
LEGISLATIVE REFERENCE BUREAU MEMORANDUM

To: The honorable Common Council
From: Barry J. Zalben, Manager
Subject: Taxicab operating costs and meter rates
Date: 21 July 2004

This report is submitted pursuant to s. 100-52-2-b of the code, which states that the Legislative Reference Bureau will provide, on or before July 1 in each even-numbered year, information from the International Taxicab and Livery Association or other sources with respect to taxicab meter rates and operating costs.

Taxi Cost Index – City of Los Angeles

In November 1999, the Board of Taxicab Commissioners of the City of Los Angeles approved the use of a Taxi Cost Index (TCI) to monitor inflation and cost of living changes in the Consumer Price Index (CPI) as related to the taxicab industry. Per the Board Report, Los Angeles Department of Transportation (LADOT) staff will review the TCI annually, and, should the Taxi Cost Index reflect *more than a 5% change* as compared to *the last meter rate assessment baseline*, a further review of rates is to be conducted. That is, if the TCI reveals a change of more than 5%, the staff will review the factors that compose the TCI, determine the cause of the increase, compare that cause to the experience nationwide, and determine whether to increase the meter rates.

Due to the rapidly increasing cost of fuel in 2000-2001, LADOT staff did not wait for the normal annual Taxi Cost Index (TCI) review of Consumer Price Index (CPI) levels, but instead, used a five month average of values (January through May 2001) to create the next assessment baseline. These TCI and CPI values were compared to the previous index levels established in 1998. The TCI index values from 1998 to 2001 increased by more than 10%, thus initiating a full rate analysis review.

Taximeter rate changes went into effect May 18, 2000 (using 1998 CPI levels as the baseline). This was the first rate increase for the industry since 1986 and the increase was 12.5% per mile (\$1.60 to \$1.80 per mile). Another rate change became effective September 3, 2001 (using 2001 CPI levels from January through May 2001 as the new baseline levels). The increase was 11.1% per mile (\$1.80 to \$2.00 per mile).

The total change in the TCI level from the 2001 taximeter increase (using the first five months of 2001 as the assessment baseline) through calendar year 2003 was only 4.7%, and therefore, no further rate review was conducted.

2003 Taxi Cost Index Review

LADOT staff reviewed the annual Taxi Cost Index levels for calendar year 2001 through 2003 along with the changes in the overall CPI levels for transportation and the cost of fuel. The table below provides a summary of the annual index changes from 2001 to 2003. Raw data for each index is indicated below along with some calculations for 2001 through 2003 TCI changes.

TCI Indices from 2001 through 2003

Year or Month	Fuel 13%	Rpr & Maint 13%	Driver Returns 55%	Insrnce 6%	Disptch Returns 6%	Depr & Return on Investmnt 5%	Misc 2%	TCI w/ 2001(1-5) Baseline 100%
01-05 2001 baseline	128.6	181.6	13.00 (new baseline)	263.6	176.0	153.2	176.0	100.00
2001	122.2	183.5	13.02	268.1	177.3	152.1	177.3	99.70 (0.3% decrease)
2002	117.6	190.2	13.14	291.6	182.2	145.9	182.2	100.8 (0.8% increase)
2003	142.1	195.6	13.29	314.4	187.0	137.1	187.0	104.7 (4.7% increase)
2003 % of 2001 baseline	110.5% of 2001 baseline	107.7% of 2001 baseline	102.2% of 2001 baseline	119.3% of 2001 baseline	106.3% of 2001 baseline	89.5% of 2001 baseline	106.3% of 2001 baseline	104.7% of 2001 baseline

The total Tax Cost Index increased by 4.7% since the last baseline established in 2001. Using the first five months of 2001 as the new baseline, the TCI index must now reach 105 again prior to the requirement for a full rate analysis.

CPI and Tax Cost Index Factors

The Tax Cost Index (TCI) includes several indicators from the Consumer Price Index (CPI) as provided by the Bureau of Labor Statistics monthly and annually. The indices chosen for the TCI are relevant to the cost of doing business in the taxicab industry. An advantage of using the TCI is that it is not necessary to know the actual dollar amounts spent or earned by individual taxicab operators, rather, it is only necessary to know the proportions of a particular type of service or expense used by the entire industry.

The component indices account for fuel, vehicle maintenance, average hourly earnings (driver returns), vehicle insurance, overall CPI changes for dispatch returns and miscellaneous items, vehicle depreciation and return on investment (used cars and trucks). The employment series used for average hourly wages was changed in 2003. The Department of Labor changed its reporting classification from the Standard Industrial Classification System (SIC) to the North American Industry Classification System (NAICS). Based on these changes, the series for hourly average wages in Los Angeles-Long Beach Manufacturing is now different with slightly lower values than previously reported. Although the average wages are slightly different, it is the percentage of change from one year to the next that affects the index, not the actual value. Index weighting in the complete TCI calculation, is as follows:

Taxi Cost Index Factors

TAXI INDEX	WGT	CONSUMER PRICE INDEX SERIES
Fuel	13%	CPI - Gasoline (All Types) - Los Angeles - Riverside - Orange County - (Series CUUSA421SETB01)
Repairs and Maintenance	13%	CPI - Motor Vehicle Maintenance - US City Average - (Series CUUS0000SETD)
Driver Returns	55%	Average Hourly Earnings - Manufacturing - Los Angeles - Long Beach - (old Series SAU0644803000016) (new Series SMU064480300000006)
Insurance	6%	CPI - Motor Vehicle Insurance - US City Average - (Series CUUR0000SETE)
Dispatch Returns	6%	CPI - All Items - Los Angeles - Riverside - Orange County - (Series CUUSA421SA0)
Depreciation and Return on Investment	5%	CPI - Used Cars and Trucks - City Size A - (Series CUUSA000SETA02)
Miscellaneous	2%	CPI - All Items - Los Angeles - Riverside - Orange County - (Series CUUSA421SA0)
Total	100%	Review TCI annually. If the index varies by more than 5% annually since most recent adjustment, submit report to the Board.

International Taxicab and Livery Association

In October 2000, International Taxicab & Livery Association became the Taxicab, Limousine & Paratransit Association (TLPA). This new name more clearly identifies the different types of transportation companies the association has grown to encompass.

Per Harold Morgan, Director of Research and Education, the 2003 operating costs for taxicabs were:

Number of vehicles in fleet	2002 Operating cost per mile	2003 Operating cost per mile	% Change
1 - 24	\$1.11	\$1.23	11%
25 – 99	\$1.12	\$1.25	12%
100+	\$1.145	\$0.99	-14%

The operating costs for taxicabs are derived from the Taxicab Division Fact Book, which TLPA produces and publishes each spring. The information presented is based on the results of a questionnaire distributed to the approximately 700 TLPA members nationwide in the Taxicab Division. Developed by members of the Taxicab Steering Committee, it provides information regarding operating costs, rates, revenue, insurance, and licensing.