

Livery Industry Improvements – Update on Bylaw 42M2016

EXECUTIVE SUMMARY

This report is referred from the 2018 March 19 Combined Meeting of Council. As directed by Council, the report now includes financial, trip and driver information from Livery Transport Services (LTS) as well as a summary of the proposed changes to the combined TNC licence fee option.

In recent years, the livery industry has been evolving quickly due to technological advancements and new market entrants. Technology has changed the ways in which we live, work and travel. In 2016, a number of amendments were made to the Livery Transport Bylaw 6M2007 to accommodate new market entrants and provide Calgarians with more transportation choice while maintaining public safety, consumer protection and service quality. Administration is committed to continued improvement of the industry and ensuring new market entrants follow regulatory requirements to support the safety of citizens. In 2016 November, Council gave three readings to Bylaw 42M2016, which provided additional flexibility for the Transportation Network Company (TNC) industry, including a pilot initiative for an alternate fee system. Council further directed Administration to report back following the one-year pilot of this system. Following the conclusion of the pilot, Administration is recommending a number of changes to Livery Transport Bylaw 6M2007, as described in this report. Administration is recommending proposed amendments that improve clarity for livery fee calculation, further address public safety, and encourage operational flexibility, competition and service innovation. Administration is also recommending that a full review of livery fees be performed in order to analyse fees for all industry participants and determine an equitable fee structure that reflects the lessons learned from the pilot regarding public safety, consumer protection and service quality.

ADMINISTRATION RECOMMENDATION:

That the SPC on Community and Protective Services recommend that Council:

1. Receive this report and attachments for information;
2. Give three readings to the proposed bylaw to amend the Livery Transport Bylaw 6M2007 (Attachment 1); and
3. Direct Administration to undertake a full review of the fee structure in the Livery Transport Bylaw 6M2007 and report back to Council through the SPC on Community & Protective Services no later than 2019 Q2.

PREVIOUS COUNCIL DIRECTION / POLICY

On 2018 March 19, Council referred CPS2018-0110 “Livery Industry Improvements – Update on Bylaw 42M2016” back to Administration, with direction to return to Council, through the SPC on Community and Protective Services, with a complete update, no later than 2018 May.

At the 2016 November 28 regular meeting of Council, Administration presented report C2016-0918, “Livery Industry Improvements”, which, among other Bylaw amendments, allowed TNCs to select from two licence fee options: The existing licence fee option, as approved by Council in 2016 February; or a proposed alternate TNC licence fee system – the “Combined TNC Licence Fee Option”. Council also directed Administration to report back to Council in 2018 Q1 with an update regarding the one-year pilot for the combined TNC licence fee option.

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At the 2016 February 22 regular meeting of Council, Administration presented report C2016-0144, "Transportation Network Company Amendments." Council approved the report and associated amendments to the Livery Transport Bylaw.

At the 2015 November 16 Strategic Session of Council, through report C2015-0886, Administration was directed to develop amendments to the Livery Transport Bylaw (6M2007) and report back to Council through TLAC, no later than 2016 February 22.

BACKGROUND

On 2016 February 22, Council passed Bylaw 12M2016, which amended the Livery Transport Bylaw to include rules for TNCs. The amendments came into effect in 2016 April, and Livery Transport Services (LTS) began accepting Transportation Network Driver Licence (TNDL) applications. Following five months of registering TNDLs and participating in discussions with the TNC industry, recommendations for areas of improvement were made. At that time, The City had licenced six TNCs and had issued 82 TNDLs. In an effort to accommodate additional TNCs and TNC drivers, Administration and the Livery Transport Advisory Committee (LTAC) explored alternate fee options and associated amendments to the Livery Transport Bylaw. This resulted in the development of an alternative fee structure for TNCs, which was presented to Council in 2016 November. Council's approval of Bylaw 42M2016 approved a one-year pilot project which allowed for TNCs to select from two licence fee options: 1) The existing licence fee option, as approved by Council in 2016 February; or 2) the combined TNC licence fee option. This provided TNCs with the ability to choose a fee option that best supports their individual business needs. Further to this, Council also directed Administration to report back in 2018 Q1 with an update on the one-year pilot for the combined TNC licence fee option.

On 2018 March 19, Council referred CPS2018-0110 "Livery Industry Improvements – Update on Bylaw 42M2016" back to Administration, with direction to return to Council, through the SPC on Community and Protective Services, with a complete update, no later than 2018 May. 2017 Financial Analysis for LTS, including TNCs has been attached to this report (Attachment 4), along with a summary of the proposed changes to the Combined TNC Licence Fee option (Attachment 5).

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Following Council's approval of Bylaw 42M2016, based on the one-year pilot, Administration has analyzed The City's actual operating costs for regulating TNCs and Transportation Network Drivers in comparison to the amount collected from TNCs and identified areas for improvement with respect to the combined TNC licence fee option. Changing regulation, advancements in technology and increasing customer expectations are changing the face of the vehicle for hire industry in Calgary and across the world. Striking a balance to ensure an equitable cost for licensing and regulation remains the objective for all vehicle-for-hire participants.

Administration has also identified a number of additional bylaw amendments to support public safety, improve clarity, enhance enforceability and provide further flexibility for the taxi industry. The proposed bylaw amendments described in this report continue to focus on six strategic outcomes: safety, accessibility, reliability, fairness, competition and customer service.

The proposed amendments to Livery Transport Bylaw 6M2007 are provided in Attachment 1.

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The Combined Licence Fee System

Since the implementation of Bylaw 42M2016, a number of TNCs have opted to use the Combined Licence Fee option available in the bylaw. This option consists of:

1. a scalable administrative fee based on the number of drivers authorized to use the TNCs app at the time of application or renewal;
2. a licence fee of \$15 per driver; and
3. a per trip fee of \$0.20 of all the trips arranged through the TNC's app.

Each TNC has an opportunity to select their preferred licensing fee system at the time of licence application or renewal. Following the one-year pilot of this system, Administration analyzed the revenues and expenditures associated with TNCs (provided in Attachment 4) and, as a result, a number of amendments are being recommended, in order to simplify the method of fee calculation and to continue ensuring that enforcement and administrative costs are covered through the collection of TNC fees. A summary of the proposed changes to the combined TNC licence fee option can be found in Attachment 5.

Administration Fee and Per Driver Fee

During the pilot, the combined TNC licence fee option included an annual, scalable administration fee based on the number of drivers authorized to use the TNC's app and is payable by the TNC to The City at the time of the TNC's initial application or annual renewal. Additionally, the TNC is required to pay a Driver Fee of \$15 for each Transportation Network Driver that is authorized during the term of a TNC's licence to use the TNC's app. This fee is payable by the TNC to The City on a quarterly basis. In an effort to streamline and simplify the combined TNC licence fee option, Administration recommends the elimination of the \$15 Per Driver Fee, while increasing the administration fee for large TNCs (with over 1,000 drivers) to maintain a cost recovery model. Proposed administration fees are reflected in the chart below:

Number of Drivers	Proposed Administration Fee
1 – 100	\$5,000
101 – 1000	\$15,000
1001 - 3000	\$30,000
3001 or more	\$50,000

Per Trip Fee

The combined TNC licence fee option also includes a per-trip fee of \$0.20 for each trip arranged through the TNC's app, and is payable by the TNC to The City on a quarterly basis. According to trip data analysis for the pilot project period, this fee amount, combined with the change to the Administration fee noted above, is sufficient to cover the administration and enforcement costs associated with TNCs. Administration recommends no change to the per-trip fee.

Minimum Fee

The Livery Transport Bylaw sets out a minimum fee for the combined TNC licence fee option which ensures that TNCs pay a minimum amount equal to the annual TNDL fee multiplied by the number of licenced drivers associated with the TNC. The annual TNDL fee for 2018 is \$229. If at the end of the TNC's licence term, the total amount paid by the TNC is less than this minimum amount, the TNC must pay the difference within 30 days of the end of the term of the TNC's licence. Administration recommends that the minimum fee and the method of calculation

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remain unchanged following the one-year pilot. The minimum fee calculation provides assurance that administration and enforcement costs associated with TNC operations are collected. Analysis of the pilot project showed that the minimum fee requirement ensured that Administration was able to collect enough funds to cover The City's costs associated with addressing public safety and the administration of TNCs. As TNC operations ramped up through the pilot year, Administration saw an increasing draw on resources and stress to the current system. Resources will need to be increased to administer a high volume of driver applications and to perform audits and other enforcement actions to continue addressing public safety, consumer protection and service quality in the livery industry. The increased resource requirements will inform the proposed livery fee review, as described below.

Maximum Fee Amounts and Reimbursement

The current combined TNC licence fee option also includes a maximum fee amount. If, during a calendar year, the combined TNC/TNDL licence fee option equals or exceeds the projected annual costs for regulating the TNC and all Transportation Network Drivers authorized to use the TNC's app, The City will discontinue the collection of the Driver Fee and Per-trip fee from that TNC for the remainder of the calendar year. At the end of the calendar year, any surplus of fees collected from TNCs who use the combined TNC licence fee option would be reimbursed based on the portion of those total fees paid by each TNC during the calendar year.

Administration recommends that the 'maximum fee' and 'reimbursement of excess fee' provisions in the bylaw be amended to provide certainty to TNCs on the amount of excess fees owing at the end of a calendar year and clarify the method of calculation. The maximum fee and reimbursement provisions will be monitored closely and will be contemplated as part of the proposed livery fee review, as described below.

Additional Proposed Amendments to Improve the Livery Industry

In addition to the recommended changes to the combined TNC licence fee option, Administration has identified a number of additional improvements to the Livery Transport Bylaw that will further address the maintenance of public safety, improve clarity, enhance enforceability and provide further flexibility for the taxi industry. These amendments are summarized in Attachment 2.

Proposed Livery Fee Review

LTS regulates public safety, consumer protection and service quality. In order to continue achieving these objectives, service level requirements are increasing, while the livery industry continues to evolve. Through engagement with the livery industry and the financial analysis associated with the one-year combined TNC licence fee pilot, an opportunity has been identified to undertake a full review of the fee structure in the Livery Transport Bylaw. A full analysis of the City costs associated with each industry sector (brokers, drivers, vehicles, etc.) should be undertaken in order to ensure the proportion of fees paid by each participant is relatively equal to the administration and enforcement costs associated. The fee review will also include further analysis of the combined TNC licence fee option, in relation to possible fee adjustments for other industry participants. Finally, the fee review will also contemplate the increased resource requirements necessary to effectively regulate TNCs. Administration recommends this fee review be completed by 2019 Q2. The timeline takes into account procurement timelines, resource constraints and the need for further trip and driver data in order to perform a fulsome

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analysis. This review will help LTS to identify opportunities to ensure the regulation of the livery industry is fair to all participants.

Operational Improvements since the Implementation of Bylaw 42M2016

Since the adoption of Bylaw 42M2016, operational improvements have been implemented that enhance efficiency and allow Administration to effectively monitor trends in the livery industry and make adjustments where required.

Automated TNDL Data Transfer Process

Administration is finalizing an automated TNDL registration system, which will allow TNCs to register affiliated drivers through an electronic system. This allows more flexibility in the application process by removing the requirement for TNC drivers to visit the LTS office. A Police Information Check, including a vulnerable sector check, will continue to be required and will be completed by the Calgary Police Services (CPS). While the automated system provides convenience to the TNC industry as a customer service enhancement, the administrative costs associated with the review of the information submitted through this process is likely to remain stable, as compared to the in-person process which will also continue to be available. If the taxi or limousine sectors are interested in an automated registration system, Administration is committed to working with stakeholders to identify ways to accommodate this.

Data Requirements

Administration requires that taxis and TNCs provide driver and vehicle records for all trips commencing in the city. This data is integral to supporting the safety of Calgarians, as LTS relies on this data to conduct audits and investigations. Trip data also allows Administration to make informed and relevant policy recommendations. Both taxi and TNC industries are complying with the data submission requirement, which helps LTS to continually monitor the industry and identify opportunities for improvement to LTS operations.

Stakeholder Engagement, Research and Communication

Engagement and research in relation to TNCs and the livery industry as a whole has been ongoing for several years. In 2017, Administration and LTAC worked with Leger Research on the annual Customer Satisfaction Survey, which highlighted that citizen satisfaction with the livery system has remained high, with overall satisfaction livery services ranging from 88 to 98 per cent. Research and engagement initiatives over the past two years have shown that although satisfaction with taxi services remains high, Calgarians support having additional transportation options, such as TNCs, provided that The City regulates public safety considerations associated with this type of operation.

In 2017 December, Council received the LTAC Governance Review and approved recommendations to disband LTAC, effective 2018 January 01. Based on this recommendation, Administration committed to guiding principles for engagement with the public and industry, in absence of the LTAC process. This commitment includes robust and thoughtful engagement practices for every recommendation brought forward to Council. Administration has undertaken engagement sessions with many external stakeholders in relation to the recommendations in this report, and will continue to meaningfully engage with the industry and the general public going forward.

A summary of engagement activities associated with this report is provided in Attachment 3.

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Strategic Alignment

This report aligns with Calgary City Council Priorities from Action Plan 2015-2018, including: a city that moves; and strategic action M5: Improve the taxi system.

Social, Environmental, Economic (External)

Administration is committed to providing a safe, sustainable and customer focused livery system. Livery service enhances mobility and reduces social isolation for those with disabilities in Calgary communities. It also provides social benefit by providing an alternative to driving for individuals who may be impaired. Further, the taxi, limousine and TNC industries serve to facilitate the city's economic development, while supporting the use of environmentally-friendly modes of transportation by enabling personal travel by an integrated network that does not require vehicle ownership.

Financial Capacity

Current and Future Operating Budget:

LTS operations are funded through a cost recovery model where the fees collected from industry cover all administrative and enforcement costs. LTS receives no mill rate funding. For that reason, the fee structure for the industry must ensure that the costs associated with each industry participant are fair and sufficient to cover their portion of LTS costs. The results of the one-year pilot for the combined TNC licence fee option show that the amount collected from TNCs through 2017 was sufficient to cover the costs borne by LTS associated with those particular TNCs. Administration is recommending some minor changes to the calculation of the combined TNC licence fee option, however the overall concept of the option and the maintenance of a cost recovery model will continue.

With the evolution of the livery industry and a number of new industry participants, an opportunity has been identified to review the fee structure in the Livery Transport Bylaw. A full analysis of the LTS costs associated with each industry sector (brokers, drivers, vehicles, etc.) should be undertaken to ensure that the proportion of fees paid by each participant is relatively equal to the administration and enforcement costs associated. Administration recommends that this fee review be completed by 2019 Q2.

Current and Future Capital Budget:

The proposed elimination of the maximum fee associated with the combined TNC licence fee option means that TNCs using this system would contribute to the LTS reserve fund, if the fees paid in a one-year period equal more than the cost of TNC administration and enforcement. This fund is used to stabilize LTS' operating budget, fund one-time operating expenditures and finance capital expenditures that directly support LTS. Analysis of the reserve fund will be included as part of the livery fee review and will be presented to Council in 2019 Q2.

Risk Assessment

Administration continues to focus efforts on increasing transportation options, supporting public safety and providing better customer service. Continued use of annual livery citizen satisfaction survey results, industry best practices and research serves to mitigate potential risks.

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If Council decides not to approve Administration's recommendation to undertake a full fee review, a risk exists that livery fees for all industry participants may not be equitable. With the evolution of the industry and the shift towards the automation of licensing processes, it is imperative that a thoughtful review of licence fees be performed.

REASON(S) FOR RECOMMENDATION(S):

Following the conclusion of the one year pilot for the combined licence fee option for TNCs, Administration recommends a number of changes to Livery Transport Bylaw 6M2007. Administration is recommending proposed amendments that address public safety, improve clarity for livery fee calculation and encourage operational flexibility, competition and service innovation. Administration also recommends that a full review of livery fees be performed, reporting back to Council in 2019 Q2. This will ensure that the fee structure of the Livery Transport Bylaw is reflective of the changing livery landscape and allows for a level playing field for all industry participants.

ATTACHMENT(S)

1. Attachment 1 – Proposed Bylaw to amend Livery Transport Bylaw 6M2007
2. Attachment 2 – Summary of Proposed Amendments to Livery Transport Bylaw 6M2007
3. Attachment 3 – Summary of Engagement and Communication with Stakeholders
4. Attachment 4 – 2017 Livery Transport Services Financial Information and Trip/Driver Data
5. Attachment 5 – Summary of Existing and Proposed Combined TNC Licence Fee Option