

Proposed Taxi Rate Increase

**Prepared at the Direction of the Philadelphia Parking Authority Board By the
Taxicab and Limousine Division**

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Proposed Taxi Rate Increase

SUMMARY

Section 34.a.v of the Philadelphia Parking Authority’s (PPA) regulations for taxis and limousines in the city of Philadelphia allows the PPA to open an investigation into rates at any time. The last rate increase investigation concluded with an increase effective July 5, 2005. This was the City’s first medallion taxi rate increase in fourteen years. It was implemented by the PPA shortly after assuming regulatory authority for taxicabs and limousines in April 2005. On or about October 20, 2005 a temporary increase to the flag drop was approved through a gasoline surcharge (40 cents per metered trip and \$1.25 for the Airport flat rate). The surcharge is still in effect.

Recently, members of the Taxicab and Limousine Industry have expressed their concern over the adequacy of the current medallion rates and maximum lease rates. The cost of living increase and the requirement regarding mandatory acceptance of credit cards were all cited by individual members as reasons for concern. Concerns continue to exist regarding the rise in gasoline prices. All of these concerns however, on the part of drivers are tempered by the fear of losing customers should fares climb too high. After considering their concerns, the TLD submitted a request to the PPA Board to open a Rate Increase Investigation. The Board in September 2007 authorized the Taxicab and Limousine Division to develop the information necessary to assess the adequacy and propriety of current taxi rates and leases and to report its findings to the TLC by November 21, 2007 for submission to the Authority Board at its next meeting¹. In compliance with the TLC’s request, the Taxicab and Limousine Division has developed this report which includes the proposed rate changes as summarized in Table 1 and requests comments from interested stakeholders, including the public at-large as detailed below. It is proposed that these rates become effective on March, 15, 2008. Approval by the PPA Board is required prior to any rate increase.

Table 1 – Proposed Taxi Rate Increase		
	Current Rates	Proposed Rates
Flag Drop	\$2.30	\$2.70
Charge per Mile	\$2.10 ²	\$2.30 ³
Waiting Time	\$20/hour ⁴	\$22/hour ⁵

¹ The Taxicab and Limousine Division has initially reported its findings to the TLC. It is the intention of the TLD to issue a report no later than November 21, 2007 so that any proposed change in rates may be considered at the Board’s meeting of November 26, 2007.

² Charged at \$0.30 per 1/7 mile

³ Charged at \$.23 per 1/10 mile

⁴ Charged at \$.30 per every 54 seconds

⁵ Charge at \$0.23 every 37.6 seconds

Total Typical Fare⁷	\$9.15	\$9.87
Airport Flat Rate	\$25.00 plus \$1.25 fuel surcharge	\$28.50 ⁸ no surcharge included

These rates would be applicable to all jurisdictional service provided by Medallion and Partial Rights cabs in Philadelphia unless the Partial Rights cab companies are granted a waiver by the PPA to be permitted to charge the rates approved for their suburban service by the PUC.

In addition, this proposal sets maximum leases that a Medallion owner may charge a driver to lease the taxi Medallion. Medallion owners are usually responsible for providing and maintaining the car and equipment, insurance, dues to a radio dispatch association and regulatory fees. The driver retains all revenue. Drivers are always responsible for gasoline.

The overall impact of this proposed rate increase would be to keep Philadelphia in ninth place among cities with large taxi fleets and metered fares. This would allow drivers to continue to earn a respectable living while driving fewer hours than the 12 hours or more a day that has been reported to the TLD.

BACKGROUND

On September 27, 2004, the PPA Board approved a new set of regulations for taxis and limousines providing service in Philadelphia and directed the Taxicab and Limousine Division to develop the information necessary to assess the adequacy and propriety of current taxi rates.

Medallion taxicabs had not had a base rate increase since January 1991. The structure of the Philadelphia taxi industry makes it difficult to gather industry financial and operating data. Among the more difficult information to obtain was revenue and trip data. Owners' revenue comes from leases with drivers and the drivers' revenue comes from the riding public. After developing an initial assessment and meeting with industry representatives to secure data on operating costs, a proposed rate increase was developed by the Taxicab and Limousine Division. The long awaited increase was put into effect on July 5, 2005. The industry was pleased with how quickly the TLD was able to respond to their need for an increase in rates.

Any member of the taxicab and limousine industry may request the opening of a rate increase investigation as long as eighteen months have passed since the last rate increase. Requests were received in writing from a taxi dispatch association whose chief officer is also a Medallion owner, and the Brotherhood of Unified Taxi Drivers along with verbal requests from other drivers' organizations. The change in rates and the process for moving forward has been presented to the PPA Board through the Taxicab and Limousine Committee (TLC). The TLC has endorsed the process that is being pursued to

⁶ Collected on flag drop making current flag drop \$2.70

⁷ Typical trip estimated to be 2.5 miles with 4.5 minutes of waiting time

⁸ The proposed rate increase includes the current \$1.25 gasoline surcharge plus a \$2.25 increase

collect comments on this proposal.

TAXI INDUSTRY STRUCTURE

The Philadelphia taxi industry is decentralized and heterogeneous. The industry is made up of 1,600 Medallion taxicabs and approximately 100 cabs that have rights to serve parts of the city without a Medallion (Partial Rights cabs). The Medallions are owned by approximately 700 companies. There are five Partial Rights companies, each with at least a few cabs serving specific areas of Philadelphia (One has about 90). There are owners who control as many as 80 Medallions, while 398 companies own a single Medallion each. The estimated revenue reaped by the City's 1,600 Medallion cabs from its riders is in excess of \$170 million⁹.

These 1,600 Medallion cabs are driven by approximately 3000 certified drivers. Not all certified drivers are active and not all drive fulltime. The driver is always responsible for gasoline, while the Medallion owner pays all the other expenses assuming the Medallion owner supplies the vehicle. Drivers have one of several relationships with the owner. The major business structures are summarized below:

- **Owner Operator:** This category is represented by a Medallion owner who drives his own cab. In some cases there may be more than one owner and they all may drive. In other cases the owner/operator may share driving responsibilities with a certified driver by leasing the vehicle and Medallion to a certified driver for any available shifts.
- **Driver Owned Vehicle (DOV):** These drivers own the vehicle they drive and lease the Medallion from the Medallion owner. If the lessee chooses to have a second driver, a lease with the Medallion owner for that driver is required unless the second driver is on the original lease. This protects all the parties by meeting the requirements of the insurance companies as to who is driving which vehicle. Insurance companies have required the title to all insured cabs to be in the Medallion owner's name.
- **Lease Drivers:** These drivers own neither the Medallion nor the vehicle. Leases are usually for a 12-hour shift, a 24 hour shift or a weekly shift. Leases of this nature may also exist within the classes listed above. A driver leasing a vehicle for more than a shift sometimes shares the lease with other drivers. This lease must be made with the knowledge and approval of the Medallion owner. The initial lease must spell out whether this practice is permitted.
- **Employer – Employee:** This relationship is permitted by the regulations. To the best of our knowledge there are no employee-employer relationships between Medallion owners and drivers.

⁹ Based upon 1600 medallions being driven one shift per day and 800 being driven a second shift. Driver estimated revenue (Table 5, \$70,884 per shift)

The pool of drivers is extremely heterogeneous from a business perspective. Some drivers work longer hours than others. Some focus their efforts on servicing the airport while others work the neighborhoods or Center City. Some drivers rely greatly on radio service while others do not respond to requests for dispatched trips. Although some of the PPA's Regulations are designed to make certain that all drivers perform to a minimum standard and drive no more than the maximum permitted hours, differences will still remain.

Medallion owners are responsible for all expenses unless otherwise specified in the lease. These costs include in part, vehicle and equipment depreciation and maintenance, insurance, regulatory fees, maintenance and replacement of the CDS unit and dispatch dues. Some Medallion owners are drivers, others provide the Medallion and the cab for lease and still others only provide the Medallion.

Drivers always receive the revenue generated by operating the cab while the Medallion owner receives his compensation from the driver through a lease, unless he or she is an owner operator. The fragmented nature of the industry has made it difficult to collect data that truly represents the diverse nature of the industry. It is also necessary to view operating expenses and revenues from both the diverse and varied perspectives of the Medallion owner and driver.

GOALS

Act 94 of 2004 and the PPA's Regulations require that all cabs serving Philadelphia must charge the same rates. Section 34 of the PPA's Regulations addresses rates. Taxi rates are to be set by comparing operating revenues to operating expenses, including depreciation. Whenever considering taxicab rates, the PPA is also required to consider the minimum prevailing wage ¹⁰ and or the maximum lease rate that a Medallion owner may charge a driver.

In addition to the explicit legislative and regulatory requirements, the Taxicab and Limousine Division has attempted to balance three often competing goals, which are that rates should:

- Be affordable to the riding public. The Taxicab and Limousine Division has attempted to assess this through some comparative analysis (see Tables 7 and 8).
- Provide drivers with an opportunity to make a decent living. Good drivers are critical to providing quality service. Decent income is critical to the attraction and retention of good drivers. This is extremely important given the added requirements the PPA has placed upon drivers and the higher standards to which its regulations hold these drivers.

¹⁰ This is not an issue as there are no employee drivers at this time. Rather, the focus has been on the combination of revenues and expenses for a driver being sufficient to provide the driver an opportunity to make a respectable income.

- Provide Medallion owners with sufficient financial support to meet the higher service standards that the PPA has established.

Without the proper balance among these goals, the system does not work and service suffers.

FINANCIAL ANALYSIS

The Taxicab and Limousine Division has endeavored to develop sufficient information concerning taxicab revenue and expenses to allow it to develop a financial basis for assessing the adequacy and appropriateness of rates. Not only do revenues vary for both the owner and driver for each cab, but so do expenses. Insurance, maintenance and depreciation are all cab specific. The TLD has used current information from many sources including the data generated from the new CDS to determine the financial status of the owners and drivers. The Coordinated Dispatch System (CDS) does not however record expenses. The impact of the PPA taxicab regulations on the industry are relevant. The added expenses that have been imposed by the PPA in order to improve service must be taken into account.

This financial analysis is presented in several sections including:

- **Coordinated Dispatch System:** A review of the data extracted from our coordinated dispatch system for this analysis.
- **Rate Structure:** A review of how the taxi rates are currently structured and why the proposed structure is as presented.
- **Maximum Leases:** The law requires that the PPA establish maximum leases when setting taxi rates.
- **Impact on Riders:** This section considers the proposed rate recommendation from the perspective of the rider.
- **Impact on Drivers:** This section considers the proposed rate recommendation from the perspective of the driver's income.
- **Impact on Medallion Owners:** This section considers the proposed rate recommendation from the perspective of the Medallion owner.
- **Operating Ratio:** The law requires that the operating ratio be considered when the PPA sets rates. The operating ratio or fair rate of return is determined by comparing fair and reasonable operating expenses, depreciation, taxes and other costs of furnishing service to the operating revenues.
- **Other Key Assumptions:** A discussion of other key assumptions necessary to perform this analysis

Coordinated Dispatch System Data: The CDS is a new system and is being updated and modified on a continuous basis. Data has been extracted in an attempt to confirm what the drivers' revenue, number of trips etc. are.

The complete data extracted included:

- A start and an end date for the data extracted
- Total paid and unpaid miles
- Number of trips
- Total dollars collected.

Based upon this data, the following key assumptions were developed. It was decided that a typical trip and waiting time should remain constant from year to year for comparison purposes.

- The typical trip, excluding flat fares to and from the airport, is 2.5 miles.
- The typical waiting time for these trips is 4.5 minutes.
- The typical fulltime cab driver provides 5,400 metered trips per year, about 18 per day at 300 days per year.

Other Key Assumptions: Other key assumptions that are used to build this financial analysis include:

- The typical cab driver provides about 450 un-metered trips per year to or from the airport or about 1.5 per day. This is based upon data provided by the airport in 2005 of about 580,000 taxi trips leaving the airport in 2004 with over 60% of these being flat rate trips to center city. This needs to be doubled for the return trips.
- Driver revenues must include estimated tips.

Rate Structure: In setting rates, it is necessary to establish a rate structure to collect the needed revenues. The table below shows the existing and proposed rates.

Table 2 - Current and Proposed Taxi Rate Structure Per Trip			
	Current Rates	Proposed Rates	Percentage Change
Flag Drop	\$2.70 ¹¹	\$2.70	0%
Charge per Mile	\$2.10 ¹²	\$2.30 ¹³	9.5%
Waiting Time	\$20/hour ¹⁴	\$22/hour ¹⁵	10%
Airport Flat Rate	\$25.00 plus \$1.25 surcharge	\$28.50 ¹⁶	8.6%
Typical Trip¹⁷	\$9.15	\$9.87	7.9%

The proposed flag drop is to remain unchanged. The PPA approved a fuel surcharge of \$.40 per trip on October 20, 2005. It will be rolled into the new flag drop which the public has become accustomed to. Although it could be argued that more should be

¹¹Includes \$.40 per trip fuel surcharge

¹²Charged at \$.30 per 1/7 mile

¹³Charged at \$.23 per 1/10 mile

¹⁴Charged at \$.30 every 54 seconds

¹⁵Charged at \$.23 every 37.6 seconds

¹⁶Current surcharge has been rolled into the new rate

¹⁷Determined to be 2.5 miles with 4.5 minutes waiting time

placed on the flag drop and less through the mileage charge to better reflect the relationship between fixed and variable revenues and costs, the \$2.70 flag drop is already accepted and would avoid producing the element of “sticker shock”. This same philosophy was followed when the PPA Board granted the July 5, 2005 increase by rolling the fuel charge into the proposed flag drop. This eliminates the fuel surcharge of forty cents but not the PPA Board approved mechanism for implementing a new fuel surcharge should it become necessary to do so.

The mileage charge was increased to give the driver a small increase on each paid mile he drives.

Waiting time is accumulated whenever the vehicle is hired and is either standing still or moving slower than the critical speed¹⁸ as determined by dividing the hourly waiting time rate by the mileage rate. The current rate of \$20/hour or \$0.30 every 54 seconds should be increased to keep all the rates consistent with each other. None of the top fifteen cities with large metered fleets has waiting time below \$21.00. Most are substantially higher. This compares to \$63/hour if the taxi were moving at 30 mph¹⁹ at \$2.10/mile. Increasing waiting time charges may have side benefits of making drivers more patient and less aggravated by traffic jams since they know they are being fairly compensated for their time.

The flat rate from the center city zone to the airport has been increased by 8.6 %. When applying the proposed rates to the typical trip (not a flat rate trip) the overall rate will be increased 7.9% (72 cents) from the July 2005 rate²⁰.

By conducting more frequent reviews at reasonable intervals increases may be kept manageable from everyone’s perspective.

Leases: The law requires that the PPA establish maximum leases when setting taxi rates. Maximum leases provide the driver with protection from the Medallion owner who may try to keep too large a portion of an increase by raising the lease rates. The maximum lease set by the PPA is \$70 for a 12-hour shift. This has not been a source of complaints from many industry members. One company would like to see an increase to \$75 to accommodate their business plan of charging varying amounts on different days of the week. Comments will be solicited and considered on this topic. Owners are not currently charging the \$70 maximum to drivers. The norm is in the \$60 range. At this time there is no need to raise the daily or weekly lease. Unless comments suggest otherwise, the maximum leases will remain unchanged.

The maximum leases shown below assume that the Medallion owner is responsible for all expenses other than gasoline. If the driver provides the vehicle, these maximum leases assume that the driver is responsible for all vehicle and equipment maintenance and depreciation.

¹⁸ Critical speed is intrinsic to the design of the taximeter

¹⁹ Average speed for a typical

²⁰ The 7.9% increase covers 28 months. That is about a 3.3 % annual increase

	Vehicle Supplied by Medallion Owner	Vehicle Supplied by Driver
12-hour shift	\$70	NA
Daily	\$95	\$70
Weekly	\$570	\$420

The differential between the maximum lease where the Medallion owner versus the driver supplies the vehicle is dependent upon the cost of supplying that vehicle and the availability of drivers who are willing to purchase a cab. If there is a shortage of DOV drivers, an owner would have to purchase a cab so he could keep his Medallion working, by leasing it out to a shift driver. The medallion owner is entitled to a fair rate of return for leasing a vehicle, but sometimes he may have to forgo the rate of return he desires in return for a fair over all rate of return. The current maximum lease rate limits have not been reached. It appears there is no reason to raise the maximum lease, since no owner is charging that amount.

These lease amounts are maximum leases and leases of lesser amounts are permissible. Given the large number of owners, the market should self regulate actual lease amounts within the set limits.

Impact on Riders: Applying the proposed rates, the impact on riders is an additional \$.72 for the typical trip and an additional \$2.25 for the airport flat trip. Trips can vary widely in makeup between waiting time and mileage. The table below shows the breakdown of how the components of the typical trip have changed.

	Current Rates	Proposed Rates	% Change
Flag Drop	\$2.70 ²¹	\$2.70	0%
Mileage	\$4.95	\$5.52	11.5%
Waiting Time	\$2.50	\$2.76	10.4%
Total Fare	\$9.15	\$9.87	7.9%
Airport Rate	\$26.25	\$28.50	8.6%

Further assessment on the impact on riders can be found in the comparison section below, where Philadelphia's current and proposed taxi rates are compared to the rates in other cities (Table 7) and where this increase is compared to the increase in other costs since October 2005 (Table 8). These comparisons all yield reasonable results.

²¹ Includes the existing fuel surcharge

Impact on Drivers: Table 5 compares the income of a fulltime driver under current rates and proposed rates. These figures have been reviewed with prominent members of the industry including both drivers and owners.

Table 5 - Impact of Proposed Rate Increase on Fulltime Driver's Income (annual)		
	Current Rates	Proposed Rates
Metered Revenue ²²	\$49,410	\$53,298
Tips on Metered Fares ²³	\$7,411	\$7995
Airport Flat Fares ²⁴	\$11,813	\$12,825
Tips on Airport Fares ²⁵	\$2,250	\$2,250
Driver's Gross Revenue	\$70,884	\$76,368
Gasoline ²⁶	\$10,500	\$12,000
Lease Expense ²⁷	\$24,750	\$24,750
Airport tolls ²⁸	\$675	\$675
Driver's Expenses	\$35,257	\$36,757
Driver's Net Income	\$35,627	\$39,611 ²⁹

This increase in rates leads to an 11% increase in driver income on an annual basis. As noted, much of this is based upon a reasonable set of assumptions. This income is not guaranteed and may vary greatly based upon a specific driver's practices and abilities.

No adjustments have been made to reflect potentially offsetting changes to revenues and expenses associated with PPA's regulations and the proposed rate increase, including:

- A decline in ridership associated with the rate increase.
- An increase in ridership associated with superior cab service.
- An increase in efficiency associated with better dispatch.
- Projected increases in revenue associated with recent growth of airport work.
- Projected increases in revenue associated with increased use of credit cards
- Change in the implicit critical speed for waiting time.
- An increase in expenses associated with stricter HVAC requirements.
- A \$15 dollar increase in the annual driver registration fee.
- Reduction in the hours worked by a fulltime driver.
- Introduction of fuel efficient vehicles

²² Based on 5400 typical trips per year (\$9.15 current and \$9.87 proposed)

²³ Tips at 15%

²⁴ Based on 450 trips per year

²⁵ \$5 per trip

²⁶ \$35/day for 300 days per year (current)

\$40/ day for 300 days per year (proposed)

²⁷ Under proposed rates, leases are assumed to be the average of maximum daily and shift rate at \$95 and \$70 respectively. This is conservative. It is also conservative when compared to lease revenue assumed to be received by owners.

²⁸ \$1.50 per center city trip from the Airport

²⁹ Rates for a typical trip have increased by 7.9% over the former rates. This is dependent on many variables and is not guaranteed. An increase on one trip cannot be compared to the annual income figure

Table 6 – Impact of Proposed Rates and Leases on Medallion Owners		
	Current Rates	Proposed Rates
Vehicle and Equipment Depreciation	\$3000 ³⁰	\$3000
Vehicle and Equipment Maintenance	\$5382 ³¹	\$6000
Insurance ³²	\$4500	\$5000
Radio Dispatch Dues ³³	\$2600	\$2600
Regulatory Fees	\$1216	\$1216
Total Owner's Expenses	\$16,698	\$17,816
Lease Revenue	\$31,262 ³⁴	\$33,868 ³⁵
Medallion Owner Income	\$14,564	\$16,052

The Medallion owner income as reflected in Table 6 has been estimated before any salary to owners or any interest expenses that may be associated with the purchase of a medallion. Owners may have paid off the medallion or may have purchased it without any financing. There is the potential for variability between medallion owners and therefore income cannot be guaranteed.

Another measure of owner impact is the price of a Medallion. Even without a rate increase for fourteen years, the price of Medallions had continually increased since the introduction of the Medallion Program in 1991. In April of 2005 when the PPA took responsibility for the program, the price was approximately \$77,000. In anticipation of the PPA's jurisdiction over the Philadelphia Taxicab and Limousine industry, the price began to increase at a faster pace than ever before. By September 2007, Philadelphia Medallion prices had begun to approach \$200,000. This is an excellent sign as more and more people in the industry and the public acknowledge the positive influence the PPA has brought to the City. Since April 10, 2005, the Medallion price has increased 160%.

There may be a point when the return on investment is not sufficient to justify a higher price. The annual return for most Medallion owners is the lease payment. The maximum lease rate prevents the lease from getting out of control, thereby protecting the drivers. The amount of revenue a driver takes in determines whether he can afford to pay the lease and still make an acceptable living

³⁰ Based upon a \$9,000 vehicle depreciated over three years. No major impact assumed for technology upgrade as it has been subsidized by the Fund.

³¹ Reflects higher standards for better vehicles and higher comfort standards and equipment maintenance

³² Typical insurance. Fleets may pay more per vehicle than owner operators. Insurance rates have been reduced with the addition of new risk retention groups.

³³ Radio dispatch dues and service vary greatly between dispatch companies. Dues do not change often. Two changes were made since 2005. Yellow reduced from \$275 to \$50 per month and All City increased from \$60 to \$80 per month.

³⁴ Based upon \$60 shift, 1.67 shifts/day (estimated half the cabs are driven two shifts per day) and 312 days per year.

³⁵ Based upon \$65/shift, and 1.67 shifts per day and 312 shifts per year

Operating Ratios³⁶: Both the enabling statute and the regulations require rates to be set to produce a reasonable ratio between operating expenses and revenues. The industry structure and heterogeneity makes calculating a traditional operating ratio difficult. Operating revenues for the owners and the drivers are quite different. If we try to build an operating ratio for the owner operator who does not lease his or her vehicle to another driver, the gross revenues are the driver's total revenue of \$76,368³⁷. As an owner operator there are no salaries or management fees so expenses are determined by subtracting the estimated owner's income from the total revenue. This method produces net income of \$51,684.

This produces an operating ratio of about 76%. If the owner were entitled to \$14,400³⁸ as his income, about \$39/ per day- to manage the medallion the operating ratio is 87%. Neither of these ratios assumes any interest expense. Overall, the operating ratio test is found to be met under the proposed rates.

COMPARISONS

Comparisons are important for two reasons. As stated above, the revenue and expense data used to develop this recommendation is imperfect. Comparisons can help put the results into context to see if rational results have been produced. Second, comparisons can provide insights into affordability of the proposal.

Comparison to Other Cities: The first comparison is to the taxicab rates in other cities that use meters³⁹. The Taxicab and Limousine Division has compared the rates of other cities⁴⁰ to Philadelphia's proposed and current rates, using the typical trip for a Philadelphia customer. This analysis does not include adjustments for surcharges such as customer surcharges, nighttime surcharges, rush hour surcharges, etc. that some of these other cities' taxis may charge. The date of the last rate increase for each city is also included if available. The table above shows that the proposed rate increase would keep Philadelphia in 9th position for a typical trip, on the national list. It remains within the realm of reasonableness, especially since it does not include any of the surcharges used in other cities. Some of the other cities' rates on the list do not reflect the surge in gasoline prices since mid 2003.

Comparisons to other Price Changes: The proposed increase in taxicab rates is compared in the table below to other price changes, including:

³⁶ Transportation utilities utilize an operating ratio (operating expenses to operating revenues) to determine what are appropriate rates. If revenues exceed expenses the operating ratio will be less than 100%, which means the entity is operating at a profit. If the ratio is above 100%, the entity is experiencing a loss.

³⁷ See Table 5

³⁸ Assumes 8 % return on a Medallion with a value of \$180,000. Here the owner is only leasing out the Medallion

³⁹ This eliminated Washington D.C. and Hempstead, Nassau County, NY

⁴⁰ Data provided by the International Association of Transportation Regulators and the websites of each city's taxi regulators.

- CPI: This provides a general overview. CPI and the costs of taxi service are not a perfect comparison, as the CPI bundle contains many factors not relevant to the taxi industry.
- SEPTA Fares: This provides a comparison to the dominant transportation provider in the City. SEPTA rates are impacted by governmental subsidies. Taxi rates are not subsidized.
- Turnpike Rates: This is a government set rate that involves a transportation service to the public. Its underlying costs are significantly different from those incurred by taxicabs.
- Postage Rates: This is a service whose rates are regulated and is transportation oriented. It is a vastly different service.

Table 7 - Comparison of Philadelphia's Taxi Rates to Other Large Cities		
City	Comparative Fare⁴¹	Date of Last Rate Increase
San Diego	\$12.25	February 2004
Honolulu	\$12.25	Recent Change
Houston	\$11.80	August 2004
San Francisco	\$10.58	October 2006
Los Angeles	\$10.42	December 2006
Las Vegas	\$10.30	January 2007
Seattle	\$9.95	Change 2006
Miami	\$9.90	Change 2007
Philadelphia (proposed)	\$9.87	Pending
Phoenix	\$9.50	June 2004
Anaheim	\$9.45	August 2003
Boston	\$9.25	September 2002
St. Louis	\$9.10	June 2003
New York	\$8.90	2007
Philadelphia (Current)	\$8.75	7/05 plus fuel surcharge.40(10/05)
Kansas City	\$8.40	September 2004
Chicago	\$8.05	After November 2000
Alexandria	\$7.75	June 2002
Detroit	\$7.50	June 2003
Atlanta	\$7.50	October 2001
Montgomery County, MD	\$7.40	July 2004

⁴¹Rounded to the nearest nickel and based upon the typical trip used in the financial analysis for Philadelphia. Surcharges for other cities are not included.

Table – 8 Comparison of Proposed Taxi Rate Increase to Other Price Increases		
	% Increase Since Fall 2005	Date of Latest Adjustment
Northeast Urban CPI	5.5%	October 2007
SEPTA (Cash)⁴²	11%	July , 2007
SEPTA (Token)	11.5%	October , 2007
PA Turnpike Tolls	0	August 2004
First Class Postage	5% / 5% = 10%	Jan. 2006 / May 2007
Proposed Taxi Rate	7.9%	October 2005
Airport Flat Rate Trip	8.6%	October 2005

2005 is the base year for all the percentage changes with the exception of the taxicab airport flat rate.

The above chart indicates that the proposed taxi rate increase is less than all of the items to which it was compared except the CPI since the last taxi rate increase in 1991. This is indicative that the increase should be affordable by the riding public and is not excessive. Both sets of comparisons indicate that the proposed increase relative to other indicators is reasonable.

⁴² Only about 10% of riders pay cash. Most use monthly passes or tokens.

RECOMMENDATION FOR PUBLIC COMMENT

The table below summarizes the proposed change in taxicab rates. No change to maximum leases is being proposed since no company charges the maximum on a regular basis.

Table 9 – Proposed Taxi Rate Increase		
	Current Rates	Proposed Rates
Flag Drop	\$2.30	\$2.70
Charge per Mile	\$2.10 ⁴³	\$2.30 ⁴⁴
Waiting Time	\$20/hour ⁴⁵	\$22/hour ⁴⁶
Fuel Surcharge	\$0.40/trip ⁴⁷	NA
Total Typical Fare⁴⁸	\$9.15	\$9.87
Airport Flat Rate	\$25.00 plus \$1.25 surcharge	\$28.50 ⁴⁹

Rates are intended to go into affect on March 15, 2008 with taxis having two weeks to get their meters recalibrated.

Attached as an appendix is the proposed rate portion of the Medallion Taxicab Tariff. These rates also apply to Partial Rights Cabs providing service within Philadelphia unless a waiver is granted to allow the use of the PUC approved rates, consistent with the PPA regulations.

The PPA shall continue to monitor taxicab revenue and expenses and driver records to allow for more definitive financial assessments in the future.

PUBLIC REVIEW PROCESS

Those wishing to submit comments must adhere to the following schedule and protocol:

- Formal comments must be in writing and submitted in paper and electronic form. Fifteen copies must be submitted as well as an electronic copy on a 3.5-inch floppy disk. These comments are due by December 28, 2007. Please submit these written formal comments to:

Taxi Rate Comments
Taxicab and Limousine Division
Philadelphia Parking Authority
2415 S. Swanson Street
Philadelphia, PA 19148
Attention: Charles Milstein, Assistant to Director

⁴³ Charged at \$.30 per 1/7 mile.

⁴⁴ Charged at \$.23 per 1/10 mile.

⁴⁵ Charged at \$.30 every 54 seconds

⁴⁶ Charged at \$.23 every 37.6 seconds

⁴⁷ Collected on flag drop making current flag drop \$2.70

⁴⁸ Typical trip estimated to be 2.5 miles with 4.5 minutes of waiting time.

⁴⁹ The \$1.25 current surcharge has been incorporated into the new rate, plus an increase of \$2.25

- The TLD may submit written questions to those that have submitted formal comments no later than January 8, 2008. Answers to those questions must be submitted in the same format and to the same address as the original comments by January 15, 2008.
- A public comment session has tentatively been scheduled for February 1, 2008 from 9:00 am to 12:00 Noon at the:

Pennsylvania Convention Center
12 and Arch Streets
Philadelphia, Pennsylvania

The exact date, time and location will be announced.

Comments may be limited to 5 minutes per person. Written informal comments may be used to supplement oral comments.

The Taxicab and Limousine Division will send a final set of recommendations to the PPA Board for its consideration no later than February 12, 2008. The PPA Board must approve any change in taxicab rates and is scheduled to consider this matter at its February 25, 2008 Board meeting.

APPENDIX SCHEDULE OF RATES FOR ALL PHILADELPHIA
TAXICABS EFFECTIVE MARCH 15, 2008

Applicable for the transportation of persons and their baggage in any taxicab providing service under the jurisdiction of the Philadelphia Parking Authority.

Metered Rate - Applies to all trips except for flat rate trips defined below:

First 1/10 mile or fraction thereof	\$2.70
Each additional 1/10 mile or fraction thereof	\$0.23
Waiting time – each 37.6 seconds	\$0.23

Waiting time is accumulated whenever the vehicle is standing still or traveling at less than critical speed calculated by dividing the charge for an hour by the charge for a mile. The critical speed is 9.5 MPH. Waiting time starts whenever a passenger enters the vehicle or places baggage or a package in the vehicle, whichever is sooner. Waiting time ends whenever the passenger leaves the vehicle or has removed all baggage or packages from the vehicle, whichever is later.

Flat Rate to or from the Airport

\$28.25 per one way trip.

The flat rate is to be charged in lieu of the metered rate by all Medallion Cabs for trips between the Philadelphia International Airport and the zone described below. This fare includes all pertinent airport egress fees and is to be charged regardless of the number of passengers transported.

The zone is defined between the Schuylkill and the Delaware Rivers as falling between South Street on the south and Fairmount Avenue on the north. West of the Schuylkill River, the zone includes 30th Street Station on the north and proceeds west along Market Street to 38th Street, south on 38th Street to Spruce Street and east on Spruce Street to it's intersection with South Street.

Tolls

Customers are required to pay all bridge tolls. Tolls that are only charged one-way such as bridge tolls to New Jersey must be paid regardless of the direction of travel. Tolls that are charged each way such as Pennsylvania and New Jersey turnpike tolls shall be doubled to pay for the return trip.

An airport egress fee of \$1.50 shall be added to all metered fares leaving the Philadelphia International Airport. This fee shall not be added to trips covered by the flat rate.

CHANGES FROM PREVIOUS TARIFF

- The initial charge of \$2.70 (the flag drop) incorporates and otherwise eliminates the \$0.40 fuel surcharge.
- Additional mileage is charged at 1/10 mile increments raising the charge for one mile from \$2.10 to \$2.30.
- The charge for waiting time has been increased from the effective rate of \$20/hour to:
 - \$22/hour, charged at the rate of 23 cents for each 37.6 seconds of waiting time.
- Waiting time occurs when the cab is in heavy traffic and has not reached the critical speed or is standing still at the request of the passenger.
- The flat fare to or from the Airport to or from the central Philadelphia zone has been increased from \$26.25 which included a gasoline surcharge of \$1.25 to \$28.50.