

THIS PRINT COVERS CALENDAR ITEM NO. : 14

**SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY**

DIVISION: Taxis and Accessible Services

BRIEF DESCRIPTION:

Requesting the Board to amend Transportation Code, Division II, Article 1100 to raise the taxi gate fee cap by \$9.75; authorize a cancellation fee of up to \$10 to taxi passengers who cancel reserved rides or who are not present when the driver arrives, and, following issuance of regulations by the Director of Transportation, permit drivers to charge a flat rate of up to \$11, rather than the metered rate, for shared taxi trips.

SUMMARY:

- The SFMTA has commissioned a comprehensive study by the firm of Hara Associates (Hara Report), to determine whether there should be a change in various rates and fares related to the taxi industry.
- Based upon the results of the study, staff makes the following recommendations:
 - Although there have been industry cost increases since the last meter rate increase in May of 2011, no additional meter increase should be implemented at this time.
 - Color schemes should be authorized to raise their gate fees charged to taxi drivers by \$9.75 per shift to address increased industry insurance costs.
 - A cancellation fee of \$10 for trips booked using a credit card and a flat rate for shared trips of up to \$11.00 per person should be authorized.

ENCLOSURES:

1. SFMTAB Resolution
2. Best Practices Studies of Taxi Regulation: Meter Rates and Gate Fees
3. Amendment to Division II of the Transportation Code

APPROVALS:

DATE

DIRECTOR _____

10/8/13

SECRETARY _____

10/8/13

ASSIGNED SFMTAB CALENDAR DATE: October 15, 2013

PAGE 2.

PURPOSE

Requesting the Board to amend Transportation Code, Division II, Article 1100 to raise the taxi gate fee cap by \$9.75; authorize a cancellation fee of up to \$10 to taxi passengers who cancel reserved rides or who are not present when the driver arrives, and, following issuance of regulations by the Director of Transportation, permit drivers to charge a flat rate of up to \$11, rather than the metered rate, for shared taxi trips.

GOAL

Goal 2: Make transit, walking, bicycling, taxi, ridesharing and carsharing the most attractive and preferred means of travel.

Objective 2.1: Improve customer service & communications.

Goal 3: Improve the environment and quality of life in San Francisco.

Objective 3.2: Increase the transportation system's positive impact to the economy.

Goal 4: Improve the environment and quality of life in San Francisco.

Objective 4.4: Improve relationships and partnerships with our stakeholders.

DESCRIPTION

The SFMTA has commissioned a comprehensive study by the firm of Hara Associates (Hara Report), to determine whether there should be a change in various rates and fares related to the taxi industry. The following discussion sets forth the Hara Report's conclusions and the staff recommendations based upon that report.

Meter Rates

Charter Section 8A.101(b) gives the SFMTA Board of Directors sole discretion to determine whether taxi fares should increase, decrease or remain unchanged, and Transportation Code Section 1124(a) requires the Board to review taximeter fares beginning in fiscal year 2010-11 and at least every other fiscal year thereafter.

The Hara Report calculates that industry costs have risen substantially since meter rates were increased in May, 2011, and that these costs could be recouped by the industry through a meter rate increase of 5.8 percent. However, the Hara Report generally recommended that there not be any meter rate increase to respond to those costs. This is due to the intense competition faced by the taxi industry by burgeoning numbers¹ of transportation services that have priced themselves below the current taximeter rates, and that unlike taxis, are not subject to any pricing controls.

¹ The San Francisco Cab Drivers' Association has documented the individual license plates of more than 1,300 Lyft, SideCar and UberX vehicles that have been seen operating in San Francisco.

PAGE 3.

However, at the request of SFMTA staff, Hara Associates did analyze the possibility of increasing the meter rate in order to cover the cost of credit card processing, which is currently authorized to be charged to taxi drivers at the rate of 3.5 percent. The Hara Report evaluated an option that was intended to encourage credit card acceptance among taxi drivers by covering the cost of interchange fees through the addition of \$0.35 to the current flag drop rate on the taximeter. This would have raised taxi fares from \$3.50 to \$3.85 for the first fifth of a mile.² The additional charge could be passed through to the taxi company and its payment service provider either as a per shift flat fee added to the gate fee (estimated at \$6.25 per shift), or by directly deducting \$0.35 per trip from the driver's credit card payments at the end of each shift.

Staff initially favored the proposal to raise meter rates in order to relieve drivers of credit card processing costs and to encourage driver acceptance of credit cards. The idea was discussed at length over the course of interviews between Hara Associates and industry representatives and at multiple taxi Town Hall meetings. However, it was universally and strongly expressed by every sector of the industry that now is not the time for any meter rate increase that could further erode the volume of business available to taxi drivers. This position is based on the intense competitive pressures created by an open entry system for the new class of "Transportation Network Company" (TNC) for-hire vehicles recently authorized by the California Public Utilities Commission.

Accordingly, staff recommends no change to the current meter rate for taxi service.

Gate Fees

A gate fee is what the taxi company (color scheme) charges to a driver for the use of the taxi vehicle. The Hara Report recommends that color schemes be authorized, but not required, to increase gate fees by up to an additional \$9.75 per shift to partially offset increased industry costs. Staff supports that recommendation.

Gate fees were not regulated in San Francisco until 1998. In 1998 the first gate fee cap was set at \$83.50. In 2003, it was raised to \$90.00 for companies meeting specified criteria, and \$85 for other companies. In 2008 companies were authorized to charge drivers \$96.50 plus a \$7.50 surcharge for low emission vehicles.

Hara Associates polled taxi companies about their costs of operation, and found that since the meter rate increase of 2011, the cost of auto liability insurance per San Francisco taxi vehicle has risen from an average of \$6,700 per year to as high as \$10,400. That is an increase of 55 percent over a two-year period for insurance alone. Overall, the Hara Report cited a 12.5 percent increase in company costs since the last gate fee increase in 2008.

² In the current version of Transportation Code Section 1124(b)(1) the flag drop rate is erroneously codified as \$3.10. This rate was changed by the SFMTA Board on August 2, 2011 to the present \$3.50 rate. The rate is intended to read as \$3.50. Staff will work to correct the current version with the code publisher.

PAGE 4.

Although taxi drivers received a meter rate increase in 2011, there was no corresponding gate fee increase at that time. Traditionally gate fees have been adjusted at about the same time as taximeter rates. The Hara Report recommends that going forward, adjustment in these two rates be coordinated, with a meter rate increase followed close in time by a gate fee increase.

This gate fee amount would be authorized, but is not required to be charged to drivers by taxi companies.

Almost all taxi companies are currently experiencing driver shortages. This is due in part to the recent increase in the number of taxis, and in part to the mass exodus of skilled taxi drivers into TNC fleets where they can operate without costs or restrictions imposed by the SFMTA or taxi companies. Accordingly, given the shortage of taxi drivers available to companies, it is likely that color schemes will not elect to implement the full amount of the authorized increase at this time. However, because of the delay in addressing gate fee adjustments between 2008 and 2013, companies have requested that the Board authorize this increase to give them the flexibility to charge what the market will bear as conditions improve.

Cancellation Fee

One of the challenges to dispatch success in San Francisco has been the fact that anxious passengers call more than one company for a taxi and take the first taxi to arrive, or hail a passing taxi on the street. This practice has made taxi drivers unwilling to take dispatch calls because they are not confident that the customer will be there when they arrive. The developers of smartphone apps for taxis and other transportation services have solved this problem by adopting cancellation fees to ensure that the passenger has a financial stake in connecting with the driver who accepted the electronic hail. This of course requires the passenger to have a credit card on file.

To improve dispatch performance and to match the cancellation fees of e-hail app services that directly compete with taxis, the Hara Report recommends that color schemes and their dispatch services be expressly authorized to charge a cancellation fee of up to \$10 for dispatch fares booked by consenting credit card customers. Staff supports this recommendation.

Telephone dispatch customers who decline to use credit cards, or do not have credit cards, will still have access to taxis through telephone dispatch. Dispatch reliability for these customers is being addressed through other measures that have been or will be proposed to the Board, such as minimum dispatch standards for companies and variable gate fees to incentivize dispatch success.

The proposed legislation provides that customers must be provided the terms of the cancellation fee prior to giving consent, including any grace period and circumstances under which the cancellation fee will be waived, and in all circumstances, the cancellation fee must be waived if the taxi has not arrived within 25 minutes of booking acceptance.

PAGE 5.

Flat Rate for Combined Trips

As Taxi Services staff continues to consider ways to improve taxicab transportation throughout San Francisco, one idea that is under development is to create a flat rate for combined trips, which is often generically called cab pooling. This allows passengers traveling to different destinations along similar routes to share the ride at a flat rate rather than the metered rate. This option would be at the election of the driver and with the consent of the passengers. At staff's request, Hara Associates evaluated the appropriate amount for a flat-rate fare when passengers with different destinations along similar routes combine trips.

The proposed legislation sets a maximum flat rate for combined trips, and provides that cab pooling would not be authorized until the Director of Transportation develops cab pooling regulations.

Staff recommends that the SFMTA Board authorize flat rate for combined trips of up to \$11.00 per passenger, which will be implemented when staff has developed a well-defined cab pooling pilot project.

Other Report Recommendations

The following additional recommendations related to meter rates and gate fees are contained in the Hara Report, but are not included as action items at this time. In some cases, implementation of the recommendation would require further data collection; in other cases the recommendations represent policy initiatives that will be brought separately to the Board.

1. **Gate Fees Tied to Dispatch Improvement**

SFMTA has recently begun collecting electronic dispatch data from the color schemes. Beginning in 2015, based on 2014 dispatch data, staff will bring an item to the Board recommending that color schemes whose dispatch trips exceed a minimum threshold be permitted to charge a higher gate fee. The Hara Report recommends a four percent differential for companies with the highest dispatch performance.

This change would give color schemes and dispatch companies more incentive to service the customer as it would directly affect their ability to increase revenue. Staff will continue to work to develop a viable formula, based upon the Hara Report's recommendations that will take advantage of dispatch data from calendar year 2014 for use in gate fee metrics in 2015.

PAGE 6.

2. Adjust the Meter and Gate Fees Together Based on a Cost Index

Traditionally, meter rates and gate fees were adjusted simultaneously. However, in May, 2011 when meter rates were increased, gate fees were not adjusted. The Hara Report recommends that going forward, these two industry revenue factors should be adjusted simultaneously, based upon an index of changes in industry costs. The elements to be included in the cost index recommended by the Hara Report and their recommended weights are as follows: fuel (7.7 percent), maintenance and repair (3.0 percent), insurance (5.6 percent), vehicle and equipment costs (4.1 percent), return to drivers (63.1 percent), the General Consumer Price Index for San Francisco-Oakland-San Jose (15.8 percent), and any increases in SFMTA's license renewal fees (0.7 percent). In the next cycle of meter rate and gate fee adjustment the Hara Associates' recommendation will provide a solid analytical foundation for the staff recommendation to the Board.

3. Eliminate Third Party Brokers

The Hara Report notes that illegal medallion brokers represent a breakdown in accountability in the taxi industry. It recommends that medallion holders be prohibited from allowing third party agents to operate their medallion (which consists of buying and maintaining the vehicle and insurance, and hiring, scheduling and charging drivers). Instead, a medallion holder should only be allowed to operate the medallion himself or herself, or to lease it to a taxi company to be operated as a "gas and gates" medallion. This is a recommendation that staff will bring to the Board for consideration as a separate item.

4. Accelerate Fleet Expansion

Due to the high demand for for-hire vehicle transportation, as evidenced by the rapid expansion of for-hire TNC vehicle services, and the chronic undersupply of taxicabs that was identified in Hara Report on taxi supply and demand, the Hara Associates advocates the expeditious deployment of the new taxicabs authorized by the Board in 2012. Currently, nearly all of 120 permits authorized to be issued in 2013 have already been issued or are about to be issued; staff has begun the process of qualifying drivers for the 200 permits authorized to be issued in 2014.

5. Fund Regulatory Technology

Staff requested that Hara Associates evaluate the possibility of paying for new regulatory technology through a small amount to be charged on the taximeter for each trip. This idea was inspired by a "technology fee" contemplated by the taxi regulator of Washington DC. However, for the reasons discussed above, the idea was rejected because it is not a propitious time for any increase in the cost of taxi fares because of the unprecedented competition of an unregulated number of TNC vehicles that are not subject to any price controls.

PAGE 7.

Town Hall Outreach

Staff conducted 15 hours of Town Hall meetings on July 24, August 13, and September 10, 2013 to review the Hara Report and its recommendations. The staff recommendations reflect those discussions, as well as continuing input from stakeholders.

The City Attorney has reviewed this report.

ALTERNATIVES CONSIDERED

As discussed above, many alternative actions were considered in the process of developing these recommendations. Staff considered and rejected a meter rate increase for the purpose of increasing taxi driver acceptance of credit cards, but regardless of whether or not that was a good policy choice, the outcome of long deliberations with the industry led to the conclusion that no meter rate increase is advisable at this time for any purpose because of uncontrolled competition in the taxi market by providers that are not subject to pricing controls.

Staff also considered not raising gate fees because of current market conditions. Most companies say they cannot increase the gate fees regardless of whether the cap is lifted because they are already experiencing a shortage of drivers. However, because of the long delay in adjusting the gate fee cap, it seems prudent to make an adjustment now in recognition of increased industry costs, so that companies can implement the change when conditions improve.

Some taxi company representatives have questioned whether there should continue to be any regulation of gate fees charged by companies to drivers. Gate fees are not regulated in most jurisdictions, but have been capped by law in San Francisco since 1998. Removing caps on gate fees is a policy option, but is not an alternative that was considered in the Hara Report or by staff in developing these recommendations based on the Hara Report.

FUNDING IMPACT

None.

OTHER APPROVALS RECEIVED OR STILL REQUIRED

Environmental review of these recommendations has been completed and they were determined to be categorically exempt from the California Environmental Quality Act.

RECOMMENDATION

Staff recommends that the Board amend Transportation Code, Division II, Article 1100 to raise the taxi gate fee cap by \$9.75; authorize a cancellation fee of up to \$10 to taxi passengers who cancel reserved rides or who are not present when the driver arrives, and; following issuance of regulations by the Director of Transportation, permit drivers to charge a flat rate of up to \$11, rather than the metered rate, for shared taxi trips.

SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY
BOARD OF DIRECTORS

RESOLUTION No. _____

WHEREAS, Transportation Code section 1124(a) states that beginning in fiscal year 2010-11, and at least every other fiscal year thereafter, the SFMTA Board shall hold a hearing to determine, in its sole discretion, whether the taxi fares and gate fees then in effect should be increased, decreased or remain unchanged; and,

WHEREAS, The SFMTA commissioned an independent study by a consultant to determine whether there should be a change in various rates, fees and fares related to the taxi industry; and

WHEREAS, SFMTA staff has reviewed the consultant's report and has brought to the SFMTA Board recommendations based on that report; now, therefore, be it

RESOLVED, That the San Francisco Municipal Transportation Agency Board of Directors amends Transportation Code, Division II, Article 1100 to raise the taxi gate fee cap by \$9.75; authorize a cancellation fee of up to \$10 to taxi passengers who cancel reserved rides or who are not present when the driver arrives, and, following issuance of regulations by the Director of Transportation, permit drivers to charge a flat rate of up to \$11, rather than the metered rate, for shared taxi trips.

I certify that the foregoing resolution was adopted by the San Francisco Municipal Transportation Agency Board of Directors at its meeting of October 15, 2013.

Secretary to the Board of Directors
San Francisco Municipal Transportation Agency

FILE NO.

RESOLUTION NO.

[Taxi Rates and Fees]

Resolution amending Article 1100 of Division II of the Transportation Code to raise the taxi gate fee cap by up to \$9.75, permit taxi companies to charge a cancellation fee of up to \$10 to taxi passengers who cancel reserved rides or are not present when the driver arrives, and permit drivers to charge a flat rate of up to \$11, rather than the metered rate, for shared taxi trips.

NOTE: Additions are single-underline Times New Roman;
deletions are ~~strike-through Times New Roman~~.

The Municipal Transportation Agency Board of Directors of the City and County of San Francisco enacts the following regulations:

Section 1. Article 1100 of Division II of the Transportation Code is hereby amended by amending Section 1124, to read as follows:

SEC. 1124. FEES, RATES AND CHARGES.

(a) Beginning in fiscal year 2010-2011 and at least every other fiscal year thereafter, the SFMTA Board shall hold a hearing to determine, in its sole discretion, whether the rates of fare and cap on gate fees then in effect should be increased, decreased or remain unchanged.

(b) Taxi Fares.

(1) The fare for Taxis and Ramp Taxis shall be as follows: \$3.50 for the first fifth of a mile or "flag"; \$0.55 for each additional fifth of a mile or fraction thereof; and \$0.55 for each one minute of waiting or traffic delay time.

(2) Out-of-Town Trips. Drivers are authorized to collect 150 percent of the metered rate for out-of-town trips exceeding 15 miles beyond City limits. For trips exceeding 15 miles from San Francisco International Airport and not terminating within the City limits of San Francisco, the fare will be 150 percent of the metered rate except for those trips originating at the San Francisco International Airport with a destination

across the Golden Gate or Bay Bridges the 15-mile limit will apply from the City limits of San Francisco as set forth above. For taxicab trips originating at San Francisco International Airport that incur an airport trip fee, the taxicab driver may collect \$2.00 of that trip fee from the passenger upon receipt of cab fare from the passenger.

(3) Bridge Tolls. Drivers are authorized to collect bridge tolls in advance from passengers whose destination requires the crossing of a toll bridge, regardless of the direction in which the toll is collected.

(4) Cleaning Fee. Drivers are authorized to collect a cleaning fee of up to \$100 from any passenger who permanently stains the interior of the vehicle or who renders the vehicle temporarily unfit for for-hire passengers because of spillage of any substance such that the vehicle must be taken out of service and cleaned.

(5) Credit Card Processing Fees. A Driver may elect to establish his or her own account for credit card payment processing with any merchant account service that conforms to PCI DSS standards and provides an electronic or paper receipt clearly indicating that the payment was made for San Francisco taxicab fare, the date, the fare amount and a toll-free number for passenger and Driver payment inquiries to the merchant account holder or its customer service representative; provided, however, that a Driver must allow a passenger to choose to pay the fare using any available payment system, at the passenger's option. No Color Scheme may retaliate against a Driver for electing, or not electing, to establish his or her own credit card processing account.

(6) Cancellation Fee. A cancellation fee of up to \$10 may be charged to any consenting customer who arranges a trip via a smartphone application or telephone call, has placed a credit card number on file, and either cancels the trip after any established grace period has elapsed, or is not present when the Driver arrives at the location specified by the customer for pick up. Customer consent for imposition of a cancellation fee may be obtained prior to or at the time of the trip booking, but only after the customer is informed of the circumstances upon which the fee will be imposed, including any applicable grace period. A cancellation fee may

not be imposed if the Driver arrives at the location specified by the customer for pick up in excess of 25 minutes after the Color Scheme accepted the trip booking.

(7) Flat Rate for Combined Trips. Following the issuance of cab sharing regulations by the Director of Transportation, a driver may charge a flat rate of up to \$11 per person where two or more passengers are taking a trip whose origin or destination are different, and who are sharing the taxi for a portion of their combined trips instead of charging the metered rate. The flat rate may only be used with the advance consent of all affected passengers. Revenue for flat rate trips must be recorded on the Taximeter.

(c) Gate Fees.

(1) Cap on Gate Fees. A Color Scheme Permit Holder or a Medallion Holder may not charge Drivers a mean gate fee that exceeds ~~\$106.25~~ \$96.50 for a shift of 10 hours or longer. The cap shall be prorated at ~~\$10.62~~ \$9.65 per hour for shifts shorter than 10 hours. The mean gate fee shall be determined by adding together the gate fees charged by the company for all available shifts during one week and dividing that total by the number of available shifts during the week. For purposes of this subsection, a Color Scheme Permit Holder is responsible for all gate fees that are assessed for use of any Gas and Gates Medallion that is affiliated with the Color Scheme. The Medallion Holder is responsible for all gate fees charged for the use of his or her Medallion if it is not operated as a Gas and Gates Medallion.

(2) Gate Fee Surcharge For Low Emission Vehicles. Notwithstanding subsection 1122(c)(1), a Color Scheme may collect a surcharge of \$7.50 on any gate fee charged for use of a low emission vehicle, subject to the requirements of this subsection. The surcharge shall be for a shift of ten hours or longer, and shall be prorated at \$0.75 per hour for shifts shorter than ten hours. The surcharge shall be in addition to the company's basic gate fee and any other surcharges, increases, or adjustments to the gate fee cap authorized by the City, and may be collected for the life of the vehicle.

(3) Definition of "Low Emission Vehicle." For purposes of this subsection, "low emission vehicle" means a Taxi or Ramp Taxi approved by the SFMTA that is rated as SULEV (Super Ultra Low Emission Vehicle) or better by the California Air Resources Board. "Low emission vehicle" shall also include a vehicle that is rated as ULEV (Ultra Low Emission Vehicle) if that vehicle was approved by the Taxi Commission and placed into service as a San Francisco Taxi or Ramp Taxi prior to March 1, 2009.

(d) Oversized Luggage Fee. A Driver is entitled to charge an additional amount not to exceed \$1 for each piece of luggage that cannot be conveyed either in the passenger compartment of the vehicle or in the vehicle's trunk with the trunk-lid closed. Each passenger shall be entitled to have conveyed without charge such valise or small package as can be conveniently carried within the vehicle. Other than the charges authorized by this subsection, no charge shall be made by the driver for loading or unloading baggage.

(e) Deduction for Time While Disabled. In the event that a taxicab breaks down while conveying for hire any passenger or passengers, the Driver may not charge any passenger for the time during which the vehicle is disabled.

(f) Credit Cards. Drivers must accept major credit cards (including at a minimum Visa, MasterCard, American Express and Discover), as payment of taxi fare. This section shall be strictly enforced.

Section 3. Effective Date. This ordinance shall become effective 30 days after enactment.

Section 4. Scope of Ordinance. In enacting this ordinance, the San Francisco Municipal Transportation Agency Board of Directors intends to amend only those words, phrases, paragraphs, subsections, sections, articles, numbers, letters, punctuation marks, charts, diagrams, or any other constituent parts of the Transportation Code that

are explicitly shown in this ordinance as additions or deletions in accordance with the "Note" that appears under the official title of the ordinance.

APPROVED AS TO FORM:
DENNIS J. HERRERA, City Attorney

By: _____
Mariam M. Morley
Deputy City Attorney

I certify that the foregoing resolution was adopted by the San Francisco Municipal Transportation Agency Board of Directors at its meeting of October 15, 2013.

Secretary to the Board of Directors
San Francisco Municipal Transportation Agency