

**TRAFFIC AND PARKING BOARD PUBLIC HEARING
NOVEMBER 26, 2012**

DOCKET ITEM: 6

ISSUE: Biennial Review and Public Hearing on Conditions within the Alexandria Taxicab Industry.

STAFF RECOMMENDATION: That the Traffic and Parking Board receive the information provided herein and the testimony offered during the public hearing for consideration of conditions within the Alexandria taxicab industry.

BACKGROUND: City Code Section 9-12-31 requires that the Traffic and Parking Board and City Manager conduct a review of the taxicab industry in Alexandria. As part of this review, the Board is to hold a public hearing to receive testimony from industry representatives and the public as to the economic condition of the industry, the adequacy of public service provided and necessary or desirable changes in the regulation of the industry, including the number of taxicabs authorized for each company.

In consideration of the public testimony and other available information, the Board is to forward its conclusions as to the status of the industry and its recommendations on all matters included in the annual review to the City Manager for consideration in making final determinations on any pending applications or proposals under section 9-12-30.

DISCUSSION: The taxicab industry is unique in several ways. First, customers don't always have the opportunity to shop around for price and service. In many instances, such as the airport and cabstands, customers are required to take the first cab in line. Based on this scenario there is no compelling reason for taxi service providers to go out of their way to provide good customer service. Although, many of the drivers know that providing better service can lead to better tips, not all drivers abide by this. Second, all of the taxicab drivers are independent contractors. Drivers pay the parent company weekly stand dues in exchange for dispatch service and the right to drive under the parent company's affiliation. This is similar to, but not exactly the same, as a hair stylist renting a chair at a salon. The main source of revenue for the parent company is revenue generated by drivers paying stand dues. The more cabs, the greater the profit. The savvy business owner soon learns that the larger the fleet, the greater the profits, regardless of demand for service.

Regulation is necessary since the normal forces of market competition are not present. In the 1980's a number of communities tried to deregulate taxicab service and experienced problems, such as price gouging and refusal to carry non-profitable passengers. The dispatch taxi market is different because customers have the ability to shop around for a company that provides good service.

Alexandria has issued 23 certificates of public convenience and necessity that authorize the operations of taxicabs in the City of Alexandria. Of these, six are issued to taxicab

companies and 17 are issued to individuals (grandfathered certificates). In aggregate, these certificates authorize the operation of 767 taxicabs, all of which are required to maintain affiliation with a taxicab company. Individually-held certificates authorize the operation of one taxicab each or 17 taxicabs total. Collectively, company-held certificates authorize the operation of 750 taxicabs.

Staff believes that the number of Alexandria taxicabs exceeds the demand for service in the City and at the airport. The airport is no longer accepting new cabs because of overcrowding. This oversaturated market restricts the driver's ability to earn a living. The code requirement for two dispatch calls per cab per day is designed to self-regulate the taxicab supply in response to changing market conditions. Part of the reason that so many companies are having trouble meeting the two-call per day requirement is that the Alexandria taxicab market is too small to support the number of cabs serving the City.

Competing services impact the taxi market. The King Street Trolley has eliminated much of the taxi service between the King Street Metro Station and destinations in Old Town. The addition of the Mount Vernon Trolley may further reduce the demand. A new service called Uber may impact the taxicab market. Uber is a hybrid Taxi/Limousine service that accepts reservations through the internet. Uber is an internet based broker for independent limousine operators. The fare structure is similar to that of a taxi in that there is a drop charge and mileage. Independent operators sign up with Uber and then accept calls for service. The City does not regulate Uber because Uber is not considered a taxi service. The impact of Uber is not well understood. Many believe that Uber competes in an upscale market different from taxicabs. Time will tell what the impacts of Uber and other such services will be.

Another concern for the Alexandria taxi industry is a recent change to the State Code. Effective July 1, 2012, a change to State Code Section 46.2-2067(b) limits a jurisdiction's ability to reduce the number of cabs authorized for any particular company. Most jurisdictions allocate a maximum number of vehicles that may be associated with each cab company. The number of cabs allocated to each company is periodically reviewed and the jurisdiction adjusts the number up or down based on the needs of the community and performance of the particular certificate holder. The new language requires jurisdictions to have "*cause*" before reducing the number of authorizations associated with each company. Under the new State Code section, the City would be obligated to replace cabs lost through transfers from compliant companies with new ones. Driver-initiated transfers from compliant companies pursuant to the City Code would not constitute "*cause*" for reducing a company's fleet size under the new state Code section. This will result in an increase in the total number of cabs, in an already over saturated market, each transfer cycle.

The following is a summary of staff observations regarding current taxicab service, economic condition of the industry and overall industry performance. This information is intended to provide the Board with staff's perspective on current conditions in Alexandria's taxicab industry for consideration along with testimony provided during the public hearing and other information that is available to the Board.

Current economic conditions are impacting the taxicab industry. Since the 2010 review staff estimates that the demand for taxi dispatch service has increased by 23 percent. This is based on the taxi dispatch records that staff reviewed. Most of this increase was realized by Alexandria Yellow Cab.

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.

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 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. Therefore, the cost of living increase is 9.6 percent over the past four years and 10 months or roughly two percent per year. For driver's income to keep pace with inflation, their net income must increase by 9.6 percent.

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. This represents a 30 percent increase in the cost of fuel since the last fare adjustment in 2008.

The 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

Trip cost = (Trip Miles/Fuel Mileage) x (Gas Cost)

Trip Cost City = (10 miles/16 miles/gallon) x (\$2.76/Gallon) = \$1.73

2) 2012 Trip cost at \$3.58 per gallon

Trip cost = (10 miles/16 miles/gallon) x (\$3.58/Gallon) = \$2.24

3) Cost Difference

Cost Difference = \$2.24 - \$1.73 = **\$0.51/Trip**

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 the cost is based on a non-commercial vehicle, it does provide a good indicator of the relative costs to operate a commercial vehicle similar to a taxicab. In 2007, AAA calculated that the cost to drive a medium size sedan was \$0.52 per mile and in 2012 was \$0.59 per mile. This is a 13 percent increase in the operational costs. This figure is higher than the 9.6 percent inflation rate based on the consumer price index because of the price of gasoline.

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%

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. The reason competitiveness is important is because there is a practice of cabs from outside the City coming into Alexandria to serve dispatch calls. Although there are no hard statistics on the amount of business taken away from Alexandria cabs, staff believes that every effort should be made to keep this business within Alexandria – especially dispatch business. Below is a chart showing the fares of the surrounding competing jurisdictions.

Regional Taxicab Fare Rates and Charges

	Alex (Ex)	Arl.	Fairfax	D.C.	Montg.	P.G.	Airpor t Flyer	Uber
Drop	\$2.75	\$2.75	\$3.25	\$3.00	\$4.00	\$3.00	\$3.50	\$7.00
Mileage	\$2.04/ mile	\$2.10	\$2.00	\$2.16	\$2.00	\$1.75	\$2.00	\$3.25
Waiting	\$22.66/ hr.	\$22.5	\$21.18	\$25.00	\$28.00	\$22.50	\$25.00	\$45.00
Passengers	\$1.25	\$1.00	\$1.00	---	\$1.00	\$1.00	\$2.00	
Suitcase	\$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	---	\$0.25	---	---	---	---	---
Animals	\$1.00	---	\$1.00	---	---	\$1.00	---	---
Snow	\$5.00	---	---	---	\$2.50	\$3.00	\$3.50	---
Dispatch	---	---	---	\$2.00	---	---	---	---
Trip to Dulles	\$72.11	\$74.15	\$71.25	\$76.44	\$72	\$61.25	\$71.50	\$117.50

The table below shows the current authorizations for each company.

Current Authorizations

Certificate Number	Company Name	Regular	ADA	Grandfather	Total
34	Alexandria Yellow Cab	271	12	7	290
46	King Cab	51	1	2	54
77	VIP Cab	62	1	2	65
120	White Top	100	7	3	110
130	Alexandria Union Cab	221	2	2	227
	Go Green	20	0	0	0