

# City of Alexandria

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## Biennial Taxicab Review 2021

### **RECOMMENDATIONS:**

#### **1. Reduce Industry Fees**

Alexandria should reduce the fees charged to the Taxicab industry:

Table 1: Recommended Fees

	Current Fee	Proposed Fee
Application or Transfer	\$4,000	\$4,000
Certificate Renewal (company)	\$4,000	\$2,000
Each Authorized Vehicle (company)	\$150/cab	\$0/cab
Grandfatherd CPCN Renewal	\$150	\$25
Duplicate CPCN	\$25	\$0
Driver Permit Application	\$100	\$25
Driver Permit	\$150	\$25
Manifest Books	\$50	\$0
Duplicate Driver Permit	\$25	\$0
Initial Vehicle Inspection & Cert.	\$100	\$25
Annual Vehicle Renewal	\$150	\$0
Transfer of Vehicle Permit	\$100	\$0
Duplicate Vehicle Permit	\$25	\$0
Annual Inspection	\$150	\$25

#### **2. Maintain Current Cab Authorizations**

Alexandria should provide flexibility for the existing companies to temporarily reduce their size to meet demand without penalty.

#### **3. Code Changes**

The City will be bringing Code changes in 2021 to address recommendations from the Office of Performance and Accountability.

**BACKGROUND:** The taxicab industry is regulated because deregulation has not worked. Many studies, for example, Price Waterhouse (1993), Teal (1987), Gelb (1983a,b), Dempsey (1996) and Frankena and Paulter (1984) all point to common results when taxicabs are unregulated. Fares increase, service quality declines and the number of drivers increases. Regulation typically consists of government determination of service supply, setting of prices and setting of service and safety standards. National Airport is a good example of why regulation is needed. In 1974 the airport was opened to unregulated taxicab service. Airport taxi service became so bad that within a year the airport only allowed cabs from regulated jurisdictions to service the airport. There were instances of drivers discharging passengers along I-395, cabs with wooden benches serving as back seats and the list goes on.

Regulation is needed because the low cost of market entry and lack of incentive to provide good service. Without regulation, anyone who has a car can turn that vehicle into a taxicab, no matter what condition. Furthermore, for the non-dispatch cabs, such as airport cabs and street hails, there is no incentive to provide good customer service. Customers do not have the opportunity to “shop around” for the best cab. The only option is the first available cab.

If the industry were deregulated, driver background checks would go away, cabs and meters would no longer be inspected, and ADA service would go away. Deregulating the Alexandria taxicab industry would most likely result in the downfall of the industry.

**STATE OF THE INDUSTRY:** The taxi industry is facing two separate challenges, one immediate and one longer term. The COVID-19 pandemic and the unprecedented reduction in travel demand is an immediate threat to the industry, while competition from other forms of ride hail services and Transportation Network Companies (TNCs) represents an ongoing threat.

***COVID-19 Pandemic:*** The global pandemic has dramatically impacted the taxi industry. During the Governor’s ‘stay at home’ order, travel demand dramatically dropped and has yet to fully recover. Many employees are working from home and no longer making regular business trips during the day that might have used a taxi. Likewise, the travel and tourism sectors of the economy have been dramatically impacted.

Hotel occupancy in Alexandria is normally 80% or better. According to Visit Alexandria, In April-June of 2020, less than 20% of hotel rooms were filled on average.

Travel to and from Reagan National Airport is also a large market for taxi trips, but air traffic remains substantially depressed. In July 2020, total passengers at National Airport were down 78% compared to the same July 2019. During the peak of the stay-at-home orders in April, passenger traffic was down 96.7% compared to the previous year.

In each industry, analysts are forecasting a slow return of travel demand, with traffic remaining below 2019 levels for the next few years.

**Industry Competition:** Prior to the pandemic, the taxi industry was continuing to lose market share. Customers continue to shift from taxicabs to ride-hail services provided by TNCs.

As during the last review, TNCs have created competition for drivers. Many Alexandria companies are having trouble attracting new drivers. This is problematic for dispatch companies. The process for becoming a new driver for a TNC is quick, inexpensive and easy. The process for becoming a new taxicab driver involves passing a test, painting a car, getting that car inspected and paying several fees.

These services have also been hit hard by the pandemic. Uber noted their gross bookings in the United States decreased by 75% in April-June 2020, and Lyft noted a similar decrease in use.<sup>1</sup>

Prior to the pandemic, TNCs continued their explosive growth. This growth has come at the expense of taxicabs and public transit. TNCs have expanded the for-hire market and many that would walk, bike or use transit are now using TNCs because of the cost and convenience. Despite their popularity, their parent companies continue to lose money, often subsidizing passenger fares to encourage additional use. Both Uber and Lyft became publicly-traded companies in 2019.

**Taxi Regulation Efficiency Analysis:** In 2019, the City of Alexandria's Office of Performance and Accountability (OPA) issued a report on the state of taxi regulation in the City.<sup>2</sup> The report's analysis was completed before the COVID-19 pandemic disrupted the industry.

The report recommends that the City continue to regulate the taxi industry but adjust requirements to closely align with the requirements of TNC companies and drivers mandated by Virginia. This includes a recommendation to reduce the fees charged by the City to both taxi companies and drivers.

The report also recommended that the City further examine indirect costs imposed on the industry by various regulations and requirements.

**TAXI FARES:** Industry conditions do not warrant a fare increase. Although inflation has risen 3.1% percent since the last fare adjustment, the cost of gasoline decreased by 18.9%.

Every year the 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 like a taxicab. In 2017 the AAA calculated that the cost to drive a medium size sedan was \$0.47 per mile, while their 2019 calculation increased to \$0.49 per mile, an increase of approximately 4.3%.

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<sup>1</sup> "Uber ridership has cratered and no one knows when it'll come back" – Faiz Siddiqui, The Washington Post, August 10, 2020. Accessed October 5, 2020: <https://www.washingtonpost.com/technology/2020/08/10/uber-coronavirus-lockdowns/>

<sup>2</sup> <https://www.alexandriava.gov/uploadedFiles/performance/reports/OPATaxiRegulationReport.pdf>

Table 2: Comparison of Cost Indices

MEASURE	CHANGE
Consumer Price Index	+3.1%
Cost of Gasoline	-18.9%
AAA Driving Costs	+4.3%

The existing taxicab fares for Alexandria and surrounding jurisdictions is provided below as a comparison. This chart shows that the three Virginia jurisdictions all charge similar fares.

Table 3: Existing Taxicab Fares and Charges

	Alexandria	Arlington	Fairfax County	Montgomery County
Drop	\$3.00	\$3.00	\$3.25	\$4.00
Mileage	\$2.16	\$2.16	\$2.10	\$2.00
Waiting	\$0.42/min	\$0.39/min	\$0.36/min	\$0.47/min
Passengers	\$1.25	\$1.00	\$1.00	\$1.00
Suit case	\$0.50	-	\$0.50	\$1.00
Trunk	-	-	\$2.00	-
Groc. Bags	-	-	\$0.25	-
Animals	\$2.00	-	\$1.00	-
Snow	\$5.00	-	-	\$2.50
Other	-	-	-	-
Cleaning	-	\$25	\$25	-

**CITY FEES:** Staff are recommending substantial reductions in fees. In the 2019 Biennial Review, the Traffic and Parking Board recommended that the City Manager reduce taxi fees. These reductions have not yet been implemented. The City should implement the reductions starting in 2021.

During the COVID-19 Pandemic, the City Manager did implement several emergency changes to delay payment of fees for vehicle inspections and driver permit renewals, as well as a waiver of some fees for taxi companies to renew their certificates for 2020.

A comparison of the annual fees charged by Alexandria and the surrounding jurisdictions is shown below:

Table 4: Comparison of Fees with Neighboring Jurisdictions:

	Alexandria	Arlington	Fairfax
Application or Transfer	\$4,000	\$500 + \$100/cab	\$100/cab
Certificate Renewal	\$4,000	\$0	\$150
Each Authorized Vehicle (company)	\$150/cab	\$150/cab	\$0
Grandfatherd CPCN Renewal	\$150	\$0	\$0
Duplicate CPCN	\$25	\$0	\$0
Driver Permit Application	\$100	\$65	\$40
Driver Permit	\$150	\$0	\$0
Manifest Books	\$50	\$0	\$0
Duplicate Driver Permit	\$25	\$0	\$0
Initial Vehicle Inspection & Cert.	\$100	\$0	\$0
Annual Vehicle Renewal	\$150	\$40	\$0
Transfer of Vehicle Permit	\$100	\$0	\$0
Duplicate Vehicle Permit	\$25	\$30	\$25
Annual Inspection	\$150	\$0	\$20

The above table shows that Alexandria has considerably higher and more fees than Arlington and Fairfax. Staff believes that a fee reduction is needed to ensure the sustainability of the taxicab industry. There are two areas that need to be reduced, the annual fees and the driver entry fees. This will reduce ongoing costs for the industry as well as make it easier for new drivers to enter the market.

The table below shows the recommended industry fees. This is the same set of recommended fees as in the 2019 Biennial Review, with one change – the fee for each authorized vehicle is now proposed to be \$0.

Table 5: Proposed Fees

	Current Fee	Proposed Fee
Application or Transfer	\$4,000	\$4,000
Certificate Renewal (company)	\$4,000	\$2,000
Each Authorized Vehicle (company)	\$150/cab	\$0/cab
Grandfatherd CPCN Renewal	\$150	\$25
Duplicate CPCN	\$25	\$0
Driver Permit Application	\$100	\$25
Driver Permit	\$150	\$25
Manifest Books	\$50	\$0
Duplicate Driver Permit	\$25	\$0
Initial Vehicle Inspection & Cert.	\$100	\$25
Annual Vehicle Renewal	\$150	\$0
Transfer of Vehicle Permit	\$100	\$0
Duplicate Vehicle Permit	\$25	\$0
Annual Inspection	\$150	\$25

The proposed fee reductions will substantially decrease revenue to the City. Due to the uncertainty about the survival of the companies as well as the potential changes in fees, detailed revenue projections are difficult.

However, taxi drivers and companies are currently unable to pay the existing fees, and the City is unlikely to realize this revenue in any scenario. At the same time, the taxi industry performs many services for the City's schools, seniors and the disabled at a very economical rate. If the taxi industry were to go away up, these services would still need to be performed costing the City considerably more.

**NUMBER OF CABS:** Because of the uncertainty around travel demand during the pandemic, Staff are proposing to maintain the 2020 authorizations and not to change the allocations of taxis for any company. When combined with the change in fee structure to eliminate the fee per cab authorization, this should remove any financial cost to the companies of carrying an unused authorization.

Staff also expect that once fee changes are formally implemented, companies may choose to adjust their requests for 2021.

Table 6: Summary of Taxi Reauthorizations, Requests, and Recommendations

<b>Company</b>	<b>2020 Authorization</b>	<b>Requested Amendment</b>	<b>2021 Request</b>	<b>2021 Recommendation</b>
Alexandria Yellow Cab	180	(30)	150	180 (maximum)
VIP Cab	63	(8)	55	63 (maximum)
Alexandria Union Cab	225	-	225	225 (maximum)
King Cab	56	(56)	0	-
White Top	70	(70)	0	-
King + White Top*	-	-	-	126 (maximum)
<b>TOTAL</b>	<b>594</b>	<b>(164)</b>	<b>430</b>	<b>594</b>

\*King Cab and White Top Cab have announced their intention to merge into a single company.

**PROPOSED CODE CHANGES:** Staff are recommending several changes to the City Code to reduce administrative burdens and implement some of the recommendations from the Taxi Regulation Efficiency Analysis report. Details on those Code changes will be brought to the Traffic and Parking Board in 2021.