

WASHINGTON METROPOLITAN AREA TRANSIT COMMISSION

WASHINGTON, D. C.

ORDER NO. 887

IN THE MATTER OF:

Served November 29, 1968

Investigation of Rates for)
Interstate Taxicab Trans-)
portation.)

Application No. 472

Docket No. 170

APPEARANCES:

RUSSELL H. HORNBACK, appearing for Union Taxi Owners
Cooperative Association, Inc.

FREDERICK H. EVANS, appearing for Capitol Cab Corpora-
tion, Inc.

JERRY K. EMRICH, appearing for Arlington County Board

IRVING SCHLAIFER, appearing as Chairman, Owner-Driver
Rental-Driver Taxicab Association

CHARLES JAY PILZER, appearing for Diamond Cab and
Yellow Cab Company of D. C., Inc.

DAVID E. FELDMAN, Assistant County Attorney, appearing
for Public Utilities Commission of Fairfax County,
Virginia

RUSSELL W. CUNNINGHAM, General Counsel, Washington
Metropolitan Area Transit Commission

On February 1, 1968, Union Taxi Owners Cooperative
Association, Inc., of the District of Columbia filed Applica-
tion No. 472 seeking an increase in interstate rates. Realiz-
ing that a separate rate structure could not exist for each
taxicab within a particular jurisdiction, we issued Order No.
783 on February 29, 1968, in which we ordered a general

investigation into the reasonableness of the existing interstate rate structure applicable to the entire taxicab industry domiciled in the District of Columbia. During the course of the two hearing sessions held pursuant to our initial order, the desirability of a uniform rate structure for the entire Metropolitan District was frequently mentioned. Accordingly, on May 2, 1968, we issued Order No. 812 by which we enlarged the scope of our investigation and the immediate proceedings so that we might evaluate the reasonableness of all interstate taxi rates currently in effect and develop an adequate and full record on which we could reach a proper determination as to whether a uniform rate structure would be practical.

Capitol Cab Corporation, Inc., Owner-Driver, Rental-Driver Taxicab Association, Diamond Cab, and Yellow Cab, with minor exceptions, support the immediate request. Airport Transport intervened in opposition -- but subsequently withdrew. Fairfax and Arlington County Boards oppose the application. However, neither presented a direct case.

We turn, then, to an analysis of the request made and case presented by the industry. The proposed interstate rate structure, as amended, is as follows:

\$.60	First Mile
\$.25	Each additional 1/2 mile
\$.60	Each additional passenger
\$5.00	Per hour waiting time computed at 25¢ for three minutes
\$.50	Radio Dispatch charge
\$1.00	Trunk charge
\$.10	Each bag or suitcase

The present interstate rates for D. C. domiciled cabs which were prescribed by us in 1961 are as follows:

\$.50	First mile
\$.20	Each additional 1/2 mile
\$.20	Each additional passenger
\$3.00	Waiting time first hour, computed at 25¢ each 5 minutes after the first 5 minutes, up to 45 minutes; \$1.00 for each 15 minutes thereafter
\$.25	Radio Dispatch charge
\$1.00	Trunk Fee
\$.10	Each bag or suitcase over one

In addition to the proposed fares, there is a recommendation that the drivers be allowed to contract, at their discretion, on an hourly basis of \$6.00 per hour. Embodied in this is a \$1.10 minimum trip charge.

THE INDUSTRY PRESENTATION

By and large, there are three main facets present in the industry's case. They are, in the order in which we will discuss them, (a) rising costs and expenses; (b) disadvantages existing in the D. C. domiciled taxi industry and disadvantages inherent in interstate operations; and, (c) the need for a uniform interstate rate structure.

Without question, the industry, in seeking higher fares, relies primarily upon allegations of increased operating costs. Industry witnesses assert that it cost approximately \$2100 to \$2300 to place a cab in service in 1961. Today this cost is estimated to be anywhere between \$3000 and \$3800 depending on the vehicle, various extras, and added charges. Accessories, maintenance, and sundry costs are said to have increased similarly. For example, it was testified that a battery which sold for \$19.00 in 1961 now sells for about \$23.00; a tire which sold for \$23.00 in 1961 now sells for about \$27.00; and recapped tires previously selling at about \$9.00 now sell for \$12.00. Industry witnesses indicate that insurance costs have gone up.

Several witnesses asserted that the value and the cost of interstate service is higher than intra-D. C. service. All too frequently, interstate trips are one-way; their profit is greatly curtailed by excessive deadhead mileage. In short, this means high operating costs. On the other hand, intra-D. C. operations generally have a swift passenger turnover do not involve excessive deadhead mileage, and are not plagued by such high operating costs. This brings forth, according to industry witnesses, an anomalous situation: the first intra-D. C.-zone charge is 60¢ whereas the first interstate mileage charge is 50¢.

Finally, industry witnesses emphatically advocate the desirability of uniform interstate rates. In support, it is contended that such a uniform structure would cut down on the complaints and confusion caused by differing rate levels.

THE STAFF PRESENTATION

The staff's case was presented basically in two parts. The staff studied the matter of a uniform interstate rate structure and, in addition, recommended an interstate rate increase for D. C. domiciled cabs. The rates proposed by the staff are as follows:

\$.60	First mile
\$.10	Each additional 1/5 mile
\$.20	Each additional passenger
\$.08	Per waiting minute in excess of five minutes
\$1.00	Trunk Charge (3 Cubic Feet)
\$.10	Each grocery bag over one
\$.10	Each suitcase over one
\$.50	Service charge

The staff proposal also calls for a provision for a ~~contract rate to be determined by the parties~~, and a charge would be made for small pets in accord with District of Columbia Public Service Commission Regulation 14317.

From a strict value of service approach, the staff witness asserts that these rates would compare favorably with those presently in existence in the surrounding jurisdictions. Three jurisdictions have first mile charges of 60¢ and three more have first mile charges of 65¢. Either 10¢ for each additional 1/4 or 1/5 mile is the prevailing additional charge in each jurisdiction. The waiting charge equals that charged in the Maryland subdivisions but is higher than that charged by the Virginia jurisdictions. The extra passenger charge is equal to the prevailing charge in about half of the jurisdictions.

As for the cost of service approach, the Commission witnesses generally concur with the testimony given in this respect by industry witnesses. They also point to the fact that increases based primarily on higher operating costs have recently been granted in several political subdivisions in this area. The staff states that it is obvious that the price spiral which has affected the entire economy has had ramifications in the taxi industry. Staff witnesses further indicate that interstate trips are inherently costly due to deadhead mileage since most interstate trips are one-way. Commission figures indicate that out of every 100 interstate miles, 57 constitute deadhead;

This leaves 43 revenue miles for every 100. Finally, according to data computed by the staff, about 10% of the total trips of D. C. cabs are interstate.

The taxicab industry in the District of Columbia is divided into two distinct categories: (a) the renter-drivers and (b) the owner-drivers. To assist in its study, the staff prepared questionnaires and distributed them to a large number of taxicab operators. One hundred sixty (160) replies were received from renter-drivers and four hundred thirty-seven (437) from owner-drivers. Each questionnaire (Staff Exh. No.4) specified various revenue and expense items to be collated from each driver's daily manifest. The staff then tabulated the items and derived an "average" driver's daily net and hourly earnings (Staff Exhs. 7-8). Data provided by Commission staff witnesses indicate that costs incurred by the first group are the rental fee and the gasoline expense. The rental averages \$8.28 per day and the gasoline \$2.82. With these costs deducted from an average gross revenue day of \$26.89 there is left an average net earnings of \$15.79 per day. This is for a 7-1/2 hour day, hence the present hourly pay yields about \$2.10. Commission data pertaining to the second group of operators reveal that an average gross revenue day is about \$27.82 (again a 7-1/2 hour day) from which \$9.18 (a rough approximation) of daily operating expenses must be subtracted, yielding net earnings of \$18.64 per day. Figured hourly, this is roughly \$2.50. The staff presented evidence concerning hourly wages paid in this area for identical or essentially similar occupations. Most sightseeing companies, transit companies, and small trucking operations pay drivers an hourly wage ranging from \$2.75 to \$3.74. In addition, Commission figures show that Airport Transport drivers receive between \$2.09 and \$2.82 per hour depending upon their employment status.

The staff thoroughly explored the possibility of instituting a uniform interstate rate structure for the metropolitan district. Interstate rates are computed by utilizing the scale in effect in the jurisdiction where the particular cab is domiciled regardless of where the trip originates. Although it does seem clear that an interstate fare should not be dependent on the cab which happens to make the pickup or the direction in which the passenger is going, the staff asserts that more disadvantages than advantages would be generated by an attempt to achieve a uniform system. The reasons for its recommendation are these:

The installation of a device on meters for metered cabs so that two different rate structures could be accommodated proved impractical and the installation of a second meter would be too costly. The element of internal control rules out the use of the odometer in metered jurisdictions to record interstate fares. The use of placards or conversion charts would cause confusion.

With this, we conclude the general summation of the issues and matters raised by the formal parties.

DISCUSSION AND CONCLUSION

Our task is to consider whether the record before us justifies an increase in the rates to be charged for interstate service by D. C. taxicabs. Taxicab ratemaking for D. C. cabs differs significantly from such traditional ratemaking tasks as establishing an appropriate bus fare. The usual approach of determining operating expenses and a fair return becomes unwieldy when, instead of dealing with a single corporate entity with consolidated records, we are dealing with literally thousands of independent entrepreneurs, each operating during the hours and in the areas which he chooses. The task is further complicated since we are considering interstate rates only, a segment which constitutes only about 10% of the total trips of the cabs in question.

We here adopt the following rate structure:

\$.60	First mile
\$.25	Each additional 1/2 mile
\$.20	Each additional passenger

All rates, charges and regulations, other than the above interstate rates, shall be those prescribed and approved by the District of Columbia Public Service Commission.

We have tested these rates by two standards: first, from the rider's point of view, is the price consistent with the value of the service being provided to him? It would seem that it is. A comparison of present interstate rates charged by D. C. taxicabs with similar rates charged by cabs from suburban jurisdictions reveals that present D. C. rates are considerably lower than the others even though interstate service is essentially similar for all cabs. The rates here authorized are substantially the same as those in effect in most jurisdictions in this area. Thus, these rates are entirely consistent with the general value placed by the community on service of this kind.

Turning now to the second standard by which the fares should be tested, i.e., the cost of service, our objective is to ensure that the taxicab driver obtains earnings which are adequate for the type of work in which he is engaged. We have described above the earnings now being experienced by D. C. cab drivers.

We should say at the outset that very little evidence of probative value was presented by industry witnesses on the question of the financial results experienced by D. C. cab drivers. Practically the only evidence on this subject was the study undertaken by the staff. That study was based on 597 questionnaires supplied by D. C. taxicab drivers. The small size of the sample and the lack of random selection in obtaining responses are weaknesses in the validity of this data. Nonetheless, we believe that it provides an adequate basis for making adjustments in the limited segment of D. C. taxicab business represented by interstate service. This conclusion is reinforced by the inescapable fact that expenses of taxicab operation have increased in almost every respect in the last several years. The cost of the vehicle, the cost of gasoline, the cost of parts and maintenance, the cost of insurance, the cost of association fees -- all these items of expense have increased significantly. Moreover, the net earnings with which the driver is left must provide a living in an economy which has experienced a substantial degree of

general inflation. Hence, we think the data supplied us provides a sufficient basis on which to adjust interstate fares. The rates which we are authorizing will cover costs, and increase the average daily net earnings of rental-drivers from roughly \$15.78 to around \$17.20, or to about \$2.30 an hour. Owner-drivers' earnings will be approximately \$2.72 an hour or \$20.13 a day under the new rates. This will constitute an increase from \$18.64 per day. With this, we feel that we have adequately discharged our burden of increasing the interstate component of industry wages to what we feel is a reasonable comparative earnings level.

The Commission is of the opinion that miscellaneous charges, such as personal services, telephone calls, luggage or trunk charges, waiting time and hourly rates should be governed by the charges presently in effect in the local jurisdictions. Thus, taxicabs licensed in the District of Columbia will be governed by the miscellaneous charges approved by the District of Columbia Public Service Commission.

One matter raised by the industry witnesses requires comment. We feel that a minimum trip charge is inappropriate. The concept that a passenger should be charged for the cost of his specific trip is a valid one and we adhere to it. In any event, the charge of \$1.10 requested by the industry is equivalent to a two-mile trip; and, as a practical matter, interstate trips of such a short distance are almost nonexistent.

We should comment briefly on the subject of uniformity of rate structure for all jurisdictions. We agree that a system of uniform interstate rates is generally desirable. However, we are impressed by staff testimony that, at this point, the inconvenience and burden which the institution of such a system would place on the industry as well as the numerous undesirable ramifications would simply outweigh any advantage. The costs, confusion, and sacrifices which would have to be made to achieve a uniform rate structure are not justified by the benefits which would be achieved.

Moreover, the new rate structure is quite similar to those presently in effect in surrounding areas. Hence, the new rates will create a basically uniform structure without the problems that would be raised by complete uniformity.

THEREFORE, IT IS ORDERED:

1. That the taxicab fares proposed by the Union Taxi Owners Cooperative Association be, and they are hereby, denied.

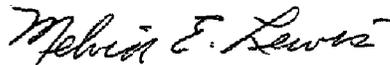
2. That the following rates for transportation by taxicabs domiciled in the District of Columbia between points in the District of Columbia and points elsewhere in the Metropolitan District outside the District of Columbia be, and they are hereby, prescribed:

\$.60	First mile
\$.25	Each additional 1/2 mile
\$.20	Each additional passenger

All rates, charges and regulations, other than the above interstate rates, shall be those prescribed and approved by the District of Columbia Public Service Commission.

3. That the rate structure prescribed in Order Paragraph No. 2 become effective at 4:00 A.M., Monday, December 9, 1968.

BY DIRECTION OF THE COMMISSION:



MELVIN E. LEWIS
Executive Director