

COUNCIL AGENDA: 05-17-05  
ITEM: 6.2(b)

# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** James R. Helmer

**SUBJECT:** TAXICAB FARE DISCOUNTS

**DATE:** 04-27-05

Approved

Date

5/5/05

Council District: Citywide

SNI Area: N/A

## RECOMMENDATION

Rescind Resolution #71336 and adopt the revised Taxicab Rate Resolution, which will allow taxicab companies to 1) offer discount coupons of up to 20% off their standard fares for trips not originating at the Airport, and 2) offer flat rates, which are below the standard fare, for all business account trips and to the general public for trips outside of Santa Clara County.

## BACKGROUND

On May 18<sup>th</sup>, 2004, the City Council approved the implementation of a new Taxicab Service Model. One component of the model would allow taxicab companies the opportunity to reduce fares in order to attract new customers and to compete with other transportation providers such as shuttles and limousines. The taxicab fare reductions proposed under the new Taxicab Service Model include offering up to 20% off standard taxicab meter rates and flat rates below the standard fare for business accounts and to the general public for trips to destinations outside of Santa Clara County.

## ANALYSIS

Currently, all taxicab companies licensed in San José are required to charge the standard rates established by the City Council for all trips originating within San José. The rates are currently as follows:

- Trips not originating at the Airport start at \$2.50, which includes the first 1/10 of a mile and \$0.25 per 1/10 of a mile thereafter.
- Trips originating at the Airport start at \$3.50, which includes the first 1/10 of a mile and \$0.25 per 1/10 of a mile thereafter.
- The only exception to the standard rate is a senior discount of up to 15% for customers 65 years of age and older.

San Jose's taxicab fares are one of the highest in the bay area. These high fares tend to discourage taxicab usage. Providing taxicab companies with the option of reducing rates through discounts and flat fare rates provide the taxicab industry a powerful marketing tool to attract new customers and expand their share of the transportation market.

All taxicab companies were surveyed to determine their interest and desired approach to reducing fares. Three methods of discounts were identified in the Taxicab Study and presented to all companies:

1. Adopt a rate of fare, for all non-Airport on-demand trips, of up to 20% below the standard fare. The lower fares would be in effect for one year and posted in the taxicabs.
2. Provide discount coupons of up to 20% off standard fare rates for non-Airport trips.
3. Provide flat rate fares below the standard fare for all business account trips and to the general public for trips outside of Santa Clara County.

All 14 companies were provided survey forms and asked to consult with their drivers. Twelve companies responded and the results are as follows:

1. None of the companies wish to adopt a rate of fare below the current standard fare.
2. 11 companies wish to offer discount coupons of up to 20% off the standard fare.
3. All 12 of the companies that responded wish to offer discounted flat rate fares for all trips provided under a business account and to the general public for trips outside of Santa Clara County.

Discounts to the standard fare and the results of the company responses to the survey were discussed at two Taxi Advisory Team meetings. The main points made during the discussion include the following:

- Drivers may not want to accept reduced fares and companies should absorb any discount.
- Companies that want to grow and increase their customer base need to be able to offer discounts to attract customers, which will result in more trips for their drivers.
- Companies have consulted with their drivers to determine how they would handle discounts and the companies should be able to select the method that works best for their business.
- One company plans to offer discount coupons and the drivers that do not wish to accept the coupons will not be dispatched for trips where the customer has a discount coupon. Another company offers discounts, which it pays for.
- With the opening of the Airport to all companies, drivers can choose the company that best meets their needs, including how discounts are handled, and still have access to the Airport.

Staff has prepared an amended taxicab rate resolution to allow companies to offer discount coupons of up to 20% off the standard fare rates, and to allow companies to offer discounted flat rate fares for business accounts and to the general public for trips outside of Santa Clara County.

**OUTCOME**

The modified Taxicab Rate Resolution will allow taxicab companies to offer discount coupons for trips not originating at the Airport, and offer flat rate fares below the standard fare for all business account trips and to the general public for trips outside of Santa Clara County. The net effect will be lower costs for customers and increased use of taxicabs, which should result in more fares for drivers.

**PUBLIC OUTREACH**

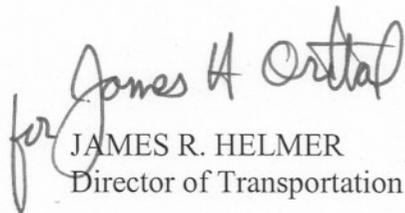
The major elements of this report have been discussed with the Taxicab Advisory Team and the Taxicab companies licensed to do business in San José.

**COORDINATION**

This report has been coordinated with the Departments of Transportation, Police, Airport and the City Attorney's Office.

**CEQA**

Not a project.

  
for James R. Helmer  
JAMES R. HELMER  
Director of Transportation