

Best Practices Studies of Taxi Regulation Meter Rates & Gate Fees

Presented to
Board of Directors
San Francisco Municipal Transportation Agency

Dr. Dan Hara, Hara Associates Inc.
Jon Canapary – Corey Canapary & Galanis

Oct. 15, 2013



Background

- This is the second of a series of studies – still to come are enforcement and administration, driver training, vehicle standards.
- Key Topics:
 - Current meter rates & fare structure
 - Gate fee caps
 - Ongoing adjustment formula/method
 - Credit card acceptance by drivers & passenger information monitors (PIMS).
 - Responding to competitive challenges
 - Cost squeeze on companies and 3rd party leasing
- Evolving context from Public Utilities Commission decisions on shared ride service/ transportation network companies (TNCs)



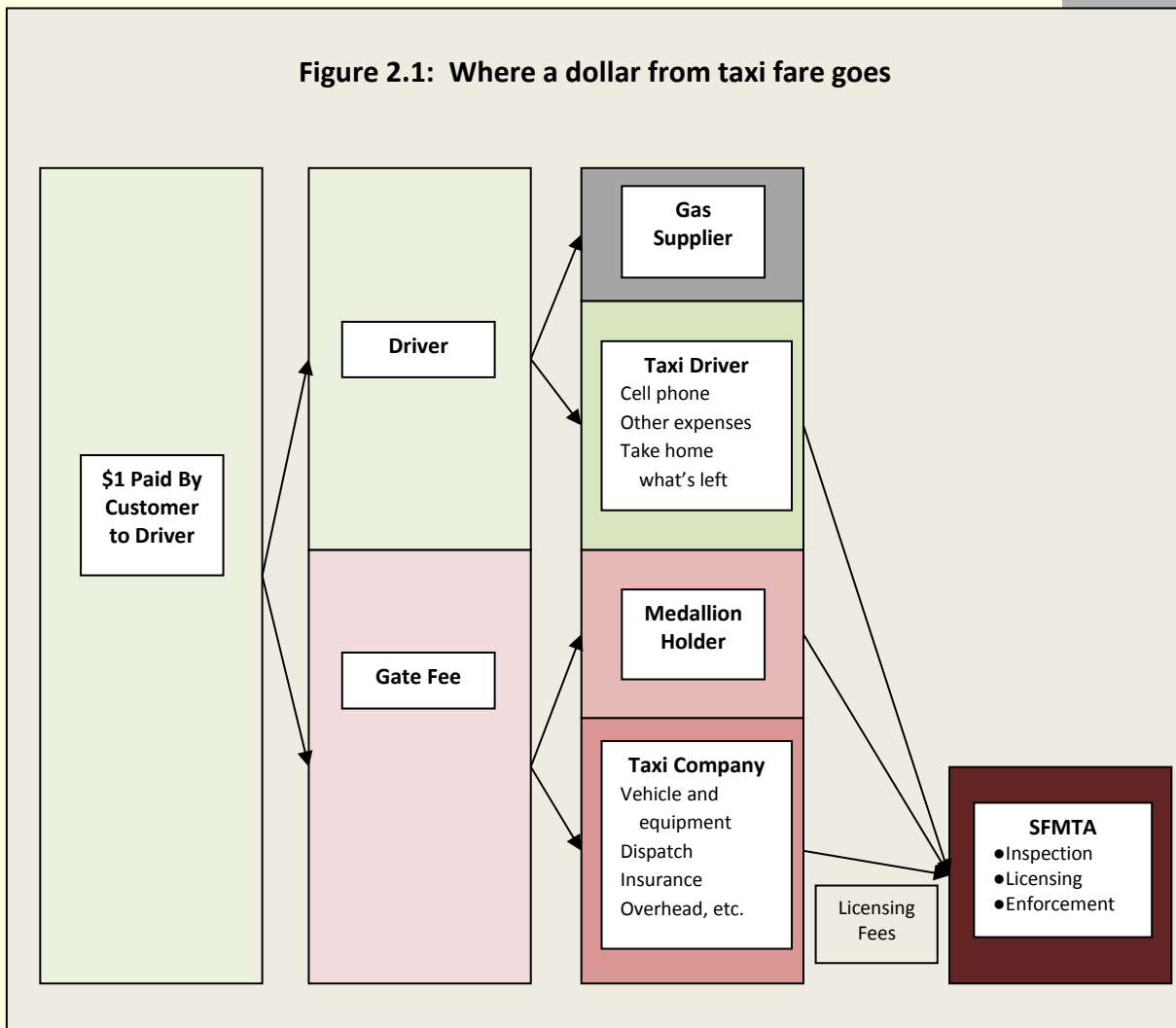
Presentation Plan

- Review key points of taxi industry structure and current challenges.
- Outline principles guiding the recommendations
- Speak to report recommendations



Basics . . . The meter pays for it all

Figure 2.1: Where a dollar from taxi fare goes





Challenges . . .

Costs are up

- In two years since 2011 meter rate adjustment –
 - insurance up from \$6700 to as high as \$10,400
 - Overall costs up by approximately 5.8%
- Gate fee paid to companies has not changed since 2008 – and companies (color schemes) pay the insurance.
- But SF meter rates already high relative to other cities (reflecting higher operating costs).



Challenges . . .

New Competition

- Limousine services (e.g. Uber) enabled by apps cut into street hail business.
- Transportation Network Companies enabling unregulated taxi operation (faux shared-ride).
 - Taxi demand still strong, but driver shortage is a growing problem.
 - Unrealistic, unsustainable, insurance situation.
- Ability of taxi companies to respond with own apps is limited by
 - restrictions on rates (e.g. cancellation fees and ease of credit card use)
 - still limited supply of taxis



Challenges

... Credit card acceptance & PIMs

- SF driver resistance to credit cards continues.
- Don't want to pay 3.5%, don't want fees, many use Square at 2.75%.
- A customer service problem for the industry.
- Business case financing PIMs is also undermined.





Challenges . . .

Cost Squeeze on Companies

- Noted in previous report.
- Same gate fee cap paid to companies whether high dispatch service or not.
- Further squeeze from third party agents bidding up medallion lease prices (with less assured regulatory compliance)
- Impact on public safety: taxis being operated by individuals without SFMTA license – risk of non-compliance on safety, driver hours and qualifications, gate fees, etc.



Principles for recommended strategy

- Now is not the time for broad rate increase.
- Strengthen the brand.
- Value to customer linked directly to any rate changes.
- Relief for higher costs.
- Quantity matters.



Credit Card acceptance & PIM Options

- A. Do Nothing
 - B. Credit Card User Fee
 - C. Fixed Fee Per Trip (35 cents)
 - D. Fixed Fee Per Shift (\$6.25 per shift)
-
- Fixed fee options both good and feasible. Solve incentive problem for driver and financing problem for PIMs
 - On balance – recommended fixed fee per shift – gets SFMTA out of setting rate and easier to explain to drivers.
 - Both options better with adding 35 cents to the meter.
 - Acknowledge reluctance of SFMTA staff in light of not increasing meter at all.
 - In long run – something must be done here.



Improving Dispatch Service

- Cancellation fee for credit card customers.
- Rewarding better dispatch – variation in gate fees (up to 4%).
 - Alternative: different gate fees by equipment and/or minimum standards (dispatch equipment, staffing, garage, fleet size, etc.)
 - Problem: Is this the right use for scarce enforcement resources?

- Previous recommendations on expanding fleet.
- Accelerate fleet expansion to meet competition



Innovation: True Shared Ride

- Maximum flat rate \$11.00/person
- At driver's option, and passengers consent
- Not for every driver but could involve:
 - Transportation nodes
 - Entertainment areas
 - Smartphone and dispatch innovation
- May or may not have uptake
- Staff paper: step-by-step based on rules by Director
- Achieves true shared ride where two or more trips are combined.



Reducing Cost Squeeze on Companies & Improving Public Safety

- Two problems – same source:
 - Safety problem: regulatory oversight difficult with 3rd party brokers.
 - Cost squeeze on companies.

- Require vehicle and insurance be either provided by:
 - Medallion holder themselves, or color scheme.



Gate fees

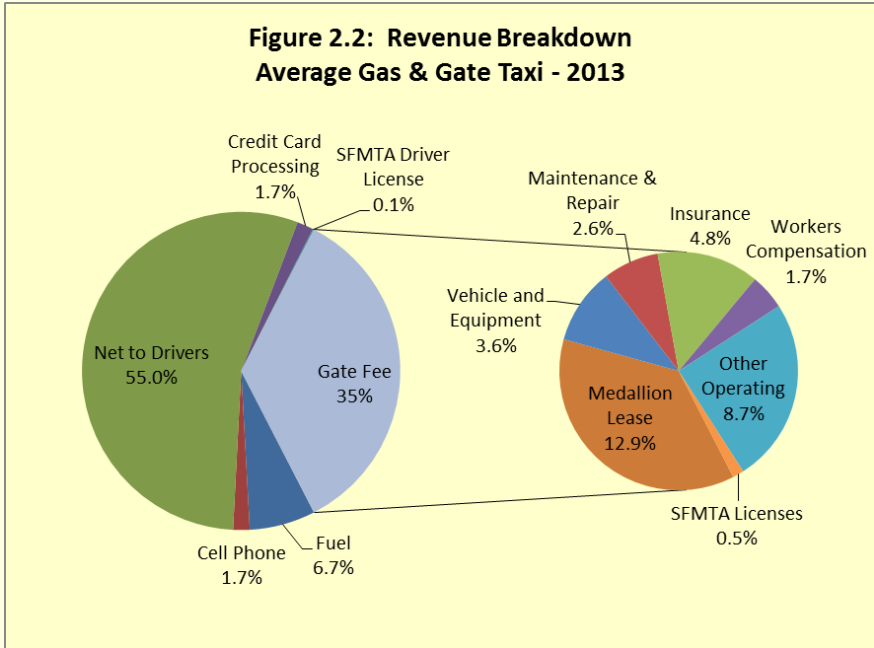
- Problem: gate fees and meter rates not always adjusted at same times. See-saw in income distribution.
- Between 2006 and 2011 – no meter rate adjustment.
- 2011 saw 20% meter increase – but no gate adjustment. Which deal to preserve? Before or after?
- Giving 20% gate now – means around \$5,000 annual reduction in non-medallion driver income (to pre 2011 levels).

- Final recommendation: Increase cap by \$9.75/shift.
 - At high end of driver suggestions, low end of company suggestions.
 - Effect likely delayed – given driver shortage.
 - Flexibility gives companies security to plan future – take initiatives to deliver more value to customers, drivers, and medallion holders.



Formula for future rate adjustments

- Adjust gate and meter at the same time.
- Cost index approach recommended.
- Based on SF cost profile – but updated using public formula and publicly available data.
- Computer spreadsheet tool will be provided.





Thank you!

-
- Questions and Discussion