

### Agenda: Item 3

Consideration of Controller's Report on San Francisco Gate and Meter Fees [INFORMATION AND POSSIBLE ACTION]

# City and County of San Francisco

Office of the Controller

## Taxicab Industry Report:

An Update On Rates Of Fare, Gate Fees  
And The Industry



September 29, 2008



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## Office of the Controller

Taxicab Industry Report

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### Main Conclusions

In even-numbered years, the Police Code requires the Controller to make adjustments to Taxi Gate Cap and Fare charges. This report summarizes our calculations for policymaker and stakeholder consideration as well as our key findings from our most recent review of the industry.

### Controller's Recommendations

#### **GATE CAP & FARE INCREASES, Automatic Inflationary Increases**

Based on inflationary increases of 7% since November 2006, both gate cap and fare increase will increase as detailed below, absent other action by the Mayor and the Board of Supervisors.

<b>TABLE A</b>		<b>Automatic Inflationary Increases on Gate Cap &amp; Fare Charges</b>			
	<b>As of November 2006</b>	<b>% Change in CPI 2006-08</b>	<b>With CPI Adjustment (Rounded)</b>	<b>Current as of August 2008</b>	<b>Increase</b>
<b>Gate Cap</b>	\$91.50	7.0%	<b>\$98.00</b>	\$96.50	\$1.50
<b>Fares</b>					
Flag Drop	\$3.10	7.0%	<b>\$3.35</b>	\$3.10	\$0.25
Mileage *	\$0.45	7.0%	<b>\$0.50</b>	\$0.45	\$0.05
Wait Time **	\$0.45	7.0%	<b>\$0.50</b>	\$0.45	\$0.05

\* Rate is per 1/5<sup>th</sup> of a mile.  
 \*\* Rate is per minute.

### **FUEL SURCHARGE**

Because of the rise in the price of gasoline since 2006, **this automatic CPI increase will not maintain driver income after adjusting for inflation.** Moreover, a combination of higher gas prices and higher gates has reduced average driver income by 15% since the last fare increase went into effect.

In addition to the automatic CPI adjustment discussed above, policymakers should consider an additional fare increase to offset higher fuel costs paid by drivers. Since November, 2006, gasoline costs have risen by 69%— increasing from \$2.46 to \$4.15 per gallon. Gasoline costs are generally paid by taxi drivers and represent a significant and growing share of their cost per shift. On the other hand, the average fuel economy of the fleet is higher due to increased use of hybrids. In addition, 117 San Francisco taxicabs currently run on compressed natural gas (CNG), which costs only \$2.22 per gasoline-gallon equivalent.

For this reason, the Controller recommends an additional flag drop increase of \$0.25 per fare, in addition to the proposed CPI adjustment. This would accurately reflect the higher cost of fuel, for an average trip, and would maintain driver income after inflation.

Table B below shows the current gate cap and meter rates, the CPI increase, and the proposed supplemental rate increase for fuel costs.

<b>TABLE B</b>		<b>Potential Fuel Surcharge Options</b>				
	<b>Current as of August 2008</b>	<b>With Automatic CPI adjustment</b>	<b>Change from Current</b>	<b>With CPI + Fuel Surcharge</b>	<b>Change from Current</b>	<b>Change from CPI Adjustment Only</b>
<b>Gate Cap</b>	\$96.50	\$98.00	\$1.50	<b>\$98.00</b>	\$1.50	\$0.00
<b>Fares</b>						
Flag Drop	\$3.10	\$3.35	\$0.25	<b>\$3.60</b>	\$0.50	<b>\$0.25</b>
Mileage *	\$0.45	\$0.50	\$0.05	<b>\$0.50</b>	\$0.05	\$0.00
Wait Time **	\$0.45	\$0.50	\$0.05	<b>\$0.50</b>	\$0.05	\$0.00

\* Rate is per 1/5<sup>th</sup> of a mile.  
 \*\* Rate is per minute.

Given the likelihood that gasoline prices will continue to rise, and the City's taxicab fleet will become more fuel efficient, the Controller recommends that the Taxi Commission request a new fuel surcharge analysis each time the retail price of gasoline in San Francisco rises to a new dollar level, beginning with \$5.00, for more than twelve consecutive weeks. The Energy Information Administration's index of Weekly San Francisco Regular All Formulations Retail Gasoline Prices should be used in this analysis<sup>1</sup>.

**INFLATION ADJUSTMENT IMPACTS ON PARATRANSIT**

The inflationary increases noted above will result in increased costs to the Paratransit program of approximately \$0.77 million per year, assuming that taxi ridership remains at current levels. This cost will rise to \$0.95 million per year if the recommended fuel surcharge to the flag drop is implemented.

<sup>1</sup> The data can be viewed here: [http://tonto.eia.doe.gov/dnav/pet/hist/mg\\_rt\\_s5w.htm](http://tonto.eia.doe.gov/dnav/pet/hist/mg_rt_s5w.htm).

## Other Findings

**Market and Local Economy Near Peak** The economy grew substantially during 2006 and 2007 and this has positively impacted the taxicab industry. Overall economic performance of the taxicab industry is improving, trending back upward but not yet at levels of activity observed during the last economic peak of 2000. San Francisco's population and employment have grown slowly over the past couple of years, contributing little toward the taxicab industry's recovery. Additionally while a rebound in tourism has helped, a limited rebound in business travel and an increase in BART ridership to the Airport have constrained taxi demand growth.

**Operating Company Profitability is Stable** Industry profitability has been stable over the past two fiscal years. While average annual gross revenue per medallion declined from \$48,153 in 2006 to \$43,278 in 2007, net income per medallion increased slightly, from \$7,571 to \$8,329. In general, larger companies are performing better than smaller companies financially.

**Medallion Monthly Lease Fees Rising** Based on our recent discussions with industry leaders regarding monthly lease fees paid by operating companies to medallion holders, lease fees have increased significantly since the cap on lease fees expired, and especially since the gate fee cap was increased in March, 2008. Instead of the typical \$1800-\$1900 per month, medallions are now earning \$2200-\$2300, and in some cases far more per month.

**Expansion of Brokers** Industry leaders report a growth, over several years, in independent brokers who acquire medallions from medallion holders, usually at prices far above market, and transfer them to taxicab companies whose operating costs are far lower than the industry average. The City's regulations do give medallion holders several options to maximize the value of their asset, as discussed below. Nevertheless, this form of brokerage is illegal, as it can encourage fraudulent reporting and can make regulatory enforcement more difficult. Industry leaders indicated that although the problem of independent brokers has been growing, it currently impacts only a small number of medallions, and does not at this point merit additional regulatory intervention. Going forward, the Mayor, the Board, and the Taxi Commission should consider whether the industry's own response to this problem has been adequate.

# INTRODUCTION

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## Introduction

In even-numbered years, the Police Code authorizes the Controller to make adjustments to Taxi Gate Cap and Fare charges. This report summarizes our calculations for policymaker and stakeholder consideration as well as our key findings from our most recent review of the industry. Absent subsequent Board action, the Controller's inflation-adjusted charges will automatically become effective on November 1, 2008.

This report provides an economic and fiscal update of the Taxi Industry. There are a number of key issues discussed including:

- The automatic increases based on the Consumer Price Index (CPI) that will go into effect on November 1, 2008, unless the Mayor and the Board takes subsequent actions.
- The additional burden placed particularly on drivers due to sharp increases in gasoline prices.
- The City's Clean Taxi Policy and its progress towards a low-emission, fuel-efficient taxicab fleet.

## 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 686,000 daily MUNI boardings,<sup>2</sup> and a weekday count of 190,000 residents who commute to work via private automobile<sup>3</sup>.

Taxicabs in San Francisco must display a medallion during each shift. By controlling the number of medallions, the City and County of San Francisco controls the number of legal taxicabs on the street. This regulation balances the need for an adequate level of service to the public, while ensuring the incomes of taxicab drivers and operating companies are not harmed by excessive competition. Shifts are typically ten hours long, and a medallion will generally be carried in a taxicab for two shifts per day, seven days per week.

Medallions are owned by taxicab drivers, corporations, and non-driving individuals. After the passage of Proposition K in 1978, all new medallions (so-called "Post-K medallions") are assigned to drivers via a waiting list, and require the medallion holder to drive a taxicab for a certain number of

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<sup>2</sup> Municipal Transportation Authority, *San Francisco Transportation Fact Sheet*, May 2008.

<sup>3</sup> U.S. Census Bureau, *American Community Survey*, 2006.

hours a year.

Taxicab operating companies are required to have a distinctive color scheme for their taxicabs on the road. Companies and color schemes get linked to medallions in one of three ways. Some companies are cooperatives of medallion holders, in which Post-K medallion holders drive their required hours, and the remaining shifts are assigned to non-medallion-holding drivers, as described in the next paragraph. Other companies lease their medallions from medallion holders for a monthly fee, which is set by the market. They then acquire and maintain taxicabs, hire drivers, and may offer other services such as dispatch and credit card payment authorization. Finally, some companies rent their color schemes to medallion holders, who then acquire their own taxicabs and drivers for shifts they do not drive themselves. Again, this color scheme rental price is not regulated, and is set by the market.

Drivers who do not own medallions obtain shifts in one of two main ways. Under the gas-and-gate system, the driver pays the operating company a gate fee to rent the taxicab for a shift. The driver is responsible for the cost of gasoline, and earns whatever fares he or she can during the shift. Thus, the driver's income for the shift is equal to fares less gasoline costs less the gate fee. Both fares and gate fees are regulated by the City, as described below.

Some drivers and companies prefer to assign a taxicab and medallion to a driver through a long-term lease. In this system, the driver pays a monthly lease fee to the company up-front for a given number of shifts, and the driver earns fare income and is responsible for gasoline costs as under the gas-and-gate system. Unlike the gate fee, however, long-term lease fees are not regulated by the City. Until the 1990s, all non-medallion-holding drivers received shifts through the gas-and-gate and gate system. However, today it is estimated that less than half of shifts are through the gas-and-gate system.

# SAN FRANCISCO FARE RATES AND SUPPLY AND DEMAND FACTORS

## San Francisco Fare Rates

Regardless of the relationship between the taxicab owner, the medallion holder, and the driver, all San Francisco taxicabs charge the same fares. These fares are regulated in three ways:

1. The flag drop, which covers the first 1/5 of a mile of a trip, is currently set to \$3.10.
2. The mileage fee, which covers each additional 1/5 of a mile, is currently set to \$0.45.
3. The wait fee, which covers each minute during the trip that the taxicab is not moving, is currently set to \$0.45.

Effective	Flag	Mileage	Waiting Time	Avg. Fare*	% Change
CPI Adjustment + Fuel Surcharge	\$3.60 first 1/5 mile	\$0.50 per 1/5 mile	\$0.50 per minute	\$ 18.10	12%
CPI Adjusted Rates	\$3.35 first 1/5 mile	\$0.50 per 1/5 mile	\$0.50 per minute	\$ 17.85	11%
November 2006	\$3.10 first 1/5 mile	\$0.45 per 1/5 mile	\$0.45 per minute	\$ 16.15	2%
July 2006	\$2.75 first 1/5 mile	\$0.45 per 1/5 mile	\$0.45 per minute	\$ 15.80	-1%
January 2006	\$2.85 first 1/5 mile	\$0.45 per 1/5 mile	\$0.45 per minute	\$ 15.90	0%
January 2003	\$2.85 first 1/5 mile	\$0.45 per 1/5 mile	\$0.45 per minute	\$ 15.90	13%
June 2000	\$2.50 first 1/5 mile	\$0.40 per 1/5 mile	\$0.40 per minute	\$ 14.10	7%
January 1999	\$2.50 first 1/6 mile	\$0.30 per 1/6 mile	\$0.40 per minute	\$ 13.20	11%
June 1991	\$1.70 first 1/6 mile	\$0.30 per 1/6 mile	\$0.30 per minute	\$ 11.90	

\* 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 many jurisdictions have recently raised their taxicab rates of fare, largely in response to higher gas prices. San Francisco rates are now in the middle of those sampled, but among the lowest of neighboring Bay Area cities. Even if the highest recommended supplemental fare increase for fuel costs is adopted by policymakers, San Francisco's average fares will still be less than those in San Jose and other smaller Bay Area cities.



**TABLE D**

**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 **
San Jose	\$3.50 / first 1/10 mile	\$3.00	\$0.50	\$19.70
Boston	\$5.00 / first mile	\$2.80	\$0.47	\$18.53
Los Angeles	\$2.85 / first 1/9 mile	\$2.70	\$0.49	\$18.20
San Francisco (CPI + Fuel Surcharge)	\$3.60 / first 1/5 mile	\$2.50	\$0.50	\$18.10
San Francisco (CPI Adjustment Only)	\$3.35 / first 1/5 mile	\$2.50	\$0.50	\$17.85
Oakland	\$3.00 / no distance	\$2.60	\$0.43	\$17.17
San Francisco (current)	\$3.10 / first 1/5 mile	\$2.25	\$0.45	\$16.15
New York	\$2.50 / no distance	\$2.00	\$0.40	\$14.50
Houston	\$2.50 / first 2/11 mile	\$1.87	\$0.33	\$13.18
Chicago	\$2.25 / first 1/9 mile	\$1.80	\$0.33	\$12.72

\* 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**

The gate fee is currently set to \$96.50, which is the maximum average gate a company can charge per shift over a given week. Companies are allowed to charge an additional \$7.50 gate fee for low-emission vehicles, which have higher mileage and thus reduce the driver's gasoline expenses.

**TABLE E**

**History of Gate Cap Rates**

Start Date	End Date	Gate Cap Base	Gate Cap General Add-On	Gate Cap Paratransit Funding Add-On	Surcharge for Low-Emission Vehicles	Total Gate	Enacting Legislation & Impact
Controller's Recommendation		\$ 98.00			\$ 7.50	\$ 98.00	
6-Mar-08		\$ 96.50			\$ 7.50	\$ 96.50	Ordinance #26-08
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**

Indicators of demand for taxicab service showed significant increase over the past two years. All major sectors that make up the demand for taxi services show moderate or substantial growth, especially in the business and tourism component. However, overall demand still falls short of the previous peak level attained in 2000. Moreover, there is evidence to suggest that the city's economy may be reaching a peak, given the weak economic conditions across the state.

<b>TABLE F</b>		<b>Taxi Industry Demand and Supply Factors</b>		
<b>Year to Year Changes</b>				
<b>Supply Measures</b>		<b>2008 E</b>	<b>2007</b>	<b>2006</b>
<b>Taxi Medallions Issued or Proposed</b>				
Total Medallions		4.8%	3.6%	0.0%
Sedan Medallions		5.2%	1.9%	0.0%
Ramp Medallions		0.0%	33.3%	0.0%
<b>Demand Measures</b>		<b>Demand Factor</b>		
<b>Resident Component</b>				
Population (Residential)	80%	1.5%	1.2%	0.6%
MUNI Passenger Trips	15%	6.5%	-2.1%	-2.8%
Paratransit Trips	5%	2.3%	-2.2%	-14.4%
<b>Resident Demand Factor</b>		<b>2.3%</b>	0.5%	-0.6%
<b>Business &amp; Tourism Component</b>				
Employment <sup>†</sup>	10%	2.3%	3.8%	2.2%
SFIA Enplanements	50%	8.4%	2.8%	1.5%
Occupied Hotel Room Nights*	40%	1.0%	4.2%	10.3%
<b>Business Demand Factor</b>		<b>4.8%</b>	3.5%	5.1%

\* These figures are projections for 2008  
<sup>†</sup>2008 estimate based on first six months of data

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

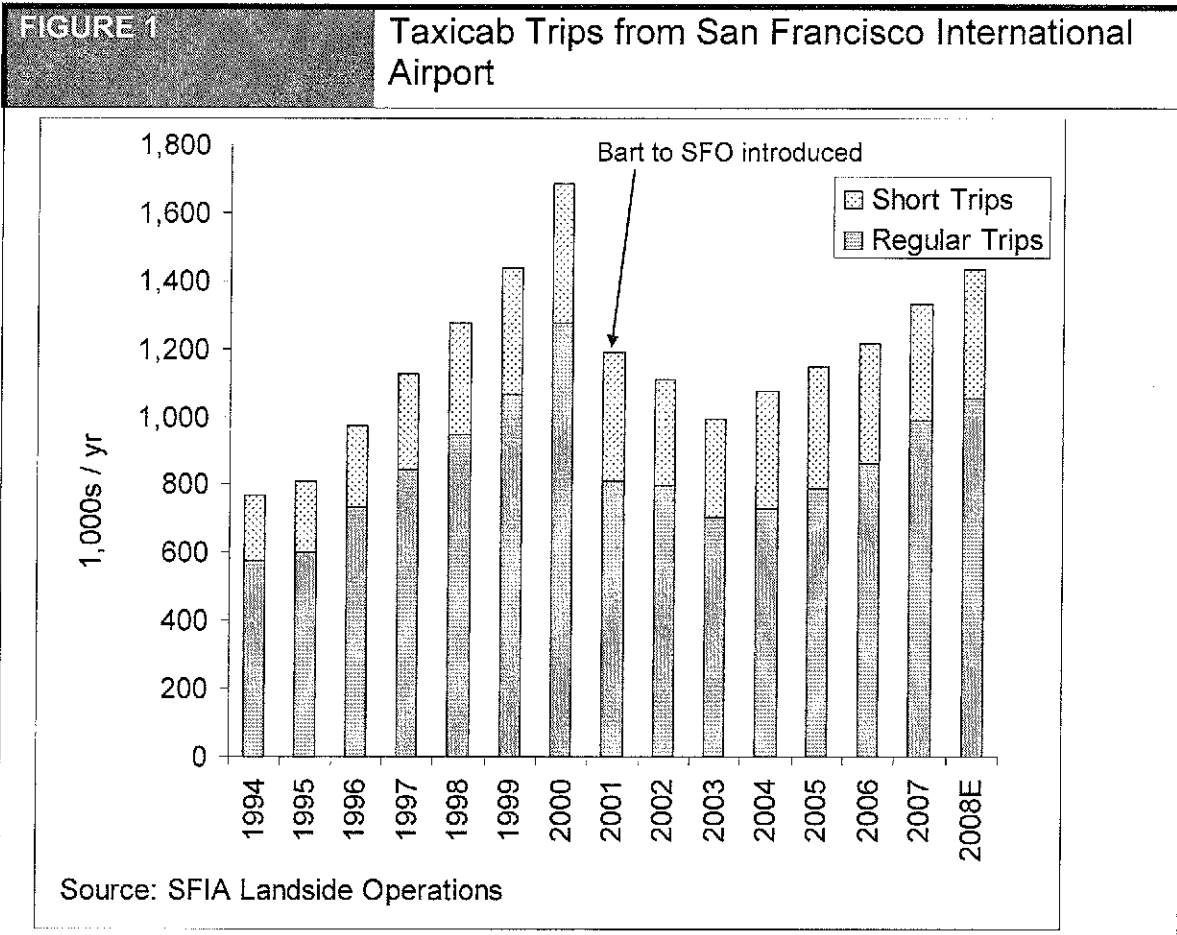
**BART Service Trends  
to SFO**

Another demand factor that can affect the demand for taxicab services in San Francisco is BART service to and from the San Francisco International Airport. The average BART fare from Downtown to the Airport is between \$5.20 and \$5.35, which is of course far below the average taxicab fare. Table G indicates recent trends in BART ridership to the airport. There has been a significant increase of nearly 30% in the past year.

<b>TABLE G</b>		<b>BART Ridership to San Francisco International Airport</b>	
<b>Fiscal Year</b>	<b>Weekday Average Exits</b>	<b>% Change</b>	
2003	3,399		
2004	3,084	-9.3%	
2005	3,505	13.7%	
2006	3,773	7.6%	
2007	3,981	13.6%	
2008	4,859	28.8%	
Source: BART, <i>Fiscal Year Weekday Average Exits</i>			

**Taxicab Service Trends to SFO**

However, taxicab trips from San Francisco Airport have also increased over the past year. This suggests that both modes of transportation have benefited from expanding demand associated with the growth of flights at the airport. 2008 airport trips will closely match the second-highest year ever, 1999.



**Estimated Change in Demand for Taxi Service**

Based on different scenarios that approximate the demand for taxicabs between residents and outsiders (business and tourist fares), we estimate an increase of 3.1 percent to 4.1 percent in 2008 from 2007 levels, as shown in Table H. This is evidence of robust growth in demand, although again below 2000 levels.

TABLE H		Estimated Change in Demand for Taxi Service		
Resident % of Total	Business & Tourism % of Total	2008	2007	2006
		Year-To-Year Change		
30%	70%	4.1%	2.6%	3.4%
40%	60%	3.8%	2.3%	2.8%
50%	50%	3.6%	2.0%	2.2%
60%	40%	3.3%	1.7%	1.6%
70%	30%	3.1%	1.4%	1.1%

**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.

TABLE I		Summary of Taxicab Operating Company Financials for 2003-2007				
	2007	2006	2005	2004	2003	
# of Operating Medallions	1,431	1,381	1,381	1,381	1,381	
# of Operating Medallions Reporting	1,331	1,273	1,070	1,370	1,371	
% Reporting	93%	92%	77%	99%	99%	
Total # of Companies Reporting	23	22	16	29	29	
<b>Statistics - As Reported by Operating Companies</b>						
Gross Revenue per permit	\$ 43,278	\$ 48,153	\$ 54,990	\$ 45,324	\$ 44,009	
Net Income/(Loss) per permit	\$ 8,329	\$ 7,571	\$ 11,520	\$ 9,639	\$ 7,153	
# of Profitable Companies	20	18	11	19	18	
# of Unprofitable Companies	3	4	5	10	11	

In March of 2008, the Controller, with the assistance of the Taxi Commission, requested all 33 taxicab operating companies to submit detailed financial statements of their two most recently completed fiscal years to the Controller. The majority of operating companies provided the requested information for both 2006 and 2007; however, some only provided financial reports for one of the two years. For 2006, 22 of the 33 companies provided financial

information, accounting for 92% of the total operating medallions issued by the Taxi Commission. For 2007, 23 companies provided financial information (though not necessarily the same companies), accounting for 93% of total operating medallions.

We note that the format and level of detail of the financial reports submitted by operating companies vary greatly, and make an in-depth analysis of the data difficult. As in past years, many companies submitted copies of tax returns or unaudited financial statements that did not contain sufficient detail to compare operating expenditure and revenue figures across companies. In the future, the Controller's Office will request that operating companies submit audited financial reports in a uniform format displaying specific expenditure and revenue information to ensure greater accuracy and consistency in the calculation of gross revenue and net income per permit.

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 financial results summarized are weighted averages of all companies in the industry that reported financial data to the Controller's Office. Larger companies (those with more medallions) have a greater impact on the calculated averages than do smaller companies.

The taxi industry financials show relatively stable operating company profitability over the past two fiscal years, on average. While average annual gross revenue per medallion declined from \$48,153 in 2006 to \$43,278 in 2007, net income per medallion increased slightly, from \$7,571 to \$8,329.

The data also indicate that gross revenue and net income per permit were lower in 2006 and 2007 compared to 2005. However, both of these financial measures were exceptionally high in 2005, likely due to the disproportionate share of medallions affiliated with cooperative taxi companies included in the 2005 financial reports. Cooperative companies tend to report higher gross revenue and net income per permit than non-cooperatives. The share of cooperative and non-cooperative medallions in the 2006 and 2007 data more accurately reflect the industry as a whole.

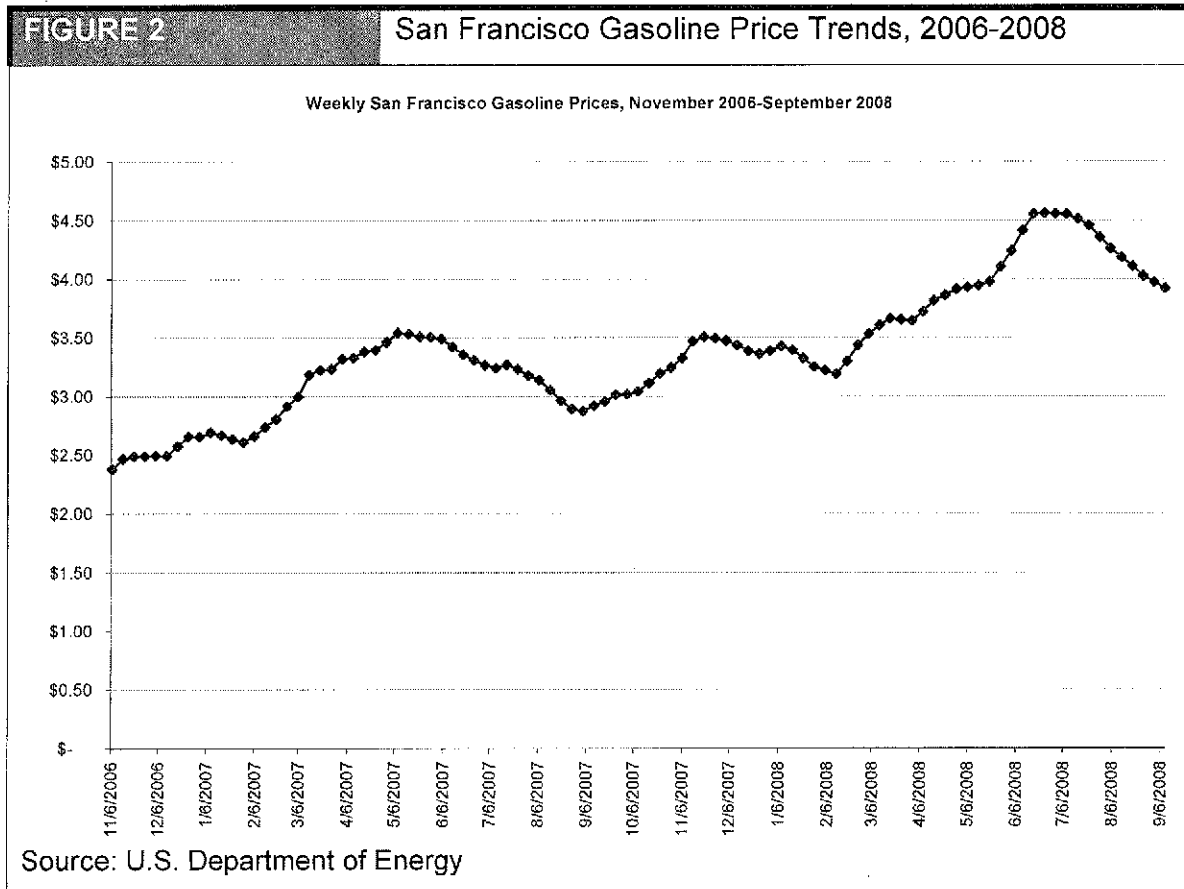
According to the financial reports, the number of unprofitable taxi companies continues to decline, with only 4 operating companies reporting negative net income in 2006 and 3 in 2007, compared to 10 in 2004. As in previous years, larger companies generally report greater profitability than smaller ones.

These metrics, together with information collected through interviews with taxi industry stakeholders, provide evidence that overall revenue and profitability have remained steady over the past two fiscal years, which is consistent with our observation of an economy near the peak of the business cycle.

## POLICY IMPLICATIONS

### Fuel Surcharge Appears Warranted Given Increases in Fuel Costs

In accordance with the Police Code, we reviewed changes to the price of gasoline in San Francisco. Our review indicates that since November 2006 Bay Area gas costs have increased by 69 percent, as shown in the chart below.



### Clean Taxi Policy

In February of 2008, the Board of Supervisors passed Ordinance No. 26-08, which introduced a gate fee surcharge of \$7.50 for low emission vehicles to encourage color schemes to use more "clean" vehicles as taxicabs. This ordinance also added Section 1135.3 "Reduced Emissions by Company" to the Police Code. This new section requires the Department of the Environment, in consultation with the Taxi Commission, to issue a "Green Vehicle Guide" every year by April 1 that lists vehicle appropriate for use as taxis to help the city achieve its overall goal of a 20 percent reduction in taxi fleet greenhouse gas emissions from 1990 levels by the year



2012. In addition, it requires color schemes to submit to the Taxi Commission by June 1 of each year, beginning in 2008, a written plan on how the color scheme will reduce or maintain its carbon emissions, and a progress report on the steps taken by the company in the preceding year. Finally, the ordinance requires color schemes to maintain average per vehicle greenhouse gas emissions at a level set by the Department of the Environment beginning in June of 2011. The ordinance authorizes the Taxi Commission to adopt rules and regulations to implement this new section of the Police Code.

According to the Taxi Commission, all color scheme permit holders submitted their Emission Reduction Plans and Progress Reports by June 1, 2008. As of September, 2008, the Taxi Commission reported that 181 hybrid vehicles and 117 Compressed Natural Gas (CNG) vehicles were in use as taxicabs. Since hybrids achieve better gas mileage than standard taxis and compressed natural gas is cheaper than regular gasoline, these clean vehicles reduce fuel costs for taxi drivers. We therefore incorporated this information into our assumption for average fuel economy when calculating the impact of fare increases on driver income.

### **Fuel Surcharge and Driver Income Analysis**

Drivers in the industry are responsible for purchasing their own gas. As a result, a major concern among drivers is over gasoline prices that have increased dramatically since the last fare increase. The Taxi Commission has discussed an advertised surcharge or a meter increase to address this issue. We recommend an increase in the flag drop, as detailed below, to maintain driver income.

However, the Controller does not recommend any form of "off-meter" surcharge, or any per-passenger fuel surcharge, which would raise average fares out of proportion to driver costs.

As illustrated in Table J below, as of August 2008, a **combination of higher gas prices and higher gates have reduced average driver income by 15% since the last fare increase went into effect** in November 2006. Maintaining driver income, adjusting for inflation, would require at least a 7% increase in revenue per shift, given the rise in the CPI over the past two years.

Under the automatic CPI adjustment only, which would raise the flag drop to \$3.35, the mileage fee to \$0.50 per 1/5 mile, and the wait fee to \$0.50 per minute, average revenue per shift would rise 11%, based on a typical number of fares of an average size. However, because of

higher gas prices and a higher gate, driver income would rise by only 5%, compared with November 2006. This is less than the 7% rate of inflation. **The automatic CPI increase for fares is insufficient to maintain driver income after inflation.**

Table J also reflects the fact that average fleet mileage is increasing, due to the Clean Taxi Policy, so driver fuel costs are not rising quite as fast as the price of gasoline. Both the number of hybrid taxicabs, which have greater mileage, and CNG taxicabs, which have cheaper fuel, are increasing.

A \$0.25 increase the flag drop, again in addition the CPI increase, would raise driver income by 7%, which is in line with the 7% increase needed to keep pace with inflation.

		November 2006		August 2008		CPI Adjustment Only		CPI Adjustment + Fuel Surcharge	
					Change		Change		Change
# of Fares Per 10-hour Shift	15	15		15		15		15	
Estimated Average Fare	\$16.15	\$16.15		\$17.85		\$17.85		\$18.10	
<b>Total Revenue Per Shift</b>	<b>\$242.25</b>	<b>\$242.25</b>	<b>0%</b>	<b>\$267.75</b>	<b>11%</b>	<b>\$267.75</b>	<b>11%</b>	<b>\$271.50</b>	<b>12%</b>
Total Miles Per Shift	120	120		120		120		120	
Miles-equivalent spent idling per shift	60	60		60		60		60	
% Gasoline Cabs	92%	88%		88%		88%		88%	
Average Fuel Economy (mpg)	15.5	17.4		17.4		17.4		17.4	
Average Gasoline Consumed Per Shift	11.6	10.3		10.3		10.3		10.3	
Average Price of Gasoline	\$2.46	\$4.14		\$4.14		\$4.14		\$4.14	
# of CNG Cabs	8%	8%		8%		8%		8%	
Average fuel economy (mpg equivalent)	15	15		15		15		15	
Average CNG Consumed Per Shift	12	12		12		12		12	
Average CNG cost per gallon equivalent	\$1.45	\$2.22		\$2.22		\$2.22		\$2.22	
Average Total Cost of Fuel Per Shift, gasoline & CNG	\$27.58	\$39.75		\$39.75		\$39.75		\$39.75	
Gate Fee	\$91.50	\$96.50		\$98.00		\$98.00		\$98.00	
<b>Total Cost Per Shift</b>	<b>\$119.08</b>	<b>\$136.25</b>	<b>14%</b>	<b>\$137.75</b>	<b>16%</b>	<b>\$137.75</b>	<b>16%</b>	<b>\$137.75</b>	<b>16%</b>
<b>Driver Income Per Shift</b>	<b>\$123.17</b>	<b>\$106.00</b>	<b>-14%</b>	<b>\$130.00</b>	<b>6%</b>	<b>\$130.00</b>	<b>6%</b>	<b>\$133.75</b>	<b>9%</b>

## Paratransit Funding

Taxi service is an important part of the City's Municipal Transportation Agency Paratransit Program. The table below summarizes the number of taxi trips over the past few years along with estimated average fare. The number of paratransit taxi trips declined significantly between FY 2002-03 and FY 2005-06, but has remained relatively steady over the past 3 years.

<b>TABLE K</b>		<b>Paratransit Statistics</b>		
<b>Paratransit Statistics - TAXI ONLY</b>	<b>Actual FY 2007-08</b>	<b>CPI Adjustment Only</b>	<b>CPI Adjustment + Fuel Surcharge - Flag Drop</b>	
Taxi Trips	644,658	644,658	644,658	
% Change from Prior Year	2.29%			
Average Cost per Trip	\$11.73	\$12.93	\$13.20	
% Change from Prior Year	1.7%	10.2%	12.6%	
Total Direct Costs	\$7,561,792	\$8,335,557	\$8,511,413	
\$ Change from Prior Year	\$ 291,533	<b>\$773,765</b>	<b>\$949,620</b>	

Source: Kate Toran, MTA Paratransit Coordinator, September 12, 2008

The MTA's Paratransit Program is impacted by changes in taxi fares as increasing fares result in higher program costs. Police Code Section 1137.5 previously allowed MUNI to calculate on a monthly basis the increased cost of Paratransit scrip incurred from fare or rate increases for taxicabs. This cost was then divided evenly among all taxicab permits in operation. This section of the Police Code expired on June 30, 2006, per Ordinance No. 118-06. Currently, the MTA receives no revenue from the taxi industry to offset program costs that result from the incurred Paratransit scrip. The Program is funded entirely by Federal, State, and Local grants and by a contribution from the MTA's operating fund. Any taxicab fare, gate fees, or pass-through funding changes require an impact analysis on the Paratransit budget.

As previously structured, a Paratransit add-on used to fund MUNI Paratransit was paid by taxi drivers to operating companies. In turn, operating companies then passed

through the funds to MUNI Paratransit. In order to mitigate this gate fee add-on, taxi drivers were afforded an additional \$0.10 increase to their flag drop (from \$2.75 to \$2.85) at the time of the last increase. The assumption was that an average 10-hour shift resulted in 15 fares, so at \$0.10 per flag drop, a taxi driver would be able to recover the \$1.50 add-on charged at the gate, on average. Pass-through is accomplished in that paying customers cover the Paratransit fee (on average).

In practice, the monthly pass-through amount required from each operating company was dependent upon the number of medallions operating under the company for the month. If all 1,381 medallions were in operation and each medallion generated 30 fares per day (two 10-hour shifts at 15 fares per shift), this would result in 41,430 fares generating the additionally \$0.10 flag drop add-on. Taking the 41,430 fares times the additional \$0.10 flag drop add-on and 365 (number of days per year), an estimated \$1.51 million in total revenues would be generated to support pass-through funding annually for the Paratransit Program. However, in reality not all 1,381 permits were in operation for two, 10-hour shifts each and every day, and on some shifts the number of fares may be more or less than 15 for a 10-hour shift. In FY 2004-04 and 2004-05, the actual amount of pass-through funding for Paratransit was approximately \$0.9 million.

We estimate that the fare increases recommended in this report would increase costs to the Paratransit Program by between \$0.77 million and \$0.95 million.

## NEXT STEPS

Absent action by the Board of Supervisors, the Controller's inflation-adjusted Gate Cap and Fare charges will go into effect on November 1, 2008. The Police Code outlines the steps for hearings and potential amendments to the Controller's rates as outlined previously in this report.

In addition to the automatic inflation adjustments, the Mayor and the Board should consider authorization of a fuel surcharge of \$0.25 added to the flag drop. If these changes are implemented, average fares would change as follows:

<b>TABLE M</b>		<b>Gate Cap and Fares</b>		
	<b>Current Rates</b>	<b>Automatic CPI Adjusted Rates</b>	<b>CPI Adjustment + Fuel Surcharge-Flag Drop</b>	
<b>Gate Cap</b>	\$91.50	\$98.00	\$98.00	
<b>Fares</b>				
Flag Drop	\$3.10	\$3.35	\$3.60	
Mileage	\$0.45	\$0.50	\$0.50	
Wait Time	\$0.45	\$0.50	\$0.50	
<b>Average Fare Scenarios</b>				
Cross City Scenario [1]	\$16.15	\$17.85	\$18.10	
<i>% Increase</i>		11%	12%	
Paratransit Scenario [2]	\$10.75	\$11.85	\$12.10	
<i>% Increase</i>		10%	13%	
Short Trip Scenario [3]	\$5.80	\$6.35	\$6.60	
<i>% Increase</i>		9%	14%	
Airport Scenario [4]	\$35.50	\$39.35	\$39.60	
<i>% Increase</i>		11%	12%	
<b>BART Fare Comparison</b>				
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.				

## SUMMARY OF TAXI INDUSTRY REPORTS

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### 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. A summary of previously issued reports over the last few years 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) – 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.
- ***2008 Taxicab Industry Report*** – Issued to estimate increases to the gate and fares that would be required to maintain company and driver income with the addition of 69 new medallions.

### **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*** issued by the Department of Public Health and the San Francisco Health Plan in March 2006. 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*** issued by the Goldman School of Public Policy at the University of California at Berkeley in June 2006. This report addressed the transferability of medallions and provided potential alternatives to increasingly ensure equity among various taxi industry stakeholders.