



Briefing Note

Livery Transport Services Fee Review

May 8, 2019

Description

Following a direction from Council in April 2018, The City of Calgary engaged Summit72 Capital Advisory Services to assess the impact the evolving livery industry structure will have on its current and future costs. The fee review was triggered following a one-year pilot of the combined licence fee for the Transportation Network Company (TNC) industry sector. Ultimately, the objective is the development of a fee schedule that equitably allocates costs across all market participants while also ensuring the current and future operational stability of Livery Transport Services (LTS). The scope of the report was based on the current Livery Transport Bylaw which sets the framework for regulating the industry. The final report reflects the current bylaw regulations.

A well-functioning vehicle-for-hire market based on an equitable fee structure is central to what LTS aims to achieve through the delivery of this scope of work. Specifically, LTS wishes to establish a clear link between the costs to licence and regulate each sector of the industry and the fees they are being charged.

With the Summit72 report delivered, Calgary Community Standards Strategic Services developed a Council report with recommendations based on the research to address equity across the industry.

Key Contacts

Michele del Valle
Leader Strategic Services
Calgary Community Standards
C 587-229-6811
Michele.delvalle@calgary.ca

Sandra Sweet
Business Unit Planner, Calgary Community Standards
Customer Services & Communications
C 403-512-0035
Sandra.sweet@calgary.ca

Abdul Rafih
Chief Livery Inspector
Calgary Community Standards
C 403-648-6315
Abdul.Rafih@calgary.ca

Current Status / next steps

The Report was presented to SPC on Community and Protective Services May 8, 2019, and is scheduled to go before Council on May 27, 2019.

City Administration key messages

- The City conducted a review of Livery Transport Services (LTS) fees following the Transportation Network Company (TNC) one-year combined license fee pilot.

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- As LTS operates as a cost recovery service, fees pay for the cost of licensing, regulating, investigating and overseeing the industry for the safety and protection of passengers and drivers.
- As a result of the engagement and fee review report, The City recommended that they hold off on any fee increases pending an accelerated review of the Livery Transport bylaw (originally scheduled to start in 2020) to ensure this evolving industry is regulated effectively and fairly.

City / Stakeholder roles

Calgary Community Standards, Livery Transport Services – part of the Compliance Services division and responsible for conducting the work necessary for regulating Calgary's livery industry.

Questions and answers

1. Why has LTS conducted a review of the fee schedule in the Livery Transport Bylaw at this time?

On April 11, 2018 Calgary City Council directed Administration to complete a review of the fee structure in the Livery Transport Bylaw. The direction was provided as part of the follow-up to the completion of the Transportation Network Company (TNC) one-year combined licence fee pilot.

During the pilot, Administration conducted industry engagement which gave them a clear understanding that industry stakeholders wanted a full analysis of City costs associated with each industry sector. Based on this feedback, Council directed a review of the fee structure be completed to ensure the fees paid by each participant is proportional to the administration and enforcement costs associated with licensing and regulating the industry.

2. What was the process for selecting the external contractor to complete the LTS Fee Review?

The external contractor was selected in compliance with The City of Calgary's Request for Proposals (RFP) procurement process, where all interested proponents were provided with the opportunity to submit proposals for this project.

3. What was the scope of work of the LTS Fee Review?

The purpose of this work was to review the fee structure in the Livery Transport Bylaw to ensure fees charged to industry participants to cover all associated costs for licencing and regulating the industry are equitable. The scope of work for the external contractor included:

- Reviewing existing LTS processes;
- Identifying the costs to LTS for licensing and regulating the industry; and
- Developing a fee schedule that distributes costs equitably to industry participants and establishes a link between the LTS resources needed to regulate participants and the level of payment required to provide these services.

4. Explain how the cost responsibilities were determined for each industry sector.

LTS is responsible for licensing and regulating the Taxi, Limousine and Vehicle-for-Hire industry. The key objective of the LTS mandate is to ensure safety of the travelling public, consumer protection and service



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quality. To deliver on this mandate, LTS charges industry participants licencing fees to cover all associated costs.

The proposed fee schedule is based on an operating budget of \$4.4 million approved by Calgary City Council. To determine what industry participants should be charged to cover this operating budget, the external contractor used a commonly accepted (Activity Based Costing, ABC) method for understanding the total costs of the services provided by LTS.

Basically, Summit72 calculated the level of demand that industry participants place on LTS' total resources. They then calculated the percentage of costs each industry sector should be responsible for to recover the costs of the LTS annual operating budget. The report provides further explanation on how methodology was adjusted under the industry equity approach.

5. In the proposed fee schedule, why aren't the combined licence fees for a taxi/limousine driver and plate holder equal to what a TNC driver would be expected to pay?

The proposed fee schedule reflects the regulatory framework that exists in the current Livery Transport Bylaw. Under the bylaw, the taxi and limousine sectors have three licensing categories: drivers, holders of taxi plate licences and brokers. The TNC sector has two licence categories: drivers and TNC companies.

In the taxi and limousine sector, a driver's licence is issued regardless of a broker/company affiliation. Currently, many drivers in these industry sectors work for holders of taxi or limousine plate licences and there are many cases where a plate holder has two or more drivers working on the same plate. A taxi plate licence can also be issued without a driver.

In the TNC sector, an individual must be affiliated with a TNC and a vehicle to obtain a Transportation Network Driver's Licence (TNDL). Unlike the taxi or limousine plate licence, vehicles are not licensed separately for a TNC driver.

Combining the driver licence and plate licence to be equal to a TNDL would be a significant change in the way the taxi and limousine sectors are regulated and would require major amendments to the Livery Transport Bylaw. Consideration of these types of amendments to the bylaw were outside the scope of Livery Fee Review project.

6. What is the reason for the significant increase in many of the licensing fees in the proposed fee schedule?

The fee schedule in the Livery Transport Bylaw was frozen at 2015 levels from 2015-2017. In 2018, the fee schedule received a 4% inflation increase. For 2019, Administration recommended that the fee schedule be maintained at 2018 levels until the fee review was completed.

The review determined the fees were not aligned with the true costs associated with licensing and regulating the industry. In addition, the proposed fee schedule has allocated costs equitably across all sectors, which resulted in some sectors seeing higher increases to licencing fees than others.

7. What budget was the fee review based on?

The review was based on an operating budget of \$4.4 million.

8. What is Administration recommending with respect to the fee review?

Administration presented three options for Committee's and Council's consideration:

1. Approving the proposed fee schedule provided in the Livery Transport Services Fee Review report as it fairly distributes costs by industry sector and aligns with the regulatory framework in the current Livery Transport Bylaw;
2. Approving a phased-in implementation of the proposed fee schedule. Under this option, to provide some relief in this economic climate, driver's licence fees across all industry sectors would be maintained at 2019 levels for 2020 and 2021, while all other fee changes would be implemented. Shortfalls to the annual operating budget would be funded through the LTS Reserve. Full implementation of the proposed fee schedule would take effect in 2022.
3. Maintaining all fees to 2019 levels until a full review of the Livery Transport Bylaw can be completed, which would include a revised fee schedule to align with any bylaw amendments to the licensing and regulating requirements of an evolving livery industry. Industry feedback received on the fee review has identified issues with how the current industry is licenced and regulated, highlighting the need for a fuller review of the Livery Transport Bylaw.

Administration is recommending the third option to Council.

9. Now that you have the fee review completed, why is Administration recommending the third option to freeze fees and do a full bylaw review?

There are a few reasons for this option.

First, it has been many years since a complete review of this bylaw has been done. As we all know, there have been many changes to the industry over the past decade including the introduction of TNCs into the Calgary market. Although we made bylaw amendments to accommodate this new market sector, we have now been regulating TNCs for a few years. It makes sense to do a complete review now to make the regulations truly equitable across the industry and ensure we have the right regulations in place to meet the LTS mandate.

Second, we are aware that some participants in the industry do not believe The City has landed on the right mix of fees and regulations. We'd like to address these concerns and ensure we are providing appropriate regulation to ensure citizen safety without overburdening any one sector of the industry.

10. By reviewing the fees first, weren't you basically putting the cart before the horse?

The fee review was completed following direction from Council. Going through this process and doing industry engagement has given us vital information. All this has led us to propose the option of accelerating the bylaw review. The fee review work is still of immense value—it would be used to inform the bylaw review and the proposed fee structure can be incorporated into the revised bylaw and adjusted based on revised regulations.

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11. The industry has criticized The City for not being transparent about actual operating costs and how they use the fees. What do you say to that?

There has been a lot of misinformation circulated through the industry. As part of the budget cycle, The City publishes the operating budget for all departments and we have recently published both the LTS audit report and Summit72 report.

We feel that a full bylaw review will help to alleviate much of the misinformation as further industry engagement would be part of the process. By revisiting the entire bylaw, we will be in a better position to ensure equity across the industry.

12. What is being considered for TNC driver training?

The feedback we received from industry indicated support for driver training for new licensees across all industry sectors which aligns to the LTS mandate of regulating and licensing the industry. Feedback also indicated stakeholders would prefer online training.

The Livery Transport Bylaw already allows LTS to bring in training for drivers in all industry sectors. In response to Council's direction, Administration is recommending a driver training program for new TNC drivers, but exempt existing drivers from the training requirement (similar exemptions were provided to taxi drivers when training was implemented in 2006). With Council's endorsement, Administration would work further with industry participants to develop this program.

Background

Prior to 2016, Calgary's livery industry consisted almost entirely of taxis. In April of 2016 The City of Calgary decided to provide Calgarians with another livery option, opening the industry to competition from TNCs. This led to significant changes in the structure of Calgary's vehicle-for-hire market and by the end of 2018 TNCs captured approximately 39% of the market.

Since 2016, LTS and Calgary City Council have worked to address industry disruption as it relates to taxi fees primarily through a reduction in taxi fees and by introducing fees and regulations for TNCs. Some market participants and key stakeholders criticized this process as being ad hoc, causing the need for an independent, in-depth, and transparent analysis of LTS's fee structure.

In the past, the traditional taxi industry has been very vocal and often expressed dissatisfaction with The City's handling of industry regulation and management. In addition, since the TNC disruption of the industry, taxi drivers and brokerages have blamed TNCs for eroding the market and reducing their earning potential. Citizens, on the other hand, have shown very little interest in issues impacting the industry, and their focus seems to be on being able to get a vehicle-for-hire quickly and conveniently. They have embraced mobile device applications that are used by TNC drivers and the service delivery model that the companies offer. While this report is not likely to generate much interest from citizens, it will be of high interest to all players in the taxi/limousine/TNC industry.



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