



## ARLINGTON COUNTY, VIRGINIA

### County Board Agenda Item Meeting of November 19, 2011

**DATE:** November 10, 2011

**SUBJECT:** Enactment of an Ordinance to amend, reenact and recodify § 25.1-12 (Rate schedule, tolls, payment) of Chapter 25.1 (Taxicabs) of the Arlington County Code by (1) amending subsections 25.1-12(A) and (D) relating to the initial drop and extra passenger charges, to become effective January 1, 2012, and (2) adding new subsection 25.1-12(L) relating to payment of fares by credit card, to become effective December 1, 2012.

#### **C.M. RECOMMENDATION:**

Adopt the attached Ordinance (**Attachment A**) to amend, reenact and recodify § 25.1-12 of the Arlington County Code by

- a. Amending subsections 25.1-12(A) and (D) relating to the initial drop and extra passenger charges, respectively, to become effective January 1, 2012, and
- b. Adding new subsection 25.1-12(L) relating to payment of fares by credit card, to become effective December 1, 2012.

**ISSUES:** Two alternatives for increasing taxi fares, as well as a new requirement that taxicabs accept credit card payments, were advertised for public hearing.

**SUMMARY:** It is recommended that the County Board enact an Ordinance (**Attachment A**) to replace the current \$2.75 initial drop charge on taxi trips with a \$3.00 initial drop charge, and to change the extra passenger charge from \$1.00 per additional passenger over six years of age to \$1.50 per extra passenger age 12 years or older. These changes are recommended to enable taxicab operators to recoup the additional costs of taxi operation that have accrued since the last time that taxi fares were increased in July 2008.

In addition, County staff recommends that every taxicab be equipped to accept, and required to accept, credit card payment of fares by December 1, 2012.

**BACKGROUND:** The most recent change in taxicab fares in Arlington occurred on July 17, 2008, when the mileage charge was increased from \$1.80 per mile to \$2.00 per mile. That increase came after the Arlington County Board had enacted on July 18, 2008, an emergency

County Manager:

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County Attorney:

*BRC*

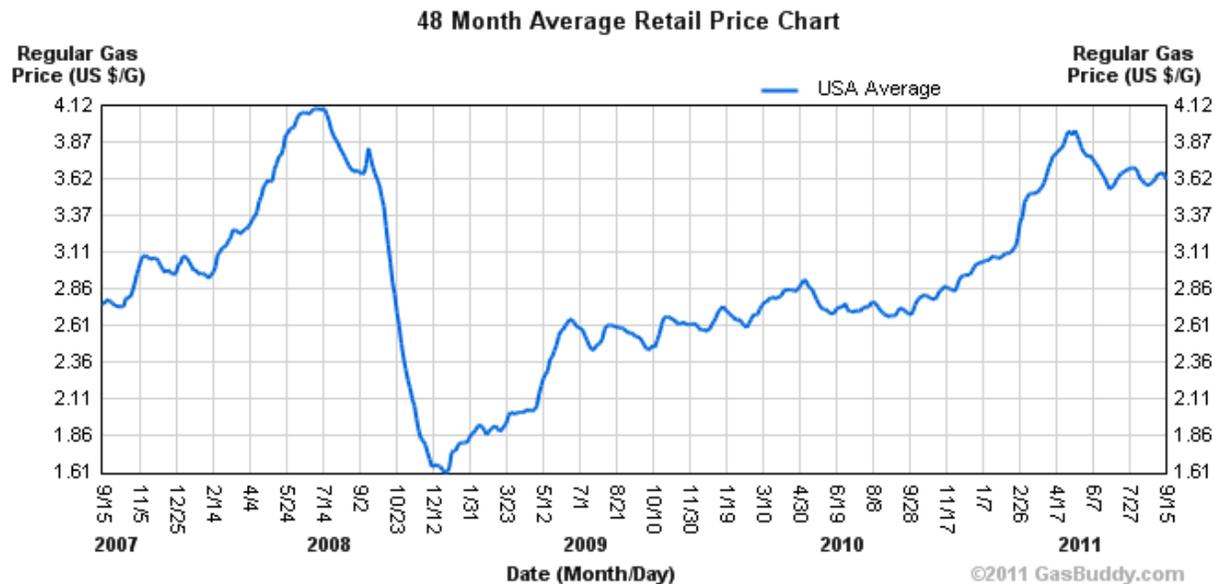
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Staff: Angie de la Barrera, DES, Transportation Planning

ordinance permitting a temporary \$1.00 gasoline surcharge in response to the cost of gasoline increasing to around \$4.12 per gallon in July of that year.. The increase in the mileage charge was in part to compensate taxi operators for the increase in gasoline prices. Prior to 2008, the previous fare increase was in November 2005. As part of that fare increase, the initial drop charge remained at \$2.75 while the mileage charge was increased from \$1.60 per mile to \$1.80 per mile, and the waiting-time charge was increased from \$20.70 per hour to \$22.50 per hour. The November 2005 fare increase replaced a \$0.50 per trip gasoline surcharge that had been enacted in June 2005.

An emergency gasoline surcharge was requested in May of this year by Blue Top and Arlington Union Taxi Operators (AUTO). Gasoline prices peaked at \$3.96 per gallon at about that time. Staff informed Blue Top and AUTO that staff would not support an increase, as gas prices had not risen to the 2008 peak. Staff has been monitoring gas prices and in recent months the price of gasoline has begun to decrease and it is now around \$3.66 per gallon (see chart below). The price of gasoline is one factor that staff considers when evaluating the adequacy of the current fare structure.



The Taxicab Ordinance revision of June 2009 imposed a new requirement for Arlington County staff to conduct on a biennial basis a study as to the adequacy of the existing taxi fare schedule. During this summer County staff worked with representatives from Arlington taxicab certificate holders and Arlington Union Taxi Operators (AUTO) to ascertain the operating costs and revenues for Arlington taxicab drivers. The general conclusions are that Arlington taxicabs are on average earning annual incomes of about \$40,000 to \$60,000 after expenses, and that expenses have increased on average about five percent since the time of the last fare increase. Annual income figures are based upon revenues per cab and may vary depending on hours worked and number of drivers per vehicle.

As the County and taxicab industry do not want the taxi drivers to suffer substantial long-term declines in income, options for fare increases have been considered. Several alternative means to

revise fares to better compensate the taxi operators were considered, including changes to the initial drop charge, mileage charge and all other fare components. In evaluating the various alternatives the potential impacts upon local trips, long distance trips, families and other travelers, and the overall competitiveness of Arlington’s taxi fare pricing were all considered.

Currently, more than 90 percent of all Arlington County taxicabs are equipped to accept credit card payment. It is an increasingly common method of payment. The technology exists such that all Arlington taxicabs could accept payment by credit card. Achieving certainty that all cabs are equipped to accept credit cards would be a great benefit to the taxicab-traveling public.

On October 18, 2011, the County Board approved advertisement of two alternative fare-change proposals to be heard at the Board’s November 19, 2011, public meeting. The two alternatives are:

1. Alternative 1. An increase of \$0.25 to the initial taxi drop charge. The initial charge for any taxi trip would go from \$2.75 to \$3.00 for the first one-fifth mile of travel.
2. Alternative 2. An increase of \$0.10 charge to the mile. The per-mile charge would increase from \$2.00 to \$2.10.

Both alternatives will include an additional change to increase the fee from \$1.00 to \$1.50 for each extra passenger. While the extra passenger charge would go up by \$0.50 per person, passengers would no longer be charged for extra passengers between the ages of six and eleven years of age.

After the two alternatives were advertised, the Transportation Commission considered the alternatives during the November 3, 2011, meeting, and recommended Alternative 1 for a \$0.25 increase to the initial drop charge, but not the \$0.50 increase in the extra passenger charge. The Transportation Commission also recommended the requirement to enable payment by credit card.

**DISCUSSION:** After a review of the Arlington taxi industry’s revenues and operating costs, County staff has determined that an increase in taxi fares is warranted to compensate taxi operators for their increased costs for purchasing/leasing and operating a taxicab. Since the time of the last fare increase, the overall cost of operating a cab has increased by about five percent. The table below provides a breakdown of the formula that staff uses to evaluate taxi operation costs. Consideration is given both to changes in costs for specific items such as the price of a new taxi vehicle or the price of insurance, and to more general cost inflation as reflected by the Consumer Price Index (CPI).

<b>Taxicab Cost Element</b>	<b>BLS Index</b>	<b>Weight</b>
Salaries, Wages and Profits	CPI	0.62
Vehicle Purchase	New Cars (Hybrids)	0.15
Fuel	Motor Fuel	0.10
Insurance and Other	Other Private Transportation Services	0.08
Maintenance, Parts and Equipment	Maintenance and Repairs	0.05

Using Bureau of Labor Statistics (BLS) index data in the five categories above, and weighting each category based on overall importance, staff has calculated the relevant percent change in the cost of taxicab operation between January 2008 and January 2011.

<b>BLS Index</b>	<b>Weight</b>	<b>2008</b>	<b>2011</b>	<b>Increase or Decrease</b>	<b>Weighted Change</b>
CPI	0.62	212.18	221.06	1.04	0.65
New Cars	0.15	135.64	137.75	1.02	0.15
Motor Fuel	0.10	275.3	277.665	1.01	0.10
Insurance & Other	0.08	124.29	140.49	1.13	0.09
Maintenance & Parts	0.05	227.73	250.73	1.10	0.06
<b>Sum</b>	<b>1.00</b>				<b>1.05</b>

Based on the analysis of the BLS index, the cost for operators has gone up approximately five percent from the last rate increase in 2008 to 2011. Staff also conducted an item-by-item review of the major cost components such as the purchase price of a new hybrid Toyota Camry, taxi companies' stand dues and average auto insurance prices which also confirmed that five-percent is a good estimation as to the cost increase that the average taxi driver has experienced since mid-2008.

County staff recommends two changes to the current taxi fare structure in order to provide additional revenue to compensate the taxi operators. The most significant change would be a \$0.25 increase in the initial taxi drop charge. The initial charge for any taxi trip would now be \$3.00 for the first one-fifth mile of travel. The other change is an increase in the extra passenger fee from \$1.00 to \$1.50 for each extra passenger. While the extra passenger charge would go up by \$0.50 per person, passengers would no longer be charged for extra passengers between the ages of six and eleven years. The change in the age criteria is intended to reduce the impact of the fare increase on families that might otherwise be unduly burdened.

The table below shows the effect of the proposed change versus current prices. It assumes that about 30 percent of trips currently have an extra passenger (defined as a person over six years old). It also assumes that in the future about 25 percent of trips will have an extra passenger (meaning a person 12 years of age and older.)

<b>Trip Distance (Miles)</b>	<b>Current Fare</b>	<b>Fare with additional \$0.25 drop and \$0.50 extra passenger</b>	<b>Percent Change</b>
1	\$5.05	\$5.38	6.4%
3	\$9.05	\$9.38	3.6%
5	\$13.05	\$13.38	2.5%
10	\$23.05	\$23.38	1.4%
20	\$43.05	\$43.38	0.8%

25	\$53.05	\$53.38	0.6%
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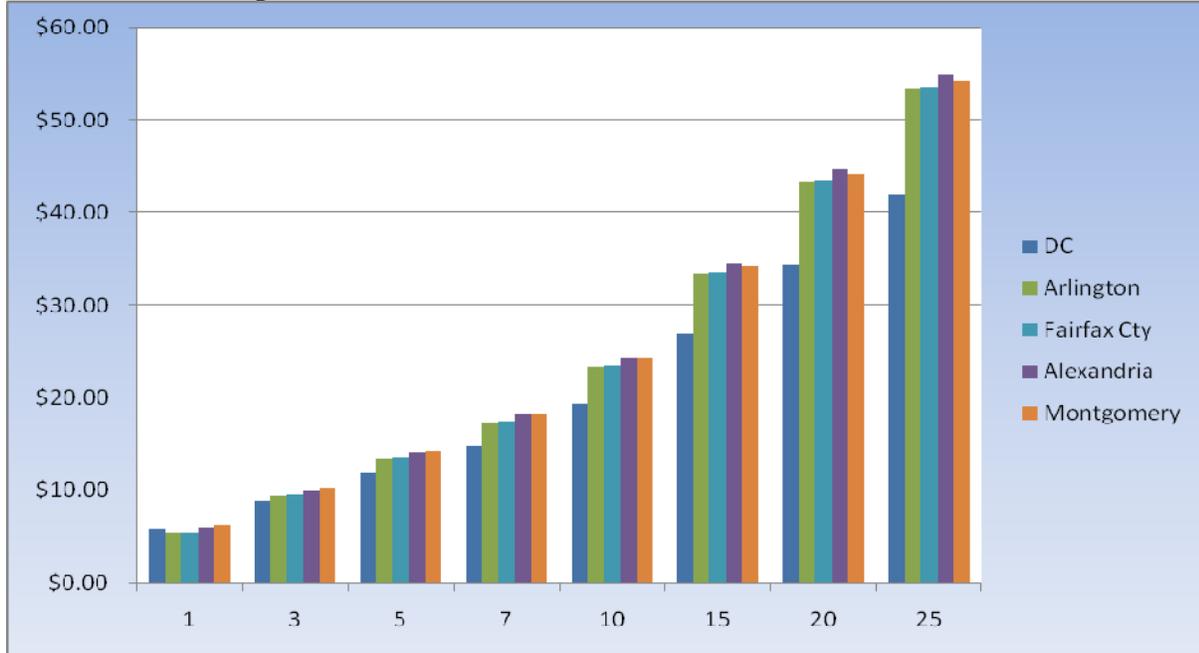
Assuming that on average one trip in four carries an age-eligible extra passenger, the proposed fare changes to the drop and extra passenger charges would add approximately \$0.33 to the cost of each trip. The percent increase for short trips (three miles and under) will be in the four to five percent range. For longer trips, such as to Dulles Airport, the effect of the fare changes will not be as significant.

The table below compares Arlington's current taxicab fares with those for some of the other jurisdictions in the region. Currently, Arlington has the lowest initial drop charge, the lowest extra passenger charge and one of the lowest mileage charges. Unlike Alexandria and the District of Columbia, Arlington has not imposed a fuel surcharge.

<b>Jurisdiction</b>	<b>Initial Charge</b>	<b>Per Mile</b>	<b>Waiting Per Hour</b>	<b>Extra Passenger</b>	<b>Gasoline Surcharge</b>	<b>Date of Surcharge</b>
<b>Arlington (Current)</b>	\$2.75	\$2.00	\$22.50	\$1.00	None	
<i>Arlington (Proposed)</i>	<i>\$3.00</i>	<i>\$2.00</i>	<i>\$22.50</i>	<i>\$1.50</i>	<i>None</i>	
<b>Alexandria</b>	\$3.09	\$2.04	\$22.67	\$1.25	\$0.50	Mar-11
<b>Fairfax Co.</b>	\$3.25	\$2.00	\$21.18	\$1.00	None	
<b>Montgomery</b>	\$4.00	\$2.00	\$28.00	\$1.50	None	
<b>District of Columbia</b>	\$3.00	\$1.50	\$15.00	\$1.00	\$1.00	Mar-11

On the following page is a graph comparing the proposed amended Arlington taxi fares with the fares of neighboring jurisdictions. Even with the proposed initial drop charge increase to \$3.00 and the \$1.50 extra-passenger charge, taxi trips in Arlington will remain slightly less expensive than those of all the other area jurisdictions except for the District of Columbia. In addition, the cost of traveling by an Arlington taxicab to more distant locations such as Dulles Airport will remain competitive with that of other alternatives such as the Washington Flyer, Super Shuttle and private executive sedan services. Staff is concerned that should taxi trips to Dulles become too expensive then Arlington drivers will lose a significantly profitable component of their business.

### Alternative 1 Compared to other Jurisdictions



### Alternative 2 Compared to other Jurisdictions



Alternative 2, increase in the taxi fare of a \$0.10 mileage rate, was also analyzed. As the average Arlington taxicab trip is of about five miles in length the change in mileage charge would be more expensive than would occur with the alternative increase in the drop charge. As economic conditions have not greatly improved in recent years, the taxicab industry and County staff are

concerned that too large of an increase in fares could harm the traveling public and the industry by making taxi trips too expensive and non-competitive with other alternative forms of transportation. Staff believes that the proposed changes to the initial drop and the extra passenger charges will provide an increase to taxi drivers' incomes while continuing to maintain Arlington's competitiveness and not overly burdening taxi patrons.

### **Credit Cards**

Given changes in consumer behavior and current technologies, staff recommends that all Arlington County taxicabs be required to provide patrons the option of fare payment by credit card. Currently all the cabs of five of the seven taxi companies, representing more than 90% of the Arlington taxi fleet, are equipped to make credit card transactions. However, a taxi patron may still encounter a cab that does not offer credit card payment, and may be hesitant to use a cab if they are uncertain about their payment options. Achieving uniformity among cabs will both benefit the taxi patrons with greater choice in payment options and also benefit the taxicab operators by reducing uncertainty that can make patrons hesitant to use taxis.

**PUBLIC COMMENT:** Staff presented the fare increases noted in Attachment A to the Transportation Commission on September 29, 2011. There were two speakers representing Red Top and Blue Top cab companies in favor of the proposed increases and the equipping of cabs to accept credit card payment. The Transportation Commissioners voted 8 to 2 to support advertisement of the proposed ordinance amendments. Some Commissioners expressed concern about the need for fare increases at this time. After the two options were advertised, the Transportation Commission reviewed both options at its November 3, 2011 meeting. At the meeting more than 100 Arlington Taxi cab operators were present, with 12 drivers choosing to speak, including the president of AUTO. Speakers raised concerns about the time required to implement credit card transaction devices, the impact of a fare increase on passengers, and whether taxi business would be affected as well as driver costs for company stand dues.

The Transportation Commission voted 9 to 0 in favor of advertised alternative 1 of \$0.25 to the drop increase but not the extra person charge, as the Commission is concerned that the additional \$0.50 increase might hurt carpooling by taxi passengers. The Commission voted in favor of requiring acceptance of payment by credit cards but suggested delaying the implementation deadline until December 1, 2012. Staff agrees to this additional time in order to help small firms find the appropriate equipment and process to securely and efficiently process credit card payments. There were 12 speakers requesting either an alternative for an increase or no increase at all due to economic conditions and competitiveness. The Transportation Commission also requested that staff reviews credit card processing technologies.

**CONCLUSION:** Staff recommends that the County Board enact an ordinance replacing the \$2.75 initial drop charge with a \$3.00 initial drop charge, and replacing the \$1.00 extra passenger charge for persons over six years of age with a \$1.50 extra passenger charge for persons 12 years of age or older. Staff feels that the change in the extra passenger charge will not harm carpooling by taxi passengers due to the small increase and will benefit families with younger children that may need to use cabs for routine travel. Staff also feels that the extra passenger charge will help increase the number of taxicabs available during late weekend hours.

In addition, staff recommends requiring all taxicabs to be equipped to accept, and required to accept, credit card payment of fares and providing drivers additional time, to December 1, 2012 to acquire the right technology for credit card payments.

**FISCAL IMPACT:** The fare increases would apply to all taxicab trips, including those used for County programs. The Department of Environmental Services contracts with Red Top Cab to transport disabled persons under the STAR para-transit program. STAR currently uses Red Top for about 36,530 trips per fiscal year with an average trip length of about eight miles. It is estimated that the extra passenger charge of \$1.50 could result in an additional \$3,000 in annual expenses for the County. The initial drop charge increase from \$2.75 to \$3.00 would cost the County an additional \$9,132.50 per year. DES expects that the additional costs that result from a fare increase would be covered by the program's contingency for program adjustments included in the FY 2012 adopted budget. The fare charge is also expected to have a small impact on the operating budgets of the Department of Human Services and the Department of Parks, Recreation and Cultural Resources, which use taxicabs to transport clients for some of their programs. Each agency uses a few hundred taxicab trips per year and this increase will only add \$0.25 to each single-passenger trip. The increased costs for DHS and PRCR can be accommodated within existing program budgets.

**ATTACHMENT A**

**AN ORDINANCE TO AMEND, REENACT, AND RECODIFY § 25.1-12 (RATES OF FARE) OF CHAPTER 25.1 (TAXICABS) OF THE ARLINGTON COUNTY CODE, BY AMENDING SUBSECTIONS 25.1-12(A) AND (D) RELATING TO THE INITIAL DROP AND EXTRA PASSENGER CHARGES , RESPECTIVELY, EACH TO BECOME EFFECTIVE ON JANUARY 1, 2012, AND TO ADD A NEW SUBSECTION 25.1-12(L) REQUIRING ALL TAXICABS TO BE EQUIPPED TO ACCEPT, AND TO ACCEPT, PAYMENT OF FARES BY CREDIT CARDS, TO BE EFFECTIVE ON DECEMBER 1, 2012.**

1. **BE IT ORDAINED that § 25.1-12, subsections (A) and (D) of the Arlington County Code are amended, reenacted and recodified to read in pertinent part as follows, effective on January 1, 2012:**

**§ 25.1-12. Rate schedule, tolls, payment.**

The rate schedule for fares and service charges is as follows:

A. For the first one-fifth (1/5) mile (initial drop charge): ~~two dollars and seventy-five cents (\$2.75)~~three dollars (\$3.00).

\* \* \*

D. For each additional Passenger over six (6) years of age twelve (12) years of age and older, when more than one (1) Passenger is transported: ~~one dollar (\$1.00)~~one dollar and fifty cents (\$1.50).

\* \* \*

2. **BE IT FURTHER ORDAINED that new subsection (L) is added to § 25.1-12 of the Arlington County Code as follows, effective on December 1, 2012:**

\* \* \*

L. As of December 1, 2012, each taxicab shall be equipped to accept, and shall accept, payment of fares by credit cards.

\* \* \*

3. **BE IT FURTHER ORDAINED that the subsections of § 25.1-12 that are not amended by this ordinance shall remain in full force and effect as previously enacted.**