

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Department of For-Hire Vehicle



Government of the District of Columbia
Department of For-Hire Vehicles

REVIEW OF RATE STRUCTURE

AND

DECISION PURSUANT TO

D.C. OFFICIAL CODE § 50-301.17

MARCH 4, 2024

I. SUMMARY:

This decision of the District of Columbia Department of For-Hire Vehicles (“Department” or “DFHV”) reflects the Department’s statutorily required review of the metered taxicab rate structure to determine whether a “modification or adjustment” in the schedule is warranted.

DFHV published a Notice of Proposed Rulemaking on October 13, 2023, and conducted a public hearing on November 2, 2023, at which it heard testimony and received comments from stakeholders. This review concerns street hail and telephone dispatch rates and does not address digital dispatch rates, which are set by the Dispatch Services themselves.

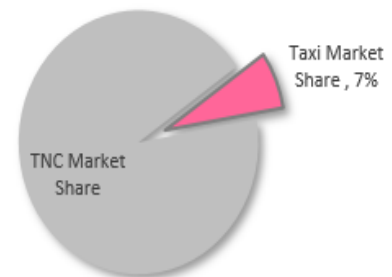
DFHV conducted a fare review analysis in August 2023 and concluded that the fares must be slightly adjusted to alleviate inflation pressures, support economic sustainability, enhance the quality of service, and promote fair competition. Higher fares will help with driver retention and recruitment leading to additional taxis on the road for all residents including individuals with disabilities.

Following the November 2023 hearing, and based on all the testimony and written comments received, as well as the other information identified herein, the Department has conducted the equitable balancing required by the statute, *see* D.C. OFFICIAL CODE § 50-301.17 (b), and for the reasons stated herein, finds the following modifications or adjustments should be made to the metered taxicab rate structure:

- 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

II. INTRODUCTION AND BACKGROUND

The taxi market rate has continued to shrink since the private-for-hire industry entered the market in the District. The Department of For-Hire Vehicles’ data indicates that taxis account for 7% of the vehicle-for-hire industry market share in the District. Due to competition with private vehicle-for-hire companies (also known as a private sedan business or transportation network company “TNC”), the industry has been cautious about increasing the taxicab rate. The last time the minimum flag drop rate and per-mileage rate were changed was in 2012. Since then, cost of living increases have significantly impacted drivers. Some examples include:



- 29% increase in average employee wages in the region
- 20% increase in rent
- 26% increase in the Consumer Price Index (CPI)
- 28% increase in the cost of gasoline

In July 2023, a group of 300 taxicab drivers sent a petition to the DFHV requesting a review of taxicab fares and other regular barriers to entry. In addition, during a stakeholder review session

conducted by the For-Hire Vehicle Advisory Council (FHVAC) Chairman in May 2023, stakeholders indicated the need to adjust fares to align with neighboring jurisdictions. Both the City of Alexandria and Arlington County increased taxi fares in their respective jurisdictions in early 2023. Furthermore, 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.

III. SUMMARY OF PUBLIC COMMENTS

At the public hearing in November, 3 participants attended, and DFHV received 46 written comments in response to the proposed taxicab fare adjustment. The comments include diverse opinions and perspectives from taxi drivers and ANCs.

Most comments, express support for the fare adjustment indicating a strong consensus among stakeholders in favor of the proposed changes. A total of 28 expressed support of the fare changes as proposed. Additionally, 11 comments combined support with additional recommendations, suggesting that while these stakeholders are generally in agreement with the fare adjustment, they also had additional considerations.

DFHV also received (4) comments in opposition to the proposed changes. An additional opposing comment also included alternative fare recommendations. A small number of comments provided recommendations that were not specifically focused on the taxicab fare adjustment itself but address other concerns facing taxicab drivers.

Key issues identified from the comments are as follows:

- 1. Fare rate adjustment:** Some commenters suggest careful consideration of the fare increase percentage, with a warning that a high increase might drive passengers to prefer TNC services.
- 2. Charges for extra passengers and luggage:** A recurring theme among the recommendations is the increase in charges for both extra passengers and luggage, emphasizing that this is a common practice in other jurisdictions and should be adopted to ensure fairness and financial viability for drivers. Stakeholders express the need to focus on these areas, suggesting that additional charges are essential for drivers to cover their expenses and provide better service. A wheelchair-accessible taxi driver shared the challenges of frequently carrying heavy luggage without being able to charge extra. There are suggestions to reintroduce old surcharge rates for the number of passengers and luggage, indicating a desire to return to previous pricing structures that perhaps were more favorable to some drivers.
- 3. Addressing waiting time in traffic:** Some comments highlight the challenges of traffic congestion, suggesting that consideration should be given to the wait time rate, as it affects the drivers' ability to make a sustainable income.
- 4. Retirement and other benefits for drivers:** One commenter reflected on the broader financial challenges faced by taxi drivers, such as the lack of retirement benefits and increasing costs (like gas and maintenance). This individual agrees with the proposal to increase rates but also suggests considering additional aspects of drivers' financial burdens.

IV. EXISTING RATES AND TRIP LENGTH:

Existing Taxi Rates in the District are as follows:

- 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
- Wait time: \$25 per hour
- Additional passenger fee: \$1 regardless of the number of additional passengers

Average Trip Distance: DFHV’s trip data analysis indicates that most (85%) taxi trips in the District are under five (5) miles and 60% of the trips are two (2) miles.

V. DISCUSSION:

Based on the testimony at the hearing and the written information submitted both in response to the hearing and the Notice of Proposed Rulemaking, the Department finds that the following issues bear discussion.

A. Adjustment of the flag drop rate and distance charges.

The Department reviewed fares in neighboring jurisdictions and other large U.S. cities, which are listed below.

(i) Neighboring Jurisdictions:

Staff reviewed the existing rate structure in neighboring jurisdictions including Arlington County, City of Alexandria, Fairfax, Montgomery, and Prince Georges Counties. The City of Alexandria and Arlington County both recently increased taxi fares in their respective jurisdictions. Table 1 below illustrates taxi rates in the District in comparison with neighboring jurisdictions:

	Initial Charge (flag drop fee)	Cost for Distance Traveled	Additional rider fee	Wait time.
DC	\$3.25	\$2.16 for each additional mile	\$1.00	\$25/hour
Arlington	\$4.00 (33% increase since 2016)	\$2.4 for each additional mile (11% increase)	\$1.00	\$26/hour
Alexandria	\$4.00 (33% increase since 2013)	\$2.16 for each additional mile	\$1.25	\$24/hour
Montgomery County	\$4.00	\$2 for each additional mile	\$1.00	\$28/hour
Prince Georges County	\$3.50	\$ 2.1 for each additional mile	\$1.00	\$22.50/hour
Fairfax	\$3.50	\$2.16 for each additional mile	\$1.25	\$ 21.25/hour

Table 1: Taxi rates in neighboring jurisdictions

Currently, taxi rates for trips under 5 miles in the District are lower than trips of the same distance in Arlington and Alexandria (see Image 1 on page 4). In addition, at the time the data was collected, TNC minimum and maximum rates for trips under 5 miles were higher than taxi rates.

DFHV does not receive fare data from TNCs. DFHV staff calculated minimum and maximum TNC rates over five (5) consecutive days using an online fare estimator website provided by one of the TNCs. Staff calculated trip fare estimates from Union Station to the following destinations: Marriott Marquis (1-mile trip), Foxhall Condominiums (5-mile trip), Gaylord National Resort (10-mile trip), and Hyatt Regency in Reston (25-mile trip).

It's important to note that TNC rates are point-in-time estimates based on manual data entry on a fare estimator website provided by one of the TNCs and may include surge pricing and other unknown metrics used by the company's algorithm. Table 2 below illustrates taxi and TNC rates for trips broken down by distance.¹

	DC	Arlington	Alexandria	Fairfax	Montgomery	TNC	
						Min.	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
10 Miles	\$ 24.83	\$ 27.60	\$ 25.24	\$ 24.74	\$ 23.00	\$ 23.50	\$ 50.00
25 Miles	\$ 57.23	\$ 63.60	\$ 57.64	\$ 57.14	\$ 53.00	\$ 52.00	\$ 72.50

Table 2: Taxi rates by average trip distance by jurisdiction

¹ Notes: (1) Taxi rates are calculated based on a fare amount under normal traffic conditions. Taxi rates do not include a dispatch fee. (2) TNC rates are point-in-time estimates based on manual data entry on a TNC website and may include surge pricing and other unknown metrics used by the company's algorithm (3) TNCs do not report fare amounts per trip to DFHV.

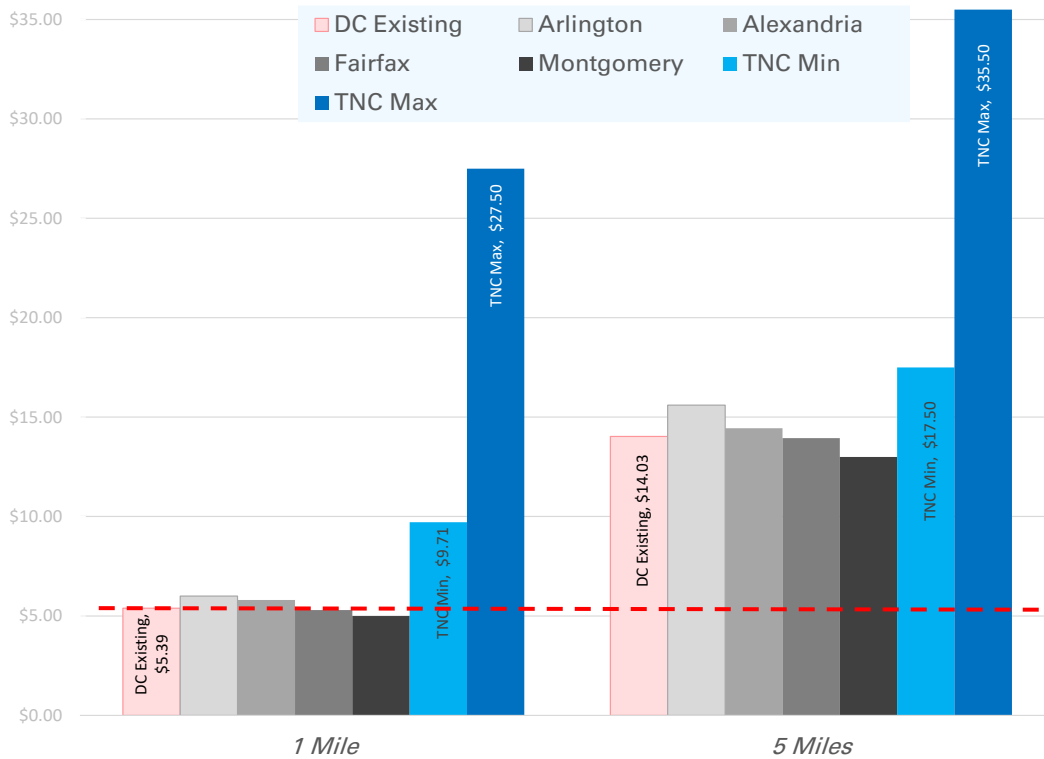


Image 1: Taxi and TNC rates for 1- and 5-mile trips by jurisdiction

(ii) Other Big US Cities:

Staff also researched taxi rates in other big U.S cities. Table 3 below illustrates rates in New York, Chicago, San Francisco, and Seattle. The District currently has the lowest per-mile fare structure compared to other peer cities.

	Initial charge (drop fee)	Cost for distance traveled	Additional rider fee	Wait time *
DC	\$3.25	\$2.16 for each additional mile	\$1.00	\$25/hour
NYC 2022	\$3.00 (20% increase since 2012)	\$3.50 per mile (40% increase since 2012)	None	\$42/hour
Chicago 2020	\$3.25	\$2.25 per mile	\$1 first+\$0.5 add.	\$28/hour
San Francisco 2022	\$4.15 (18% increase since 2011)	\$3.25 per mile (18% increase since 2011)	None	\$39/hour
Seattle 2017	\$ 2.60	\$2.70 per mile	\$0.50	\$30/hour

Table 3: Taxi rates in comparable big U.S Cities

Based on these examples, the Department finds that the current \$3.25 flag drop rate and \$2.16 per additional mile should be increased to a \$3.50 flag drop rate and \$2.56 per additional mile

The industry stakeholders who testified and submitted public comments were largely supportive of raising both the flag drop and distance rates. A few testimonies and public comments made the point that raising taxicab time and distance rates at this time would make taxicabs less able to compete against private for-hire vehicles, particularly at a time when passengers started to switch back to taxis, which in the existing market can offer a lower-priced service. DFHV’s analysis indicates that the proposal will increase the fare by \$1.35 for a one-mile trip and \$1.75 for a two-mile trip, which is still comparable and, in many cases, lower than TNCs. Even with the proposed fare increase, taxi rates remain lower than TNCs and relatively comparable to the City of Alexandria and Arlington County taxi fares for trips under 5 miles (see Table 4 and Image2 below).

	DC Existing	DC Proposed	Arlington	Alexandria	Fairfax	Montgomery	TNC	
							Min.	Max.
1 Mile	\$ 5.39	\$ 6.74	\$ 6.00	\$ 5.80	\$ 5.30	\$ 5.00	\$ 9.71	\$ 27.50
5 Miles	\$ 14.03	\$ 16.98	\$15.60	\$ 14.44	\$ 13.94	\$13.00	\$ 17.50	\$ 35.50
10 Miles	\$ 24.83	\$ 29.78	\$ 27.60	\$ 25.24	\$ 24.74	\$ 23.00	\$ 23.50	\$ 50.00
25 Miles	\$ 57.23	\$ 68.18	\$ 63.60	\$ 57.64	\$ 57.14	\$ 53.00	\$ 52.00	\$ 72.50

Table 4: Existing and Proposed Taxi rates in the District by distance compared to neighboring jurisdictions

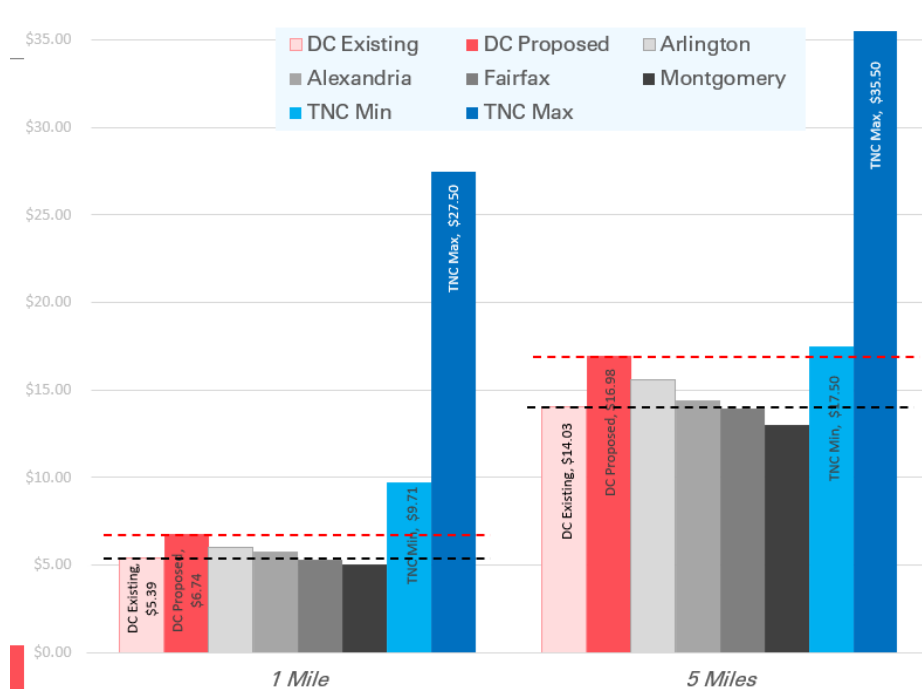


Image 2: Existing and proposed taxi fares for trips under 5 miles in the District compared to neighboring jurisdictions

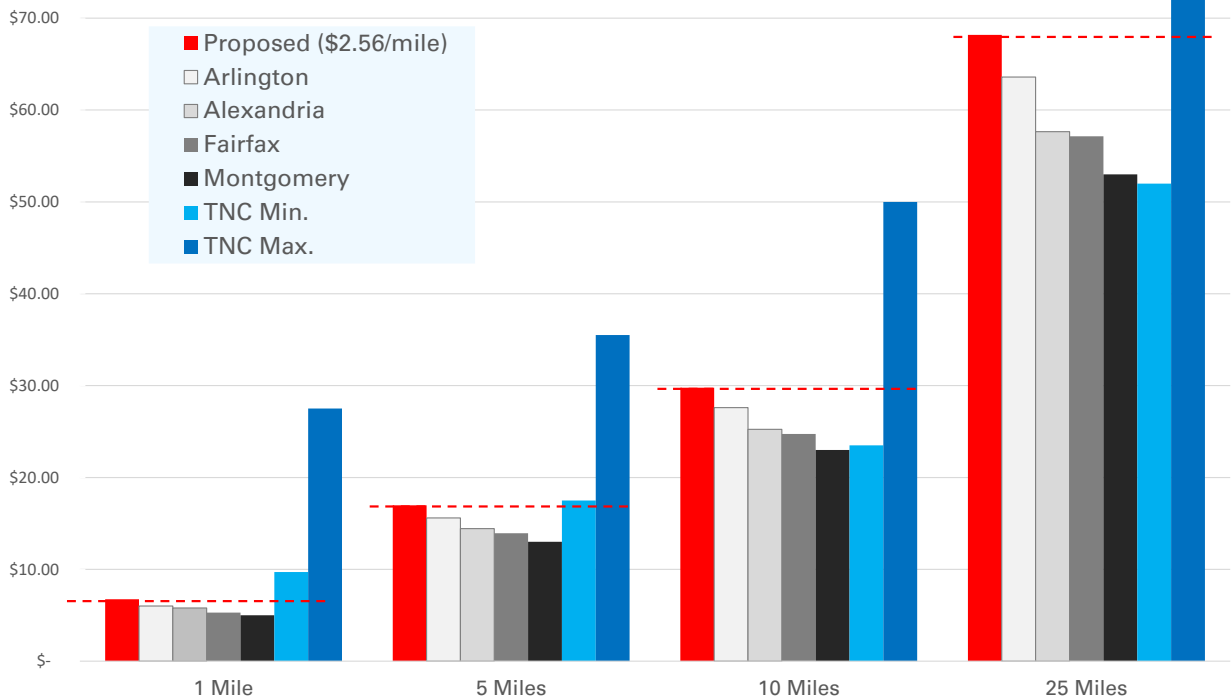


Image 3: Existing and proposed taxi fares for trips under 20 miles in DC compared to neighboring jurisdictions

B. Adjustment of the luggage, trunk fees, and additional passenger charges.

Historically, the Department maintained fees for each additional passenger, and drivers' handling of luggage. However, in the current industry landscape, it is evident that consumers do not want to be "nickel-and-dimed" with piecemeal fees. While some comments were supportive of reintroducing such fees, the Department finds that reintroducing passenger and luggage fees to the rate structure would have a strongly detrimental effect on consumers' perception of the industry and further undermine its competitive position. At this time, these fees are not in the interests of taxicab owners, drivers, or the riding public.

C. Adjustment of the wait time rate.

The existing wait rate is \$25 per hour. A few public comments and testimonies requested that the Department increase the wait rate. The Department reviewed historic taxi fare data by trip duration and wait time fares and concluded that an increase to the wait time rate could have a negative impact on the competitive position of taxicabs, as it would raise the total rate to a level higher than the average TNC rates. Furthermore, the Department did increase the wait rate to \$35 per hour from 2013 to 2018. During that time passengers raised concerns to the Department about the higher wait time rate, and the Department has also heard from taxicab owners and operators that the higher rate placed taxicabs at a greater competitive disadvantage compared to TNCs. For these reasons, the department will not increase the wait time rate.

D. Adjustment of Passenger Surcharge

The passenger surcharge provides a major source of funding for the Department, which is not supported by the District's General Fund. For over a decade, the passenger surcharge has only been 25 cents – half what the statute allows, *see* D.C. OFFICIAL CODE § 50-301.03(16). This funding not only covers a significant portion of the cost of running the Department, but also enables DFHV to make grants to the for-hire industry, including funds that support the purchase and availability of fuel-efficient and wheelchair accessible vehicles. Additionally, the funding allows the Department to support programs that provide transportation services to underserved areas. Due to decreasing taxicab trips and the increasing need for grant programs, the Department has decided to increase the passenger surcharge to the full amount allowable by statute.

VI. CONCLUSION

Following a comprehensive review of the public comments provided by witnesses during the hearing, as well as feedback received on the rulemaking, and considering the analysis previously mentioned, the agency has resolved to move forward and finalize the increases outlined in the Notice of Proposed Rulemaking published on October 13, 2023. This decision is based on careful evaluation and is supported by the following reasons.

Increasing Costs: Cost of living, fuel prices, maintenance, and insurance expenses have all increased significantly since the last taxi rate increase. As a result, taxi drivers are facing financial strain, which can lead to experienced drivers leaving the industry. Fewer drivers mean longer customer wait times or no taxis available when customers 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.

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.

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. Recently, 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.