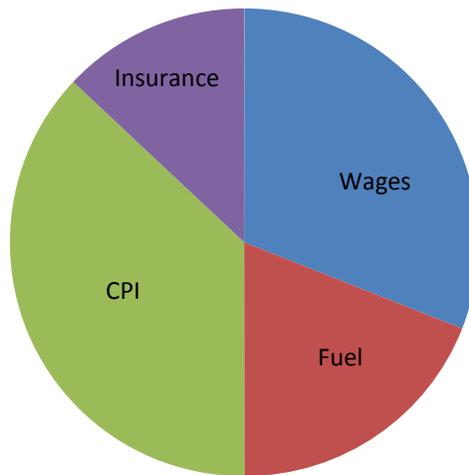


Report on Taxi Cost Index (TCI) Methodology



Passenger Transportation Board
February 6, 2013

Table of Contents

| | |
|---------------------------------------|----|
| Executive Summary | 3 |
| I. TCI Overview | 4 |
| II. 2012 TCI Review | 5 |
| III. TCI Review Discussion | 6 |
| 1. TCI Strengths | 7 |
| 2. Minimum TCI Increase | 8 |
| 3. Temporary Fuel Surcharge | 9 |
| 4. TCI Timing | 9 |
| 5. Regional TCI | 10 |
| 6. Common Rate Areas | 13 |
| 7. Rates Uniformity | 15 |
| IV. Component Weighting Review | 17 |
| V. Conclusion | 19 |
| VI. Appendices | |
| A. TCI Chronology | 21 |
| B. TCI Decisions for Common Rate Area | 22 |

Executive Summary

The Taxi Cost Index (“TCI”) is an objective tool that the Passenger Transportation Board (“Board”) uses to identify rate increases for taxi companies in British Columbia.

The TCI has been in place for more than a decade. In March 2012, the Board hired a consultant to evaluate the methodology of the TCI against its goals of effectiveness, efficiency and fairness. The Board received the consultant’s findings and six recommendations in August 2012. Before responding to these recommendations, the Board sought further consultation with its stakeholders, including a meeting with industry representatives.

This report outlines the strengths of the TCI as identified by the consultant and discusses specific recommendations with respect to: minimum TCI increases; temporary fuel surcharges; timing of TCI implementation; regional TCI options; common rate areas; and rates uniformity. The report also notes some matters related to the weighting of the four TCI components.

The Board concluded that the TCI is an effective, efficient and fair approach to enabling periodic taxi rate increases in British Columbia. The Board’s conclusions respecting the TCI methodology review are:

1. The minimum TCI increase is raised to 2%.
2. Temporary fuel surcharges will end and the Board’s policy rescinded.
3. TCI data will be reviewed every Spring unless there are extraordinary circumstances.
4. TCI will be based on provincial data, not regional data.
5. TCI implementation in some common rates areas will be adjusted to more equitably distribute influence over TCI implementation decisions.
6. The Board will publish a provincial average and normal range of taxi rates in B.C.
7. The Board will complete a review of TCI component weightings and related matters by Spring 2014.

I. TCI Overview

The Taxi Cost Index (“TCI”) is an objective tool that the Passenger Transportation Board (“Board”) uses to identify rate increases for taxi companies in British Columbia. It aims to provide an effective, efficient and fair way for taxis to obtain periodic rate increases that reflect changes in taxi operating costs.

The index has four cost components: wages, taxi insurance, fuel and other costs (Consumer Price Index). These components are weighted to reflect the average cost of operating a taxi in the province. Data for each component is obtained from the following sources (respectively): BC Stats, ICBC, MJ Ervin & Associates and Statistics Canada.

To obtain a TCI increase, taxi companies must request it. There is no fee for making a request. Taxi companies must notify local governments in their operating area when they make a request. Requests are approved after an administrative review confirms eligibility (e.g. notice requirements are met). TCI increases are the most common way for taxi companies in British Columbia to get approval to increase their rates.

To get an increase that exceeds a TCI increase, taxi companies must make a “Change of Rates” application. This involves an application fee, more documentation and longer timelines. Applications may be approved in whole or in part, or refused.

Historical Context

In the 1990s, before the TCI was established, taxi companies had just one way to raise their rates. They had to submit an application to change their rates. It was difficult for individual taxi companies to get the comprehensive financial statements they needed to justify the increase they wanted. Often, financial records were not centralized because many fleets were operated by independent taxi owners or drivers who shared dispatch as part of a cooperative. As well, it was costly for a company to provide comprehensive financial statements every time a rate increase was sought.

A new approach was needed that was simple for taxi companies and fair, both for taxi passengers and companies. In 2000, the former Motor Carrier Commission (“MCC”)

undertook a rate structure review with the taxi industry. The review resulted in two initiatives:

- the authorization of a supplemental tariff in 2001 for a rate increase of up to 11% on distance rates, and
- the implementation in 2002 of the TCI as an objective measurement for identifying taxi rate increases.

The MCC was replaced by the Passenger Transportation Board (“Board”) which was established in June 2004. The Board continued to use the TCI to administer periodic taxi rate increases. Appendix A provides a historical overview of rate changes since 2000.

II. 2012 TCI Review

The TCI has been in place for more than a decade. Only minor adjustments have been made to the methodology. During that time, the taxi industry has changed, fuel prices have fluctuated and the Board has gained experience in administering TCI rate adjustments. The time had come to step back and identify what is working well and what might be improved.

In March 2012, the Board hired a consultant to evaluate the methodology of the TCI against its goals of effectiveness, efficiency and fairness. The consultant’s evaluation comprised of the following activities:

- surveying taxi licensees in British Columbia (52 respondents operating 1,505 taxis)
- interviewing stakeholders (17 interviews)
- comparing TCIs in selected jurisdictions
- reviewing historical TCI documents and materials.

The Board received the consultant’s findings and six recommendations in August 2012. In November, the Board shared them and its preliminary responses with stakeholders at a meeting of its Passenger Directed Vehicle Advisory Committee. At that time, taxi associations asked the Board to discuss the recommendations in more detail before the Board finalized its report. In December 2012, Board staff met in Burnaby with representatives of the following groups: the BC Taxi Association, Vancouver Taxi

Association, Taxi Drivers' Association of Southern B.C. and Passenger Transportation Branch. Stakeholder comments from that meeting were shared with members of the Passenger Transportation Board in January 2013.

Report Organization

This TCI methodology report provides an overall assessment of the strengths of the TCI in British Columbia. It also presents the perspectives and recommendations communicated by the consultant and stakeholders from March to December 2012. Specifically, it reports on these matters:

- Minimum TCI Increase
- Temporary Fuel Surcharge
- TCI Timing
- Regional TCI
- Common Rate Areas
- Rates Uniformity

The Board response is provided for each of the recommendations.

In addition, the Board considered a comparison by the consultant between the weighting of TCI components in British Columbia and TCI components in four other jurisdictions.

Although no wages-related recommendations were made, the Board has questions about the appropriateness of the weighting of the wages component and will look at this matter as part of an overall review of the TCI component weighting. This future work is discussed briefly in a separate section, "Component Weighting Review."

III. TCI Review Discussion

This section provides an overall discussion of the B.C. TCI and matters noted above. For each issue, it includes stakeholder perspectives, consultant recommendations and Board responses.

1. TCI Strengths

The TCI methodology and rates issues addressed in this report have been raised as areas for improvement. In this section, we summarize the following strengths of the TCI program as noted by the consultant and stakeholders during the review:

- Taxi companies and drivers generally view TCI as a good and fair way to make periodic rate increases.
- British Columbia's four TCI components are comparable with other jurisdictions and include typical taxi operating expenses.
- TCI calculations and component weightings are straight forward and easy to understand from a lay person's point of view.
- TCI data is relevant to the types of costs incurred to operate taxis in British Columbia.
- TCI data is obtained from third-party, objective sources.
- The use of objective, relevant data gives taxi companies and consumers a level playing field where reasonable rate increases can be expected to remain commensurate with cost increases.
- Stakeholders view the TCI request process as simple, easy to understand and practical.
- Stakeholders view that information on rates and increases is distributed in a timely manner.
- Stakeholders from both rural and urban areas feel sufficiently consulted on TCI decisions.
- From an administrative perspective, the TCI process does not overwhelm staff at the Passenger Transportation Board, the Passenger Transportation Branch or at municipal governments which inspect taxi meters.

These strengths, most of which were reported by the consultant, are consistent with feedback the Board typically hears from taxi licence holders and other stakeholders. Overall, we believe that the TCI program adjustments being made now, along with the planned TCI component weighting review to follow, will strengthen the TCI as an effective, efficient and fair way for taxi companies in B.C. to obtain periodic rate increases as operating costs rise.

2. Minimum TCI Increase

Generally, the Board only implements TCI rate increases of 1.75% or more. When TCI data shows that a change in costs is less than 1.75%, the cost increase (or decrease) is carried forward and incorporated into the next TCI calculation.

The Board deviated from this practice with TCI 2012 when it approved a 1.6% increase to adjust the index for a previous calculation error. When the increase was only 1.6%, TCI requests were lower than normal. For example, only three of seven areas with common rates requested a TCI rate increase. Anecdotally, the Board received comments that implementing a 1.6% increase was not worthwhile. This was because of the cost and downtime of changing taxi meters, especially when, at the time in 2012, meter changes were expected April 1, 2013, to replace 12% HST on taxi fares with 5% GST¹.

The consultant suggested that TCI increases of between 1% and 2% are insignificant. She noted that some stakeholders she heard from believe that rate increases result in some passengers deciding not to use a taxicab even if the increase itself is insignificant. Thus, the consultant recommended that the minimum TCI increase be 2.5% or higher.

The Board notes that TCI increases are calculated with historical data from the previous calendar year. Therefore, a 2.5% minimum could cause an undue delay in implementing a TCI increase. Follow-up consultations with taxi associations in December 2012 confirmed this view. The industry considered either 1.75% or 2% as acceptable. Two percent was preferred in larger cities where professional meter technicians and municipal regulators are involved with meter changes, inspections and re-sealing. For smaller population centres where meter changes have less impact, 1.75% (and perhaps lower) was preferred. Considering the fleets and areas most impacted by a meter change, the Board is re-setting the minimum TCI rate increase to 2%.

Board Decision

The minimum TCI increase is raised from 1.75% to 2%.

¹ This expectation was confirmed in December 2012 when detailed information about tax changes was published by the B.C. Ministry of Finance at <http://www.pstinbc.ca/>.

3. Temporary Fuel Surcharge

In 2005 and 2008, the Board implemented temporary fuel surcharges (4.5% and 3.5% respectively) between regularly-scheduled TCI rate reviews. The surcharges gave taxi operators temporary relief for fuel price spikes that were considered significant and sustained. The spikes in those years pushed fuel costs at least 30% higher than the average price for the last calendar year in which a TCI rate increase was implemented. When the fuel surcharges were implemented, the Board reviewed TCI cost data every two years. At present, the Board reviews TCI data every Spring. This means that the TCI is more responsive to price changes than when the TCI was originally implemented. It also means that there is less of a need for interim, temporary surcharges.

Many stakeholders questioned the effectiveness of the Temporary Fuel Surcharge (“TFS”) given the lag-time between fuel spikes and implementation of the fuel surcharge. With fuel prices already reflected in the TCI fuel and CPI component, the consultant recommended that the TFS mechanism be eliminated. This change was acceptable to the taxi representatives at the December 2012 meeting. However, they indicated that the Board should remain open to some form of interim relief for a spike in fuel costs in extraordinary circumstances.

The Board accepts the consultant’s recommendation. The Board has the capacity to adjust its policy should the need arise.

Board Decision

End Temporary Fuel Surcharges and rescind Operational Policy V.1: “Temporary Fuel Surcharges”

4. TCI Timing

Given the recommendation to eliminate temporary fuel surcharges, as well as the volatility of fuel prices relative to other taxi costs, the consultant recommended that the Board review TCI data “at least twice a year.” The consultant noted that fuel may be a less-significant issue now that more hybrids and smaller vehicles are used. Nonetheless, it was found that fuel “is still a major factor in rising taxi operating costs.”

The Board sees a number of challenges with twice-yearly reviews. TCI data is not readily available on a half-yearly basis. Many taxi licensees have said they do not want meter rate changes more often than once a year. Data collection would impact Board resources. The Board advised stakeholders that it would maintain annual TCI reviews. Taxi stakeholders advised that an annual review each Spring is an appropriate frequency for reviewing TCI data.

Board Decision

Continue to review TCI data each Spring using data from the previous calendar year.

5. Regional TCI

British Columbia's TCI tracks changes in operating costs with data for the province as a whole. Accordingly, TCI rate increases are the same for taxis across the province.

The consultant reported considerable interest among stakeholders in a regional approach to the TCI. Stakeholders cited large gaps in prices between urban and rural areas of the province.

The consultant recommended the implementation of a regional TCI with different TCI increases in different parts of the province. The consultant also noted the potential challenges of obtaining regional data and defining the boundaries of TCI regions in British Columbia. To help guide the development of regional cost profiles, a TCI in New South Wales (NSW), Australia, was cited as a possible model.

The Board examined the NSW model and its applicability in the British Columbia context. The TCI in British Columbia is based on cost and statistical information obtained from independent agencies. The NSW TCI uses such data as well as data supplied directly by the taxi industry. It should be noted that TCI increases in British Columbia are made available as a maximum increase for a company- or city-specific rate which taxi companies can request. In NSW, TCI is used to raise the maximum taxi rates which companies can charge.

The NSW TCI comprises two regional TCIs which are labeled "urban" and "country." A common basket of 9 taxi cost items are used for both TCIs. Each cost item has a unique weighting. Table 1 identifies the item costs and weightings for the urban and country TCIs.

Costs for conventional and wheelchair accessible taxis are combined in the data presented in this table.

Table 1

New South Wales Aggregated Cost Structures for Urban and Country TCIs

| | Urban Areas | | Country Areas | |
|-------------------------------------|----------------|----------------|----------------|----------------|
| | \$/taxi/year | Item Weighting | \$/taxi/year | Item Weighting |
| Driver's wages | 58,140 | 40.5% | 54,157 | 41.5% |
| Fuel | 13,867 | 9.7% | 13,016 | 10.0% |
| Cleaning | 3,256 | 2.3% | 3,361 | 2.6% |
| Operator's salary equivalent | 7,182 | 5.0% | 7,182 | 5.5% |
| Maintenance costs | 6,721 | 4.7% | 6,906 | 5.3% |
| Plate lease costs | 25,996 | 18.1% | 13,506 | 10.3% |
| Insurance | 12,842 | 8.9% | 8,142 | 6.2% |
| Vehicle lease costs | 8,387 | 5.8% | 8,188 | 6.3% |
| Network fees | 7,231 | 5.0% | 16,085 | 12.3% |
| Total annual costs | 143,622 | 100.0% | 130,543 | 100.0% |

Source: *Reweighting of the Taxi Cost Index* by the Center for International Economics (2011)

The results in Table 1 are derived from data that is collected using a variety of sources and methods. These include operator surveys, driver surveys, information from dispatch networks, vehicle suppliers, as well as independent statistical sources. For each cost category in Table 1, a standard “inflator” is used to calculate TCI percentage increases. For example, percentage increases in wage statistics is used as the “inflator” for wages. Based on data for the year ended March 2012, TCI resulted in increases of 3.7% for urban taxis and 3.6% for country taxis. In addition to the TCI calculations, a regular 5-year, comprehensive assessment of data and methods is conducted for the TCIs in NSW. The most recent was completed by the Center for International Economics (CIE).²

² See *Reweighting of the Taxi Cost Index* by the Center for International Economics (2011) as well as the *Review of Taxi Fares in NSW* (2012) by the Independent Pricing and Regulatory Tribunal.

The province-wide approach in British Columbia uses a fraction of the data and resources that are used in NSW. However, the concept of a regionally-responsive TCI is appealing. The Board explored this option by using readily-available statistical data to construct a mock Regional TCI for British Columbia. The result was two TCIs, one “more urban” and the other “more rural.” The exercise also revealed practical problems. Data for one of the components (wages) is readily available on a province-wide basis only. For the other three components (fuel, insurance, CPI) the geographical boundaries for the available data sets did not align with one another. Variances in regional areas create a challenge for determining how to apply the two TCIs to specific regions of B.C.

Despite the apparent problems, the two mock TCIs were tested using 5 years of historical TCI data. That is, provincial data which was used in past TCI decision was, to the largest extent possible, divided into “more urban” and “more rural” data subsets. Cumulatively over this period (5 years of data and 4 annual reviews of TCI data), urban areas would be eligible for a TCI increase that is 0.5% higher than the provincial (actual) TCI. Rural areas would be eligible for a TCI that is 0.5% less.

Although the Board was open to the concept of a regional TCI, it is now seen as impractical. Data does not split neatly into different parts of the province. The two indices produce similar results. The development of a regional TCI has major resource implications without offering significant value.

We acknowledge the taxi cost differences in different parts of the province. However, the TCI does not measure absolute costs. It is not used to set absolute (or maximum) taxi rates as done in NSW. Rather, the TCI in B.C. measures changes in taxi costs in order to determine the maximum change in taxi rates that companies can make to the rates they currently charge.

The results of the mock regional TCI test were shared in detail with taxi stakeholders in December 2012. Representatives of the Vancouver Taxi Association indicated interest in a regional TCI but acknowledged that there was no apparent way to develop a workable approach. Representatives of the BC Taxi Association indicated continued support for a provincial TCI.

The Board does not view the NSW model as compatible with the B.C. approach to rates regulation. The B.C. model sets a maximum provincial tax rate increase based on the provincial change in tax costs. While no system is perfect, the Board remains committed to the current provincial TCI approach which it sees as effective, efficient and fair.

Board Decision

Reaffirm the B.C. TCI as province-wide.

6. Common Rate Areas

Seven urban areas in British Columbia operate under a common rate rule established by the Board. These are: Greater Victoria, Metro Vancouver, Fraser Valley, Penticton, Nanaimo, Port Alberni and Prince George.

When the Board makes a TCI increase available, the Board requires that 51% of licensees in the area submit a TCI request form before an increase is approved. For example, in the Lower Mainland, 51% of the 29 licensed taxi companies must submit a TCI increase request.

The consultant noted that a number of taxi stakeholders would like the Board to change this. The Board had also been asked to switch to a vehicle-weighted system by the Greater Victoria Taxi Association and the Vancouver Taxi Association.

The consultant recommended a switch from counting TCI requests based on the number of licensees to a weighted approach based on the number of vehicles. No recommendation was made regarding the threshold of 51%. The Board asked industry representatives for a more detailed explanation. The Board also undertook more analysis.

At the TCI stakeholder meeting in December 2012, representatives of the Vancouver Taxi Association (VTA) and BC Taxi Association (BCTA) articulated opposing views. The VTA noted that some larger companies operate as a co-operative with many owners, rather than as one large company. Thus, they argued, a system based on the number of vehicles is fairer. The BCTA noted that smaller companies lack the advantages of larger companies and that it is unfair for them to be forced into or out of TCI rate increases without having any say.

The Board took a closer look at the circumstances of each of the seven areas. It focused on the numbers of licensees and vehicles in an area. It looked to see which approach would more broadly distribute influence over TCI outcomes among the taxi companies in the area. The Board found that neither approach is universally equitable. The equitableness of an approach depends on local circumstances. Here are the results of the Board's assessments:

Lower Mainland & Fraser Valley

Influence over TCI decisions would be more equitably distributed if the current licensee-based approach was replaced with a vehicle-weighted system.

CRD & Nanaimo

The current licensee-based approach is the most equitable way to distribute influence over TCI decisions. A switch would concentrate the influence among a smaller number of companies. That is, some licensees would see their influence diminish or evaporate.

Nanaimo is unique in that there are two licensees. At present, either company can block a TCI increase whereas both companies must request a TCI increase for it to be approved. Under a vehicle-weighted system, the larger company would have full control over whether a TCI is implemented or not.

Penticton, Port Alberni and Prince George

A switch to a vehicle-weighted approach would have no substantive effect, positively or negatively, in the distribution of influence over TCI decisions.

The Board reached these conclusions after undertaking a more detailed analysis. To illustrate its approach, the analysis for the CRD and Lower Mainland are provided in Appendix B. The Board's seven individual assessments led it to conclude that equitable influence over TCI decisions depends on the current distribution of companies and taxis operating in a particular area. Where a change from a licensee-based system to a vehicle-weighted system would not clearly improve the equitable distribution of influence over TCI decisions, the status quo is seen as preferable given that it is understood and slightly easier to administer. As a result, the Board is maintaining the current licensee-based approach

for five of seven common rates areas. For Metro Vancouver and the Fraser Valley, the Board will implement a vehicle-weighted system prior to the next TCI rate increase.

The overall result is a fine-tuning of the TCI that enhances regional equity in TCI implementation decisions. Administrative implications are minor and still consistent with the aims of keeping the TCI effective, efficient and fair.

Board Decision

Implement TCI decisions on a vehicle-weighted basis in Metro Vancouver and the Fraser Valley; maintain the existing licensee-based approach for the five other areas that have a common rates rule.

7. Rates Uniformity

The rates that taxi companies charge must be approved or set by the Board. This is a requirement under the Passenger Transportation Act. New taxi applicants include proposed rates with their application. As a result of the applicant-driven system, rates can vary widely throughout the province.

The consultant reported that some taxi companies, especially those interviewed from rural areas, believe that all taxis in British Columbia should have the same flag rates for fairness purposes. These individuals see regional differences in flag rates as a problem. They also see that urban and rural taxis bear similar operating costs, although differences in cost structures are apparent. The consultant recommended that:

- the flag rate should be the same for all taxis in British Columbia, and
- distance rates may differ given regional differences in taxi cost structures.

In this review, the Board's focus is on the TCI methodology and not rates in general. However, it sees merit in promoting more uniformity in rates by means that do not expand regulatory oversight or require significant resources. The Board also acknowledges that distance rates influence taxi trip fares more than flag rates and waiting-rates. In this context, in December 2012, the Board discussed the recommendation and possible approaches with taxi stakeholders.

The Board heard from taxi associations that the value of rates uniformity is greatest within the same city. They described rates consistency as a desirable end. However, variations in rates within a region or the province as a whole are not seen as an issue. They also stated that they do not see that a heavy regulatory approach should be taken to promote consistency in regional or provincial rates.

At present, the Board's Operational Policy V.4, "Taxi Rate Harmonization and Equalization," establishes procedures by which licensees in an area may request the same rates. The policy aims to promote consistency in different areas of the province while giving affected taxi companies an opportunity for input on requests or applications to establish (or disrupt) common rates.

The Board does not intend to establish a common flag rate in different regions or for the province as a whole. The benefits do not appear significant. Such a change would conflict with Board policy that flag rates must change when an individual company changes their metered rates (including TCI rate changes). This policy was implemented to make taxi rate changes apparent to the public.

Although the Board is not implementing a uniform flag rate, as recommended, it wants to improve its ability to identify whether proposed rates are significantly higher or lower than normal. Thus, it reviewed taxi rates in B.C. to identify the current provincial average (the "mean"). It also used a standard deviation calculation to identify an upper and lower boundary for rates that fall within a normal range. The results are shown in Table 2.

The Board will immediately start to use this table as a guide when it considers new taxi applications, or taxi rate change applications (other than TCI). The posting of a normal range of rates does not define what rates the Board will or will not approve. It does not replace the requirement that applicants provide materials which support their rationale for their proposed rates. Rather, it is an objective benchmark that may be used to compare proposed rates with other Board-approved rates.

A table setting out a normal range of taxi rates will be posted online. The Board will update the table on an annual basis, usually after TCI requests have been processed. The table may

help new applicants identify the rates they propose in their application.

Table 2

Normal Taxi Rates in BC* (as of November 1, 2012)

| | Flag | Distance* | Wait Time |
|---------------------|-------------|------------------|------------------|
| Upper Normal | 2.84 | 2.34 | 49.45 |
| Average | 3.36 | 2.03 | 41.87 |
| Lower Normal | 3.88 | 1.72 | 34.28 |

**Rates include 12% HST. Sets of metered rates for all licensees in BC are included except those with dual-distance rates.*

Board Decision

Each year, the Board will publish a table that identifies the normal range of metered taxi rates in British Columbia. The Board is not implementing the recommendation to standardize flag rates in the province.

IV. Component Weighting Review

The consultant did not make findings or recommendations on whether the current weighting of the four TCI components is satisfactory or in need of a change. However, the consultant gave the Board information about weightings in four other jurisdictions. See Table 3.

Wages

The jurisdictional comparisons prompted the Board to consider the current weighting of TCI components in B.C. The Board is particularly interested in understanding whether the wages component is weighted appropriately. If wages is re-weighted, other components would be affected.

Table 3

Comparison of TCI Component Weightings in Five Jurisdictions

| Cost Profile | | | | Western | New South |
|-----------------------|-------------|----------------|---------------|------------------|------------------|
| Component | B.C. | Calgary | Ottawa | Australia | Wales* |
| Wages | 31% | 51.1% | 50.7% | 51.7% | 41% |
| Fuel | 19% | 21.6% | 23% | 6.1% | 9.7% |
| Insurance | 13% | 5.8% | 6.2% | 3% | 7.4% |
| CPI or “other” | 37% | 21.5% | 20.1% | 39.2% | 41.9% |

**An average of “urban” and “country” TCI weightings*

Other Component Weighting Matters

During consultations with taxi associations in December 2012, it was suggested that optional insurance coverage for extended 3rd party liability (e.g. from \$5 million to \$10 million) is commonly purchased for taxis in larger population centres. At present, this cost is excluded from TCI cost change calculations. Industry representatives suggested that it should be included. Similarly, the component weighting review will provide an opportunity to consider the appropriateness of the current weighting of fuel subcomponents (regular gas, diesel, propane, natural gas).

Annual Cost Surveys

Each year, the Board asks eight or nine taxi companies in the province to complete a survey which asks for average operating costs of at least ten taxis in its fleet. The Board uses this information to monitor the cost structure of taxis in British Columbia. It has tended to reflect the component weightings within about 2%. During the consultation with taxi associations in December 2012, agreement was reached that Board staff would collaborate with the Vancouver Taxi Association and B.C. Taxi Association to develop cost reporting

guidelines. This would make it easier for companies to complete the surveys and improve the consistency in how costs are reported. This enhancement should improve the usefulness of the cost surveys when considering the weighting of TCI components.

Board Decision

The Board will review the weighting of TCI components and implement any changes in Spring 2014.

V. Conclusion

The Taxi Cost Index is an effective, efficient and fair way to make periodic taxi rate increases available in British Columbia. The Board has considered a number of potential changes based on a consultant's recommendations, input from stakeholders, and further analysis by Board staff. The Board has taken a considered and pragmatic approach to suggested adjustments to the TCI. A summary of Board decisions is provided below.

1. **The minimum TCI increase is raised to 2%.** This minor adjustment prevents situations where a rate increase is perceived as too low to justify the cost of changing and re-sealing a meter, especially in larger population centres.
2. **End of Temporary Fuel Surcharges.** Now that the Board reviews TCI data every year, instead of every two years, the temporary fuel surcharge and extra implementation steps are no longer needed.
3. **Annual Data Reviews.** The Board concluded that annual review of TCI data each Spring is an appropriate and practical frequency despite a recommendation for twice-yearly reviews.
4. **Provincial TCI.** Despite interest in a Regional TCI, the Board concluded that the current-provincial approach is the most effective, efficient and fair in the British Columbia context.
5. **TCI Implementation in Common Rates Areas.** Taxi companies in the Lower Mainland and CRD asked the Board to look at the way TCI increases are approved in common rate areas. It looked at whether a vehicle-weighted approach would be more or less equitable. It is making a change in Metro Vancouver and the Fraser Valley because a vehicle-weighted approach would more equitably distribute influence over TCI implementation decisions in these areas.

6. **Posting a Normal Range of Taxi Rates.** In response to questions about the variability of taxi rates in the province, the Board will publish a provincial average and normal range of taxi rates. This may be helpful to applicants before they submit their application, and it may serve as a reference point for the Board when making taxi rates decisions.
7. **Component Weighting Review.** The weighting of TCI cost components have not been reviewed since 2003. The Board will complete a review of TCI component weightings and related matters by Spring 2014 when it reviews TCI data for the 2013 calendar year.

VI. Appendices

Appendix A: TCI Chronology

The following chronology details the history of taxi rates increases in Metro Vancouver.. Except for the MCC Orders, all rate increases were available throughout British Columbia.

Table 4:

History of Rate Changes in the Lower Mainland (Metro Vancouver) Since 2000

| Meter Change Event | Date | Rate Increase | Taxes |
|---|-------------------|----------------------|--------------|
| MCC Order 2-01 Further to Order MCC Order 15-00 allowing increase of up to 11% | March 15, 2001 | 9.3% | 7% GST |
| TCI 2002 | May 3, 2003 | 3.34% | 7% GST |
| TCI 2004 | March 27, 2005 | 8.77% | 7% GST |
| TFS 2005 | November 12, 2005 | 4.5% | 7% GST |
| TCI 2006 End 4.5% TFS. Add 5.77% TCI | July 1, 2006 | 1.27% | 6% GST |
| TCI 2008 | January 5, 2008 | 2.27% | 5% GST |
| TFS 2008 | July 12, 2008 | 3.5% | 5% GST |
| TCI 2009 End 3.5% TFS, Add 3.16% TCI (0.34% decrease pending) | January 1, 2009 | 0% | 5% GST |
| TCI 2009B 5.00% less 0.34% carry over | June 20, 2009 | 4.66% | 5% GST |
| Implement 12% HST (taxi camera surcharge ended) | July 1, 2010 | 0% | 12% HST |
| TCI 2011 | June 18, 2011 | 2.38% | 12% HST |
| TCI 2012 | July 7, 2012 | 1.6% | 12% HST |

Legend:

TFS = Temporary Fuel Surcharge

TCI = Taxi Cost Index

GST = Goods and Services Tax (included in metered taxi fares)

HST = Harmonized Sales Tax (included in metered taxi fares)

Appendix B: TCI Decisions for Common Rate Areas

This appendix looks two of seven common rate areas in B.C.: the Capital Regional District (CRD) with Table 5 and the Lower Mainland (Metro Vancouver) with Table 6. These areas were selected as examples which show how the Board compared two approaches for making TCI implementation decisions: a licensee approach and a vehicle-weighted approach. Please note that some numbers may be out of date and that the numbers may change over time.

CRD

Table 5:

CRD Distribution of Taxi Licences & Vehicles

| CRD Licensees | Single-Licence Votes | Licensee Vehicles | DBA Vehicles by Alliance | Weighted Votes |
|-----------------|----------------------|-------------------|--------------------------|----------------|
| City & Country | 1 | 92 | 0 | 92 |
| Bluebird | 1 | 42 | 41 | 83 |
| Victoria Taxi | 1 | 32 | 23 | 55 |
| Esquimalt Taxi | 1 | 12 | 3 | 15 |
| Westshore | 1 | 6 | 6 | 12 |
| Weir(Peninsula) | 1 | 5 | 0 | 5 |
| Sooke Harbour | 1 | 4 | 1 | 5 |
| Other Licensees | 66 | 82 | 8 | 8 |
| TOTAL | 73 | 275 | 82 | 275 |
| 51% | 37 | | | 138 |

Notes:

The CRD situation is more complex than other common rates areas in British Columbia. At present, a TCI will be implemented when at least 37 of 73 taxi licensees request a TCI increase. If a vehicle-weighted approach were implemented, TCI would be implemented if licensees with at least 138 of 275 vehicles request a TCI increase. At present, licence-

based voting gives more licensees influence over TCI implementation decisions. This distribution is at the expense of City & Country Taxi which has 92 vehicles and its TCI request counts as 1 (licensee). At present, the major companies can influence TCI decisions through the many independent licensees that do business through one of the major company’s dispatch (especially BlueBird and Victoria Taxi). However, we have seen that this does not necessarily happen.

In short, a switch to a vehicle-weighted system would centralize influence with the three main companies: City & Country, Bluebird and Victoria Taxi. It would effectively disempower 17 licensees (with 42 of 275 vehicles) which are not affiliated with the three large companies. Further, it would reduce the influence of independent licensees which are affiliated with the larger companies.

Lower Mainland

Table 6:
Lower Mainland Distribution of Taxi Licences & Vehicles

| Lower Mainland Licensees | Single-Licence Votes | Vehicle-Weighted Votes |
|---------------------------------|-----------------------------|-------------------------------|
| Vancouver Companies | 5 | 589 |
| Suburban Companies | 24 | 960 |
| TOTAL | 29 | 1549 |
| 51% | 15 | 775 |

Notes:

Table 6 provides a simplified picture of the Lower Mainland situation. At present, influence over TCI decisions is concentrated among licensees in the suburban areas. This would not change if a vehicle-weighted system were adopted. However, shifting to a vehicle-weighted approach would result in a more equitable distribution of influence over TCI decisions throughout the Lower Mainland.