



**City of Seattle**  
Department of Finance and Administrative Services

September 1, 2010

The Honorable Jean Godden  
Finance and Budget Committee Chair  
Seattle City Council  
P.O. Box 34025  
Seattle, WA 98124-40251

Dear Councilmember Godden,

Ordinance 122763, passed by the City Council on August 11, 2008, directed the Executive to provide a written report regarding possible impacts the implementation of lease caps and new taxicab license issuance has had on taxicab shift lease rates, lease profits, and license market values, and to make recommendations regarding the ongoing regulation of taxicab leases. The attached report complies with that request. In addition, the report includes information regarding taxicab service impacts expected in Seattle when Yellow Cab assumes the taxicab concession agreement from STITA at Sea-Tac Airport on November 1, 2010, as well as a preliminary analysis of whether Seattle taxicab lease drivers are earning a "living wage" under the current lease caps.

After analyzing the available data, FAS staff determined it is too soon to identify impacts resulting from implementation of the lease caps and new taxicab license issuance as those provisions were only implemented over the past year. We therefore recommend submitting an additional report to the City Council 2012, at which time more data will be available to draw informed conclusions from.

We hope you find this information helpful. If you have any questions, or would like an in-depth briefing on this matter, please don't hesitate to call me at 386-0041 or Denise Movius at 684-9259.

Sincerely,

Fred Podesta  
Acting Director

Attachment: Seattle's Taxicab Services Report to the Finance Committee of the Seattle City Council as required by Ordinance 122763

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# Taxicab Services Report to the Seattle City Council (As called for by Ordinance 122763)

## Background

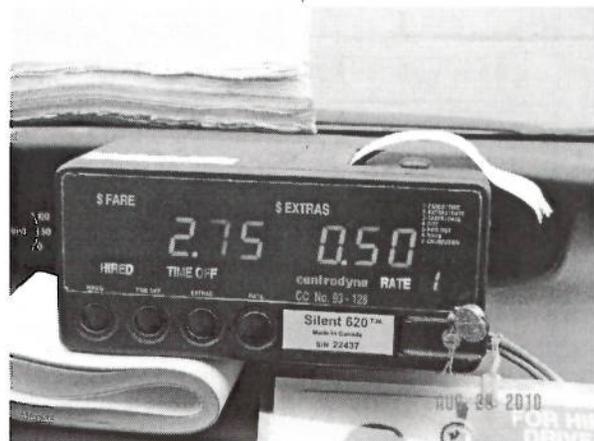
Ordinance 122763, which was passed by the City Council on August 11, 2008, directed the Executive to provide a written report regarding possible impacts that implementation of lease caps and new taxicab license issuance have had on taxicab shift lease rates, lease profits, and license market values, and to make recommendations regarding the ongoing regulation of taxicab leases. In addition to complying with that request, the following report includes information regarding taxicab service impacts expected in Seattle when Yellow Cab assumes the taxicab concession agreement from STITA at Sea-Tac Airport on November 1, 2010, as well as a preliminary analysis of whether Seattle taxicab lease drivers are earning a “living wage” under the current lease caps.

## SUMMARY

At this point in time, the implementation of taxicab lease caps or the issuance of new taxicab licenses do not appear to have measureable impact on the economics of the taxicab industry – e.g., taxicab shift lease rates, taxicab lease profits, taxicab license market values. Moreover, there have been no measurable effects in the operating statistics of the taxicab industry – e.g., revenue trips, service response times. Significant changes were not expected because the taxicab lease cap requirements have been in effect for less than one year and the first new taxicab licenses since 1990 were issued during the past three to six months. In addition, the effects caused by the economic downturn are difficult to separate from other factors that normally influence the economics of the taxicab industry. Therefore, it is recommended that a follow-up report be submitted to the City Council after the passage of three years to allow a reasonable period of time to measure the effectiveness of the new taxicab rules regarding lease caps and taxicab license issuance. If current economic conditions continue to persist for a significant period of time, this follow-up period may need to be extended.

### Q1. What kind of data collection and public outreach processes were used to establish the current taxicab lease caps? [SMC 6.310.315.B]

A1. DATA COLLECTION: (1) taximeters - taximeter operating statistics (e.g., total revenue trips, total revenue miles, average trip distance, revenue miles as a percentage of total



miles) and financial information (e.g., average taximeter fare, total fare revenue, percentage of taximeter fare attributed to drop charge, distance charge and time charge); (2) dispatch computers – dispatched revenue trips and service response times; (3) taxicab odometer readings – total miles; (4) mailed surveys – to 600 taxicab owners and 2,500 drivers (average hours worked per shifts, average shifts per week, average driver taximeter fare revenue and tips, average driver lease charges, average gasoline costs, average insurance premiums, average vehicle purchase costs, average maintenance and repair costs, driver and owner opinions on proposed lease caps, etc.); (5) published sources – Department of Labor, Bureau of Labor Statistics “Consumer price Index – Urban Workers [CPI-U], AAA “Daily Fuel Gauge Report” for Seattle-Bellevue-Everett; (6) written comments/documents from stakeholders - Seattle Taxi Owners Association, etc.; (7) public meetings with stakeholder groups – 16 informational meetings and seven special meetings separately with taxicab drivers, taxicab owners, taxicab associations and taxicab users (Taxicab Advisory Group) during November 2008 – May 2009; and (8) public hearing on final rules – at Seattle Center on August 4, 2009, (testimony by 70 people). Improved decision-making informed by factual data is the principal goal of collecting operating statistics and financial information on the taxicab industry.<sup>1</sup>

PUBLIC OUTREACH PROCESSES: (1) mailed surveys – to 600 taxicab owners and 2,500 drivers (average hours worked per shifts, average shifts per week, average driver taximeter fare revenue and tips, average driver lease charges, average gasoline costs, average insurance premiums, average vehicle purchase costs, average maintenance and repair costs, driver and owner opinions on proposed lease caps, etc.); (2) public meetings with stakeholder groups – sixteen informational meetings and seven special meetings separately with taxicab drivers, taxicab owners, taxicab associations and taxicab users (Taxicab Advisory Group) during November 2008 – May 2009; (3) public hearing on final rules – at Seattle Center on August 4, 2009, (testimony by more than 70 people); and (4) written comments from stakeholders - Seattle Taxi Owners Association, etc.<sup>2</sup>

## **Q2. What have been the effects of lease caps on the taxicab industry? [SMC 6.310.315.F]**

A2. At this point in time, Finance and Administrative Services (FAS) has not identified any significant impacts on the taxicab industry as a result of lease caps.

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<sup>1</sup> See Department of Executive Administration. *Report to Finance Committee of the City Council: Data Collection and Public Outreach Used in Rulemaking for R-6.310.315* (July 14, 2009). Also: Attachments: “Taxicab Driver Survey Results”, Taxicab Owner Survey Results”, “Final Draft of Proposed Rules: Taxicab and For-Hire Vehicles – Information Sheet”, “Taxicab Rules – Status Report: May 27, 2009”

<sup>2</sup> Ibid.

TAXICAB LEASE CAPS. Lease caps were adopted by Director's Rule in order to protect lease drivers from being financially harmed due to rising lease rates and taximeter rates that are fixed by ordinance. Rule R-6.310.315 "Taxicab Vehicle Lease" became effective September 2, 2009. Taxicab lease caps became effective on that date. However, taxicab owners who lease taxicab shifts to drivers weren't required to begin filing a "Taxicab Lease Summary Sheet" form with the Director commencing until November 1, 2009. As a result, taxicab lease cap data has been collected for only about 10 months. A review of the median taxicab lease rates by shift, week and month confirms that the rates below the lease caps at Orange Cab and Farwest Taxi are unchanged since the lease cap rulemaking process began in 2008.<sup>3</sup>

TAXICAB MARKET VALUES. A review of taxicab market values for 2009-2010, based upon anonymous filings of "Taxicab License Transfer Price" forms with the Director, has demonstrated that market values of city, county and dual taxicab licenses remain unchanged since Ordinance No. 122763 was passed in August 2008.<sup>4</sup>

ARE DRIVERS EARNING A "LIVING WAGE?" Analysis of taximeter statistical functions, audits of trip sheets, tabulation of the results from an industry-wide mailed survey questionnaire and anecdotal information obtained from working taxicab drivers on an ongoing basis indicate that average lease driver earns about \$10.50-\$11.00 per hour, which equates to an annual income of \$22,968 based on a 40-hour work week. As a result, taxicab drivers typically work an average of 58 hours per week (10.2 hours per shift and 5.7 shifts per week), earning approximately \$33,250 per year.

### **Q3. What are the economic impacts of new taxicab license issuance on the taxicab industry? [SMC 6.310.500.E]**

A3. Thirty wheelchair accessible taxicab (WAT) licenses were issued in the first half of 2010 to provide service to previously unserved disabled people confined to wheelchairs. To date, FAS has not identified any significant impacts as a result of lease caps on taxicab lease rates or taxicab license market values from the issuance of the WAT licenses. WAT have been operating for only three-six months and City regulators did not expect to observe changes in such a short time frame. No standard taxicab licenses have been issued because revenue trip demand is still depressed due to current economic conditions.<sup>5</sup>

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<sup>3</sup> See Attachments: "Seattle Taxicab Industry: Summary of Median Taxicab Lease Rates 2010"

<sup>4</sup> See Attachments: "Taxicab License Transfer Price: 2009-2010"

<sup>5</sup> See Attachments: "Seattle Taxicab Industry: Summary of Median Taxicab Lease Rates 2010", "Taxicab License Transfer Price: 2009-2010"

**Q4. What are the economic effects of lease caps on taxicab license market values for transfers after August 1, 2008? [SMC 6.310.500.E]**

A4. To date, FAS has not identified any significant impacts on taxicab license market values for transfers after August 1, 2008 as a result of lease caps. A review of the median taxicab lease rates by shift, week and month confirms that the rates below the lease caps at Orange Cab and Farwest Taxi remain unchanged since the lease cap rulemaking process began in 2008. A review of taxicab market values for 2009-2010, based upon anonymous filings of "Taxicab License Transfer Price" forms with the Director, has demonstrated that market values of city, county and dual taxicab licenses remain unchanged since Ordinance No. 122763 was passed in August 2008. [See also A2]

This report has numerous attachments. There are tables illustrating the economics and operating statistics for every aspect of the Seattle taxicab industry. No other large city in the U.S. or Canada has a similar amount of detailed information available for policymaking. Some data is updated annually (e.g., taximeter statistical functions downloaded during annual taximeter tests) and some data is updated monthly (e.g., dispatched trip counts, average service response times). Some data has not yet been entered into databases and analyzed because it is so new (e.g., trip sheets for WAT – number of WAT trips). In a few years – especially after the recovery is under way – a clear understanding of impacts, if any, attributable to specific provisions of the 2008 taxicab ordinance should become evident.

**Q5. Will there be any impact on taxicab service in Seattle when Yellow Cab replaces STITA at the Sea-Tac Airport taxicab concession on November 1, 2010?**

A5. FAS does not expect any significant impact. While the supply of taxicabs serving Seattle will be reduced by 54 because some taxicabs currently serving Seattle will be shifted to airport service, we have seen a decrease in demand, which approximates 52 taxicabs. That decrease in demand, coupled with the 15 dual-licensed wheelchair accessible taxicab licenses King County is in the process of issuing (which will increase the supply of taxicabs available to serve Seattle) means that the situation essentially balances itself out. Rule R-6.310.500.A requires that the issuance of additional taxicab licenses be based upon growth of total revenue trips (standard taxicabs) or average service response times (wheelchair accessible taxicabs). Staff will continue to monitor the industry and will take action to issue additional licenses if and when conditions warrant.

## REPORTS REQUIRED

Seattle Ordinance No. 122763 (2008) required submission of several reports to the City Council on new provisions dealing with taxicab license issuance (license caps) and taxicab leases (lease caps). Specifically, the following reports were required:

Seattle Municipal Code	Report	Date Due	Status
6.310.315.B	Data collection and public outreach process used to establish taxicab lease caps.	Prior to effective date of rule.	Report submitted on July 14, 2009. Rule R-6.310.315 "Taxicab Vehicle Lease" effective September 2, 2009.
6.310.315.F	Analysis of effects of lease caps on taxicab industry and recommendation regarding ongoing regulation of taxicab leases.	By September 1, 2010.	Report submitted on September 1, 2010. Includes analysis of driver compensation is a "living wage."
6.310.330.N	Collect taxicab license market value information during license transfers.  Survey former taxicab owners to collect market value information during 1991- 2008.	After August 1, 2008.  Not specified.	Report submitted on September 1, 2010.  Completed in 2008 with mass mailing to 600 active owners.
6.310.500.E	Analysis of economic impact of new taxicab license issuance on taxicab industry.	September 1, 2010 or after 50 taxicab licenses are issued.	Report submitted on September 1, 2010.
6.310.500.E	Analysis of the economic effects of lease caps on taxicab market values on transfers after August 1, 2008.	September 1, 2010. No additional licenses may be issued until report is submitted.	Report submitted on September 1, 2010.

This document is a combined report intended to comply with all the reporting requirements in Ordinance No. 122763.

**ATTACHMENTS:**

1. Seattle Taxicab Industry: Summary of Median Taxicab Lease Rates 2010
2. Taxicab License Transfer Price 2009-2010
3. Taxicab Driver Survey Results (2008)
4. Taxicab Owner Survey Results (2008)
5. Final Draft of Proposed Rules: Taxicab and For-Hire Vehicles – Information Sheet 2009
6. Taxicab Rules – Status Report: May 27, 2009

# SEATTLE TAXICAB INDUSTRY

## SUMMARY OF MEDIAN TAXICAB LEASE RATES 2010<sup>1</sup>

Taxicab Association	Shift		Shift		Shift		Week		Month	
	Day	Night	Night	Various	Day	Night	Day	Night	Day	Night
Farwest Taxi	\$50	\$60	\$60	N. A.	\$350	\$300	\$1,200	\$300	\$1,200	\$1,200
	(5) <sup>2</sup>	(5)	(5)		(30)	(45)	(11)	(45)	(11)	(11)
North End Taxi	N. A.	N. A.	N. A.	\$75	N. A.	N. A.	N. A.	N. A.	N. A.	N. A.
				(49)						
Orange Cab	\$50	\$50	\$50	\$50	\$350	\$350	\$1,200	\$350	\$1,200	\$1,200
	(18)	(17)	(17)	(6)	(103)	(121)	(24)	(121)	(24)	(25)
STITA	\$55	\$50	\$50	N. A.	\$350	\$220	\$1,600	\$220	\$1,600	\$1,600
	(3)	(3)	(3)		(12)	(5)	(20)	(5)	(20)	(3)
Yellow Cab	\$70	\$75	\$75	\$75	\$420	\$420	\$1,600	\$420	\$1,600	\$1,540
	(53)	(68)	(68)	(221)	(353)	(364)	(54)	(364)	(54)	(55)

Taximeter Stats – Summary of Median Taxicab Lease Rates 2010 by Assn (8-16-2010)

<sup>1</sup> Based upon 2,170 "Taxicab Lease Summary Sheet" forms for 1,324 lease drivers filed with the Consumer Affairs Unit as of August 6, 2010. Median lease rates. Typical lease periods.

<sup>2</sup> Number of records indicated in (parentheses).

<sup>3</sup> There were 3,177 active/pending for-hire driver licenses as of May 12, 2010: 2,463 dual (city + county) endorsements, 515 county-only (STITA drivers primarily), 11 city-only, 179 county-only limousine chauffeurs (work at Sea-Tac Airport), 9 unknown. Source: King County.

<sup>4</sup> All leases arranged between taxicab owners and lease drivers. Shift start and end times vary by lease. Typical shifts at Yellow Cab: day (4:00 a.m.-4:00 p.m.), night (4:00 p.m.-4:00 a.m.).

# TAXICAB LICENSE TRANSFER PRICE

## 2009 -2010

Taxicab Association	Seattle	King County	Seattle + King County
Farwest Taxi	N.A.	\$85,000 [1]	\$158,500 [1]
Orange Cab	\$113,000 [7]	N.A.	\$147,700 [11]
STITA	N.A.	\$68,000 [7]	\$135,000 [1]
Yellow Cab	N.A.	N.A.	\$141,500 (9)
Average	\$113,000 [7]	\$70,000 [8]	\$145,000 [22]

**NOTES:**

- (1) Data self-reported and taken from "Taxicab License Transfer Price" forms submitted anonymously (i.e., no taxicab number, no taxicab licensee name) by taxicab licensees pursuant to SMC 6.310.330.N para. 3.
- (2) Only 37 records out of 117 submitted for the period 2009-2010 were considered valid. Examples of invalid records: 59 records showed \$0 as the transfer price, 24 records were submitted by for-hire vehicle licensees.
- (3) "N.A." means "not available."
- (4) The number in brackets after the average transfer price is the number of records used to compute the average, e.g., \$113,000 [7] means that there were 7 valid records.

# Taxicab Driver Survey Results

## TAXICAB DRIVER PROFILE

<u>Taxicab Association</u>	<u>Affiliated Taxicabs</u>	<u>Driver Survey Respondents</u>
Green	25	-
North End	16	7
Farwest	112	22
Orange	185	35
STITA	166	73
Yellow	<u>379</u>	<u>115</u>
Totals	883	258*

\* Includes 6 unknown.

### Lease Driver Type

Lease Driver	246 (98%)
Owner-Drivers	6 (2%)
Unknown	<u>6</u>
Total	258 (100%)

### Shift Worked

Day	134 (54%)
Night	112 (46%)
Unknown	<u>12</u>
Total	258 (100%)

### Hours Worked Per Shift

6	3 (1%)
7	3 (1%)
8	37 (15%)
9	19 (8%)
10	88 (35%)
11	30 (12%)
12	70 (28%)
Unknown	<u>8</u>
Total	258 (100%)

Average 10.2 hours/shift

### For-Hire Driver License Type

City-only	41 (16%)
County-only	50 (20%)
Dual	162 (64%)
Unknown	<u>5</u>
Total	258 (100%)*

\* Unknown not included in computing percentages.

### Experience as Driver

Average 7.9 years

### Shifts Worked Per Week

1	3 (1%)
2	10 (4%)
3	6 (2%)
4	11 (4%)
5	31 (13%)
6	117 (48%)
7	64 (26%)
Unknown	<u>16</u>

Total 258 (98%)\*

\* May not equal 100% due to rounding.

Average 5.7 shifts/week

### Sublease Taxicab from Another Driver

Yes	51 (21%)
No	196 (79%)
Unknown	<u>11</u>

Total 258 (100%)

## TAXICAB DRIVER REVENUE

### Paid Trips Per Shift

5	6 (2%)
6	22 (9%)
7	33 (14%)
8	17 (7%)
9	10 (4%)
10	40 (17%)
11	11 (5%)
12	44 (18%)
13	14 (6%)
14	3 (1%)
15	12 (5%)
16	8 (3%)
17	3 (1%)
18	5 (2%)
19	2 (1%)
20	7 (3%)
21	1 (<1%)
25	3 (1%)
30	1 (<1%)
Unknown	<u>16</u>
Total	258 (100%)
Average	10.9 trips/shift

### Damage Deposit

Yes	135 (53%)*
No	122 (47%)
Unknown	<u>1</u>
Total	258 (100%)

\* Typical: \$500.

### Recommended Lease Caps

Shift	\$ 55
Week	335
Month	1,323

### Fares Per Shift

Average \$203/shift

### Tips Per Shift

Average \$23/shift

### Written Lease

Yes	84 (35%)
No	159 (65%)
Unknown	<u>15</u>
Total	258 (100%)

### Lease Period

Shift	42 (18%)
Week	98 (42%)
Month	96 (41%)
Unknown	<u>22</u>
Total	258 (101%)

### Average Lease Amount

Shift	\$ 73
Week	395
Month	1,682

### Average Fuel Cost Per Shift

Average \$46/shift

NOTES: (1) Taxicab Driver Survey mailing and data entry by King County during September-October 2008.  
 (2) Caution should be used in interpreting *per month* "Average Lease Amount" data because it is a combination of rates for leasing the taxicab and leasing the taxicab license plate -- in the latter, the lease driver pays part/all of owner costs but usually pays a lower monthly lease amount. Also, at STITA, driver leases tend to be significantly higher than for city taxicabs and approximately 30% of respondents were STITA drivers.

# Taxicab Owner Survey Results

## TAXICAB OWNER PROFILE

<u>Taxicab Association</u>	<u>Affiliated Taxicabs</u>	<u>Owner Survey Respondents</u>	<u>Taxicab Owner License(s)</u>	
Green	25	-	City-only	172 (62%)
North End	16	-	County-only	34 (12%)
Farwest	112	12	Dual	73 (26%)
Orange	185	31	Unknown	-
STITA	166	29		
Yellow	<u>379</u>	<u>207</u>	Total	279 (100%)
Totals	883	279 (32%)		

### Owner Company Type

Individual	60 (22%)
Partnership	16 (6%)
LLC	45 (17%)
Corporation	150 (55%)
Unknown	<u>8</u>

Total 279 (100%)

### Owner Type

Owner	248 (91%)
Owner-Driver	24 (9%)
Unknown	<u>9</u>
Total	279 (100%)

### Taxicab License Purchased – Year, Type and Price

<u>Year</u>	<u>City</u>	<u>County</u>	<u>Dual</u>	<u>STITA</u>
1985	\$	\$	\$	\$3,500 (1)
1987	\$6,000 (1)	-	-	-
1989	-	-	-	\$10,000 (3)
1990	-	-	-	\$21,500 (1)
1991	\$2,500 (1)	-	-	-
1992	\$3,000 (1)	-	\$9,000 (2)	\$35,000 (1)
1993	\$3,000 (1)	-	\$10,000 (1)	\$32,000 (2)
1994	\$8,000 (1)	-	\$8,167 (3)	-
1995	-	-	\$15,000 (2)	\$45,000 (2)
1996	-	-	\$17,000 (2)	\$20,000 (1)
1997	-	-	-	\$69,500 (2)
1998	\$10,000 (1)	\$55,000 (1)	\$25,000 (1)	-
1999	-	-	\$70,000 (1)	\$131,000 (1)
2000	-	\$62,000 (1)	\$110,000 (1)	-
2001	\$85,000 (2)	-	\$119,167 (6)	-
2002	\$78,000 (1)	\$80,000 (1)	\$111,500 (4)	\$210,000 (1)
2003	\$95,000 (1)	-	\$120,667 (6)	\$120,000 (2)
2004	-	-	\$124,429 (7)	\$188,750 (3)
2005	\$115,000 (3)	-	\$132,875 (8)	\$175,000 (1)
2006	\$105,000 (2)	-	\$171,556 (9)	-
2007	\$142,000 (1)	-	\$205,000 (1)	\$350,500 (2)
2008	<u>\$65,000 (1)</u>	-	<u>\$142,000 (2)</u>	-

Note: Very low or very high prices were excluded from the average – i.e., purchase one shift/half share, family transfer. The number of prices in the average is shown in brackets ().

## TAXICAB OWNER REVENUE

<u>Lease Type</u>			<u>Lease Period</u>		
Owner buys vehicle	212	(78%)	Shift (12h)	10	(9%)
Driver buys vehicle	<u>61</u>	(22%)	Week	23	(21%)
			Month	74	(69%)
Total	279	(100%)	Unknown	<u>172</u>	
			Total	279	(99%)

<u>Lease Amount</u>			<u>Written Lease</u>		
	<u>Average</u>				
Shift	\$ 58 (8)		Yes	189	(76%)
Week	\$337 (17)		No	59	(24%)
Month	\$ var.		Unknown	<u>31</u>	
			Total	279	(100%)

## TAXICAB OWNER COSTS

### Operating Costs – Owner Pays

	<u>Average</u>	<u>Median</u>	<u>Annual<sup>3</sup></u>
Vehicle Purchase <sup>1</sup>	\$ 5,543/veh	\$ 4,000 (209)	\$ 1,600
Vehicle Repairs/Maintenance	\$ 402/mo	\$ 432 (206)	\$ 5,184
Vehicle Insurance	\$ 557/mo	\$ 567 (209)	\$ 6,804
Association Service Fee <sup>2</sup>	\$ <u>171/wk</u>	\$ <u>180</u> (49)	\$ 9,360
Total			\$22,948

### Operating Costs – Driver Pays

	<u>Average</u>	<u>Median</u>	<u>Annual<sup>3</sup></u>
Vehicle Purchase <sup>1</sup>	\$ 7,300/veh	\$ 6,200 (44)	\$ 2,480
Vehicle Repairs/Maintenance	\$ 330/mo	\$ 375 (42)	\$ 4,500
Vehicle Insurance	\$ 523/mo	\$ 542 (48)	\$ 6,504
Association Service Fee <sup>2</sup>	\$ <u>161/wk</u>	\$ <u>180</u> (41)	\$ 9,360
Total			\$22,844

**NOTES:** (1) Vehicle Purchase: Survey forms requested total cost. For the purpose of computing the Annual total, this amount has been converted to a monthly cost by assuming a 30-month (2.5 year) average vehicle life span. (2) Association Service Fee: Survey forms requested weekly amount since this charge is normally assessed per week. For the purpose of computing the Annual total, this amount has been converted to a monthly cost by multiplying by 52 weeks per year. (3) Annual: Median used.

### Recommended Lease Caps

	<u>Average</u>	<u>Median</u>	<u>Annual<sup>3</sup></u>
Shift	\$ 73	\$ 75 (215)	\$27,375
Week	417	420 (212) <sup>1</sup>	\$21,840
Month	1,695	1,680 (246) <sup>2</sup>	\$20,160

**NOTES:** (1) Week: Survey forms received from BYG Co-op at Yellow Cab erroneously listed amount currently charged per taxicab (2 shifts) rather than per driver (1 shift). Weekly lease per taxicab is \$840 and per driver is \$420. Average and median adjusted to use per driver amounts. (2) Month: Survey forms received from BYG Co-op at Yellow Cab erroneously listed amount currently charged per taxicab (2 shifts) rather than per driver (1 shift). Monthly lease per taxicab is \$3,360 and per driver is \$1,680. Average and median adjusted to use per driver amounts. (3) Annual: Median multiplied by 365 (Shift), 52 (Week), and 12 (Month) respectively.



# FINAL DRAFT OF PROPOSED RULES

## TAXICAB AND FOR-HIRE VEHICLES

### I N F O R M A T I O N   S H E E T

#### TAXICAB LICENSE ISSUANCE

We need to update the attached "Summary of Operating Statistics" with taximeter statistical downloads for 2007-2008 in order to: (1) determine whether there is a need to issue new taxicab licenses, and (2) compute the number of new taxicab licenses to issue. This is a very time consuming process (hand calculations that require a couple weeks) and won't be done until after the taxicab rulemaking process is done, the WAT Report is finished and submitted, and annual taxicab license renewal is complete. Once this data is available, we will calculate the percentage increase in the total revenue trips and divide this amount by the average revenue trips per taxicab in 2005-2006 (7,621) to compute the number of new taxicab licenses to issue. The base year is 2005-2006 because it is believed that drivers were relatively well satisfied with their fare revenue since many made the trade-off to drive fewer hours because they could earn the same revenue. This phenomena is known as the "income effect" and often follows a large taximeter rate hike like the one on April 1, 2005. The "income effect" is indicated by the 15.3% increase in service response times (2005 - 8.22 min., 2006 - 9.48 min.) even while total revenue trips declined 4.3% (2005 - 5,117,889, 2006 - 4,900,315). Traffic volumes reported by SDOT were virtually unchanged during the period although there was some increase in construction downtown. There was considerable anecdotal information provided by the taxicab association general managers and other taxicab industry representatives that was emphatic that many drivers had reduced their operating hours by up 1-2 hours per shift. We will also consider other factors as indicated in the proposed rule but this is the basics.

Here is an example. If we used this rule to determine whether to issue regular taxicab licenses (ambulatory passengers) last year, we would have done this:

2007 total revenue trips	5,273,527	
2005 total revenue trips	- <u>4,900,315</u>	
Growth in total revenue trips	373,212	
<u>373,212 new total revenue trips</u>	=	49 new taxicab licenses
7,621 average revenue trips per taxicab		

This computation assumes all other factors remain constant. For instance, the number of driver shifts per taxicab clearly affects the revenue per driver. Our goal is to meet increases in demand for taxicab services without reducing the revenue per driver. We estimate that there were approximately 1.5 shifts per taxicab in the time frame of the above example. The number of shifts per taxicab may have grown or declined since then. We intend to collect average and total operating hours per driver from taxicab association computer dispatch records in order to directly measure this. Finally, we already track taxicab service response times and there has been an upward trend since 2005 from 8.22 min. to 9.55 min. in 2008. It is expected that total revenue trips for 2009 will show a decline due to the current economic recession. As a result, it may be that few new regular taxicab licenses will be issued - especially since there will likely be 30 new WAT and 95% of their trips are ambulatory passengers out of the current total revenue trip count. Our best estimate is that total fare revenue has declined at least 15% year-over-year compared with the same months in 2008. Taxicabs that primarily work taxicab zones have experienced larger reductions - as much as 30% or more. Some of the best drivers have been able to make up the loss by driving longer hours.

## TAXICAB LEASE CAPS

The proposed lease caps are on top of the prevailing average maximum lease rates in the marketplace. The prevailing average maximum lease rates have been ascertained by a review of published lease rates (e.g., BYG), a mailed survey of lease owners and lease drivers (Sept-Oct 2008), and continuing informal conversations with individuals in the industry. Taxicab owners have freely offered to lease taxicabs at these rates and drivers have agreed to lease taxicabs at these rates. It isn't a perfectly functioning market because the taxicab industry has closed entry so taxicab owners have some amount of monopoly power to set rates - in other words, to some extent, lease drivers are forced to be price takers. This is true also because there are more drivers than available shifts to lease (i.e., shift demand exceeds supply). However, there is sufficient differentiation of lease rates to indicate that the market is functioning even if it is imperfect. Recall that owners could theoretically charge as much as they wish for a lease right now (and in the past) but, instead (like sellers in all markets), the taxicab owners charge what the market will bear. In the end, taxicabs won't be leased unless the drivers can earn enough net (after cost) fare revenue to have a living wage. By the way, the proposed lease caps in the draft rule happen to be identical to the median lease caps recommended by the taxicab owners in the survey (see attachment).

We reviewed revenue and cost data collected by the driver and owner surveys. Since the data is self reported and varies considerably among individuals and associations, it wasn't considered especially reliable. The median figures did generally agree with data collected from other sources and indicated that a taxicab owner who leases both shifts earns an annual pre-tax profit of approximately \$10,000-\$15,000. No attempt was made to regulate these profits by setting lease rates. Instead, this analysis was done to verify that lease revenue based upon reasonable lease rates would cover reasonable costs and yield a reasonable profit. We conducted a similar check to make sure that taxicab fare revenue would cover reasonable lease costs and yield a liveable average income for the lease drivers (est. \$11/hour).

## DRIVER REVENUE/INCOME

average experience as a taxicab driver: 7.9 years

average shifts worked per week: 5.7 shifts per week

average hours worked per shift: 10.2 hours per shift

average trips per shift: 10.9 trips per shift

average fares per shift: \$203 fare revenue per shift

average tips per shift: \$23 tip revenue per shift

[NOTE: \$203 + \$23 = \$226 total revenue, \$226 per shift - \$73 lease -

\$46 fuel= \$107, \$107/10.2 hours per shift = \$10.50 per hour]

average lease paid by driver:

shift: \$73

week: \$395

month: \$1,682

lease period:

shift: 18%

week: 42%

month: 41%

average fuel costs per shift: \$46 per shift

I have also attached taximeter statistics we download from taxicabs during inspections at our test station. They are per taxicab rather than per driver data so you have to estimate the number of shifts (drivers) per taxicab to extrapolate the annual revenue for each driver. Taximeter revenue statistics don't include tips which usually average 10%.

Based upon analysis of taximeter statistics, I have reported the following:

#### TAXIMETER FARES

Seattle taxicabs earned an estimated \$69,114,856 in taximeter fare revenue in a one-year period between mid-2006 and mid-2007 or an average of \$106,167 per vehicle. On average, Seattle taxicabs earned approximately \$291 in fare revenue per day. The typical taxicab driver earned an estimated \$194 per shift assuming an average of 1.5 shifts per taxicab per day and that revenue miles for both the day and evening shifts are equal. If a typical driver worked 5-6 shifts per week and 50 weeks per year (250-300 shifts per year), the taxicab driver's gross earnings would be \$48,500-\$58,200. Since a 10% tip is usual, the adjusted gross earnings become \$53,350-\$64,020 per year. Typical driver costs are taxicab lease (\$15,000-\$18,000), fuel (\$9,825-\$11,790), and cashier fees (\$1,067-\$1,280) or \$25,892 - \$31,070 per driver per year. As a result, the estimated annual net earnings (income) for a typical driver was \$27,458-\$32,950. Source: SEATTLE TAXICAB INDUSTRY REVENUE AND OPERATING STATISTICS [USING TAXIMETER TOTALIZER READINGS] 2006-2007 (April 14, 2008).

This means, during 2006-2007, analysis of taximeter statistics indicates that the typical driver earned \$11 per hour. This compares with \$10.50 per hour self-reported by drivers in the recent survey.

Lease caps are maximum lease amounts. It is expected that lease amounts charged to individual drivers will vary depending on the quality of the lease driver (e.g., length of business relationship, good driving record, good conduct record, dependable shift change, pays lease on time), the amount of account trips provided by the taxicab association and the types of contracts, the shift (day, night), owner costs, the economy, etc. We don't expect any impact on the lease rates currently in effect. If, for some reason, there is a general increase in lease rates up to the lease caps, the Director will investigate and determine whether owner costs have risen or whether the lease rate market forces are no longer working, and then take appropriate action.

## TAXICAB LICENSE ELIGIBILITY

During the recent special informational meetings for the taxicab industry stakeholder groups, there were questions about the draft rule R-6.310.500.D regarding eligibility standards for issuance of new regular and WAT taxicab licenses. Specifically, some comments were that the proposed standards were too stringent and few people would qualify. We have finished our review of several databases to come up with a good estimate of the numbers of drivers who would qualify to apply for new regular or WAT taxicab licenses under the standards in the draft rule including: (1) driver experience (King County for-hire driver license database), (2) driving records (Washington Department of Licensing abstracts showing moving accidents and moving violations), and (3) driver conduct (City of Seattle Notice of Violation and passenger hotline complaints).

Our review looked at approximately 2,500 active Seattle and King County driver records. We used the more strict WAT standard - e.g., 1 moving accident, 1 moving violation, 1 passenger complaint, and 1 Notice of Violation during the past 5 years - because we plan to issue 30 WAT licenses very soon in 2009. Applicants for regular (ambulatory passenger) taxicab licenses are permitted 2 of each (moving accident/moving violation/passenger complaint/Notice of Violation) during the past 5 years under the proposed standards.

### Experience.

First, we searched for drivers who had For-Hire Driver license #12761 (2004) or older in order to meet the 5 years of total experience requirement. In addition, we filtered out inactive, denied, expired records. For this estimate, no attempt was made to filter for full-time drivers (30 hours per week X 40 weeks per year). There were 884 city and county drivers who met the 5 years of total experience proposed standard.

### Driver Conduct - Passenger Complaints.

Second, we removed, from the pool of 884 drivers who had 5 years total experience, all drivers with more than one (1) passenger hotline complaints during the past 5 years. That left 820 city and county drivers who met the driver conduct (passenger complaints) proposed standard.

### Driver Conduct - Notice of Violation.

Third, we removed, from the pool of 820 drivers meeting the passenger complaint proposed standard, all drivers with more than one (1) Notice of Violation during the past 5 years. That left 708 city and county drivers who met the driver conduct (Notice of Violation) proposed standard.

### Driving Record - Moving Accident.

Fourth, we removed, from the pool of 708 drivers meeting the Notice of Violation proposed standard, all drivers with more than one (1) moving accident required to be reported to the WSP during the past 5 years. That left 552 city and county drivers who met the driving record (moving accidents) proposed standard.

Driving Record - Moving Violations.

Fifth, we removed, from the pool of 552 drivers meeting the driving record (moving accident) proposed standard, all drivers with more than one (1) moving violation by the police during the past 5 years. That left 490 city and county drivers who met the driving record (moving violations) proposed standard.

Pool of Eligible Applicants for Dual-Licensed WAT Licenses.

The pool of city and county drivers meeting all the above experience, driving record, and conduct records proposed standards for the issuance of new Wheelchair Accessible Taxicab (WAT) licenses is estimated to be 490 drivers.

Pool of Eligible Applicants for Seattle-only Regular Taxicab Licenses.

The pool of city drivers meeting all the above experience, driving record, and conduct records proposed standards for the issuance of new regular taxicab licenses is estimated to be 382 drivers.

The weeding out of interested drivers to identify only the best taxicab drivers based upon experience, driving record (passenger safety) and driver conduct (passenger service) appears to be very effective. Still, if new Seattle-only regular taxicab licenses were being issued, there would be a 382 driver first place tie that would need to be decided by a lottery of the best qualified individuals or an RFP (competitive award) of the best qualified groups - or a combination of both.

This process of strict standards accomplishes the following:

- (1) Assures the public that only the very best drivers (compared over 5 years) will be awarded with a taxicab license thereby making the taxicab industry more safe and providing passengers with better service.
- (2) Rewards drivers who make a career out of the taxicab industry and do a good job.

# TAXICAB RULES – STATUS REPORT: MAY 27, 2009

Rule No.	Rule Title	New /Rev	Description	Comments	Rule Status
R-6.310.300C	Evidence of Vehicle Insurance	Rev	Taxicab owner requirements that: (1) group policies show taxicab number on list of covered vehicles, (2) binders show NAIC# or BEST# of insurer, (3) binders and policies be submitted electronically by email in a format that facilitates electronic filing and sorting.	Consumer Affairs Unit is moving from paper mail and fax submissions to more efficient paperless electronic files.	<b>FINAL DRAFT</b> 5-19-2009. Special stakeholder meetings for comments.
R-6.310.320L	Taximeters	Rev	Requirements that: (1) taximeter is disabled when receipt paper is out, (2) taximeter automatically prints receipt for passenger at end of each trip, (3) taximeter printed receipt contains passenger complaint hotline phone number, and (4) taximeter statistical functions are protected by password controlled by city.	Consumer Affairs Unit collects taximeter statistical data annually for use in determining taxicab license issuance, taximeter rate changes, and lease caps. Compliance 7/1/09 (C/V, Annual), 6/30/2010 (deadline).	<b>FINAL DRAFT</b> 5-19-2009. Special stakeholder meetings for comments.
R-6.310.320P	Vehicle Size and Fuel	Rev	Defines "green vehicle" as alternative fuel vehicle or hybrid for voluntary program with incentive consisting of alternative fuel vehicle surcharge on taxicab lease caps authorized by R-6.310.315. Prohibits use of Neighborhood Electric Vehicles (NEV).	Similar to program announced by TLC with PR-455-08 on Nov. 14, 2008 following decision by U.S. Dist Ct (S Dist of NY) in MTBOT vs City of NY Oct 31, 2008.	<b>FINAL DRAFT</b> 5-19-2009. Special stakeholder meetings for comments.

Rule No.	Rule Title	New /Rev	Description	Comments	Status
R-6.310.320S	Digital Security Camera Systems	Rev	Requirements that: (1) memory capacity increased to at least 12,000 images, (2) memory cards upgraded to industrial grade 512 MB or better, (3) for-hire vehicles install approved security cameras [Ord. 122802], (4) add VIN on images, and (5) driver to verify that dome light operates at beginning of shift and note on safety checklist.	Camera vendor Verifye reports some failures of <i>consumer</i> grade memory cards. Limited image capacity has resulted in loss of some taxicab crime images.	<b>FINAL DRAFT</b> 5-19-2009. Special stakeholder meetings for comments.
R-6.310.315	Taxicab Vehicle Lease	New	Specifies maximum lease rates for taxicabs (lease caps). Requirements that: (1) written leases be filed with the Consumer Affairs Unit, (2) lease rates in compliance with lease caps, (3) no costs charged to lease driver except lease, and (4) authorizes alternative fuel vehicle surcharge on lease cap. Taxicab owners must issue written receipt for lease payments.	Effectively prohibits practice of leasing the license which shifts owner costs to lease driver. Also provides that leases won't increase unless taximeter rates are raised. No exploitive lease practices. Not retroactive to leases effective before Sept. 17, 2008.	<b>FINAL DRAFT</b> 5-19-2009. Special stakeholder meetings for comments. Report to the City Council prior to rule effective date required by SMC 6.310.315B.
R-6.310.330N	Taxicab License Transfers	New	Requirements about new taxicab licensees: (1) must be an individual, (2) must personally drive 30h/wk X 40wk/y X 5 years, (3) taxicab license is not transferable for 5 y, (4) licensee must report sale price (anonymously) at transfer.	Purposes are (1) to retain best drivers so public receives best service and (2) to discourage speculation in taxicab licenses for market values.	<b>FINAL DRAFT</b> 5-19-2009. Special stakeholder meetings for comments.

Rule No.	Rule Title	New /Rev	Description	Comments	Status
R-6.310.380A	Green Vehicle Lending Program	New	Requirements about: (1) approval of Community Development Financial Institution as lenders; (2) borrower eligibility for special lending program; (3) provisions for license revocation if licensees default on loans.	OED arranging program with approved Community Development Financial Institutions.	<b>FINAL DRAFT</b> 5-19-2009 Special stakeholder meetings for comments.
R-6.310.465I	Passenger Receipts	Repeal	Taximeter printed receipts.	R-6.310.320L replaces this rule.	
R-6.310.465L	Designation as No Smoking Vehicles	Repeal	State law has changed to prohibit smoking in taxicabs.	SMC 6.310.465M prohibits smoking in taxicabs.	
R-6.310.500A	Taxicab License Issuance – Determination of Need	New	Specifies procedure used by city to compute the number of new taxicab licenses needed to meet demand; (1) Set annual date to review need; (2) Separate procedures for determining number of regular (ambulatory) taxicabs and wheelchair accessible taxicabs needed; (3) Set date(s) for issuance of new licenses. Proposed methodology: regular taxicab licenses – use percent change in revenue trips compared with base year, WAT – use comparable service response time as standard.	Number of new regular taxicab licenses per year limited to 35 (SMC 6.310.500A). This cap does not apply to wheelchair accessible taxicabs (SMC 6.310.500C). SMC 6.310.500F requires report to city council after issuance of 50 licenses but not later than Sept. 1, 2010.	<b>FINAL DRAFT</b> 5-19-2009 Special stakeholder meetings for comments.

Rule No.	Rule Title	New /Rev	Description	Comments	Status
R-6.310.500D	Taxicab Licenses Eligibility	New	Specifies: (1) minimum qualifications for regular and WAT taxicab license applicants (experience, driving and conduct standards), (2) evidence to prove qualifications.	Proposed recent and total experience driving taxicab in Seattle taxicabs, accidents and citations, NOV and passenger complaints.	<b>FINAL DRAFT</b> 5-27-2009. Special stakeholder meetings for comments.
R-6.310.530I	Temporary Fuel Surcharge	Rev	Changes: (1) base price (\$4.00/gal.), (2) surcharge triggers (begin at \$5.00), and (3) surcharge amounts (begins at \$1.00 per trip).	Ord. #122734 "rolled" \$2.00 per trip surcharge into taximeter rate and assumed \$4.00 per gal. as base price of gasoline.	<b>FINAL DRAFT</b> 5-19-2009. Special stakeholder meetings for comments.

**NOTES:**

(1) Informational meetings will be held with stakeholder groups to discuss planned rules, prior to public hearings on final rules, when the rulemakings are major new rules, e.g.:

R-6.310.320P	Fuel Efficiency and Emissions
R-6.310.315	Taxicab Leases
R-6.310.330N	Taxicab License Transferability
R-6.310.380A	Taxicab "Green" Vehicle Lending Program
R-6.310.500A	Computation of New Taxicab Licenses to be Issued
R-6.310.500D	Eligibility for New Taxicab Licenses

(2) Stakeholder groups include the following:

Taxicab Advisory Group (TAG)	Taxicab user reps (disabled, seniors, Hopelink, hospitality industry, etc.)
Taxicab Association Representatives (TAR)	Taxicab association general managers
Taxicab Owner Representatives (TOR)	Seattle Taxi Owners Association (STOA)
Taxicab Driver Representatives (TDR)	Seattle Taxi Driver Association, Cab Drivers' Alliance, etc.

REV. 5-27-2009