

Recommendations on the Proposed Taxicab Rate Increase From the Taxicab and Limousine Division Staff To the Board of the Philadelphia Parking Authority

Background

The Philadelphia taxicab industry received its first rate increase in fourteen years shortly after the Philadelphia Parking Authority was given authority to regulate the industry on April 10, 2005. That increase became effective on July 5, 2005. On or about October 20, 2005, a temporary increase to the flag drop was approved through a fuel surcharge (40 cents per metered trip and \$1.25 for the Airport flat rate). That surcharge is still in effect.

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. 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 increase in the cost of living and the requirements regarding mandatory acceptance of credit cards were all cited by individual members as reasons for concern. Concerns continue to exist, as well, regarding the rise in gasoline prices. All of these concerns on the part of drivers, however, 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. Accordingly, in September 2007, the Board authorized the Taxicab and Limousine Division to develop the information necessary to assess the adequacy and propriety of current taxi rates and leases. The Taxicab and Limousine Division researched the issues and submitted their report to the Board for consideration at the November 26, 2007 Board Meeting. The report included the proposed rate changes and timetable for comments from interested stakeholders, including the public at-large. It was proposed that these rates would be approved by the Board and that a schedule for meter conversion to the new rates be presented along with an effective date for the new tariff upon final Board approval. The meters will be changed at a rate of about 35 per day, beginning on March 4, 2008 and ending some time in May, 2008. Other enhancements will be done at the same time.

Summary of Comments

The twenty day period during which the TLD received written comments from the public regarding the proposal closed on December 28, 2007. Nine out of the ten comments TLD received were in favor of the increase. All of the comments were from members of the industry. On January 17, 2008, an open hearing was held at the Pennsylvania Convention Center, with approximately fifty people in attendance. Eighteen people commented from the industry, the public and from government. Seven people were permitted to speak a second time, giving us a grand total of twenty-five commentators. The hearing was conducted by James Ney, Director of the Taxicab and Limousine Division and Timothy O'Brien, Chairman of the Taxicab and Limousine Advisory Committee. Clarifying questions were asked of the commentators when necessary. The comments were overwhelmingly in favor of the increase. As always, there was the concern that some customers may seek less expensive alternatives. Another concern was that the owners will raise the lease rates thereby diminishing any increase the drivers might realize. Even so, most of the comments were to the effect that any increase that reaches the drivers will be helpful and greatly appreciated.

DISCUSSION AND RECOMMENDATIONS

It is recommended that the original rate proposal be adopted as proposed by the TLD in the report released for public comment on December 7, 2007, with several clarifications that are necessary after the oral and written comments were researched. The following are twelve areas which were most clearly focused upon by commenters. No evidence was offered to refute the TLD's original analysis.

1. Maximum Lease for Driver Owned Vehicles: Both the owners and the drivers are concerned because the maximum lease cap determines the highest amount that may be charged to a driver for his lease by a medallion owner. Two owners presented comments in favor of increasing the maximum cap. The drivers do not want the cap to be raised. The cap was established by the Board in June, 2005 as part of the Authority conducted rate investigation. Both owners and drivers realize there is a cap or dollar limit. However, what is considered to be legally chargeable under each lease remains inconsistent from owner to owner, especially when the item is the dispatch dues.

- The weekly lease cap is \$420. It was put into effect in 1991 by the Pennsylvania Public Utility Commission. The Philadelphia Parking Authority Board approved the same cap amount as part of the rate investigation of 2005. Nearly every medallion lease with drivers who supply their own vehicles is for \$350. The dispatch dues are not part of the \$350. Commonly, the driver is expected to pay the dues directly to the dispatch company whether mentioned in the lease or not.
- Dispatch dues range from \$6.25 to \$68.75 per week.

Currently the medallion owner is responsible for having his medallion affiliated with a dispatch company. There is nothing in the regulations to prevent the driver from being required to pay the dues directly to the dispatch company. TLD has not seen any lease that requires the dues be paid to the medallion owner. TLD is recommending that the regulations continue to be followed as written, which means the dollar amount of the dues are not part of the lease and do not have to be taken into account when determining whether the lease cap has been reached. A clause will be permitted which states that it is the responsibility of the driver to choose a dispatch company and pay the dues directly to that company.

- The procedure has always been to allow the driver to choose the dispatch company that suits him best. Drivers accept that they must pay the higher amount of dues for different levels of dispatch service based on the company they choose. If the dues are included in the lease it means each owner will be subject to a separate lease cap. If an owner wants to receive \$360 for leasing his medallion and the driver wants to be affiliated with a dispatch company that charges \$68.75 the owner in effect has a cap of \$351.25 (\$420 - \$68.75). The owner cannot get the return on his investment that he feels he is entitled to. Another owner can charge up to \$413.75 if his driver chooses an affiliation with a

dispatcher charging \$6.25. The rules require only one lease cap - \$420. This allows all owners a level playing field.

- **TLD Response and Recommendation:** Keep the current cap in place. Require the drivers to pay dispatch dues to the company of their choice. The connection between the driver and the dispatcher should be strengthened and supported by the TLD. The only other choice is to raise the cap so the owner would be able to receive the amount he feels is necessary for the lease. This would not be recommended by the TLD at this time.

2. Maximum Lease for Shift Drivers: Two owners commented that the lease cap for shift work (when both the cab and medallion are supplied by the owner) should be raised. They failed to offer any evidence as to why they could not continue to operate at the current caps. None of the other companies who operate under this business plan have complained about this issue. An oral survey by the TLD confirmed that most 12 hour leases are for \$60, ten dollars under the present cap. The burden is upon those who request a change. Reasons were given but were not supported by proof.

- **TLD Response and Recommendation:** No increase in the maximum lease for shift drivers is necessary at this time.

3. Standard Lease: Several drivers commented that many issues could be cleared up if there were only one lease supplied by the PPA that addresses everything that is permitted in the lease. The PPA is currently working toward that end, but it will not be part of this investigation. As soon as it is completed it will be offered for all to comment upon.

- **TLD Response and Recommendation:** TLD will complete a standard lease as soon as possible and have the industry comment upon it.

4. Lower Fines: Both owners and drivers were equally upset over the amount of the fines. They felt the fines were too high in relation to the driver's income and in comparison to those of other cities. Related to this issue was the sometime occurrence of receiving more than one fine for the same incident. The driver may be charged with two or three PPA violations that fit the same facts. The owner and driver may also be charged for the same offense, but the fine amounts are different. Drivers testified that owners who get high fines that were caused by the drivers' actions often make the drivers pay out for the fines. This is done by giving the driver a weekly amount that must be paid until the fine is paid off. It is offered on a take it or leave it basis. The driver is in no position to complain since he caused the problem and often the owner is financing his vehicle. If he does not make a satisfactory arrangement with the owner, the owner does not renew the lease and may foreclose on the vehicle if the payments are not made.

- **TLD Response and Recommendation:** The fines are in place as a deterrent to the activity they are associated with. The TLD is reviewing the fines and intends to recommend that more reducible fines be established. At the same time, the drivers associations need to do their part in educating their members as to how to follow rules and avoid citations.

5. Minimum Fare for an Airport Trip: Drivers have requested an increase in the minimum rate charged when leaving the Philadelphia International Airport (PHL or airport). The current rate is

\$10 and the requested rate is \$15. The drivers pay a \$1.50 egress fee each time they leave the airport with a passenger, netting them \$8.50 for these trips. Five dollars would not be accepted by the public nor the hospitality industry. A more appropriate increase of \$1 should be accepted by all and the Advisory Committee unanimously agreed. This service helps passengers who do not want to wait for free alternative service which is often slower than a taxi which is usually more readily available. Free service is offered by some hotels, rental agencies, parking lots and the airport itself.

- **TLD Response and Recommendation:** An increase of \$1 is appropriate for the minimum fare charged for a trip leaving the airport. It is a convenience for the passengers who could wait a little longer for a free trip supplied by their intended destination in a large vehicle, rather than an exclusive and more personal ride in a taxi.

6. Fuel Surcharge: More than a few drivers have expressed concern about a fuel surcharge being triggered too close to a new rate increase. The Board has established a procedure which requires the TLD to inform the Board whenever the price of fuel has risen \$.50 or above the previously established threshold of \$2.70 per gallon for ten consecutive days. The Board then rules on whether to impose a fuel surcharge and what that amount will be.

- **TLD Response and Recommendation:** The TLD is recommending that the current base of \$2.70 per gallon be increased to \$3.00 per gallon. The next fuel surcharge will be considered by the Board when the price of fuel rises \$.50 over the \$3.00 threshold for a period of at least ten consecutive days. This change will delay consideration of any future fuel surcharge so it will not be too close to the current proposed rate increase.

7. Reduce Drivers' Expenses: Comments were received by drivers, two members of the general public and one city government official suggesting that a rate increase would not be necessary if the drivers could keep more of the money they earn.

- **TLD Response and Recommendation:** Drivers must reduce expenses that are under their control. They can look for cheaper gasoline, not receive parking tickets, keep their cars tuned up, and speak with other drivers to share any cost saving tips that work for them. Citations are an expense, and can be eliminated by not committing any violations. Again the drivers' associations could help with better education. The TLD reviews fines and fees each year. It must be understood that the fines are necessary as a deterrent to the prohibited activity.

8. Credit Card Expense: Some drivers have still not accepted the fact that members of the public want to use their credit cards on taxi trips. Drivers continue to complain that they are losing 5% of their revenue when a passenger chooses to use a credit card rather than cash. Others acknowledge that business has increased due to all the people who are using credit cards. Airport ground transportation records indicate that airport business has increased for taxis at the same time that business has remained flat for limousine services. Airport management attributed credit card acceptance by the taxis as the main reason the taxi trips have increased.

TLD Response and Recommendation: TLD research has confirmed that most major cities that permit payment of taxi fares through wireless service have a 5% service fee, born by the drivers. It is a cost of doing business and cannot be avoided. Charging a service fee to the customer is not permitted by the credit card companies. None of the comments offered any

solution. The purpose of the rate increase is to help the drivers with the expenses the drivers brought to the TLD's attention.

9. Airport Flat Rate: In July 2005 the Board approved a flat rate for service between the Airport and the center city zone which allows four passengers to travel for one fare. Four people and their luggage put more strain on the vehicle and cause more gasoline to be used.

- **TLD Response and Recommendation:** The TLD is recommending a \$1 per person surcharge for all passengers over one. The exception would be for children, twelve and under.

10. Increase the Tariff on Long Trips to Cover the Return Trip: Several drivers felt that the current tariff does not compensate them fairly when they are on a long trip. In fact the tariff is very fair. On a long trip the meter will charge \$2.10 per mile (current rate). At high speed on a trip such as Atlantic City the driver will travel about 120 miles round trip in three hours. He will receive about \$130 plus a tip of approximately \$20. That amounts to about \$43 per hour not including the tip. If the trip took four hours the hourly rate would be \$32.50. This is still a respectable sum.

- **TLD Response and Recommendation:** The regulations are sufficient and therefore no change is needed.

11. Raising the Rates Will Cause a Loss of Passengers: This has not been the case in Philadelphia. There has been one rate increase and a fuel surcharge under the Philadelphia Parking Authority. There are more trips now than ever. Airport personnel have acknowledged the increase in taxi business at the airport at the same time that limousine business has remained flat.

- **TLD Response and Recommendation:** No evidence was offered to support this comment.

12. Unfair Competition Offered by other Transportation Services: Drivers complained about competition from airport shuttles and private companies. TLD reviewed the rates of the other services as part of this investigation.

- **TLD Response and Recommendation:** There is no need to increase shuttle rates. There is enough difference between the rates and the level of service to be considered fair to all segments of the industry. Private industry such as corporations, hospitals and hotels are always permitted to transport those they do business with, as long as it is incidental to their primary business. They are not subject to common carrier laws if they do not charge for their services.

APPENDIX
SCHEDULE OF RATES FOR ALL PHILADELPHIA TAXICABS
EFFECTIVE MAY 12, 2008

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

Metered Rate – Applies to all trips except 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

Flat Rate from the Center City Zone to the Airport

\$28.50 per one way trip regardless of the number of passengers.

Flat Rate from the Airport to the Center City Zone

\$28.50 per one way trip for one passenger. Each additional passenger above one must pay \$1 except for children twelve and under.

The flat rate is 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 the airport egress fee. A \$1.00 per passenger surcharge for each additional passenger after the first is to be added to the meter after the flat fee is engaged on the meter by the driver when leaving the airport. This applies only to passengers over the age of twelve. If the trip necessitates a drop-off at more than one destination in the Center City zone, the following applies: The flat rate and all additional per passenger surcharges of \$1.00 each are to be collected upon departure of the first passenger in the Center City flat rate zone. The driver will then reset the meter initiating a new flag drop for each of the remaining passengers if each requires a separate drop-off.

The **Center City Zone** is defined as falling between the Schuylkill River and the Delaware River and between South Street and Fairmount Avenue in Center City. The zone also includes the following portions of University City: By way of JFK Boulevard, around the perimeter of 30th Street Station to Market Street on the north, along Market Street to 38th Street on the west, along 38th Street to Spruce Street on the south, and along Spruce Street to it's intersection with South Street .

Minimum Rate from the Airport

The minimum fare including the egress fee for any trip starting at an airport cabstand at the Philadelphia International Airport shall be \$11.00. If the fare goes over \$11.00, a \$1.50 egress fee must be added if to any location other than in the Center City flat rate zone.

Tolls

Tolls are to be paid by the customer to cover roundtrips. Tolls that are only charged one-way such as the bridges to New Jersey must be paid regardless of the direction of travel. Tolls that are charged each way such as turnpike tolls shall be doubled to compensate the driver for the return trip.

Airport Egress Fee

The \$1.50 egress fee shall be added to all metered fares leaving the Philadelphia International Airport except for trips being charged the flat rate to the Center City Zone and for metered trips being charged the \$11 minimum fare (egress fee already included).

Luggage

There is no additional charge for handling baggage or other items that can be safely carried in the vehicle.

Fuel Surcharge - There is no authorized fuel surcharge at this time.

CHANGES FROM PREVIOUS TARIFF

Changes are effective on May 12, 2008. All taxicabs providing service under the PPA's jurisdiction, not just Medallion Cabs, are subject to these changes.

- The flag drop of \$2.70 rolls in and otherwise eliminates the \$0.40 fuel surcharge. Mileage covered by the flag drop is reduced from 1/7 to 1/10 mile.
- Additional mileage is charged at 1/10 increments rather than 1/7 mile increments, raising the charge for one mile from \$2.10 to \$2.30.
- The charge for waiting time has been increased from \$20/hour to \$22/hour.
- The flat fare between the Airport and the Center City Zone has been increased from \$26.25 (\$25 plus a 1.25 fuel surcharge) to \$28.50. There is no longer any fuel surcharge.
- All flat fare trips from the Airport are subject to a per passenger charge of \$1 for each person after the first person. Children, twelve and under are exempt from this charge.
- The minimum fare from the Airport has been increased from \$10 to \$11. The egress fee is included .