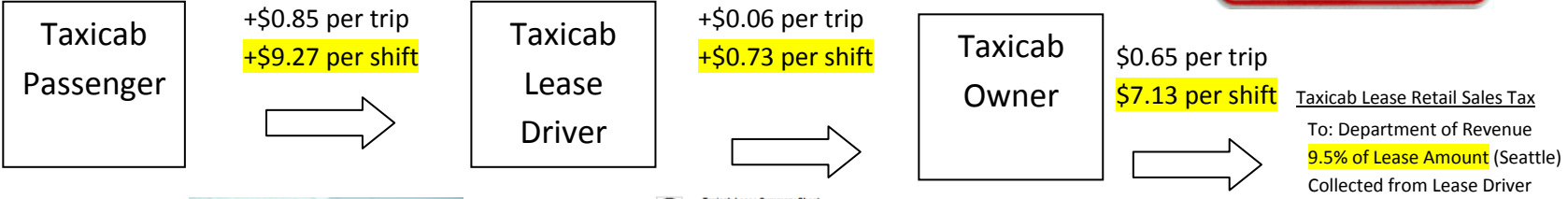




Proposed Taximeter Rate Changes and Taxicab Lease Cap Changes

To Reflect Workers' Compensation Industrial Insurance Premiums, Retail Sales Tax on Taxicab Leases, and Cost-of-Living Adjustment



\$0.26 per trip
\$2.87 per shift

Taximeter Rates [Existing]
 \$2.50 Drop Charge (1st 1/10 mile) and
 \$0.25 Distance Charge (each add'l 1/10 mile) or
 [Taxicab speed > 12 mph]
 \$0.25 Time Charge (every 30 seconds)
 [Taxicab speed < 12 mph]
 \$32.00 Downtown to Airport Flat Rate

Taximeter Rates [Proposed]
 \$2.50 Drop Charge (1st 1/9 mile) and
 \$0.30 Distance Charge (each add'l 1/9 mile) or
 [Taxicab speed > 11 mph]
 \$0.30 Time Charge (every 36 seconds)
 [Taxicab speed < 11 mph]
 \$40.00 Downtown to Airport Flat Rate

Taxicab Lease Caps [Existing]
 \$75 per 12-hour Shift
 [+\$15 "green" vehicle surcharge] or
 \$420 per 7-day Week
 [+\$105 "green" vehicle surcharge] or
 \$1,680 per calendar Month
 [+\$420 "green" vehicle surcharge]

Taxicab Lease Caps [Proposed]
 \$85 per 12-hour Shift
 [+\$15 "green" vehicle surcharge] or
 \$475 per 7-day Week
 [+\$105 "green" vehicle surcharge] or
 \$1,900 per calendar Month
 [+\$420 "green" vehicle surcharge]

Workers' Compensation Premiums [Rev. for Jan 1, 2012]
 To: Department of Labor & Industries
 \$0.5443 per Hour (actual hours worked) or
 \$522 per Quarter (flat rate for 960 hrs. if double-shifted) or
 \$261 per Quarter (flat rate for 480 hrs. for single shift)

Cost-of-Living Adjustment [2008-2011]
 CPI-U Index Seattle-Tacoma-Bremerton, WA
 2008 Annual Index 224.719
 2011 1st Half Index 230.815
 Change **+2.7%**

Proposed Taximeter Rate Changes and Taxicab Lease Cap Changes [continued]

Workers' Compensation Industrial Insurance Premiums

The following assumptions were used to estimate the impact of Taxicab Driver Workers' Comp on taximeter rates.

Insurance Premium : \$261 per Quarter per Driver (Shift) or **\$2.87 per Shift** [assumes 91 Days or Shifts per Quarter]

Average Trips per Shift: 10.9 (Reported by Drivers in 2008 Survey)

And, \$2.87 per Shift/10.9 Trips per Shift = **\$0.26 per Trip**

Taxicab Lease Retail Sales Tax

The following assumptions were used to estimate the impact of Taxicab Lease Retail Sales Tax on taximeter rates.

Median Lease Amount: \$75 per Shift

Retail Sales Tax Rate (Seattle): 9.5% or (0.095)(\$75) = **\$7.125 per Shift**

Average Trips per Shift: 10.9 (Reported by Drivers in 2008 Survey)

And, \$7.125 per Shift/10.9 Trips per Shift = **\$0.65 per Trip**

Changes to Cost-of-Living During Period 2008-2011(1st Half)

The following assumptions were used to estimate the impact of Cost-of-Living increases on taximeter rates.

Change in Consumer Price Index (Urban Areas) for Seattle-Tacoma-Bremerton: +2.7%

Average Taximeter Fare (2009-2010): \$14.80 per Trip

Average Costs as Percentage of Fare Revenue: 50% (est.)

And, (\$14.80 per Trip)(0.027)(0.5) = **\$0.20 per Trip**

Sum of all New Costs

The summed additional costs of Workers' Compensation Industrial Insurance Premiums, Taxicab Lease Retail Sales Tax and Changes to the Cost-of-Living are as follows:

Additional Costs	Per Trip	Per Shift
Workers' Compensation	+\$0.26	\$2.87
Taxicab Lease Retail Sales Tax	+\$0.65	\$7.125
Changes to Cost-of-Living	+\$0.20	\$2.18
Totals	+\$1.11	\$12.10

Since the proposed taximeter rate adds just \$9.27 per shift in new passenger fare revenue passengers will effectively pay for nearly all of the \$10.00 combined costs of Workers' Compensation industrial insurance premiums and Retail Sales Tax on taxicab leases. And, because the maximum lease cap increase is \$10.00 per shift, the most that a lease driver will pay out-of-pocket is \$0.73 per shift but that would only occur if the taxicab owner raised the taxicab lease amount the full \$10.00 increase per shift that will be authorized. If the lease amount is only increased by \$5.00 per shift, instead of \$10.00 per shift, then the lease driver would enjoy \$4.27 per shift in new income (nearly double the \$2.18 per shift Cost-of-Living adjustment) while the taxicab owner would lose \$5.00 per shift in existing lease revenue. Currently, taxicab owners affiliated with Yellow Cab generally charge the full lease cap (\$75 per shift/\$420 per week) but taxicab owners affiliated with Orange Cab and Farwest Taxi typically charge less than the lease cap (\$60 per shift/\$350 per week).

Proposed Taximeter Rate Changes and Taxicab Lease Cap Changes [continued]

Average Trip Revenue from Existing and Proposed Taximeter Rates

The Actual and Projected Trip Revenue based upon Existing and Proposed Taximeter Rates assuming an Average Trip Distance of 4.4 miles:

Taximeter Rate Components	Existing Taximeter Rates/Fares		Proposed Taximeter Rates/Fares Distance Charge Option		Proposed Taximeter Rates/Fares Drop Charge Option		Comments Distance Charge Option
	Rates	Fares	Rates	Fares	Rates	Fares	
Per Trip							
Drop	\$2.50 1 st 1/10 mi	\$2.50	\$2.50 1 st 1/9 mi	\$2.50	\$3.15 1 st 1/10 mi	\$3.15	Drop increment changes slightly
Distance	\$0.25 per 1/10 mi	\$10.75	\$0.30 per 1/9 mi	\$11.60	\$0.25 per 1/10 mi	\$10.75	Increase of \$2.70 v. \$2.50 per mile
Time	\$0.25 per 30 sec	\$1.55	\$0.30 per 36 sec	\$1.55	\$0.25 per 30 sec	\$1.55	Still \$0.50 per minute
Total		\$14.80		\$15.65		\$15.45	Average fare increase \$0.85 (+5.7%)

Change to Downtown-to-Airport Flat Rate

The distance from South Dearborn Street (the southern boundary of the Downtown Hotel District) to Sea-Tac Airport via I-5 is 14.9 miles. The Proposed Taximeter Rate would add \$0.20 per mile to the Distance Charge component of the Taximeter Rate. The flat rate should be raised to \$40 which is the actual taximeter rate from the Sheraton Hotel in downtown Seattle to Sea-Tac Airport.

Estimated Impact of Proposed Higher Taximeter Rate on Total Revenue Trips and Total Trip Revenue

The Price Elasticity of Demand was computed as 0.5659 after the most recent taximeter rate change in 2008. In other words, the public demand for taxicab service is relatively inelastic (unresponsive to changes in price) in the range of average trip fares between \$13.11 (2007) and \$14.80 (2010). On October 1, 2008, when taximeter rates were increased from \$2.50 drop/\$2.00 per mile/\$0.50 per minute to \$2.50 drop/\$2.50 per mile/\$0.50 per minute, total revenue trips declined 7.3% from 5,273,527 to 4,890,835 but total fare revenue still increased \$3,288,245 (4.8%). There is a gap in the annual data of two years but the recession began in 2008 at the start of this period so the "before" (the taximeter rate hike) statistics are considered to have leveled off and are deemed valid. Moreover, the previous estimate of the Price Elasticity of Demand computed after the April 1, 2005 taximeter rate increase was also inelastic (< 1.0) at 0.2472. On April 1, 2005, when taximeter rates were increased from \$1.80 drop/\$1.80 per mile/\$0.50 per minute to \$2.50 drop/\$2.00 per mile/\$0.50 per minute, total revenue trips declined 4.3% from 5,117,889 to 4,900,315 but total fare revenue still increased \$6,945,014 (12.4%).

The most recent value for the Price Elasticity of Demand (PED), or the absolute value of the percentage change in the quantity of taxicab trips demanded divided by the percentage change in the average fare (price of a taxicab trip), was 0.5659. Using this PED, the impact of this proposed change in the Taximeter Rate has been projected. The total quantity of taxicab trips demanded is expected to decline by 158,952 (-3.25%) as a result of the proposed increase of the Taximeter Rate. But, the total fare revenue is projected to increase by \$1,650,868 (+5.74%).

$$PED = \left| \frac{\% \Delta Q_D}{\% \Delta P} \right|, \quad \left| \frac{\% \Delta Q_D}{0.0574} \right| = 0.5659, \quad \% \Delta Q_D = (0.5659)(0.0574) = 0.0325 \text{ or } 3.25\%$$

(4,890,835 rev. trips)(0.0325) = - 158,952 rev. trips (-3.25%)
 (4,731,883) (\$15.65) = \$74,053,969 total fare revenue (2012 projection)

4,890,835 rev. trips – 158,952 rev. trips = 4,731,883 total revenue trips (2012 projection)
 \$74,053,969 fare rev (in 2012) - \$72,403,101 (in 2010) = + \$1,650,868 (+5.74%)

Summary of Impacts of Proposed Taximeter Rate Changes and Taxicab Lease Cap Changes on Public and Taxicab Industry

This proposal assumes that new passenger fare revenue from the increased Taximeter Rate will largely pay for the costs of Workers' Compensation industrial insurance premiums and Retail Sales Tax on taxicab lease amounts. This recognizes that taxicab lease drivers work long hours (58 hours per week) for low pay (\$10 per hour) and cannot afford to pay these new costs out-of-pocket. Limiting the fare increase to the distance charge component of the Taximeter Rate makes the fare increase proportional to the trip distance which is most fair. This rate structure also recognizes that many taxicab passengers have fixed (retired) or low incomes but still are dependent on frequent short trips by taxicab for shopping and doctor appointments where use of transit just isn't practical.

Taxicab Passengers.

Taxicab passengers will pay approximately \$0.85 (5.7%) more for each taxicab trip. The taximeter rate cannot be more fine-tuned with using too large increments or charging fares that include pennies or fractional cents. The average taxicab trip fare (4.4 miles) will increase from \$14.80 to \$15.65. The taxicab passenger must bear these added costs because the consumer must pay the actual cost for unsubsidized taxicab service. The Seattle and King County taxicab industry is a privately owned for-profit industry comprised of nearly 700 small businesses that own the 929 taxicabs and about 2,500 taxicab drivers.

Taxicab Drivers.

Taxicab drivers will pay no more than \$0.73 per shift out-of-pocket but could also end up with new income depending on whether the entire lease cap increase is applied by the individual taxicab owner. Taxicab lease drivers, who are independent contractors, have a valuable new benefit with Workers' Compensation industrial insurance for work-related injuries (i.e., medical costs paid, income replacement, disability) which is very important if they are the only source of income for their household.

Taxicab Owners.

Taxicab owners will pay nothing out-of-pocket. The Evergreen State Taxi Association (ESTA), the statewide taxicab owner lobby group, proposed ESHB 1367 which recommended mandatory Workers' Compensation for taxicab drivers. Taxicab lease caps (Rule R-6.310.315) will be raised from \$75 per 12-hour shift to \$85 per 12-hour shift to allow the passenger contributions to these costs to "pass through" the driver's hands to the taxicab owner. The taxicab owner, in turn, must pass this additional revenue through to the Dept. of Revenue (retail sales tax on taxicab lease amounts) and to the Dept. of Labor and Industries (Workers' Compensation industrial insurance premiums). This proposal assumes that both of these expenses will be included under the taxicab lease cap.

Seattle Taxicab Industry Revenue and Operating Statistics

The following taxicab industry operating and economic statistics are assumed to be valid for the purpose of this analysis.

Taxicab Driver Mailed Survey [2008] (averages)

Hours worked per shift: 10.2
 Shifts worked per week: 5.7
 Fares per shift: \$203 Tips per shift: \$23
 Trips per shift: 10.9
 Driver income per hour: \$10.50

Seattle Taxicab Industry Revenue and Operating Statistics [Using Taximeter Totalizer Readings [2009-2010]

Revenue trips per taxicab – annual: 7,422 Revenue trips per taxicab per day: 20.3
 Average trip distance: 4.4 miles
 Revenue trips per shift: 13.5 (assumes 1.5 shifts per taxicab)
 Average taximeter fare: \$14.80
 Driver income per hour: \$10.00