

TO:	COMMUNITY AND PROTECTIVE SERVICES October 6 ,2014
FROM:	G. KOTSIFAS, P. ENG. MANAGING DIRECTOR OF DEVELOPMENT AND COMPLIANCE SERVICES AND CHIEF BUILDING OFFICIAL
SUBJECT:	TAXICAB AND LIMOUSINE LICENSING BY-LAW – FARE REVIEW

RECOMMENDATION

That on the Recommendation of the Managing Director, Development and Compliance Services and Chief Building Official, a public participation meeting be held to receive comments on a proposed amendment to the Taxicab and Limousine Licensing By-law to introduce an annually adjusted fare increase based on the Consumer Price Index.

BACKGROUND

On September 2, 2014 Council resolved that the communication from the London Taxi Association with respect to a request for fare increases be referred to Civic Administration for a report back no later than October 2014. The request was to increase the flag amount from \$3.50 to \$4.50 and to also increase limousine fares appropriately.

What are the costs associated with operating a vehicle for hire (taxi – limousine)?

The municipal purpose of regulating vehicle for hire fares is consumer protection. In the absence of fare regulation, consumers would not be able to predict the cost of transportation and could be subject to overcharging during peak demand periods. Municipal regulations must also recognize the variable costs of operating vehicles for hire in an effort to balance incremental fare adjustments and consumer protection.

The cost of operating a vehicle for hire can be divided into the following components:

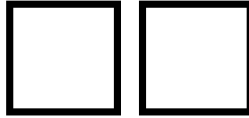
- Licence fees
- Plate leases and dispatch fees
- Fuel
- Insurance
- Vehicle maintenance and repairs
- Vehicle and equipment (meter, camera)

Some of the costs are static while others are impacted by national or global economic factors such as fuel costs. In addition, variables among vehicle models and types of licences result in differential costs. Finally, a key obstacle in determining operating costs is the industry's prerogative to keep financial information related to business transactions confidential. For example, during recent annual renewal periods, City staff asked about plate lease costs and dispatch fees in order to gain an appreciation of operating costs. Brokers promptly reminded staff that this information is negotiated by the brokers and owners and is confidential.

When were previous fare increases implemented?

In 2004, the drop rate for taxis was \$3.00. In 2008, the rate was increased by \$0.25. Similarly in 2010 the rate was also increased by \$0.25 to recognize implementation of the harmonized sales tax. The current drop rate is \$3.50.

For limousines, the zone fare structure was increased on July 1, 2012 and again on July 1, 2013.



How do other municipalities address vehicle for hire fare increase?

There are three common approaches municipalities use to address fares:

- Taxi Cost Indexes – several municipalities have included in their by-laws an annual review process by examining a variety of factors related to the costs of increasing vehicle for hire fares (Ottawa, Hamilton, Mississauga). This process is complex and includes reviews of several expense categories including: brokerage dues, lease values, fuel costs, insurance costs and vehicle repair/maintenance costs.
- Consumer Price Indexes – some municipalities (Brampton, Oakville) have chosen to implement an incremental fare increase utilizing the Consumer Price Index published by Statistics Canada – this index is commonly used by a number of agencies in fairly distributing expenses based on a number of variables collected and analyzed by Statistics Canada. For the vehicle for hire sector, applicable expenses which are included in the index are fuel costs and vehicle costs. The index is released on a monthly basis for both Canada and the provinces. The index for August 2014 for Canada was 2.1% and for Ontario 2.5%.
- Review Based on Industry Request – this method is commonly utilized where there is no approved index or specific formula for determining vehicle for hire fares (Burlington, London). When a request from the industry is received, the factor which is commonly reviewed is the price of fuel. For example, a review of fares in 2008 initiated by the industry included a review of gas prices (at that time, hybrid vehicles were not included in vehicle for hire fleets). During the past decade, gas prices were the most volatile in 2008 spiking at \$1.33 per litre then dropping to \$.68 per litre. Reviewing only gas prices when determining a fare increase is not a reliable or defensible approach given other available options.

What was the outcome of industry consultation?

The vehicle for hire industry was consulted in September on suggested processes to address fare increases. Comments received included: an annual review based on inflation statistics and industry consultation; annual meter increases prior to plate renewals; amending vehicle age limits and introducing mileage limits; proportional increases to limousine fares; and no increases to limousine fares due to most recent limousine fare increases implemented in recent by-law.

What process is recommended to review vehicle for hire fares?

Based on the above review, consultation with the industry and discussions with the City’s Corporate Services area, the most efficient and effective process would be an annual review based on the Ontario Consumer Price Index. The data is readily available, accurate and staff resources to implement annual incremental fare increases would be minimal. A public participation meeting would be required to amend the by-law to implement an annual fare review process.

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