



# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** James R. Helmer  
William F. Sherry, AAE

**SUBJECT:** TAXICAB RATES & FARES

**DATE:** 09-29-08

Approved

Date

10/3/08

**COUNCIL DISTRICT:** City-Wide

## RECOMMENDATION

- (a) Adopt a resolution:
- (1) Amending the Schedule of Fees and Charges at the Norman Y. Mineta San Jose International Airport contained in Resolution No. 74536 to establish a Taxicab Minimum Rate of Fare from the Airport of \$15.00, which will include the \$1.50 Airport Trip Fee and which will cover the first three miles of travel.
  - (2) Readopting all other Rates, Fares and Tariffs in Resolution No. 74536 not revised above.
  - (3) Repealing Resolution No. 74536.
- (b) Approve an ordinance:
- (1) Amending Chapter 6.64 of Title 6 of the San Jose Municipal Code to authorize the Director of Transportation ("Director") to set and adjust taxicab rates, fares and surcharges based on industry indicators on a biennial basis, or sooner, as the Director deems appropriate;
  - (2) Amending Chapter 25.08 of the San Jose Municipal Code to authorize the Director to set and adjust taxicab rates, fares and surcharges based on industry indicators on a biennial basis, or sooner, as the Director deems appropriate.

## OUTCOME

Adoption of the recommended resolution will result in an increase to the fares charged to taxicab customers taking short distance trips from the Airport; in turn, allowing taxicab drivers to generate increased revenue. Approval of the recommended ordinance would eliminate the requirement that all taxicab rate and fare adjustments be reviewed and approved by Council and authorize the Director of Transportation to set and adjust taxicab rates and fares based on industry indicators such as the Transportation or Consumer Price All Items Indices, or a blend thereof.

## **BACKGROUND**

On August 5, 2008, the City Council approved Rate of Fare increases for the taxicab industry. The Staff recommendation for that action was based on the analysis of the taxicab industry since the last increase in February 2003, the established rate adjustment methodology, and industry and stakeholder input. The City Council also requested that Staff return within 75 days with recommendation(s) to address short distance trips from the Airport, and potentially viable alternatives including an Airport minimum fare, a flat fare and/or other operational solutions. The City Council further requested changes be made to the setting and adjustment of taxicab rates and fares so that Staff could oversee the setting and adjustment which would eliminate the need for City Council approval and expedite the process in the future. This memorandum is in response to that City Council direction.

## **ANALYSIS**

The short distance trip issue from the Airport is not new to the taxicab industry. These trips of less than three miles, while important to the passenger, cause frustration to the taxicab drivers who have waited a length of time in a staging lot only to gain a low fare, short distance trip. This frustration will often manifest itself in the form of reduced customer service from the taxi drivers. This issue is directly related to the number of taxi drivers at the Airport, the number of trips available and the wait time for the drivers to secure the available fares.

Following the August 5, 2008 City Council meeting, Staff met with Taxi San Jose to review potential operational options that may be implemented to address the issue. These options included:

- Establishment of short fare lines in the taxicab staging area
- Ability for short fare drivers to bypass the staging area and go directly to the pick-up area
- Create incentives for short fare drivers
- Reduction in the number of drivers waiting in the taxicab staging area or serving the Airport

While the options discussed with Taxi San Jose provide an opportunity to maintain fares at their current level so that passengers taking short distance trips would not be required to pay a minimum fare regardless of distance traveled, they present significant obstacles for the Airport, including physical space limitations to accommodate special lines or areas for returning short-trip taxicab drivers. In addition, Taxi San Jose would face an increase in the costs associated with upgrading their tracking and recording technology to allow their existing system to verify short distance trips.

## **Stakeholder Outreach**

Focus group meetings with members of the business community and hotel industry to discuss potential solutions to the short fare issue were held on August 21, 2008. Representatives from businesses near the Airport and from the local hotels both near the Airport and in downtown

were presented with concepts of how to address the issue. These concepts included a Minimum Rate of Fare, a Flat Rate of Fare and the operational options discussed with Taxi San Jose. A Minimum Fare establishes a specific rate (usually between \$10 and \$20) from the Airport up to a specific distance. Once the trip reaches that distance the regular meter rate takes effect. A Flat Fare establishes a specific rate to a specific location, e.g., nearby hotels, businesses, or the downtown.

The attendees with businesses and hotels closest to the Airport were concerned about the higher fares to their locations with a Minimum Fare and with the potential affect on their travel budgets. They also felt the minimum fare should only be from the Airport, to avoid further increases in their company's total travel budget costs. One company suggested that they would be requesting that their travelers not tip the drivers if the minimum fare was put in place to keep their budgets in line with the current rates.

On the other hand, comments from hotel properties with airport shuttle services did not have an issue with a Minimum Fare as they believed that it would give them an opportunity to highlight the shuttle services they provide. It was also pointed out that options, including the VTA's free Airport Flyer bus service, were also available for use by their patrons.

The Flat Fare concept was also acceptable to a few of the hotel attendees; however the attendees recognized the difficulty of designating boundaries and establishing the specific fares for the different locations. Staff, based on their comments, conveyed that a Flat Fare approach would require further study and stakeholder input. Ultimately, the consensus of the participants was a preference for a minimum fare over the flat fare approach.

A comment which was emphasized by participants in both focus groups was that even though the City has such a high rate of taxicab fares, the close proximity of the Airport to San Jose's downtown and other destinations has kept the total taxicab fares lower when compared to most cities in the nation. The participants further emphasized the importance of customer service and believed the fare structure was secondary to obtaining consistently good service for their customers and employees. Businesses present at the focus group meetings stated that service levels on short distance trips both coming from and going to the Airport has been lacking and must improve.

While there were concerns raised by focus group participants regarding the implementation of a minimum fare from the Airport, there were not overwhelming objections from the business or local community to establishing a minimum fare. While staff is concerned about an expected increase in passenger complaints about the minimum fares and expects a transfer of taxicab passengers to other forms of transportation, such as hotel shuttles, rental cars and public transit, the minimum fare of \$15 from the Airport is recommended to address the economic and customer service issues related to short distance trips.

### **Rate of Fare Reviews and Adjustments**

Currently, the San Jose Municipal Code requires City Council approval of any proposed changes in taxicab rates and fares, both on and off-Airport. On August 5, 2008, the City Council requested changes be made to the setting and adjustment of taxicab rates and fares so that staff could oversee the process and City Council approval would not be necessary. City Council further requested review of taxicab rates and fares be done on an annual basis and be adjusted automatically based on the Transportation CPI.

Staff recommends approval of an ordinance that will authorize the Director of Transportation ("Director"), after coordinating with the Chief of Police and the Director of Aviation, to set and adjust the taxicab rates and fares, as more fully described below.

While staff is in agreement that adjustments to taxicab rates and fares should not have to be approved by Council, staff is concerned that an annual and automatic inflation adjustment to taxi rates and fares will pose problems for the taxicab industry. One of staff's concerns is with the implementation steps required when any adjustment is made to the taxicab rates or fares. Anytime adjustments are made to taxicab rates or fares, taxicab owners are required to have their taxi meters recalibrated and to have their taxicabs inspected by the County's Department of Weights and Measures. In addition, the taxicab owners are required to install appropriate consumer protection notices in their taxicabs advising of the correct rates and fares and to have the taxicabs inspected by the Police Department. If the taxicab owners do not perform these steps, they cannot charge the new rate or fare and their taxicabs cannot operate in San Jose.

Another staff concern is that annual review and automatic adjustment to the rates and fares may only result in nominal increases or decreases. Regardless of the amount of the adjustment, taxicab owners would still be required to complete the implementation steps discussed earlier. In instances where staff review results in virtually inconsequential adjustments to the rates and fares, the cost of taking a taxicab out of operation during the implementation of the new rates and fares could be more costly than any benefit realized by either the taxicab driver, in terms of income, or the consumer, in terms of discounts. Therefore, staff recommends a less frequent review with adjustments based on a number of factors. Specifically, staff recommends the City Council adopt an ordinance that would require the Director of Transportation to conduct a biennial review of all taxicab rates and fares (both on and off-Airport) and that any adjustment to the taxicab rates or fares be based on industry indicators, which would include: the Transportation Consumer Price Index for San Francisco-Oakland-San Jose; extraordinary and ongoing increases or decreases in major taxi industry-related expenses; locally, regionally and nationally comparable rates and fares; and, stakeholder objections or support for rate or fare adjustments. The Director would be able to set rates and fares rounded to an appropriate figure that can be easily implemented in the taxicab meters.

Staff recognizes that the need may arise to address rates and fares more frequently than every two years and therefore further recommends the ordinance authorize the Director to review the taxicab rates and fares on a more frequent basis, if he deems necessary.

Finally, to ensure that all stakeholders have an opportunity to be heard regarding any proposed adjustments to the taxicab rates and fares, staff recommends adoption of an ordinance that

includes a process for public and industry stakeholder comment on the proposed adjustments which the Director would consider and address before any proposed adjustments become final.

### **POLICY ALTERNATIVES**

**Option #1:** The City Council may approve a minimum rate of fare other than the rate recommended.

**Pros:** A higher minimum fare would likely generate additional income for taxicab drivers. A lower minimum fare will provide some financial relief to businesses close to the Airport.

**Cons:** A higher minimum fare could deter customers from using taxicabs resulting in reduced trips for taxicab drivers resulting in reduced overall income.

**Reason for not recommending:** The recommended minimum fare closely matches the fares to locations three miles from the Airport or further. One set of data shows these trips amount to less than 10% of all trips from the Airport.

**Option #2:** The City Council may approve a Flat Rate of fare other than the rate recommended.

**Pros:** A flat fare would likely generate additional income for taxicab drivers. A flat fare will provide a level of certainty on taxicab fares to and from the Airport.

**Cons:** A flat fare could deter customers from using taxicabs resulting in reduced trips for taxicab drivers resulting in reduced overall income.

**Reason for not recommending:** The recommended minimum fare closely matches the fares to locations three miles from the Airport or further.

**Option #3:** The City Council may retain Ordinance control over the setting of taxi rates of fare.

**Pros:** City Council review of all actions related to rate of fare setting, adjustments and changes.

**Cons:** City Council control over the rate of fare implementation could result in delays in implementing rate changes; continued close involvement of Council members with industry and interested parties on detailed and routine rate setting that can be accomplished by regularly involved Staff.

**Reasons for not recommending:** The recommended Ordinance provides the ability to respond to industry changes and adjustments in an effective and efficient manner.

### **PUBLIC OUTREACH/INTEREST**

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**

- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

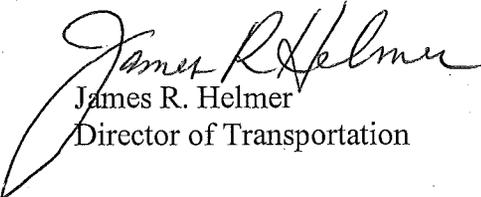
Industry and customer stakeholder focus group meetings regarding the short distance trip issue were held on August 21, 2008 and meetings were held with the Airport dispatch services contractor, who also provided driver input they had collected. A broad cross section of stakeholders in the business and hospitality industries were invited to attend the meetings.

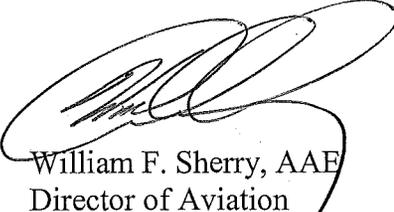
### COORDINATION

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

### CEQA

Not a project.

  
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Director of Aviation

For questions please contact Jim Ortbal at 408-535-3845 or Bob Lockhart at 408-277-5249.