



TAXICAB INDUSTRY REPORT

RECOMMENDATIONS ON RATES OF FARE AND GATE FEES

City and County of San Francisco

Office of the Controller

January 8, 2008

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I - EXECUTIVE SUMMARY

On November 29, 2007, the Controller received a letter from the Taxi Commission stating its proposal to add 69 taxi medallions restricted to alternative fuel or hybrid vehicles, to the existing stock of 1,431 medallions. This will raise the total number of medallions by 4.8%, to 1,500.

This report provides the Controller's recommendations on adjusting industry fees and fares to comply with Police Code Section 1079, which requires that the Controller recommend adjustments to the mean gate fee cap, and/or in rates of fare for taxicabs, as needed to maintain the income of drivers and color schemes.

The economy's continuing strength has been beneficial for the taxicab industry. Based on industry financial reports through 2006¹, the overall performance of the taxicab industry is improving, nearing levels of activity observed at the last economic peak of 2000. San Francisco's population and employment have grown from a low point in 2003. Tourism has grown substantially since 2002, and has contributed significantly to the taxicab industry's recovery. However, a more limited rebound in business travel, and an increase in BART ridership to and from San Francisco International Airport, have constrained growth in demand for taxis. At present, demand factors indicate that the market could support the proposed 4.8% increase in taxi medallions.

¹ The next industry financial reports that are required to be submitted to the Controller are due in Spring, 2008.

Controller's Recommendations

GATE CAP & FARE INCREASES necessary to maintain income

- Based on the proposed 4.8 percent increase in the supply of medallions, fare charges should be increased from \$0.45 to \$0.50 per mile, the wait fee should be reduced from \$0.45 to \$0.35 per minute, and the gate fee should be increased from \$91.50 to \$91.80, in order to maintain the income of drivers and color schemes as required by the Police Code.

Table A: Recommended Changes on Gate Cap & Fares

	Current Rates	Recommended Rates	Difference	
			\$	%
Gate Cap	\$91.50	\$91.80	\$0.30	0.33%
Fares				
Flag Drop	\$3.10	\$3.10	\$0.00	0.00%
Mileage	\$0.45	\$0.50	\$0.05	11.11%
Wait Time	\$0.45	\$0.35	(\$0.10)	-22.22%
Average Fare Scenarios				
Cross City Scenario [1]	\$16.15	\$16.85		
% Increase				4.33%
Paratransit Scenario [2]	\$10.75	\$11.15		
% Increase				3.72%
Short Trip Scenario [3]	\$5.80	\$5.80		
% Increase				0.00%
Airport Scenario [4]	\$35.50	\$38.65		
% Increase				8.87%
BART Fare Comparison				
Embarcadero to SFO	\$5.35			
Civic Center to SFO	\$5.35			
16th St. Mission to SFO	\$5.30			
24th St. Mission to SFO	\$5.20			
[1] Based on an average 5 mile, 5 minute wait time fare.				
[2] An average 3 mile, 3 minute wait time paratransit fare.				
[3] Based on a short 1 mile, 2 minute wait time fare.				
[4] An average fare from downtown office/hotel locations.				

Next Steps

Pursuant to Police Code Section 1079 (h), “if the Taxi Commission or the Board of Appeals authorizes the issuance of any additional number of taxicab permits above the 1381 permits authorized to be issued as of November 12, 2002, the Controller shall transmit to the Board of Supervisors a report including the Controller's recommendation for an adjustment in the mean gate fee cap and/or in rates of fare for taxicabs and/or the institution of temporary permit lease fee controls, necessary to maintain income of drivers and color scheme permit holders, and proposed legislation instituting such recommendations.”

II - INTRODUCTION

This report provides the Controller's recommendations to the Taxi Commission's proposed increase in taxi medallions. The central purpose of this report is to adjust industry fees and fares to comply with Police Code Section, 1079 which requires that the Controller recommend adjustment in the mean gate fee cap and/or in rates of fare for taxicabs as needed to maintain the income of drivers and color schemes.

III – BACKGROUND

The San Francisco Taxi Industry plays a significant role in meeting local transportation needs, by providing an estimated 40,000 to 50,000 trips per day to local patrons and travelers. This compares to an approximate average of 603,000 unlinked MUNI passenger daily trips and a weekday count of over 340,000 resident commuter trips by automobile².

The industry is a mix of five main players:

- (1) The public who uses and benefits from taxi services,
- (2) Drivers who provide services,
- (3) Medallion permit holders: Roughly one driver in eight is a medallion holder. Another 447 medallions are owned by non-drivers or corporations that obtained permits prior to the driving requirement introduced by Proposition K in 1978,
- (4) Taxicab operating companies that provide color schemes, dispatch, taxis, and maintenance services to taxicabs, and
- (5) The City and County of San Francisco, which under state law provides regulatory oversight of the industry.

According to Police Code Section 1079 (d), the Taxi Commission shall hold hearings to determine public convenience and necessity pursuant to all applications for the issuance of permits to operate motor vehicles for hire. These hearings may result in determinations to increase the number of taxicab medallions.

Pursuant to Police Code Section 1079 (f), prior to increasing the total number of authorized permits, the Taxi Commission shall notify the Controller of the proposed

² Sources: Municipal Transportation Agency, and U.S. Census Bureau, *American Community Survey*.

increase and receive from the Controller, within 30 days of the Controller's receipt of the Taxi Commission notice, a report including the Controller's recommendation for an adjustment in the mean gate fee cap and/or in rates of fare for taxicabs, and/or the institution of temporary permit lease fee controls, necessary to maintain the income of drivers and color scheme permit holders. On November 29, 2007, the Controller received a letter from the Taxi Commission stating its proposal to add 69 taxi medallions restricted to alternative fuel or hybrid vehicles, to the existing stock of 1,431 medallions.

San Francisco Fare Rates

The City has provided a number of fare adjustments for the San Francisco taxicab industry since the early 1990s. These changes have generally followed cost of living increases and regulatory changes that increased operating costs.

Table B: Recent Taxicab Rate History

Table B: Recent Taxicab Rate History					
Effective	Flag	Mileage	Waiting Time	Avg. Fare*	% Change
Controller's Recommendation	\$3.10 first 1/5 mile	\$0.50 per 1/5 mile	\$0.35 per minute	\$ 16.85	4.3%
November 2006	\$3.10 first 1/5 mile	\$0.45 per 1/5 mile	\$0.45 per minute	\$ 16.15	2.2%
July 2006	\$2.75 first 1/5 mile	\$0.45 per 1/5 mile	\$0.45 per minute	\$ 15.80	-0.6%
January 2006	\$2.85 first 1/5 mile	\$0.45 per 1/5 mile	\$0.45 per minute	\$ 15.90	0.0%
January 2003	\$2.85 first 1/5 mile	\$0.45 per 1/5 mile	\$0.45 per minute	\$ 15.90	12.8%
June 2000	\$2.50 first 1/5 mile	\$0.40 per 1/5 mile	\$0.40 per minute	\$ 14.10	20.0%
January 1999	\$2.50 first 1/6 mile	\$0.30 per 1/6 mile	\$0.40 per minute	\$ 11.75	12.4%
June 1991	\$1.70 first 1/6 mile	\$0.30 per 1/6 mile	\$0.30 per minute	\$ 10.45	

* Average fare assumes 5 miles with 5 minutes of wait time.

Rates of Fare in Other Jurisdictions

For comparative purposes, we sampled the rates of other regulated jurisdictions and found that San Francisco rates are higher than those in other regions, but typical compared to other Bay Area cities. If the recommended fare increases are put in place, however, San Francisco will be higher than the other comparison cities.

Table C: Taxicab Rates – Survey of Selected Major Cities

Survey of US Cities:*	Flag Drop (initial charge)	Mileage (per mile)	Waiting Time (per minute)	Comparative Trip Cost **
Chicago	\$2.25 / first 1/9 mile	\$1.80	\$0.33	\$12.72
Houston	\$2.50 / first 2/11 mile	\$1.87	\$0.33	\$13.18
New York	\$2.50 / no distance	\$2.00	\$0.40	\$14.50
Oakland	\$2.00 / no distance	\$2.40	\$0.40	\$16.00
San Francisco (current)	\$3.10 / first 1/5 mile	\$2.25	\$0.45	\$16.15
Los Angeles	\$2.65 / first 1/7 mile	\$2.45	\$0.44	\$16.76
San Jose	\$2.50 / first 1/10 mile	\$2.50	\$0.42	\$16.83
San Francisco (recommended)	\$3.10 / first 1/5 mile	\$2.50	\$0.35	\$16.85
Comparison:				
Sample Average	\$2.50	\$2.18	\$0.40	\$15.16
SF Difference - recommended, \$	\$0.60	\$0.32	-\$0.05	\$1.69
SF Difference - recommended, %	24.0%	14.6%	-11.7%	11.1%
* Many jurisdictions have surcharges such as night rates, airport fares, additional passengers, temporary fuel surcharges, flat fares to specific destinations, peak fares, senior discounts, etc. not included in comparisons. Other jurisdictions have longer average trips due to their spatial arrangement.				
** Assumes a 5 mile trip with a 5 wait time.				

Gate Cap Rates

Beginning in 1998, the City put a cap of \$83.50 on average gate fee charges for a 10-hour shift; the fee is prorated for fewer hours. The gate fee charge is charged by a taxicab company to its drivers for the use of a cab. The charge represents a full “gas and gate”, meaning use of the color scheme, dispatch, company car ownership, insurance and maintenance cost, or a portion of these services.

In December 2002, the cap was raised to \$91.50 (i.e. \$90.00 base plus \$1.50 add-on for Paratransit funding) providing that a taxicab operating company met the Police Code 1095(b) reporting requirements. A provision was included in the Police Code, which allowed for the sunset of the higher mean gate cap if certain ordinances addressing long-term lease fee caps and driver health benefits were not enacted in subsequent years. The deadline for enacting these ordinances was then extended by the Board of Supervisors per Resolution 173-04 to September 1, 2004. Given that no ordinances were enacted to create a health insurance program for drivers, and that no further extensions have been legislated, the higher gate cap expired and reverted to \$85.00 (the original \$83.50 gate plus \$1.50 Paratransit add-on) on September 1, 2004. More recently, Resolution #605-06 raised the base gate cap of \$85.00 to \$91.50 as of November 1, 2006. Paratransit funding was not considered and has since expired. A summary of the legislative changes are provided in the table below by effective date.

Table D: History of Gate Cap Rates

Start Date	End Date	Gate Cap Base	Gate Cap General Add-On	Gate Cap Paratransit Funding Add-On	Total Gate	Enacting Legislation & Impact
Controller's Recommendation		\$ 91.80			\$ 91.80	
1-Nov-06		\$ 91.50			\$ 91.50	Resolution #605-06
1-Jul-06	31-Oct-06	\$ 85.00			\$ 85.00	Sunset of Paratransit provisions
1-Jan-06	30-Jun-06	\$ 85.00			\$ 85.00	Ordinance #118-06, 6-month extension to paratransit
2-Sep-04	31-Dec-05	\$ 85.00			\$ 85.00	Sunset of Gate Cap to \$85.00
2-Mar-04	1-Sep-04	\$ 83.50	\$ 6.50	\$ 1.50	\$ 91.50	Resolution #173-04, 5-month extension of gate cap
2-Nov-03	1-Mar-04	\$ 83.50	\$ 6.50	\$ 1.50	\$ 91.50	Ordinance #256-03, 4-month extension of gate cap
2-Aug-03	1-Nov-03	\$ 83.50	\$ 6.50	\$ 1.50	\$ 91.50	Ordinance #204-03, 3-month extension of gate cap
4-Jan-03	1-Aug-03	\$ 83.50	\$ 6.50	\$ 1.50	\$ 91.50	Ordinance #228-02
18-Jan-99	3-Jan-03	\$ 83.50			\$ 83.50	Ordinance #362-98

Updated Taxi Supply & Demand Information

Taxi service demand factors continue to show evidence of a recovery. While some demand factors still fall short of their previous peak levels attained in 2000, others have recovered fully, and now exceed their 2000 levels.

Table E: Taxi Industry Demand and Supply Growth: 2000 to 2008

Market Supply and Demand Factors

Supply Measures	Compound Average Growth since 2000	Simple Annual Growth Since 2000	Total Growth Since 2000
Taxi Medallions Issued or Proposed			
Total Medallions	1.0%	1.1%	8.6%
Sedan Medallions	0.9%	0.9%	7.2%
Ramp Medallions	3.7%	4.2%	33.3%
Demand Measures			
Resident Component			
Population (Residential)	0.6%	0.7%	4.7%
MUNI Passenger Trips*	-0.3%	-0.4%	-2.5%
Paratransit Trips*	-1.1%	-1.2%	-8.6%
Number of Registered Vehicles**	0.3%	0.3%	1.5%
Business & Tourism Component			
Employment*	-1.1%	-1.3%	-8.8%
SFIA Enplanements*	-2.1%	-2.3%	-15.9%
Occupied Hotel Room Nights*	2.7%	2.9%	20.1%

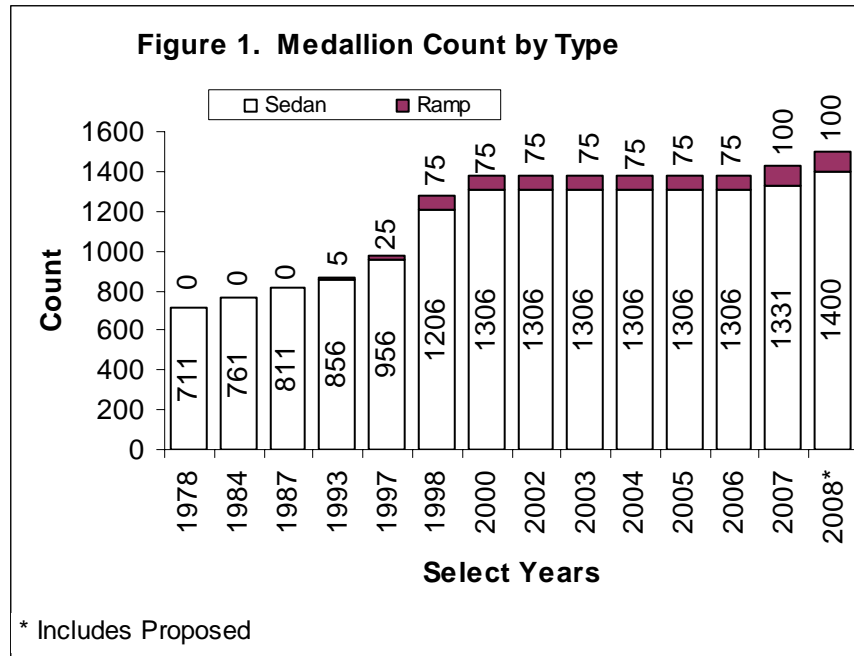
* Estimated through 2007

**Through 2006 only

Sources: US Bureau of Labor Statistics; PKF Consulting; SF Municipal Transportation Authority; S.F. Airport Commission, CA Employment Development Department., California Department of Motor Vehicles.

Supply Conditions

Table E analyses the proposed increase in medallions from the total current number of 1,431 to the proposed 1,500. The 69 proposed medallions represent a 4.8% overall increase in the industry's service capacity, and a 7.4% increase in the number of sedan medallions since 2000.



Demand Conditions Since 2000

The resident population in San Francisco appears to be increasing. Since 2000, the Department of Finance reports it has grown by 4.7 percent, or by approximately 0.6 percent per year. Although the Census Bureau believes San Francisco lost population from 2000 to 2005, it too has reported population increase since 2005. MUNI trips have slightly declined over the same period—a cumulative negative change of 2.5 percent—while vehicle registrations in San Francisco have increased by 1.5 percent.

This suggests that residents may be substituting away from mass transit and into private and personal transport modes. Paratransit taxi trips sponsored by MUNI, which exhibited substantial growth in the early 2000s before a rapid decline in FY 2004-2005, appear to now be stabilizing. However, as important as paratransit provisions are from a policy perspective, the number of paratransit taxi trips is very small in comparison to the magnitude of the rest of the resident component factors that make up the demand for taxi services.

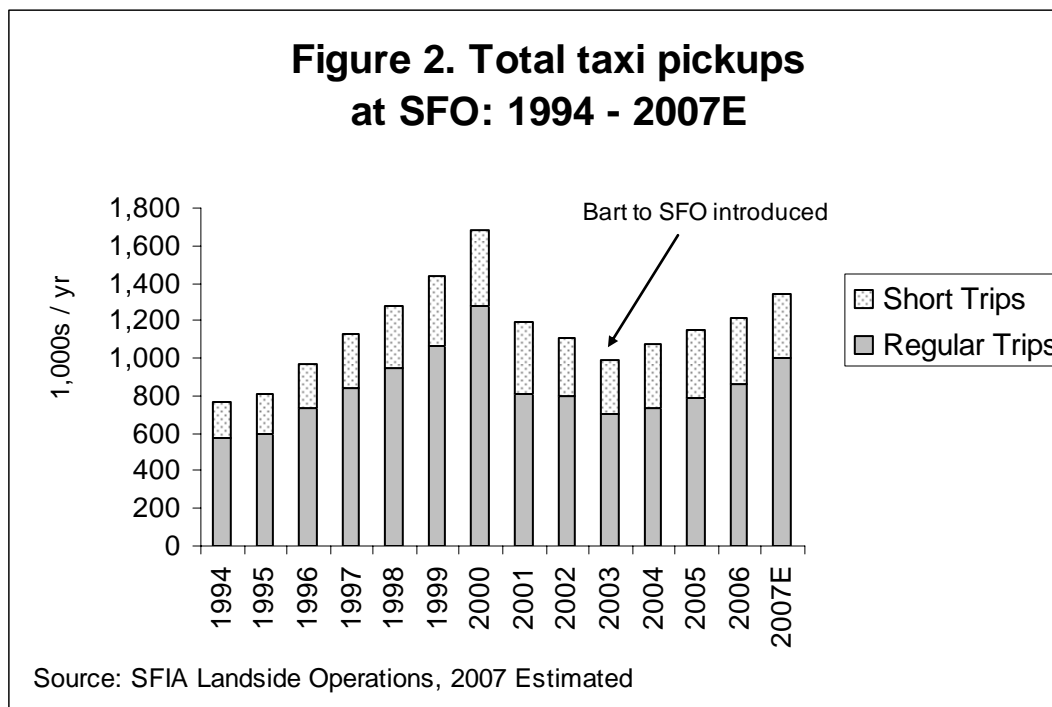
Tourism continues to show strong gains in visitor counts as evidenced by the strong growth in occupied hotel room nights—a total growth of 20.1 percent since 2000. Jobs (-8.8 percent) and air travel (-15.9 percent) are still below levels observed during our last peak in 2000, although numbers have been increasing in the past two years.

Another demand factor that continues to adversely impact taxi ridership is BART service to and from the San Francisco International Airport. The average BART fare from Downtown and the Mission to the Airport is between \$5.20 and \$5.35 (see Table A), which is highly attractive for passengers with more available time. After two years of rapid increase in BART ridership to the Airport from 2004 to 2006, growth slowed but remained healthy in fiscal year 2007.

Fiscal Year	Weekday Average Exits	% Change
2003	3,399	
2004	3,084	-9.3%
2005	3,505	13.7%
2006	3,773	7.6%
2007	3,977	5.4%

Source: BART, *Quarterly Weekday Average Exits*

The following figure clearly illustrates BART’s effect on taxi pickups at the airport.



A continued growth in taxicab demand factors is summarized in Table G below. Assuming that most (70%) of taxi fares are residents of the city, demand is projected to

grow by 1.2% in the next year based on the most recent data. If we assume that 70% of fares are non-residents, demand levels for taxi services are projected to grow by 2.9% over the next year, again based on the most recent data. Since the latter assumption, that most taxi customers are non-residents, is more reasonable, we estimate that demand has certainly recovered, but has still not yet exceeded levels observed at the previous peak of 2000.

Table G: Estimated Change in Demand for Taxi Service

Resident	Business & Tourism	2007 E	2006 E	2005	2004	2003	2002	2001
% of Total	% of Total	Year-to-Year Change						
30%	70%	2.9%	3.5%	4.6%	3.9%	-0.9%	-6.7%	-5.2%
40%	60%	2.5%	3.1%	4.0%	3.3%	-0.9%	-5.6%	-4.0%
50%	50%	2.1%	2.7%	3.3%	2.7%	-0.9%	-4.4%	-2.9%
60%	40%	1.6%	2.3%	2.7%	2.1%	-0.8%	-3.2%	-1.7%
70%	30%	1.2%	1.9%	2.1%	1.5%	-0.8%	-2.1%	-0.5%

Projected Changes in Market Conditions: 2007 to 2008

Based on different scenarios in Table G above that approximate the demand for taxicabs between residents and outsiders (business and tourist fares), we estimate a demand increase of 1.2 percent to 2.9 percent in 2008 from 2007 levels. The data supporting these projections are contained in Table H below.

Table H. Projected and Recent Supply and Demand Conditions

Year to Year Changes		
Supply Measures	2007 E	2006 E
Taxi Medallions Issued or Proposed		
Total Medallions*	4.8%	3.6%
Sedan Medallions*	5.2%	1.9%
Ramp Medallions*	0.0%	33.3%
Demand Measures		
Resident Component		
Population (Residential)	1.4%	1.4%
MUNI Passenger Trips	-0.3%	1.7%
Paratransit Trips	-2.9%	-2.2%
Number of Registered Vehicles**	1.6%	1.6%
Resident Demand Factor	0.0%	0.6%
Business & Tourism Component		
Employment†	3.4%	2.4%
SFIA Enplanements*	2.8%	1.5%
Occupied Hotel Room Nights*	6.4%	10.3%
Business Demand Factor	4.2%	4.7%

* These figures are projections for 2008

**Estimate based on prior year

†2007 estimate based on change from Q1 2006 to Q1 2007

Sources: US Bureau of Labor Statistics; PKF Consulting; SF Municipal Transportation Authority; S.F Airport Commission, CA Employment Development Department.

The Controller's overall assessment of year-over-year demand is that a steady resident demand (with 0.0% growth), and a significant increase in business and tourism demand of 4.2%. The combined effect yields an overall year-to-year increase in demand factors for taxi services in 2008 over 2007.

Operating Company Financials

In accordance with the City and County of San Francisco's Police Code Article 16, Section 1095(b) (Taxi Regulations), the Controller has established procedures for the periodic filing of financial information. As in the past, the Controller's Office uses taxicab operating company financial information to assess the overall fiscal health of taxicab operating companies. We aggregate the numbers to ensure that each operating company's particular financial information remains confidential. The results of our analysis are summarized in Table I.³

In June, 2006, the Controller, with the assistance of the Taxi Commission, requested all 34 taxicab operating companies to submit detailed financial statements of their most recently completed fiscal year to the Controller. Sixteen of 34 companies provided

³ This information was presented in the August 2006 report and has not been updated. The Controller will request operating companies to submit updated financial information in March 2008.

financial information, with 15 of the 16 companies complying, at least in part, by the July 21st deadline. This is the most recent financial data available to the Controller, and has been cited in past reports.

As in the past, the vast majority of company revenues come from gate-related fees. Advertising and gasoline sales provide other limited revenue. Profitability varies from company to company depending upon ownership structure (private, public or driver cooperatives) and the ability to control expenses in the areas of insurance and costs.

The taxi industry continues to show increasing overall revenues and profitability. However, this improvement in the industry's climate is unevenly distributed across operating companies: generally larger companies continue to be profitable while smaller ones report less profitability.⁴ All companies (5 of 16 reporting companies) that reported net income losses for the past fiscal year were small companies. Average annual gross income per medallion (including all sources of revenues, at operating companies that reported financials to the Controller's Office) increased substantially in 2005 from the previous year: from \$45,324 to \$54,990 – an increase of 21.33 percent.

Of the 16 operating companies that reported financial data for 2005, 5 (31.3 percent of reporting companies) were not profitable. The proportion of unprofitable companies in past years has been higher: 34.5 percent in 2004, 37.9 percent in 2003, 37.5 percent in 2002, and 38.9 percent in 2001.

The average net income per medallion was \$11,520 in 2005, compared to \$9,639 in 2004, \$7,153 in 2003, \$11,253 in 2002 and \$8,578 in 2001 for companies reporting financial information—as reported and not otherwise adjusted for ownership structure differences. If we adjust for ownership differences, the average net income per medallion was \$2,592 in 2005, compared to \$2,891 in 2004, \$409 in 2003, \$1,680 in 2002 and \$649 in 2001. These metrics provide evidence that overall revenue and profitability continue to recover generally, which is consistent with our observation of a recovering economy and an increased use of most forms of transit.

Adjusted net profit margins averaged 5 percent in 2005. This is comparable to past years: 6 percent in 2004, 1 percent in 2003, 3 percent in 2002, and 1 percent in 2001. This suggests that net profitability is improving on the average for the industry—with the caveat that smaller companies continue to struggle disproportionately.⁵

The financial results summarized are weighted averages of all companies in the industry that reported financial data to the Controller's Office. Larger companies (those

⁴ On a related, cautionary note, because of the uneven distribution of profitability in the industry, it would be difficult to make overall financial capacity assumptions concerning the ability for operating companies to contribute to taxi driver health insurance costs, absent further increases to the gate cap.

⁵ The summary data contains financial information both 'as reported' as well as 'adjusted' for ownership structure differences. This is necessary because taxi-operating companies in San Francisco conduct business under various ownership structures, including cooperatives, corporations and sole proprietorships. Adjustments related to operating companies organized as cooperatives is particularly helpful because their members (dividend-eligible, medallion holders) are effectively stockholders or partners in the company and receive residual company profits in the form of dividends in lieu of receiving monthly medallion fee income. After adjusting for cooperative ownership structure differences, the overall profitability of the industry is lower than the data directly reported by operating companies, though industry-operating improvement continues to be present.

with more medallions) have a greater impact on the calculated averages than do smaller companies. The data show increasingly improving financial health for the industry, on average. This is consistent with the improving demand conditions described earlier.

Table I: Operating Company Performance and Industry Statistics

	Average	2005 Total	2004 Total	2003 Total	2002 Total	2001 Total
# of Operating Medallions	1,381	1,381	1,381	1,381	1,381	1,381
# of Operating Medallions Reporting	1,159	1,070	1,370	1,371	819	1,166
<i>% of Reporting</i>	84%	77%	99%	99%	59%	84%
Statistics - As Reported by Operating Companies						
Net Profit/(Loss) Margin (GR)	20%	21%	21%	16%	21%	19%
Return on Total Assets	36%	43%	39%	33%	34%	31%
Return on Average Equity	77%	102%	101%	67%	55%	58%
Gross Revenue per permit	\$48,748	\$54,990	\$45,324	\$44,009	\$53,984	\$45,434
Net Income/(Loss) per permit	\$9,628	\$11,520	\$9,639	\$7,153	\$11,253	\$8,578
# of Profitable Companies	13	11	19	18	5	11
# of Unprofitable Companies	7	5	10	11	3	7
<i>% Unprofitable</i>	36.0%	31.3%	34.5%	37.9%	37.5%	38.9%
Total # of Companies Reporting	20	16	29	29	8	18
No. of Medallions - Profitable	875	973	1003	1003	631	764
No. of Medallions - Unprofitable	284	97	367	368	188	402
<i>% Unprofitable</i>	24.5%	9.1%	26.8%	26.8%	23.0%	34.5%
Statistics - With Estimated Medallion Lease Costs for Cooperatives						
Net Profit/(Loss) Margin (GR)	3%	5%	6%	1%	3%	1%
Return on Total Assets	6%	10%	12%	2%	5%	2%
Return on Average Equity	14%	23%	30%	4%	8%	4%
Gross Revenue per permit	\$48,748	\$54,990	\$45,324	\$44,009	\$53,984	\$45,434
Net Income/(Loss) per permit	\$1,644	\$2,592	\$2,891	\$409	\$1,680	\$649
# of Profitable Companies	13	10	19	18	5	11
# of Unprofitable Companies	7	6	10	11	3	7
<i>% Unprofitable</i>	37.0%	37.5%	34.5%	37.9%	37.5%	38.9%
Total # of Companies Reporting	20	16	29	29	8	18
No. of Medallions - Profitable	853	864	1003	1003	631	764
No. of Medallions - Unprofitable	306	206	367	368	188	402
<i>% Unprofitable</i>	26.4%	19.3%	26.8%	26.8%	23.0%	34.5%

IV – POLICY IMPLICATIONS

Driver Income/Expense Comparison

As illustrated in Table J, increasing the supply of medallions by 69 will reduce revenues per shift by approximately 4.8 percent, on average. This translates to a decrease in net income per shift for a taxi driver of a typical shift by approximately 9.7 percent under current market demand conditions, or an average loss per fare of \$0.71.

The table also shows how the recommended \$0.05 increase in the mileage fee, and \$0.10 reduction in the wait fee, raises the average five mile, five minute wait fare from \$16.15 to \$16.85—a 4.3 percent increase. This recommendation fulfills the Police Code requirement to maintain the income of drivers.

Furthermore, the table also shows how the recommended increase of \$0.30 in the gate cap affects driver income in the context of more fuel-efficient hybrid or alternative fuel vehicles. The gate cap is recommended to increase because these vehicles are more expensive, raising the costs to operating companies. However, because of their greater fuel economy, average driver costs per shift will decline despite the higher gate fee.

Table J: Medallion Increase Impact on Taxi Driver Income

Effect of Medallion Increase on Taxi Driver Income	Status Quo		Assuming Demand Constant			Increasing Mileage Fee by \$0.05, Reducing Wait Fee by \$0.10 Impact of Controller's Recommended Adjustments
	Base Year 2000	As of November 1, 2006 per Resolution # 605-06	As of Effective Date of Medallion Increases	Change %	Change	
Taxi Driver Revenues (\$ Per Shift, unless otherwise stated)						
Average Number of Fares	15	15	15			15
Estimated Average Fare (\$ per trip) [1]	\$14.10	\$16.15	\$16.15			\$16.85
Estimated Impact on Revenue Per Shift of Medallion Increase [2]			(\$11.68)			(\$11.68)
Total Revenues per Shift	\$211.50	\$242.25	\$230.57	\$ (11.68)	-4.8%	\$241.07
Taxi Driver Costs (\$ Per Shift, unless otherwise stated)						
Total Mileage [1]	120	120	120			120
Fuel Economy (mpg) [3]	15	15	15.97			15.97
Assumed Fuel Use (gallons)	12	12	11.52			11.52
Average Price of Gasoline [4]	\$1.81	\$3.44	\$3.44	\$0.00	0.00%	\$3.44
Price of Fuel per 10-hour Shift	\$21.72	\$41.28	\$39.61	(\$1.67)	-4.03%	\$39.61
Gate Fee[5]	\$83.50	\$91.50	\$91.80	\$0.30	0.33%	\$91.80
Total Cost per Shift	\$105.22	\$132.78	\$131.41	(\$1.37)	-1.03%	\$131.41
Gas as % of Estimated Total Cost	20.6%	31.1%	30.1%			30.1%
Average Cost per Fare	\$7.01	\$8.85	\$8.76	(\$0.09)	-1.03%	\$8.76
% of Total Fare	49.7%	54.8%	54.2%			52.0%
Total Earnings per Shift	\$106.28	\$109.47	\$99.15	(\$10.32)	-9.42%	\$109.65
Average Earnings per Fare	\$7.09	\$7.30	\$6.61	(\$0.69)	-9.42%	\$7.31
% of Total Fare	50.3%	45.2%	40.9%			43.4%
<p>[1] Average fare assumed at 5 miles with 5 minutes wait time. [2] The increase in medallions directly reduces the available fares per driver by a factor of 4.8% or 69/1431. [3] Assuming the new alternative fuel medallions attain 36mpg, a typical mileage for a hybrid Ford Escape SUV [4] US Department of Energy Weekly Survey of San Francisco Market, All Formulations. \$1.81 is the average retail price as of December 31, 2000. \$3.44 is the average retail price as of December 31, 2007. [5] Gate fee increase is determined by the average premium paid for a hybrid vehicle (15%), the new percentage of the fleet that will be hybrid/alternative (69/1500=4.6%), and the average industry-wide contribution of vehicle costs to operating expenses (33%).</p>						

Adjustment of Fares and Fees to Maintain the Income of Drivers

To maintain driver's income requires an upward adjustment of \$0.05 in the mileage fee, and a decrease of \$0.10 in the per-minute wait fee. These changes will essentially effectively maintain average driver earnings per shift: \$109.47 currently, and \$109.65 under the recommendation.

Adjustment of Fares and Fees to Maintain the Income of Color Scheme Permit Holders

To maintain permit holders' income requires an adjustment of \$0.30 to the mean gate fee cap. This is because the average cost of the hybrid or alternative vehicles is higher than standard taxis, by approximately 15%⁶, and because vehicle costs are approximately 33% of all operating costs for taxicab companies. Therefore, taxicab companies will need to earn a higher gate to finance these higher cost vehicles. This increase to the gate reflects the impacts of these higher costs on operating company income, and the percentage of the entire fleet that the new vehicles will represent.

⁶ Based on the percentage difference in price between a 2007 Ford Escape hybrid and a comparable 2007 Ford Escape with a conventional engine. Source: edmunds.com.

V – SUMMARY OF TAXI INDUSTRY REPORTS

Previously Issued Reports by the Controller

Over the past few years and often at the request and direction of the Board of Supervisors (see Ordinance #228-02), the Controller completed a number of taxi industry studies. In some cases, these reports were completed in coordination with the Taxi Commission. Reports recently issued by the Controller's Office include:

- ***Issuance of Medallions Related to Supply & Demand*** (March 2003) - At the request of Supervisor Ammiano, the Controller developed a policy model in which key economic demands involving the local population and the business and tourist segments can be compared to the supply of taxicabs.
- ***Health Benefits for San Francisco Taxi Drivers*** (October 2003) – This study identified and developed health plan alternatives, funding sources and implementation issues necessary to enact a health benefits program for taxi drivers. We found that health benefits could be provided.
- ***Long Term Lease Report*** (October 2003) – This report outlined the nature and extent of long-term leases impacting the industry. It describes how long term arrangements are used in various company/medallion-holder/driver relationships and how the city could regulate this type of arrangement.
- ***Taxi Driver Survey*** (April 2004) – This survey of all drivers was conducted by the Taxi Commission with the assistance of the Controller. With this information, the City quantified issues including driver need for health insurance and the frequency and type of long-term leases.
- ***Rates of Fares and Gate Fees*** (December 2005) – This report provided the Taxicab Commission and the Board of Supervisors with findings and policy suggestions to improve the economic wellness of the Taxicab Industry. The findings of this report have been updated herein.
- ***2005 Taxi Commission Survey Report*** (February 2006) – The City Services Auditor of the Controller's Office surveyed residents in three neighborhoods (Castro and Noe Valley, Bayview/Hunter's Point and Outer Richmond and Seacliff) about their use of taxicabs, including the length of time waiting for taxi service.
- ***2006 Taxicab Industry Report*** (August 2006) – The Controller made recommendations to the Board of Supervisors regarding the adjustment of industry fees and fares so as to comply with Police Code Section 1137 requirements.

- **2007 Taxicab Industry Report** (May 2007) – In response to the approval of the issuance of 50 new medallions by the Taxi Commission, the Controller made recommendations to the Board of Supervisors regarding the adjustment of industry fees and fares so as to comply with Police Code Section 1137 requirements.
- **Increasing the Gate Fee for Full-Service Taxicab Companies: Economic Impact Report** (December 2007) – The Office of Economic Analysis estimated the economic impact of a proposal to increase the gate fee for full-service taxicab companies to \$110.00 per ten-hour shift.

Other Previously Issued Reports

In addition to reports issued by the Controller's Office, some additional industry-relevant reports have been issued including:

- **Establishing a San Francisco Taxi Driver Health Care Coverage Program – Administration, Cost, and Funding Options** (March 2006) issued by the Department of Public Health and the San Francisco Health Plan. This report included findings that:
 - “every driver can get health insurance, but only if the various stakeholders in the taxi industry are each willing to contribute something to reach this goal”, and
 - “San Francisco can create another first-in-the-nation health coverage model by providing insurance to our hard-working taxi drivers.”
- **The San Francisco Taxicab Industry: An Equity Analysis** (June 2006) issued by the Goldman School of Public Policy at the University of California at Berkeley. This report addressed the transferability of medallions and provided potential alternatives to increasingly ensure equity among various taxi industry stakeholders.
- **Public Convenience & Necessity Report** (February 2007) issued by the Taxi Commission, City and County of San Francisco. The report made conclusions about dispatch service, availability of flag down service, SFO, hotel stands and demand for taxis in San Francisco. The research was conducted for the annual Public Convenience and Necessity Hearing to determine the adequacy of the total amount of medallions.
- **Taxi Driver Health Care: Policy Recommendations** (March 2007) issued by the Taxi Drivers' Health Care Working Group. The report concluded that providing health benefits to drivers is possible, but only with all possible stakeholders (drivers, medallion holders, color schemes, the riding public and the City and County of San Francisco) contributing to pay for the plan. The Group recommends working with a third-party

administrator which can provide a menu of options, and funding at a moderately low cost option. The Group recommended against providing coverage through the San Francisco Health Plan.

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