



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: James R. Helmer

SUBJECT: METHODOLOGY TO ADJUST
TAXICAB METER RATES

DATE: 06-13-06

Approved

Date 6/14/06

COUNCIL DISTRICT: Citywide

RECOMMENDATION

Approval of the methodology to adjust taxicab meter rates in the City of San José.

OUTCOME

Approving the Methodology for Taxicab Rate Adjustments establishes criteria that will guide staff and the taxicab industry in adjusting taxicab metered rates.

BACKGROUND

In December 2002, the City Council approved a series of recommendations related to taxicab services including direction to staff to conduct a service model study and develop an analytical methodology that outlines specific criteria to direct taxi fare rate adjustments, which must be approved by City Council prior to any future rate adjustments. In May 2004, the City Council approved the implementation of a new Taxicab Service Model for the City of San José. The model included the initial concepts to develop an analytical methodology to adjust taxicab rates. In February 2006, after months of deliberation, the Taxicab Advisory Team approved an analytical methodology to adjust taxicab rates for City Council consideration. On June 5, 2006, the Building Better Transportation Committee reviewed and approved for City Council consideration the approval of the methodology for Taxicab Rate of Fare Adjustments.

ANALYSIS

Current Taxicab Rate of Fare

The last Taxicab Rate of Fare increase took effect in March 2003. The current rate is as follows:

Per mile rate: \$2.50 per 1/10 mile
Wait time: \$0.25 per/36 seconds (\$25 per hour)
Flag drop: \$2.50 in City, \$3.50 from Airport

Methodology for Taxicab Rate of Fare Adjustments

Attached to this report is the proposed methodology for Taxicab Rate of Fare Adjustments. In developing the proposed methodology, staff considered numerous factors that should be a part of the methodology. At a macro level, the methodology needs to be understandable by the public and easy to administer by the taxicab industry. The methodology should consider cost factors that affect the taxicab industry such as the consumer price index, or other more specific transportation industry costs indexes. Specific cost impacts such as fuel or insurance need to be considered. Finally, comparisons to other local, regional, and national taxicab rates are relevant.

The methodology would use a process to assess key changes in various cost indexes or categories of expenses. Once the most applicable cost indexes or categories of expenses have changed by 10% from the date of the last increase, staff would initiate a process of working with affected stakeholders to determine if a rate adjustment is justified and would generally be supported by stakeholders including taxicab companies, drivers, and customers.

Staff is seeking approval of the recommended methodology, but is not seeking a rate adjustment at this time. The need of a rate adjustment was discussed at the Taxicab Advisory Team's May meeting at the request of some members of the taxicab industry, and the discussion will continue at the June 16, 2006 meeting. Staff has begun the process of updating the relevant cost indexes and expense categories to determine the amount of change since the last rate adjustment. Comparative rate surveys will also begin being updated. Depending upon the results of the cost and rate surveys, a process will be initiated to demonstrate industry support and appropriate customer feedback for a rate adjustment to be recommended to City Council.

ALTERNATIVES

Staff was directed by Council to develop the accompanying Methodology in order to provide clear direction for any future taxicab rate of fare adjustments that may become necessary. Council may review and modify specific elements of the Methodology, as it deems appropriate.

PUBLIC OUTREACH

The Taxicab Advisory Team extensively reviewed and recommends approval of the methodology by the City Council. The Building Better Transportation Committee recommended approval of the methodology at its June 5, 2006 public meeting.

COORDINATION

This report has been coordinated with the City Attorney's Office.

COST IMPLICATIONS

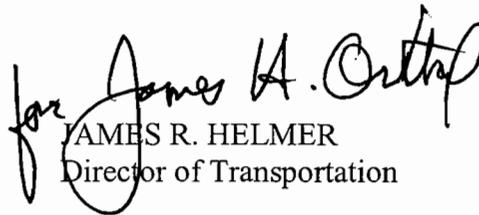
Not applicable

BUDGET REFERENCE

Not applicable

CEQA

Not a project


JAMES R. HELMER
Director of Transportation

For questions please contact Ben Tripousis, Transportation Systems Manager, at 408-975-3717.

Attachment

Methodology for Taxicab Rate of Fare Adjustments

The purpose of this document is to set forth the methodology to be used when considering a rate of fare adjustment for the taxicab industry. The goals of the process are to ensure that the rate of fare:

- Is understandable to the public and easy to administer by companies and drivers
- Does not discourage Taxicab use and;
- Enables both companies and drivers to re-coup costs and make a reasonable profit

There are various factors that can trigger the need for an adjustment in the taxicab rate of fare. In the past, either an increase in the Consumer Price Index (CPI), or an increase in major taxicab industry related expense categories such as fuel or comparable taxicab rates locally, regionally, or nationally, have resulted in a rate adjustment.

The City acts as an economic regulator for the taxicab industry by setting rates to ensure fair treatment of customers and fair rates of return by the taxicab industry. It is important that the City respond appropriately to factors that increase the expenses that impact taxicab companies and/or drivers. It is important that the City ensure the rate of fare does not exceed what the local market can bear to avoid negative impacts on taxicab business.

Some factors to consider when reviewing the taxicab rate of fare include:

- Changes in CPI-All Items or CPI-Transportation for San Francisco-Oakland-San José, CA
- Increase in major taxi industry expense categories (e.g. fuel, insurance, etc.)
- Comparable Rates (Local, Regional, National)
- Stakeholder rationale and support for a fare increase

The proposed process to follow when considering a rate of fare adjustment is as follows:

1. Evaluate the following indexes, and determine if increase since last fare adjustment is over 10%.
 - CPI (All Items for San Francisco-Oakland-San José, CA) or
 - CPI (Transportation for San Francisco-Oakland-San José, CA) or
 - Extraordinary and ongoing increases in major industry related expense categories.
2. Evaluate survey of other city and area taxi rates
 - Is San José competitive?
 - Is the rate of fare at the high end or in mid range?
3. Obtain feedback from Stakeholders (Drivers, Taxicab Companies, Customers)
 - Is there a consensus of stakeholders indicating a rate increase is justified?
4. Determine appropriate adjustment (e.g. \$0.25, \$0.50) and determine if price adjustment appropriately responds to increases in industry related expenses and what might the appropriate category(s) be to apply the adjustment to (e.g. flag drop, mileage, wait time, etc).
5. Make recommendations to City Council for review and approval.