

TRAFFIC AND PARKING BOARD PUBLIC HEARING

NOVEMBER 26, 2012

DOCKET ITEM: 8

ISSUE: Consideration of Staff Recommendations on the Proposed Taxicab Fare Rate Change.

STAFF RECOMMENDATION: That the Traffic and Parking Board consider and adopt the following recommendations to the City Manager -

1. Raise the drop charge from \$2.75 to \$3.00;
2. Raise the mileage charge from \$2.04/mile to \$2.16/mile;
3. Raise the waiting charge from \$22.50/hour to \$25/hour;
4. Eliminate the charge for grocery bags and animals; and,
5. Consolidate the suite case and trunk charge into a single baggage charge.

BACKGROUND: A specific consideration for each annual review is the review of existing taxicab fares. Factors to be considered in these determinations are specified in City Code section 9-12-31, and include the ability of current drivers to earn a living wage.

DISCUSSION: The taxicab fare rates were last changed in January 2008. For this current review staff collaborated with the taxi industry, both drivers and companies, to develop the proposed fares. A comparison between the current fares and proposed fares is summarized in the following table.

Existing and Proposed Fares

	Current Fares	Proposed Fares
Drop	\$2.75	\$3.00
Mileage	\$2.04/mile	\$2.16
Waiting	\$22.50/hr.	\$25.00/hr.
Passengers	\$1.25	\$1.25
Suite case	\$0.50	Subsumed by Luggage Handling Fee
Trunk	\$2.00	Subsumed by Luggage Handling Fee
Grocery Bags	\$0.33/bag	Eliminated
Animals	\$1.00	Eliminated
Snow	\$5.00	\$5.00
Luggage	---	\$0.50/bag Max \$3.00

Staff is proposing that the drop charge be increased from \$2.75 to \$3.00, the mileage rate be increased from \$2.04 per mile to \$2.16 per mile and that the waiting rate be changed from \$22.50 per hour to \$25.00 per hour. Staff is recommending that the fare structure be simplified by combining the Suite Case and Trunk charges into one Luggage charge and eliminating the Grocery Bags and Animals charge.

Four factors were considered when evaluating the proposed fare changes; 1) the rate of inflation since the last fare review; 2) the change in gasoline prices; 3) the change in the cost to maintain a vehicle; and, 4) competition in the area.

Rate of Inflation:

The Consumer Price Index (CPI) was used to determine the rate of inflation since the last fare review. The CPI measures the price change for a market basket of goods and services from one period to the next and is used as a cost of living index. The CPI is based upon a 1984 base of 100. An index of 185 indicates 85 percent inflation since 1984. For this analysis the Department of Labor, Bureau of Labor Statistics index for all urban consumers was used. In 2008, the last fare review, the CPI was 211.080 and in 2012 the CPI is 231.407. **The cost of living has increased 9.6 percent since the last fare adjustment.** For driver's income to keep pace with inflation, their net income must increase by 9.6 percent.

Gasoline Price Change:

The average cost of a gallon of gasoline based on the Department of Energy's data was \$2.76 for the 12 months preceding the 2008 rate adjustment and \$3.58 for the past 12 months. **The cost of gasoline has increased 30 percent since the last fare adjustment.**

Average trip length and expected fuel economy were used to calculate the impact of gas price increases on a typical taxi trip. The EPA mileage estimates for a 2009 Crown Victoria, a typical taxi vehicle, is 16 miles-per-gallon (mpg). The dispatch data from over 34,000 taxi trips shows the average trip length is 10 miles. The calculation goes as follows:

1) 2008 Trip cost at \$2.76 per gallon

$$\text{Trip cost} = (\text{Trip Miles/Fuel Mileage}) \times (\text{Gas Cost})$$

$$\text{Trip Cost City} = (10 \text{ miles}/16 \text{ miles/gallon}) \times (\$2.76/\text{Gallon}) = \$1.73$$

2) 2012 Trip cost at \$3.58 per gallon

$$\text{Trip cost} = (10 \text{ miles}/16 \text{ miles/gallon}) \times (\$3.58/\text{Gallon}) = \$2.24$$

3) Cost Difference

$$\text{Cost Difference} = \$2.24 - \$1.73 = \underline{\underline{\$0.51/\text{Trip}}}$$

The average taxi services about 2,000 trips per year. Therefore, the average annual income would be as follows:

$$\text{Income} = \text{Fare} - \text{gas}$$

1) 2008 Income

$$\text{Income} = [((\$2.04/\text{mile}) \times (10 \text{ miles}) + (\$2.75/\text{trip})) - (\$1.73/\text{trip})] \times (2,000 \text{ trips/yr.})$$

$$\text{Income} = \$42,840/\text{yr.}$$

2) 2012 Income with Proposed Rates

$$\text{Income} = [((\$2.16/\text{mile}) \times (10 \text{ miles}) + (\$3.00/\text{trip})) - (\$2.24/\text{trip})] \times (2,000 \text{ trips/yr.})$$

$$\text{Income} = \$44,720/\text{yr.}$$

Net income change considering gas prices and proposed rates = 4.4%

Cost to Maintain a Vehicle:

Every year the American Automobile Association (AAA) publishes a report titled “Your Driving Costs.” This report determines how much it will cost per mile to operate a car for that year. Factors such as fuel, maintenance, tires, insurance, license, registration, taxes, depreciation and finance are all included in the calculation. Although these costs are based on a non-commercial vehicle, they do provide a good indicator of the relative costs to operate a passenger vehicle similar to a taxicab. In 2007, the AAA calculated that the cost to drive a medium size sedan was \$0.52 per mile and in 2012 was \$0.59 per mile. **The cost to maintain a vehicle has increased 13 percent since the last fare adjustment.** The change in annual driver income taking into account the cost to maintain a vehicle, which includes fuel costs, would be as follows:

1) 2008 Income

$$\text{Income} = [((\$2.04/\text{mile} - \$0.52/\text{mile}) \times (10 \text{ miles}) + (\$2.75/\text{trip}))] \times (2,000 \text{ trips/yr.})$$

$$\text{Income} = \$35,900/\text{yr.}$$

2) 2012 Income with Proposed Rates

$$\text{Income} = [((\$2.16/\text{mile} - \$0.59/\text{mile}) \times (10 \text{ miles}) + (\$2.75/\text{trip}))] \times (2,000 \text{ trips/yr.})$$

$$\text{Income} = \$36,900/\text{yr.}$$

Net income change considering maintenance and proposed fares = 2.8%

Inflation and Increased Cost

	2008 (Last Fare Review)	2012	Change
Consumer Price Index	211.080	231.407	9.6%
Cost of Gasoline	\$2.76	\$3.58	30%
AAA Driving Costs	\$0.52/mile	\$0.59/mile	13%

Area Competition:

The last item considered are the fare rates of surrounding jurisdictions. This serves two purposes, first to make sure that the proposed fares are in line with the rest of the region and second to make sure Alexandria’s taxi service is competitive. On the next page is a chart showing the fares of the surrounding jurisdictions.

Regional Taxicab Fare Rates and Charges

	Alex (Ex)	Alex (Prop)	Arl.	Fairfax	D.C.	Montg.	P.G.	Airport Flyer	Uber
Drop	\$2.75	\$3.00	\$2.75	\$3.25	\$3.00	\$4.00	\$3.00	\$3.50	\$7.00
Mileage	\$2.04	\$2.16/mile	\$2.10	\$2.00	\$2.16	\$2.00	\$1.75	\$2.00	\$3.25
Waiting	\$22.50/hr.	\$25.00/hr.	\$22.5	\$21.18	\$25.00	\$28.00	\$22.50	\$25.00	\$45.00
Passengers	\$1.25	\$1.25	\$1.00	\$1.00	---	\$1.00	\$1.00	\$2.00	
Suite case	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$1.00	\$1.00	---	---
Trunk	\$2.00	---	\$2.00	\$2.00	---	---	---	\$2.00	---
Grocery Bags	\$0.33/bag	---	---	\$0.25	---	---	---	---	---
Animals	\$1.00	---	---	\$1.00	---	---	\$1.00	---	---
Snow	\$5.00	\$5.00	---	---	---	\$2.50	\$3.00	\$3.50	---
Dispatch	---	---	---	---	\$2.00	---	---	---	---
Trip to Dulles	\$72.11	76.44	\$74.15	\$71.25	\$76.44	\$72	\$61.25	\$71.50	\$117.50
Trip to Nat. Air.	\$11.73	\$12.50	\$11.99	\$12.05	\$12.50	\$10.70	\$11.80	\$12.30	\$21.30