

**Community Services Report to
SPC on Community and Protective Services
2019 May 08**

**ISC: UNRESTRICTED
CPS2019-0609**

Livery Fee Review

EXECUTIVE SUMMARY

In 2018 April, Council directed Administration to complete a review of the fee structure in the Livery Transport Bylaw for all industry participants and determine an equitable fee structure that reflects the landscape of the evolving industry. Administration was also directed to explore a requirement that all private for hire vehicle drivers complete training equivalent to that required by other livery industry drivers.

An external contractor was hired to complete an independent review and propose a new fee schedule. In Administration's analysis, the proposed fee schedule represents a fair distribution of the costs associated with licensing and regulating the industry as established in the Livery Transport Bylaw. However, engagement with industry has identified a need to complete a full review of the existing bylaw prior to implementing any changes to the fee schedule. As part of One Calgary, Administration had already committed to conducting a review of the Livery Transport Bylaw over the 2019-2022 budget cycle. Administration is recommending that the bylaw review be accelerated to be completed by 2020 Q4, using \$1.1 million from the Livery Transport Services (LTS) Sustainment Reserve to fund the resources required to meet this timeline.

With respect to training requirements for private for hire vehicle drivers, Administration recognizes the merit of drivers across the industry receiving consistent training on industry licensing and regulation. The Livery Transport Bylaw already provides LTS with the authority to implement training for drivers in the industry. With Council's endorsement, Administration would work to develop a driver training program for new private for hire vehicle drivers.

ADMINISTRATION RECOMMENDATIONS:

That the Standing Policy Committee on Community and Protective Services recommend that Council:

1. Direct Administration to accelerate the planned review of the Livery Transport Bylaw 6M2007 as described in Attachment 1 and report back to Council through the Standing Policy Committee on Community and Protective Services with proposed amendments to the bylaw and its fee schedule no later than 2020 Q4; and
2. Endorse Administration's approach as described in this report to develop a driver training program for new private for hire vehicle drivers.

PREVIOUS COUNCIL DIRECTION / POLICY

A detailed listing of Council direction from previous reports is included in Attachment 2.

BACKGROUND

Through the Livery Transport Bylaw, LTS has the mandate to license and regulate the taxi, limousine and vehicles-for-hire industry with the purpose of ensuring public safety, consumer protection and service quality. As a cost-recovery service, fees are charged to industry participants to deliver on this mandate. LTS is challenged to ensure the fee schedule contained in the bylaw is set at a level that: maintains the service line's financial sustainability; provides

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funds for capital investments to support livery industry improvements and innovations; and aligns with a changing and evolving industry.

Over the past three and a half years, Council approved the following amendments to the fee schedule in the Livery Transport Bylaw:

- 2015 September – a freeze at 2015 levels for 2016 - 2017 to align with reductions to Action Plan budgets across the Corporation in response to the downturn in Calgary's economy;
- 2015 September - a reduction to the annual licence fee for Accessible Taxi Plate Licence (ATPL) holders from \$877 to \$220 to compensate for the higher fuel and maintenance costs of operating wheelchair accessible taxis;
- 2016 April – the incorporation of sections specific to licensing and regulating Transportation Network Companies (TNCs) as new market entrants into Calgary's livery industry;
- 2017 March - the elimination of the \$220 ATPL licence fee;
- 2018 January – an inflation increase to the whole fee schedule by four per cent over 2015 levels for the 2018 calendar year;
- 2018 April - the elimination of the \$141 Livery Vehicle Registration fee for taxis and limousines; and
- 2018 April – the inclusion of a TNC combined licence fee option following a one-year pilot.

Stakeholder engagement on the one-year pilot for the TNC combined licence fee option in 2018 identified an opportunity to undertake a review of the fee structure in the Livery Transport Bylaw. As a result, Council approved Administration's recommendation for a full analysis of The City's costs associated with each industry sector to ensure equity of fees paid across industry to cover administration and enforcement costs, with a report back in 2019 Q2. Council also directed Administration to explore training requirements for private for hire vehicle drivers, reporting back within the same time frame. In 2018 Q3, Administration hired Summit72 Capital Advisory Services to complete an independent review and propose a new fee schedule for the Livery Transport Bylaw. Summit72's *Livery Transport Services Fee Review* report, which contains a proposed fee schedule in Appendix A (page 15), can be found in Attachment 3.

While Summit72's review was underway, as part of One Calgary, Council approved a review of the Livery Transport Bylaw as a key deliverable for the taxi, limousine and vehicles-for-hire service line over the 2019-2022 budget cycle. This work was planned for 2021/2022 as staff resources became available once other One Calgary deliverables were completed in the first half of the budget cycle.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Fee Review Methodology and Findings

Summit72 used Activity Based Costing (ABC), a commonly accepted accounting method used to understand the total costs of providing a good or service, to determine the licence fees industry participants should be charged to cover the LTS operating budget. An explanation of this methodology and how it was used to develop the proposed fee schedule is provided in sections 2 to 4 of Summit72's report in Attachment 3. To summarize, under ABC, activities such as the licensing of drivers, plates and companies are considered cost drivers and each cost driver is allocated the appropriate amount of direct costs (i.e. time to process a licence) and

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indirect costs (i.e. leasing, enforcement and other related costs). The allocation of industry sector cost responsibility is based on the total amount of LTS resources used by each industry participant. Summit72's proposed fee schedule distributes the costs to reflect this use of resources to industry participants within each sector.

The proposed fee schedule in Summit72's report is based on an annual operating budget of \$4.4 million. Summit72's costing review found the current fee schedule in the Livery Transport Bylaw did not align with the true costs associated with licensing and regulating the industry. Accordingly, to allocate costs equitably across all sectors, Summit72's proposed fee schedule resulted in noticeable increases to licence fees for most industry participants compared to the current fee schedule.

To provide insight into the overall financial sustainability of LTS, Summit72 was also requested to assess the TNC combined licence fee, market dynamics impacting the livery industry and the LTS Sustainment Reserve. This analysis is included in sections 4.2.1 to 6.2 in Attachment 3.

Driver Training for Private for Hire Vehicles

At Council's direction, Administration analysed whether training should be required by drivers of private for hire vehicles that is equivalent to training taken by other livery drivers.

Administration's analysis included: evaluating the regulatory requirements for a licence in an evolving industry; assessing the merit in aligning driver training with licence eligibility requirements across industry sectors; ensuring training is relevant and aligned with the LTS mandate to achieve public safety, consumer protection and service quality; and looking at approaches to streamline training across all sectors through online offerings. Administration also considered whether existing drivers should be exempt from the training requirement (a similar exemption was provided when training was implemented for taxi drivers in 2006).

Industry Engagement

A full summary of feedback received through industry engagement activities is provided in the *What We Heard Summary Report* in Attachment 4. Feedback included:

- **Fee Review:** Overall feedback from industry participants was that the increases to licence fees in the proposed fee schedule are too high. There was also an expectation by some participants that the cost responsibility between the taxi and TNC sectors should be relatively equal (a breakdown of costs by industry sector can be found in Figure 2 (page 7) in the Summit72 report in Attachment 3). Concern was also expressed about the LTS \$4.4 million operating budget on which the proposed fee schedule was calculated and some industry participants called for LTS to review expenditures to find cost reductions. It was suggested any increases in the fee schedule be put on hold until a full review of the Livery Transport Bylaw was completed or until Administration examined fee structures in other cities to provide a comparative analysis of their licensing and regulatory practices.
- **Driver Training for Private for Hire Vehicles:** Feedback from industry participants indicated support for requiring driver training for new licensees, with a preference for online training, provided the training topics align with the LTS mandate of regulating and licensing the industry.

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Administration's Analysis of the Fee Review

Administration's recommendation on the fee review has been informed by the following analysis:

- **Proposed Fee Increases:** With the fee schedule effectively frozen at 2015 levels for most of the Action Plan budget cycle, along with other amendments over the past three and a half years, Administration anticipated an increase in licence fees through this review.
- **Industry Sector Cost Responsibility:** In the Livery Transport Bylaw, the taxi and limousine sectors have three licence categories: drivers, plate holders and brokers, whereas the TNC sector has two licence categories: drivers and TNC companies. Accordingly, the calculation of the industry sector cost responsibility reflects the bylaw's existing regulatory framework. In addition, the steep increase in the proposed fees for mechanics and garages also include their share of direct and indirect costs associated with licensing and regulating this industry sector.
- **Hybrid Open-Closed Entry Livery System:** Feedback received from many industry participants reflected an interest in having the taxi and private for hire vehicle sectors licensed and regulated similarly. It is important to point out this was beyond the scope of the fee review and would be a significant departure from the hybrid open-closed entry livery system which took effect in 2016 April when TNCs entered the livery industry. In the current system, taxi plates are capped but no limits are placed on limousine plates or the number of private for hire vehicles that may be licensed to operate within the municipality. Within this system, LTS licenses and regulates all sectors for safety considerations, consumer protection and service quality. This approach was unanimously endorsed by the livery advisory committee at the time prior to being approved by Council. Requests to treat the sectors similarly, along with other proposed changes brought forward by stakeholders (i.e. use of security cameras, regulated meter rates) would require substantial amendments to the Livery Transport Bylaw.
- **Finding Efficiencies:** The costing review identified the total costs of licensing and regulating the industry as it exists today which includes both direct and indirect costs. A review of the Livery Transport Bylaw could lead to amendments that would change the way LTS licenses and regulates the industry which, in turn, may result in additional operating efficiencies.

Options

With respect to the fee schedule, Administration has identified the following options:

1. **Approve Summit72's proposed fee schedule:** The proposed fee schedule, based on the ABC review, represents a fair distribution of costs by industry sector and aligns with the current regulatory framework in the Livery Transport Bylaw. Summit72's analysis has provided LTS with an understanding of the true costs (both direct and indirect) associated with licensing and regulating the industry today and has proposed a fee schedule to recover the operating budget. A key challenge related to this option is that the proposed increases are high, especially in the current economic climate.

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2. Approve a phased-in implementation of Summit72's proposed fee schedule: This option would provide some relief in this economic climate by maintaining driver's licence fees across all industry sectors at current levels in the existing fee schedule for 2020 and 2021, while all other proposed fee changes would be implemented. Full implementation of the proposed fee schedule would take effect in 2022. It is estimated approximately \$1 million per year would need to be drawn from the LTS Sustainment Reserve to cover the cost of freezing driver's licence fees until the end of 2021. A key challenge to this option is that while some industry participants are provided with relief, a phased-in implementation would not achieve equity across all industry sectors. In addition, this option would not amend the current licensing and regulatory framework set out in the Livery Transport Bylaw.
3. Complete a full review of the Livery Transport Bylaw and align a new fee schedule to that review, based on Summit72's ABC analysis: Industry feedback received on the fee review has identified issues with how the current industry is licensed and regulated, highlighting the need for a more comprehensive review of the Livery Transport Bylaw. As noted in this report, a full review of this bylaw had already been identified as a key One Calgary deliverable. This option would accelerate the bylaw review and aim to bring forward amendments to Council by 2020 Q4, using \$1.1 million from the LTS Sustainment Reserve to fund resources required to achieve this timeline.

Administration's Recommendations

- **Fee Review:** Administration recommends proceeding with option 3 to accelerate the planned review of the Livery Transport Bylaw. As outlined in Attachment 1, the review would include the development of a discussion paper to build a common understanding of the history and current state of Calgary's livery industry. A review of other jurisdictions for best practices would also be completed to consider options for regulatory frameworks moving forward. The review would be informed by comprehensive public and targeted stakeholder engagement to ensure the regulation of the industry is responsive to both citizen and industry expectations. Opportunities for public opinion research would be explored to compare current public views with findings from research that was conducted when TNCs entered the Calgary market. The ABC review completed by Summit72 would serve as a valuable tool to calculate a new fee schedule that would be in alignment with the implementation of any new regulatory framework.
- **Driver Training for Private for Hire Vehicles:** The Livery Transport Bylaw already provides LTS with the authority to implement training for drivers in all industry sectors. Accordingly, Administration recognizes the merit of drivers receiving consistent training related to the licensing and regulation of the livery industry. If Council endorses an approach to implement a driver training program for new private for hire vehicle drivers (with an exemption for existing drivers), Administration would work further with industry participants to develop this program. While Council directed work to explore options specific to drivers of private for hire vehicles, Administration would also work with other industry sectors to explore streamlining training for all new drivers.

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Police Check Fee Amendment to the Livery Transport Bylaw

In 2019 April, Calgary Police Services implemented a fee increase for police checks, a key requirement for driver's licence applications under the Livery Transport Bylaw. As part of the One Calgary budget adjustment process, Administration will bring forward an amendment to the fee schedule in the Livery Transport Bylaw in 2019 November that aligns with this increase.

Stakeholder Engagement, Research and Communication

A summary of industry engagement activities associated with this report is provided in Attachment 4: *What We Heard Summary Report*.

Strategic Alignment

This report aligns with 2019-2022 Citizen Priority: A City That Moves and specifically to 2019-2022 Council Directive (M1): Council's primary concern is with the safety of all Calgarians therefore all modes of transportation must be safe.

Administration committed to complete a full review of the Livery Transport Bylaw over the One Calgary 2019-2022 service plan and budget cycle. In this report, Administration recommends accelerating the bylaw review, to be completed by 2020 Q4, to ensure a new bylaw and its accompanying fee schedule appropriately aligns with the LTS licensing and regulatory mandate of this evolving livery industry.

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 vehicles-for-hire industry serves 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 is funded through a cost recovery model where the fees collected from industry cover all direct and indirect costs. The fee structure for the industry must ensure the costs associated with each industry participant are fair and sufficient to cover their portion of LTS costs. Administration's recommendation in this report requires \$1.1 million from the LTS Sustainment Reserve to accelerate the planned review of the Livery Transport Bylaw. Completing the review earlier than planned will enable Administration to ensure the licensing and regulatory framework is aligned with a fee schedule that will result in financially sustainable future operating budgets.

Current and Future Capital Budget:

The LTS Sustainment Reserve supports capital costs associated with licensing and regulating the livery industry. A financially sustainable fee schedule in a revised Livery Transport Bylaw will ensure an appropriate amount of funds are being maintained in the LTS Sustainment Reserve to support capital expenditures.

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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.

If Council does not endorse Administration's recommendation to accelerate the review of the Livery Transport Bylaw, there will continue to be tensions among livery stakeholders about the licensing and regulatory framework and the corresponding fees charged to sustain the LTS operating budget.

There is a risk that the bylaw review may be delayed due to the complexities associated with the livery industry. This delay could impact the implementation of a fee schedule that equitably recovers fees from industry participants aligned to the direct and indirect costs required to regulate the industry. To mitigate this risk, Administration will proceed with the bylaw review in phases and present a proposed framework to Council in 2020 Q1. At that time, if it becomes apparent that the review may take longer, Administration may recommend that Summit72's proposed fee schedule be implemented prior to completing the bylaw review.

REASONS FOR RECOMMENDATIONS: Council directed Administration to complete a review of the fee schedule in the Livery Transport Bylaw to analyse fees for all industry participants and determine an equitable fee structure that reflects the landscape of the evolving industry. Engagement with industry on a new proposed fee schedule identified a need to complete a full review of the existing bylaw prior to implementing any changes to the fee schedule. Administration is recommending that the bylaw review be accelerated to be completed by 2020 Q4, using funds from the LTS Sustainment Reserve to pay for the resources required to meet this timeline. This report also responds to Council direction to explore training requirements for private for hire vehicle drivers. Administration recommends using the authority already provided in the Livery Transport Bylaw to enable LTS to work further with industry participants to develop a training program for new drivers.

ATTACHMENTS

1. Attachment 1 – Livery Transport Bylaw Review – Proposed Timeline and Deliverables
2. Attachment 2 – Previous Council Direction/Policy
3. Attachment 3 – City of Calgary Livery Transport Services Fee Review, Summit72 Capital Advisory Services
4. Attachment 4 – Livery Transport Services Fee Review: What We Heard Summary Report