Fare Structure Policy

AUGUST 25, 2023

Background Information

- The industry has not requested a taxicab rate increase in 11 years due to competition with Transportation Network Companies (TNCs), also known as ride-hailing companies. The last rate increase took place in 2012.
- The cost increases during the past 11 years have significantly impacted drivers.
- Since 2012, the cost of living in the area has risen considerably. Some examples include:
  - 29% increase in average wages
  - 20% increase in rent
  - 26% increase in Consumer Price Index (CPI)
  - 28% increase in the cost of gasoline
- To alleviate inflation pressures on drivers, the industry requested that staff review taxicab fares at various meetings with the Director and during the For-Hire Vehicle Advisory Council (FHVAC) stakeholder meeting in May 2023.

Background Information

- The City of Alexandria and Arlington County recently increased taxi fares in their respective jurisdictions.
- Since 2020 peer cities including NYC, San Francisco, and Chicago have increased taxi fares in response to inflation and to ensure drivers receive fair compensation.
- Higher fares will help with driver retention and recruitment leading to additional taxis on the road for all residents including individuals with disabilities.
- Staff recommends a slight increase to taxicab fares to support economic sustainability, enhance the quality of service, promote fair competition, and demonstrate the District's commitment to maintaining a reliable and efficient for-hire transportation system.

Detailed Justification

1. Economic Realities and Inflation: Cost of living, fuel prices, maintenance, and insurance expenses have all increased significantly since the last taxi rate adjustment in 2012. As a result, taxi drivers are facing financial strain, which can lead to experienced drivers leaving the industry. Fewer drivers means longer customer wait times or no taxis available when costumers want them. Those customers then find other options. By implementing a marginal increase in taxi rates, we can ensure that drivers receive fair compensation for their services, enabling them to sustain their livelihoods and provide reliable transportation for passengers.

Detailed Justification (cont'd)

2. Driver Welfare and Retention: Taxi drivers play an important role in the District's transportation network, providing a convenient and accessible mode of transportation for residents and visitors to the District. Drivers often work long hours dealing with traffic congestion and diverse passenger needs. By raising taxi rates, we can ensure that drivers receive fair compensation for their efforts, leading to increased job satisfaction, driver retention, and a more motivated workforce. Additionally, higher rates can attract more drivers leading to additional taxis on the road for all residents including individuals with disabilities.

Detailed Justification (cont'd)

3. Encouraging Fair Competition: A modest increase in taxi rates will help level the playing field among various vehicle for-hire operators including TNCs. It will also ensure drivers wages are in line with that of neighboring jurisdictions like Alexandria and Arlington County. Ridesharing services and other alternatives often operate at different price points. Since the pandemic TNC fares for trips shorter than 10 miles have significantly increased. By adjusting taxi rates, we can create a fairer competitive landscape that recognizes the importance of traditional taxi services while offering passengers a choice that reflects the true cost of providing safe and reliable transportation.

Additional Facts and Existing Rates

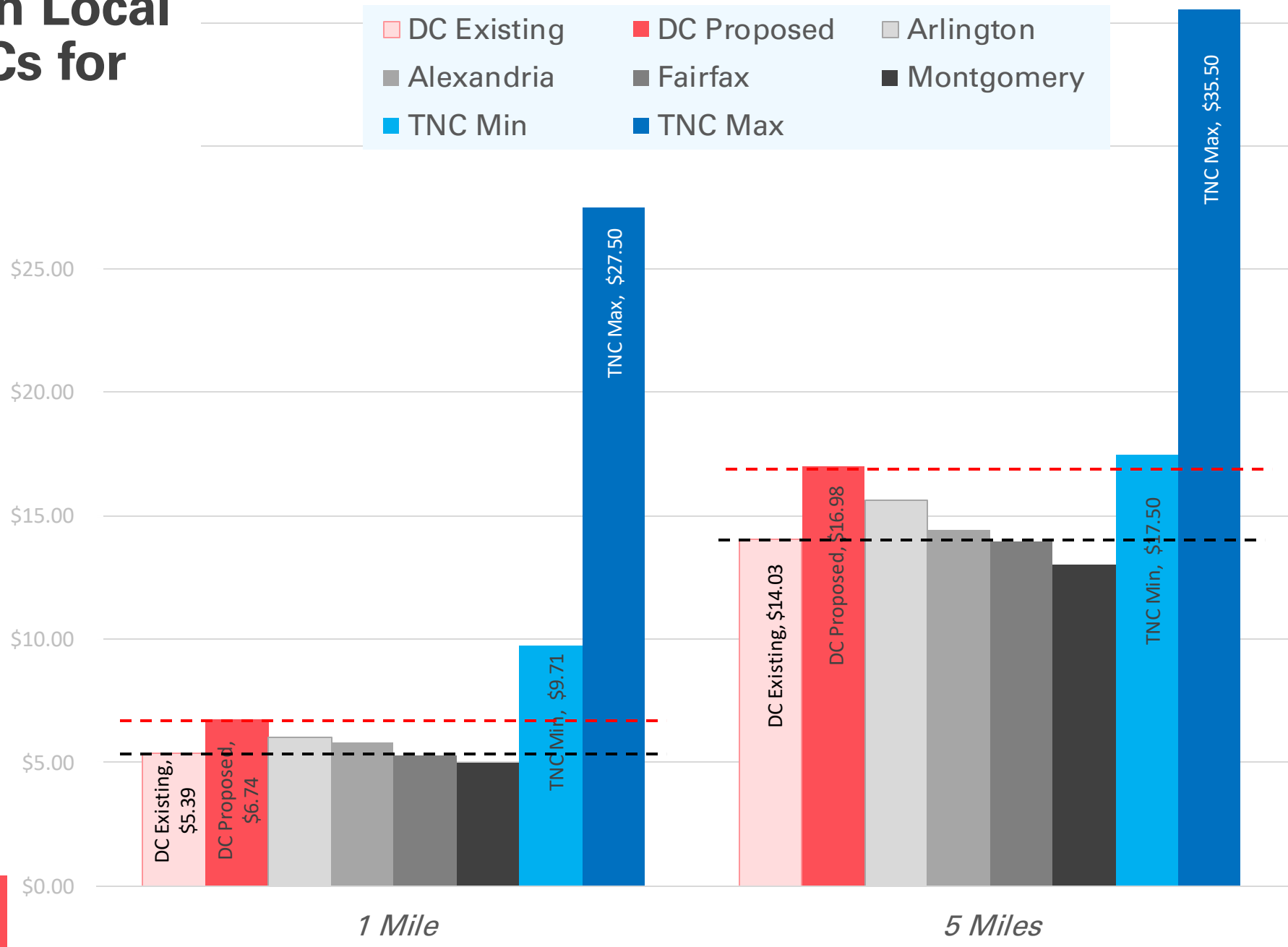
- Taxis account for 7% of the vehicle for-hire industry market share in the District.
- Most (85%) taxi trips in the District are under five (5) miles.
- 60% of the trips are two (2) miles or under (43% under one mile and 17% under two miles).
- Existing Taxi Rates:
  - Minimum fare or flag drop rate: $3.50 (includes a $0.25 passenger surcharge)
  - General distance rate or per mile rate: $2.16 per mile
- Currently taxi rates for trips under 5 miles in the District are lower than trips of the same distance in Arlington and Alexandria.
- Currently TNC rates for trips under 5 miles are higher than taxi rates.

	DC Existing ** includes fares in normal traffic* ***does not include dispatch fee*	**Arlington**	**Alexandria**	**Fairfax**	**Montgomery**	**TNC Min.**	**TNC Max.**
1 Mile	$ 5.39	$ 6.00	$ 5.80	$ 5.30	$ 5.00	$ 9.71	$ 27.50
5 Miles	$ 14.03	$ 15.60	$ 14.44	$ 13.94	$ 13.00	$ 17.50	$ 35.50

Proposal

- The following fare changes are proposed in the Rulemaking:
  - Increase the minimum fare or flag drop rate from $3.25 to $4.00
  - Increase the taxicab passenger surcharge from $0.25 to $0.50 per trip
  - Increase the general distance rate from $2.16 per mile to $2.56 per mile
- This proposal will increase the fare by $ 1.35 for one-mile and $1.75 for two-mile trips.
- Even with the proposed fare increase taxi rates remain lower than TNCs and relatively comparable with the City of Alexandria and Arlington County for trips under 5 miles.

Rate Comparison with Local Jurisdictions and TNCs for Trips Under 5 Miles

Notes:

- Taxi rates are calculated based on a fare amount under normal traffic conditions.
- Taxi rates do not include a dispatch fee.
- TNC rates are point in time estimates based on manual data entry on Uber's website and may include surge pricing and other unknown metrics used by the company's algorithm
- TNCs do not report fare amount per trip to DFHV.