

**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 6, 2017**

**ERNEST CHRAPPAH**  
**Director**

## I. SUMMARY

This decision of the District of Columbia Department of For-Hire Vehicles (“Department” or “DFHV”) reflects the Department’s statutorily-required biennial review of the metered taxicab rate structure to determine whether a “modification or adjustment” in the schedule is warranted.<sup>1</sup> DFHV conducted a public hearing on November 4, 2016, following notice in the *D.C. Register*,<sup>2</sup> 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, over which the Department has no control, as those rates are set by the dispatch services themselves. When this review was last conducted in June 2014, the metered rate structure was not determined to need modification or adjustment, with the exception of the elimination of metered rates for trips booked by digital dispatch (by app). Following the November 2016 hearing, and based on all the testimony and 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 that no modifications or adjustments should be made to the metered taxicab rate structure at this time.

## II. INTRODUCTION & BACKGROUND

Since the last ratemaking review in 2014, the vehicle-for-hire landscape has changed considerably. Business has continued to shift dramatically away from the traditional taxicab industry and toward private sedans (TNC vehicles). In FY 2015, there were 16,149,203 taxicab trips taken, but in FY 2016, there were only 14,456,258 such trips. At the same time, while taxicab revenue and trips have both fallen, taxicabs still play a unique and important role in providing customers with street hails and the ability to obtain wheelchair service, services which private sedans do not provide.

There have been other important changes in the industry as well since the last ratemaking review.

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<sup>1</sup> D.C. OFFICIAL CODE § 50-301.17. Rate proceeding; standard for rate structure.

(a) Within 12 months of March 25, 1986, and at least once every 24 months thereafter, the Commission shall undertake a review of the taxicab rate structure. The review required by this section shall be undertaken by holding at least 1 public hearing, upon notice with opportunity to comment. Within 120 days of holding the public hearings, the [Commission] shall render a decision on whether a modification or adjustment in rate structure is warranted, and, if determined to be warranted, shall implement the modification or adjustment.

(b) The Commission, in the establishment and supervision of the taxicab rate structure, shall balance equitably the interest of owners and operators of taxicabs, taxicab companies and associations, and dispatch services in procuring a maximum rate of return on investment and labor against the public interest in maintaining a taxicab system affordable to a broad cross section of the public, and shall establish nondiscriminatory rates, charges, matrices, boundaries, and methodologies for the determination of taxicab fares which assure reasonable and adequate compensation and promote broad and nondiscriminatory public access to taxicab transportation facilities.

<sup>2</sup> The Notice appeared on October 28, 2016. *See* <http://dcregs.dc.gov/Gateway/NoticeHome.aspx?NoticeID=6251861>.

The H-tag moratorium was lifted in 2016, and the Department now has three pathways to new H-tags: purchasing a wheelchair accessible vehicle and joining Transport DC; purchasing a 100% electric vehicle; and providing proof that prior H-tags were surrendered around the time the moratorium was established. Perhaps most importantly, digital taxicab solutions (“DTSS”) will, as of September 1, 2017, replace the modern taximeter systems (“MTSS”), making Washington, D.C. the first jurisdiction to adopt dynamic street hail fares for taxicabs, while also dramatically reducing equipment costs for drivers.<sup>3</sup>

Given these sweeping changes to the industry, it is more important than ever that the Department support efforts to keep taxicabs on a level competitive playing field with private vehicles.

### **III. RATEMAKING AUTHORITY**

The Department “[has] the authority, power, and duty to...[e]stablish reasonable rates for taxicab service for the transportation of passengers and their property within the District, including all charges incidental and directly related to the provision of taxicab services[.]”<sup>4</sup>

The Department has made every effort to comply with all these legal requirements and believes it has done so.

### **IV. PUBLIC HEARING**

The public hearing required for this review was held at 10:00 a.m. on Friday, November 4, 2016, at 2235 Shannon Place, SE, Washington, DC 20020.

The hearing consisted of two phases. The first phase consisted of presentations from organizations (company and trade representatives). The second phase consisted of testimony from individuals.

The panelists appeared as follows:

#### Panel One (Organizational Stakeholders)

1. Jeffrey Schaeffer – representing Transco
2. Royale Simms – representing the Teamsters

#### Panel Two (Individuals Stakeholders)

1. Larry Frankel
2. Yonas Afwork
3. Abdul Wahab
4. E.J. Chubbs
5. Degfae Setegn

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<sup>3</sup> Modernization Rules, available at <http://dfhv.dc.gov/sites/default/files/dc/sites/dc%20taxi/publication/attachments/Ch%204%205%206%208%2015%2020%2099%20nd%20EP%20-%20Modernization%20%28for%20publication%201-10-17%29.pdf> .

<sup>4</sup> District of Columbia Taxicab Department Establishment Act of 1985 (“Establishment Act”) (eff. March 25, 1986) (codified at D.C. Official Code § 50-301.07 (c) (1)).

6. Dottie Love Wade, For-Hire Vehicle Advisor Council (“FHVAC”) Member

**A. Organizational Stakeholder Concerns**

1. Mr. Schaeffer testified that the current \$35 per hour<sup>5</sup> wait time is too high, and that in any event, most meters are programmed at the \$25 per hour rate. Mr. Schaeffer testified that if taxicabs are reprogrammed to the higher rate, they will lose even more business to the private sedans.

Mr. Schaeffer asserted that the current snow emergency fare of \$15<sup>6</sup> is too high, and suggested lowering it to either twice the non-emergency metered fare rate, a \$7 surcharge, or \$4 per mile. Mr. Schaeffer believes that lowering rates across the board is what will bring customers back.

2. Mr. Simms testified that the notice of the ratemaking hearing was not circulated far enough in advance of the meeting, was insufficient, and that a second ratemaking hearing should be held at on a future date in order for more stakeholders to have the opportunity to attend and submit feedback. He also testified that wages are unfair; that drivers need fair wages; and that the number of drivers is up but that the number of trips is down. Mr. Simms further testified that there should be additional fees charged, including trunk fees, in order to supplement driver income; and that the passenger surcharge should be directed back to the drivers, or at least \$0.08 of it. In response to a question about a suggested gratuity button on the passenger information module (“PIM”), Mr. Simms responded that “customers are tipping pretty well” and he did not think that this was necessary.

**B. Individual Stakeholder Concerns**

1. Mr. Frankel stated that he opposed any adjustments to the taxicab rates in either direction, which he claimed would only help the “monopolistic” private sedan businesses.
2. Mr. Afwork stated that there are a lot of new drivers and that the Department should restrict people from getting new Face IDs. He also stated that the transportation network companies are evading regulation, and that we need to get rid of commercial insurance, registering vehicles, and paying one-stop fees.
3. Mr. Wahab stated that there are already too many taxicabs and that the Department should not increase rates, as they are already too high.
4. Mr. Chubbs stated that any increase in taxicab rates would cause taxicabs to

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<sup>5</sup> 31 DCMR § 801.7.

<sup>6</sup> 31 DCMR § 804.1.

go out of business.

5. Mr. Setegn stated that raising any fares would be bad; that his company, UVC, has 560 drivers and none of them want trunk fees; and that since the new digital meters are on the way, it does not make sense to raise any rates now.
6. Ms. Wade asked whether a trunk fee existed in other jurisdictions, and wanted to know the impact of the surcharge.

## V. DISCUSSION

**Based on the testimony at the hearing and the written information submitted in connection with the review, the Department finds that the following issues bear discussion.**

### A. Legal sufficiency of the public hearing notice.

The Department finds that the notice of the meeting was legally sufficient, as it fully complied with DFHV's regulations and the D.C. Administrative Procedure Act.<sup>7</sup> The notice was published in the *D.C. Register* on October 28, 2016, or seven days before the hearing date.<sup>8</sup> The notice was also posted on the DFHV website on October 25, 2016. The Department also permitted individuals to submit written testimony for 15 days following the meeting.

### B. Adjustment of the flag drop rate, and time and distance charges.

It is helpful to compare the District's taxicab rates with those of other large American cities than to surrounding jurisdictions, given the vast difference in the population density of the District versus Fairfax County, Arlington County, the City of Alexandria, Prince George's County, and Montgomery County. This is because areas with lower population densities need to compensate for the lower volume of fares and longer distances traveled to pick up fares with higher price points. In sum, the District should only be compared to similar jurisdictions.

Consistent with this, the Department reviewed fares in other large U.S. cities, which are listed on the next page.

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<sup>7</sup> D.C. OFFICIAL CODE § 2-501 *et seq.*

<sup>8</sup> *See* 31 DCMR § 109.2 ("Notices of regular and special [Department] meetings shall be posted not fewer than seven (7) days in advance of the meeting.").

City	Flag Drop	Mileage Charges	Luggage/Passenger/ Time of day fees (if any)
Washington, DC <sup>9</sup>	\$3.25	\$0.27 per 1/8 of a mile	\$1 for the first additional passenger only
Chicago, IL <sup>10</sup>	\$3.25	\$2.25 per mile	\$1 for the first additional passenger; \$0.50 per 2 <sup>nd</sup> and subsequent passengers
Philadelphia, PA <sup>11</sup>	\$2.70	\$0.23 per 1/10 mile	\$1 per additional passenger over age 12, but only for trips from the airport to Center City.
Boston, MA <sup>12</sup>	\$2.60	\$0.40 per 1/7 mile	
New York, NY <sup>13</sup>	\$2.50	\$0.50 per 1/5 mile	\$1 for rush hour travel (4-8pm)
Baltimore, MD <sup>14</sup>	\$1.80	\$0.20 per 1/11 mile	\$0.50 for travel between 9pm-5am \$0.10 per suitcase, piece of luggage, or grocery bag, in excess of one.

Based on these examples, the Department finds that the current \$3.25 flag drop rate and \$0.27 per each additional 1/8 of a mile<sup>15</sup> are fair, reasonable, and appropriate charges. Of the industry stakeholders who testified, none supported raising either the flag drop or distance rates. Raising taxicab time and distance rates at this time would only make taxicabs less able to compete against private sedans, which offer a lower-priced service and, by some estimates, now control as much as 87% of the for-hire market nationwide<sup>16</sup>.

With respect to reducing time and distance rates, this will be an option for taxicab companies in the new DTS framework, as they will be allowed to offer dynamic street hail pricing, including the ability to discount fares up to 100%. The Department finds that rather than reducing fares at this time, it makes most sense to evaluate the effects of the new DTS pricing model, which essentially makes the street hail rate structure a simple upper-limit on fares. Whether or not the

<sup>9</sup> 31 DCMR § 801.

<sup>10</sup> See City of Chicago Passenger Information, available at [https://www.cityofchicago.org/city/en/depts/bacp/supp\\_info/2012\\_passenger\\_information.html](https://www.cityofchicago.org/city/en/depts/bacp/supp_info/2012_passenger_information.html).

<sup>11</sup> Philadelphia Taxicab Tariffs, available at <http://www.philapark.org/taxicab-tariffs/>

<sup>12</sup> Boston Taxi Rates, available at <http://bpdnews.com/taxi-rates/>.

<sup>13</sup> New York City Taxicab Rate of Fare, available at [http://www.nyc.gov/html/tlc/html/passenger/taxicab\\_rate.shtml](http://www.nyc.gov/html/tlc/html/passenger/taxicab_rate.shtml).

<sup>14</sup> Baltimore City Taxicab rates, available at <http://webapp.psc.state.md.us/newIntranet/Sitesearch/Transportation/CityRates.pdf>

<sup>15</sup> 31 DCMR § 801.7(c)(1)(A) and (B)

<sup>16</sup> *Uber Loses at Least \$1.2 Billion in First Half of 2016*, available at <https://www.bloomberg.com/news/articles/2016-08-25/uber-loses-at-least-1-2-billion-in-first-half-of-2016>.

DTSs are successful in achieving the Department’s policy goals for the industry, including helping taxicabs compete, can then be included in the next biennial rate review, in 2019.

**C. Adjustment of the luggage and trunk fees.**

Historically, the Department maintained fees for the driver’s handling of luggage. In the current industry, however, it is clear that consumers do not want to be “nickel-and-dimed” with piecemeal fees. The Department finds that if such fees are reintroduced to the rate structure, it would have a strongly detrimental effect on consumers’ perception of the industry and further undermine the industry’s competitive position. This is clearly not in the interests of taxicab owners, drivers, or the riding public.

**D. Adjustment of the wait rate.**

The Department is aware that most taximeters remain programmed at the \$25 per hour rate established in a prior version of the current regulation specifying the wait time rate.<sup>17</sup> The change is being implemented industry-wide as owners get their meters reprogrammed to the current rate. While the Department appreciates that the rate increase – already in Title 31 – could theoretically have a negative impact on the competitive position of taxicabs, in fact, the impact is minimal because so few rides are booked by the hour. Further, given that hourly rates can be discounted under the DTS program, the Department sees no need to revisit the current rate at this time.

**E. Adjustment of the passenger surcharge.**

The 25-cent passenger surcharge provides a major source of funding for the Department, which is not supported by the District’s General Fund. Therefore, unlike other components of the rate structure, the surcharge is not something that easily lends itself to modification in the context of a rate review. For this reason, and in light of the fact that the surcharge is only 25 cents – half what the statute allows<sup>18</sup> – the Department finds there should be no adjustment in the surcharge at this time.

The surcharge funds, which in FY 2017 were approximately \$3.7 million<sup>19</sup>, not only cover a significant portion of the cost of running the Department, including leasing office space and compensating staff, but enable DFHV to make grants to the for-hire industry, including funds that support the purchase of electric and wheelchair accessible vehicles. Any change to the surcharge would require an increase to licensing fees and elimination or restriction on the availability of the grant programs. As a result, the Department declines to reduce the surcharge and/or to direct any of it away from the Department’s operating budget.

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<sup>17</sup> See <http://dcregs.dc.gov/Gateway/FinalAdoptionHome.aspx?RuleVersionID=4105736> (The prior version of the wait rate (effective July 26, 2013), was \$25 per hour, as opposed to the current \$35 per hour (effective July 26, 2013)).

<sup>18</sup> D.C. Official Code § 50-301.03.

<sup>19</sup> *Surcharge Generated For the District*, available at <http://dfhv.dc.gov/page/dfhv-dashboard-and-statistical-data-sets>.

## **F. Adjustment of the snow emergency fare.**

The Department finds that an adjustment of the snow emergency fare is warranted, but it is not prepared to make an adjustment in the fare at this time. The fare itself – a flat \$15 required to be charged by all vehicles on top of all other rates and charges – is an unreasonably and arbitrarily high amount that contributes to a public perception that taxicabs are “overpriced”. At the same time, while some reduction is needed, an increase in the fare during snow emergencies is justified to compensate owners and drivers for the additional cost and risk of operating in winter weather. DFHV therefore believes a smarter approach would be both a *lower* snow fare and one that is tied to mileage, rather than to the flag drop, with a resulting total fare that may be in the range of four to five dollars higher than the same trip in the absence of snow.<sup>20</sup> The Department will issue a proposed rulemaking to revise the snow emergency fare when its evaluation of the fare is concluded, in time for the next snow season at the end of the calendar year.

## **G. Imposing restrictions on operator licenses (Face IDs); eliminating insurance requirements and one-stop fees.**

The Department appreciates that there are, as of the date of this report, 6,681 taxicab operators<sup>21</sup> who are competing for fewer and fewer taxicab fares. However, placing a cap on the number of operator licenses is outside the scope of this report – which is limited to the rate structure. Similarly, insurance requirements and one-stop fees are outside the scope of this review.

## **VI. CONCLUSION**

The District’s taxicab industry has undergone dramatic change in the past several years, and the immediate future will likely continue this trend. In less than six months, MTSs will be abolished and replaced by digital taxicab solutions giving owners and drivers lower equipment costs and the ability to set dynamic street hail rates. These and other changes will help taxicabs regain an ability to compete against private sedans. With such major changes looming so near, and for the other reasons identified above, the Department finds that there should not be any adjustments or modifications to the taxicab rate structure at this time. Any such changes should await the implementation of DTSSs, to determine their effects on taxicab competitiveness, which the Department expects will be substantially positive.

## **DEPARTMENT OF FOR-HIRE VEHICLES**

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<sup>20</sup> The approach and fare range cited in the text are preliminary only and may not be reflected in a notice of proposed rulemaking.

<sup>21</sup> *DFHV Dashboard and Statistical Data Sets*, available at <http://dfhv.dc.gov/page/dfhv-dashboard-and-statistical-data-sets>