

City of Alexandria Biennial Taxicab Review 2019

Recommendations

1. Support Transportation Tax on TNCs

The City recommends lobbying the State Legislature for a tax on TNCs to help sustain the City's public transportation systems.

2. Retain Current Taxicab Fares

Current economic conditions do not warrant changes to taxicab fares.

3. Industry Fees

Staff will propose reducing the fees the City charges to the taxicab industry during the FY 2020 budget cycle.

4. Reduce the Number of Cabs

The City recommends reducing the taxicab fleet by 101 cabs by reducing Yellow Cab's number of authorizations from 281 to 180.

5. Code Changes

The City does not recommend any code changes.

Why Taxicabs are Regulated

History has shown when taxicabs are unregulated; fares increase, service quality declines and the number of drivers increases. Regulation typically consists of government determination of service supply, setting of prices and setting of service and safety standards. The City of Alexandria regulates the taxicabs that operate here to ensure safety, equity and access for persons with disabilities.

Regulation is needed because of the low cost of market entry and lack of incentives to provide good service. Without regulation, anyone who has a car can turn that vehicle into a taxicab, no regardless of condition. Further, for the non-dispatch cabs, such as airport cabs and street hails, there is no incentive to provide quality or equitable customer service as most customers will utilize the first available cab.

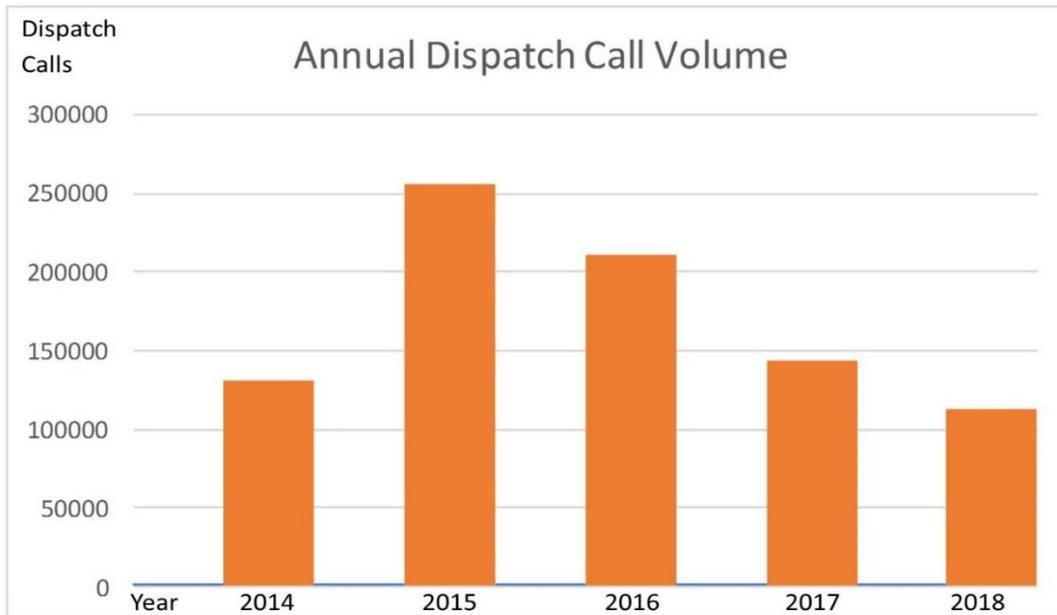
If the industry were deregulated, driver background checks would go away, cabs and meters would no longer be inspected, and ADA service would diminish. Deregulating the Alexandria taxicab industry would most likely result in the downfall of the industry. This would happen because drivers would leave the dispatch companies and become independent operators or affiliate with a non-dispatch company. This very thing happened in Alexandria when in 2005 drivers were allowed to transfer to any company they wanted. Every driver transfer was from a dispatch company to a non-dispatch company and no driver doing the reverse. The reasons TNCs are able to operate with less regulation is because TNC's only serve trips requested through their app. TNC do not pick up street hails or impromptu curbside pickup of passengers.

State of the Industry

The taxi industry is losing market share as customers are switching from taxicabs to Transportation Network Companies (TNCs). TNCs bring needed competition to the industry, which could improve customer service if the industry works to recapture market share. Several of the Alexandria companies are incorporating new strategies to be more competitive. Yellow Cab, for example, deployed a tablet-based cab meter system that allows more efficient fleet utilization and ensures dispatched cabs arrive at the pickup location on time. Both Yellow and White Top have deployed an app that allows customers to arrange trips similar to TNCs.

Based on data provided by the Alexandria taxicab companies, Alexandria dispatch call volume is down 47 percent since the last Biennial Review in 2017. The graph below shows the change in total dispatch call volume for the past five years and shows that call volume has been declining since 2015 when TNCs first entered the market.

Chart 1: Change in Dispatch Call Volume



Additionally, taxicab demand at the airport has gone down an estimated 13 percent based on data provided by the airport since the 2017 Biennial review. This decrease is compounded because cabs from other jurisdictions, such as, Arlington, are now working the airport because TNCs have eroded the Arlington market so much that there is no longer enough business to support all of the Arlington cabs. There is no good way to capture the total market decline for the Alexandria taxicabs at the airport.

TNCs have created competition for drivers, and many Alexandria dispatch companies are having trouble attracting new drivers. The process for becoming a new driver for a TNC is quick, inexpensive and easy. The process for becoming a new taxicab driver involves passing a test, painting and getting a car inspected, and paying several fees. Currently there are 144 driver vacancies, 133 of which are with the dispatch companies. The reason the dispatch companies cannot find drivers is because they must charge higher stand dues to support the dispatch infrastructure. In addition, the dispatch companies have much higher driver standards, and this shortage is hurting service delivery. The number of complaints related to unavailable cabs when service is requested is increasing.

In preparation for the Biennial review, staff held two meetings with the cab drivers and one meeting with the company owners as well as spoke with surrounding taxi regulators. The drivers' main concerns were the impact of TNCs on the industry, the fees they must pay to the City and high insurance liability coverage the City requires them to carry. Overall, the drivers felt the City should be doing more to protect them from TNCs. At the taxicab company meeting, the companies felt the City should reduce the fees they pay and could be doing more to promote their business.

Within the next five to 10 years, if conditions don't change, the Alexandria taxicab industry could have only one viable dispatch company with the rest of the cabs serving the airport.

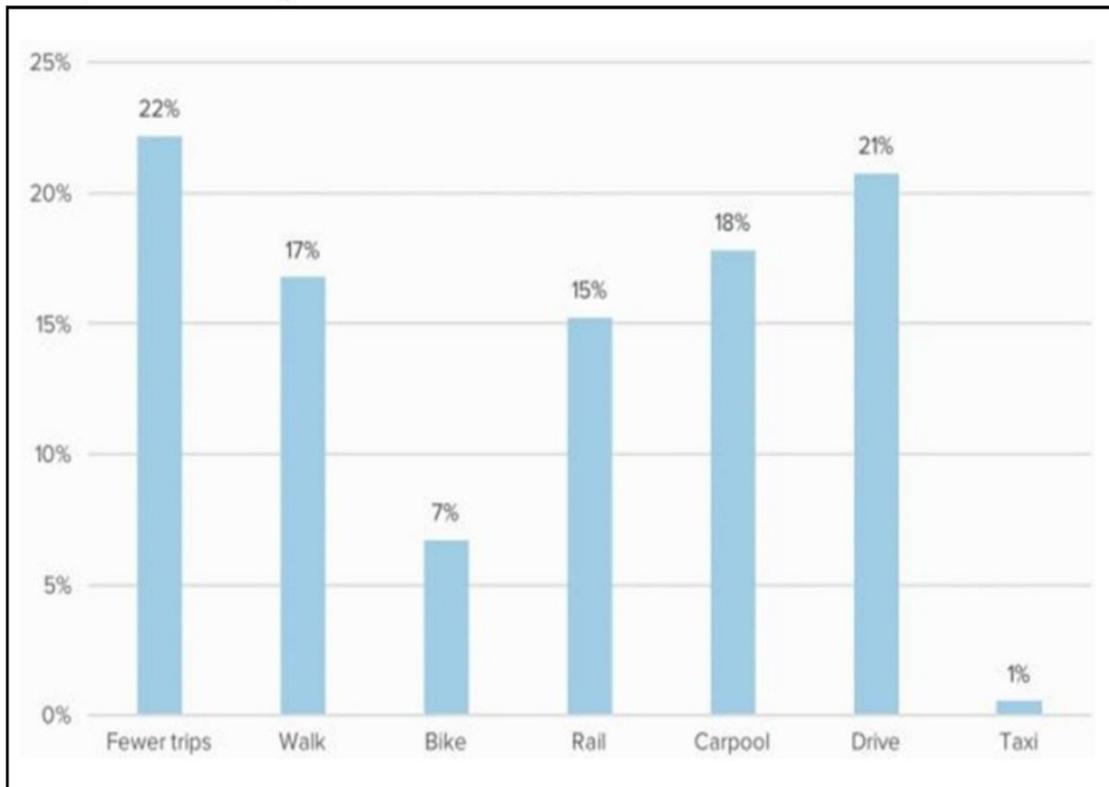
TNCs

During the 2017 Biennial Review City Council was very interested in the impacts TNCs were having on the taxicab industry. TNCs were new and there was not enough data to determine the impact. TNCs have been in the Alexandria market for three years now, since 2015, and have seen explosive growth. This growth has come at the expense of taxicabs and public transit. TNCs have become so popular that taxicab dispatch service is down 47 percent since the last Biennial Review. Airport trips are down as well. TNCs have expanded the for-hire market and many that used other transportation options in the past are now using TNCs because of the cost and convenience.

Bruce Schaller of Schaller Consulting recently wrote a paper titled [The New Automobility: Lyft, Uber and the Future of American Cities](#). In his work, Schaller researched the impacts of TNCs and where the industry was headed. Schaller states that in dense urban areas, such as Alexandria, for-hire transportation is projected to surpass local bus ridership by the end of 2018. The City will need to determine how to counteract the increase in vehicle miles traveled as it undermines the regions ability to reduce traffic congestion and has negative environmental impacts. While TNCs account for 90 percent of the TNC/Taxi trips in the D.C. area, taxicabs still transport two-thirds of the disability trips and TNCs only transport one-third. This is a key point of why the City needs to continue regulation.

Regina Clewlow, PhD of the UC Davis Institute of Transportation Studies recently published research on how ride-hailing services impact behavior. The research found that TNCs compete mainly with public transportation, taxicabs, walking and biking. The research found that 60 percent of TNC users in large, dense cities would have taken public transportation, walked or biked or not made the trip if TNCs had not been available for the trip. TNCs are used instead of personal autos mainly when parking is expensive or difficult to find and to avoid drinking and driving. She found that TNCs have accounted for a 180 percent increase in driving on City streets. The chart below was reproduced from Regina R. Clewlow's work and shows where TNCs trips have been diverted.

Chart 2, How ride-hailing users would travel if TNCs were unavailable



The City needs to address the TNC issue of diverting trips from public transit now, as traffic congestion is a priority concern to residents in Alexandria, to prepare for future autonomous vehicles which have the potential to divert even more trips from public transit. Without intervention, Alexandria is likely to experience more traffic and less transit use. Like other cities have begun to do, the City should support taxing TNCs to fund high capacity transit services.

None of the research considered the high demand TNCs have created for drivers. Replacing driver vacancies is very difficult for the taxicab industry due to the increased demand from TNCs. The high taxicab driver vacancy is hurting the industry's ability to serve the public.

Taxicab Fares

Industry conditions do not warrant fare increases at this time. As part of the Biennial Review, staff attempts to evaluate taxicab drivers' ability to earn a living wage. While there is not a direct way to do this since staff does not have access to drivers' W-2 forms, staff does evaluate economic inflation and driver expenses to determine if income is keeping pace with inflation.

The Consumer Price Index (CPI) was used to determine the rate of inflation since the last fare review. The CPI measures the price change for a market basket of goods and services from one period to the next and is used as a cost of living index. The cost of living increase equates to 2.6 percent since the last fare increase. For driver's income to keep pace with inflation, their net income must increase by 2.6 percent as well.

During this time, the cost of gasoline decreased by 20 percent and the cost to operate a car decreased by 20 percent. The average cost of a gallon of gasoline based on the Department of Energy's data was \$3.51 for the 12 months preceding the 2014 rate adjustment and \$2.79 for the past 12 months. This represents a 20 percent decrease in the cost of fuel since the last fare adjustment in 2014.

Every year the AAA publishes a report titled "Your Driving Costs". This report determines how much it will cost per mile to operate a car for that year. Factors such as fuel, maintenance, tires, insurance, license, registration, taxes, depreciation and finance are all included in the calculation. Although these costs are based on a non-commercial vehicle, they do provide a good indicator of the relative costs to operate a passenger vehicle like a taxicab. In 2014, when the rates were last set, the AAA calculated that the cost to drive a medium size sedan was \$0.59 per mile and in 2017 \$0.47 per mile. This represents a 20 percent decrease in the operational costs.

MEASURE	CHANGE
Consumer Price Index	+2.6%
Cost of Gasoline	-20%
AAA Driving Costs	-20%

The existing taxicab fares for Alexandria and surrounding jurisdictions are provided below as a comparison. This chart shows that the three Virginia jurisdictions all charge similar fares.

Existing Taxicab Fares and Charges

	Alexandria	Arlington	Fairfax (maximum)	Montg. Cty	Uber X
Drop	\$3.00	\$3.00	\$3.50	\$4.00	\$3.21
Mileage	\$2.16	\$2.16	\$2.16	\$2.00	\$1.13
Waiting	\$24.92	\$23.14	\$21.25	\$28.00	\$10.80
Passengers	\$1.25	\$1.00	\$1.00	\$1.00	\$0
Suite case	\$0.50	\$0	\$1.00	\$1.00	\$0
Trunk	\$0	\$0	\$2.00	\$0	\$0
Groc. Bags	\$0	\$0	\$0	\$0	\$0
Animals	\$2.00	\$0	\$1.00	\$0	\$0
Snow	\$5.00	\$0	\$0	\$2.50	\$0
Other	\$0	\$0	\$0	\$0	\$7 Min. \$5 Cancel
Cleaning	\$0	\$25	\$25	\$0	\$0

During the meetings with drivers and at the public hearing in September 2018, drivers voiced their strong opposition to any fare charges. They have stated that increasing fares will hurt business and decreasing fares will hurt their ability to earn enough money to support their families. Staff agrees that there is no need to increase fares at this time. During the next review period, staff will evaluate simplifying the fare structure to lessen confusion among customers concerning add-on items, such as fees charged for suitcases or additional passengers.

Taxi Industry Fee Structure

Staff has evaluated the current fees that the City charges the taxicab industry. The fees charged to new drivers make it harder for the taxicab industry to compete against TNCs. The fees charged to existing drivers and companies make it harder for the taxicab industry to compete with TNCs. During the FY 2020 budget cycle, staff will propose a fee reduction.

A comparison of the annual fees charged by Alexandria and the surrounding jurisdictions is shown below:

	Alexandria	Arlington	Fairfax
Application or Transfer	\$4,000	\$500 + \$100/cab	\$100/cab
Certificate Renewal	\$4,000	\$0	\$150
Each Authorized Vehicle (company)	\$150/cab	\$150/cab	\$0
Grandfatherd CPCN Renewal	\$150	\$0	\$0
Duplicate CPCN	\$25	\$0	\$0
Driver Permit Application	\$100	\$65	\$40
Driver Permit	\$150	\$0	\$0
Manifest Books	\$50	\$0	\$0
Duplicate Driver Permit	\$25	\$0	\$0
Initial Vehicle Inspection & Cert.	\$100	\$0	\$0
Annual Vehicle Renewal	\$150	\$40	\$0
Transfer of Vehicle Permit	\$100	\$0	\$0
Duplicate Vehicle Permit	\$25	\$30	\$25
Annual Inspection	\$150	\$0	\$20

The above table shows that Alexandria has considerably higher and more fees than Arlington and Fairfax. Staff believes that a fee reduction is needed to ensure the sustainability of the taxicab industry. There are two areas that need to be reduced, the annual fees and the driver entry fees. This will reduce ongoing costs for the industry as well as make it easier for new drivers to enter the market.

Number of Authorized Cabs

Staff is proposing eliminating 101 taxicabs which would reduce the fleet size from 758 to 657. All 101 cabs will be removed from Alexandria Yellow Cab's fleet. Yellow Cab's deployment of new technology is allowing them to manage their fleet more effectively reducing the need for large numbers of cabs. This is a major paradigm shift in the industry.

Staff will further evaluate the taxicab industry over the next two years to see if reducing the number of cabs further would be beneficial to the industry. Careful evaluation is needed because reducing cabs will impact the livelihood of many drivers.

Proposed Code Changes

There are no proposed code changes.