability to earn a reasonable wage directly relates to the quality of service offered to the customer. Many drivers indicated that low wages result from leasing and too many participants in the organizational chain.*

*Comments regarding the chain of participants also included widespread agreement that absentee owners and passive investors are often an unnecessary and detrimental link in the chain. Several participants concluded that measures must be put in place to limit or abolish absentee owners by increasing responsibilities for owners to ensure they add value to the industry. There was general agreement that taxicabs should not serve purely as investments to individuals not committed to the industry."*

The 1998 Review recommended that the Standard taxicab properties be changed in keeping with the owner-operator principles identified through the review. The 1998 Review rationale for the recommendation to restrict the transfer of Standard taxicabs to licensed taxicab drivers can be found below:

*"The introduction of the Ambassador Class Taxicabs is done so with consideration of the impacts on the existing licenses. While Ambassador Class Taxicabs will meet high quality standards when they are introduced, changes to existing taxicabs must be phased-in over time to allow stakeholders the opportunity to effectively manage the change. The principles of the new Ambassador Class Taxicab, however, need to be adopted by existing industry stakeholders at the outset. The intention of this proposal is to eliminate passive investors, ensure that all stakeholders are active participants, allow licenses to continue to be transferred or leased, and encourage a trend to an increase in owner-drivers."*



The 2014 Taxicab Industry Review further analyzed the Standard Taxicab licence, as illustrated in the excerpt below:

*"The 1998 Taxicab Industry Review identified a number of serious concerns with the taxicab industry. Some of these concerns were linked to the properties of the Standard Taxicab Owner's Licence.*

*The 1998 Taxicab Industry Review acknowledged that at the time, the properties of the Standard Taxicab Owner's Licence allowed for absentee owners which in turn created a role for non-driving 'middlemen'. The ability of an owner to earn an income without having to drive his or her taxicab, through leasing and shift rental, was also thought to decrease the financial incentive for an owner to purchase and maintain a high quality vehicle.*

*Concerns were also raised that "deplorable working conditions for many drivers results from the current industry structure", including a low wage environment for drivers, exacerbated by the redistribution of farebox revenues to non-driving agents, lessees and owners. The 1998 Review also linked low driver income to the poor customer service being delivered.*

*To resolve these issues, the 1998 Review recommended a number of changes to promote owner-operator principles, and address the poor quality of taxicabs and customer service throughout the taxicab fleet.*

*A number of changes have since been implemented to improve the industry structure and resolve these problems. With respect to the properties of the Standard Taxicab Owner's Licence, changes were made to increase the direct knowledge and active participation of owners, and to minimize the negative effects of non-driving participants.*

*Effective in 2000, lessees were mandated to operate their taxicabs full-time. This change ended the ability for a single individual to be party to multiple leases. Effective in 2003, the transfer of Standard Taxicab Owner's Licences was restricted to licensed taxicab drivers. This change prevented corporations or partnerships from acquiring a Standard Taxicab Owner's Licence. It also restricted a new Standard Taxicab owner to holding only one (1) owner's licence at a time.*

*Since these changes have been implemented, the direct involvement of Standard Taxicab owners in the taxicab industry has increased. Prospective new Standard Taxicab owners must first be licensed as taxicab drivers in order to be able to purchase a Standard Taxicab. Despite this effort to increase direct knowledge and active participation in the taxicab industry on the part of Standard Taxicab owners, the presence of designated agents and the ability to lease a Standard Taxicab allows absentee ownership to continue. In 2012, 75% of Standard*

*Taxicab Owner's Licences were operated by an agent and/or a lessee. The proportion has held steady since 2010."*

The outcome of the 2014 Taxicab Industry review endorsed this continuation towards the owner-operated licensing model that had begun as a result of the 1998 review, in the form of transitioning all licences to the Toronto Taxicab Licence over time.

#### **LS1.6: Rationale for choosing July 1, 2014 as the date that the Ambassador taxicab licence can be transferred**

When the Ambassador Taxicab licence was created as part of the 1998 Taxicab Industry Review, City Council gave effect to the owner-operator principle by requiring Ambassador taxicabs to be owner-operated and by not permitting the taxicabs to be sold or transferred.

When City Council reconsidered the issue during the 2014 Taxicab Industry Review, City Council adopted recommendations permitting the sale and transfer of Ambassador taxicabs. Accordingly, the current regulations which came into effect on July 1, 2014, provide for the sale and transfer of Ambassador taxicabs and provide for the issuance of a TTL licence to the purchaser. Among other things, this change harmonizes the regulations governing standard taxicabs and ambassador taxicabs and it addresses concerns of perceived inequity between these two licence classes.

The 2014 Taxicab Industry Review was completed in January 2014 and the Final Report was before City Council at its meeting on February 19, 2014. The effective date of July 1, 2014 was set to provide adequate time for staff to develop and implement the various operational aspects of giving effect to the new regulations. These operational aspects included drafting the new by-law, updating I&T systems, developing forms and templates, and staff training.

#### **LS1.7: Process to reinstate regulations prior to February 19, 2014 for the Standard Taxicab licence**

The primary change to the regulations governing standard taxicabs effected by By-law No. 503-2014 is that upon the sale of a Standard taxicab a TTL licence is issued to the purchaser, which requires a wheelchair accessible vehicle, and the taxicab to be owner-operated for a specified number of hours per month. Before the enactment of By-law No. 503-2014, standard taxicab licences were issued to qualified purchasers of standard taxicabs, being only those who held a valid taxicab drivers licence.

If City Council wishes to consider reverting to the pre-2014 system of issuing standard taxicab licences to qualified purchasers, the process would be as follows:

1. A direction for staff to report on the matter
2. Staff would conduct the necessary research and consultations
3. Staff would report to City Council through Licensing and Standards Committee

4. Committee would consider the matter at one or more public meetings at which all interested persons could make deputations
5. The Committee report would be advanced to City Council for consideration

### **Review and Consultation Process**

Should City Council direct staff to review the matter as referenced above, staff will need to undertake a public consultation process, and it is highly likely that the staff review and consultation part of this process would be as extensive as the recently completed Taxicab Industry Review. The review and consultation part of the process would also include consideration of what, if any, impact this regulatory change would have on applicants and licensees who may have made business decisions based on the 2014 changes.

The 2014 review process involved staff receiving and analyzing thousands of emails, phone calls and written proposals and three issue-based surveys which collectively had over 3,000 responses. Staff conducted 100 individual meetings, and engaged more than 4,500 stakeholders through over 40 consultations, one of which was attended by over 2,000 taxicab drivers.

### **CONTACT**

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### **SIGNATURE**

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Tracey Cook, Executive Director  
Municipal Licensing and Standards

### **ATTACHMENT**

Attachment 1: Taxicab Industry Review Final Report