



TAXICAB RATES & CHARGES IN SOUTHERN NEVADA

A Review & Analysis

October 27, 2016

Overview

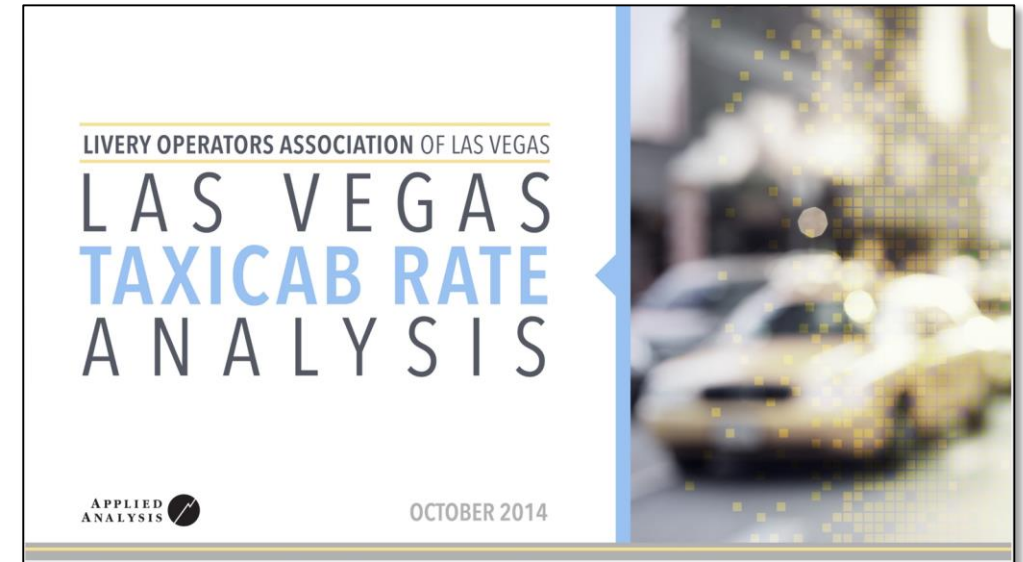
- Introduction
- Historical & Current Rates
- General Price Inflation & Rates
- Operating Cost Inflation & Rates
- The Fuel Surcharge
- Additional Charges
- Competitive Landscape



INTRODUCTION

Introduction

- Applied Analysis was retained by the Livery Operators Association (“LOA”) to provide a general history relative to the rates and charges currently imposed on taxicab rides in Clark County.
- This analysis relies on a series of studies and reports previously completed, including an October 2014 report comparing operating costs to rates as well as a 2016 report responding to an audit issued by the State of Nevada.





HISTORICAL & CURRENT RATES

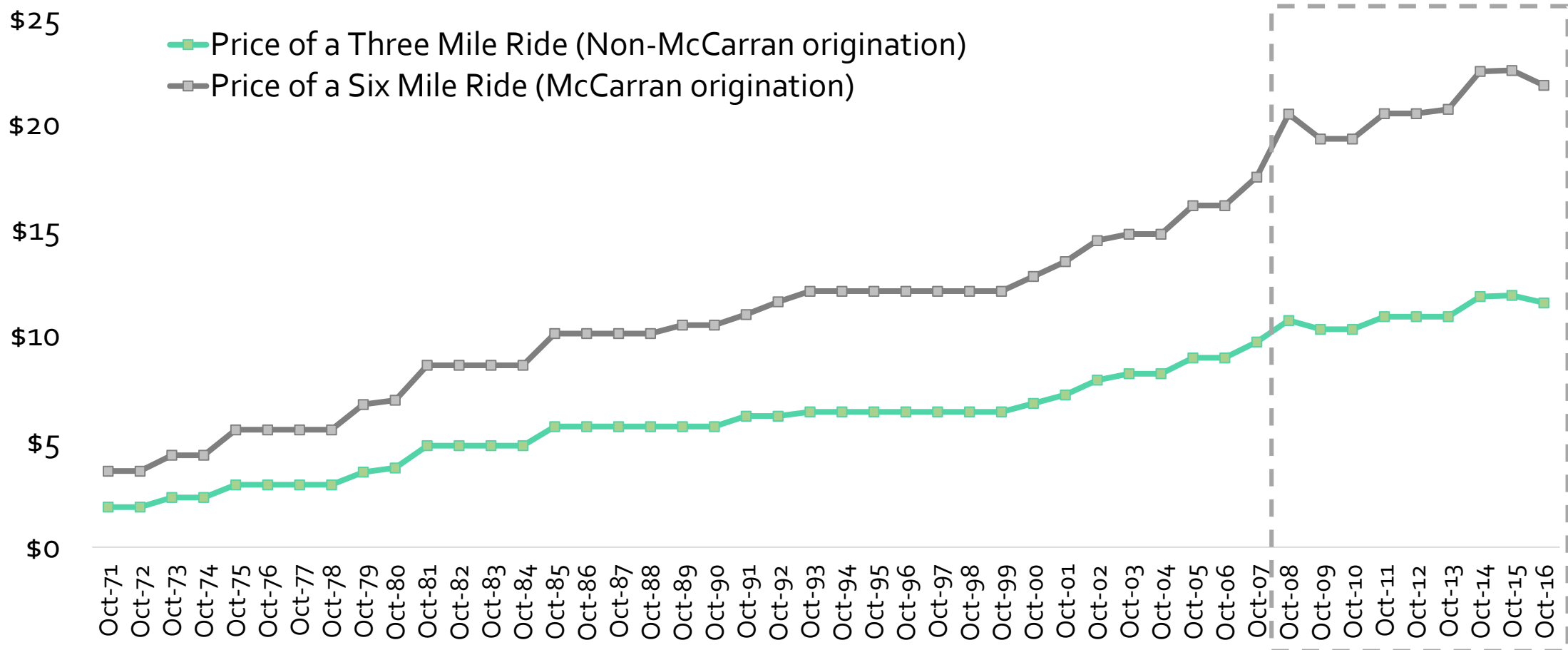
Nevada Taxicab Authority Rate History

Date	Drop Fee	Per Mile Fee (Inc. Fuel Surcharge)	Per Mile Fee (Exc. Fuel Surcharge)	Notes
11/13/2008	\$3.30	---	\$2.40	
4/26/2011	\$3.30	\$2.60 (\$0.20 Fuel Surcharge)	\$2.40	
7/1/2013	\$3.30	\$2.60 (\$0.20 Fuel Surcharge)	\$2.40	McCarran Airport fee raised \$0.20 to \$2.00
10/20/2014	\$3.45	\$2.88 (\$0.20 Fuel Surcharge)	\$2.68	Wait time fee raised \$2.40 to \$32.40/hr.
12/17/2014	\$3.45	---	\$2.68	
8/24/2015	\$3.50	\$2.88 (\$0.12 Fuel Surcharge)	\$2.76	3% excise tax added to all fares & fees
11/16/2015	\$3.50	---	\$2.76	

Source: Nevada Taxicab Authority. Note: Data are reported for November 13, 2008 going forward.

Nevada Taxicab Authority Rate History

(1971-2016); All Prices Include Fuel Surcharges



Source: Nevada taxicab rate history compiled by Livery Operators Association; calculations by AA; prices exclude wait times; prices are as of October each year.

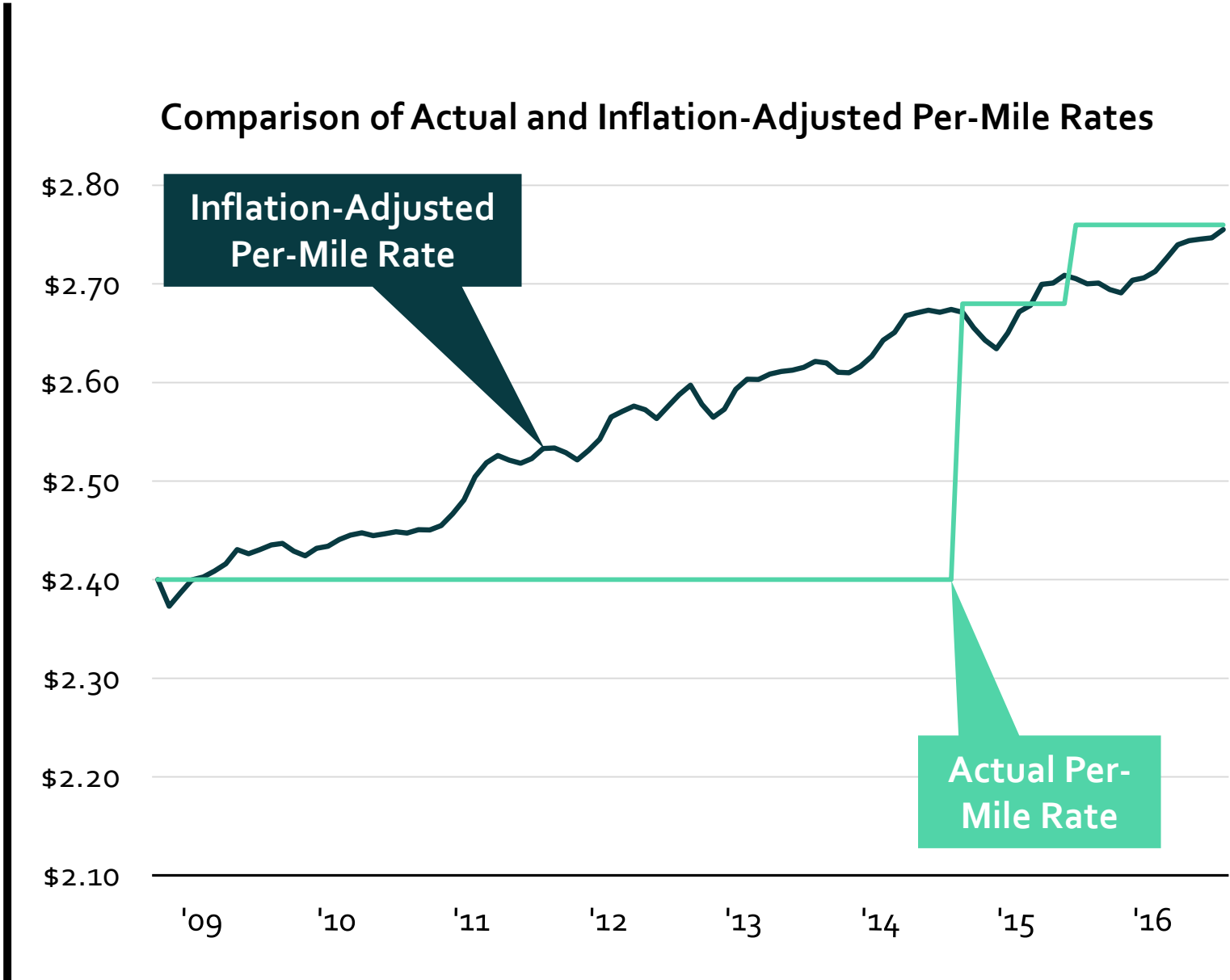


GENERAL PRICE INFLATION & RATES

QUESTION

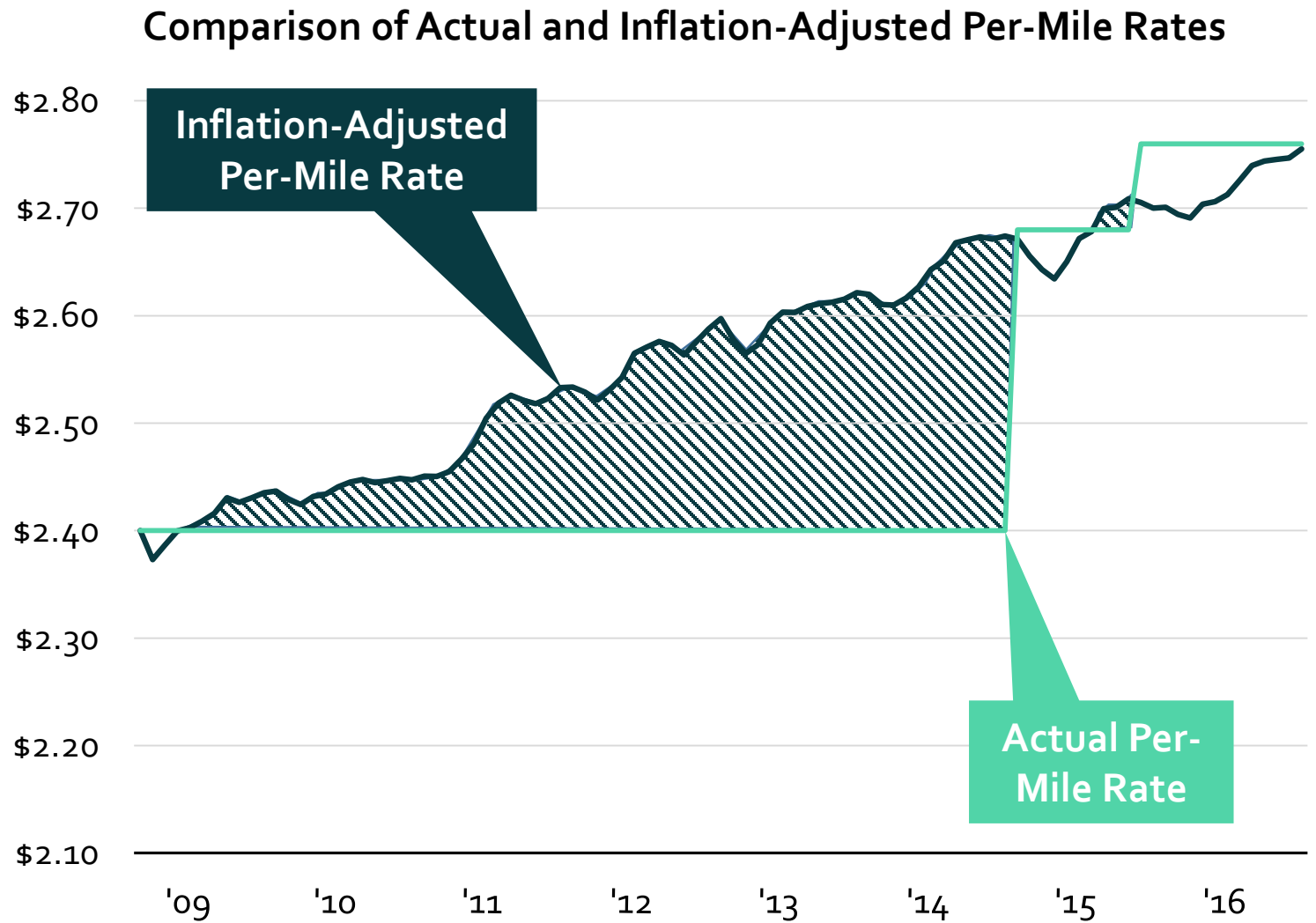
*Have taxicab rates and charges kept pace
with the rate of inflation?*

While prices have increased over time, taxicab rates have generally remained below the level of inflation.



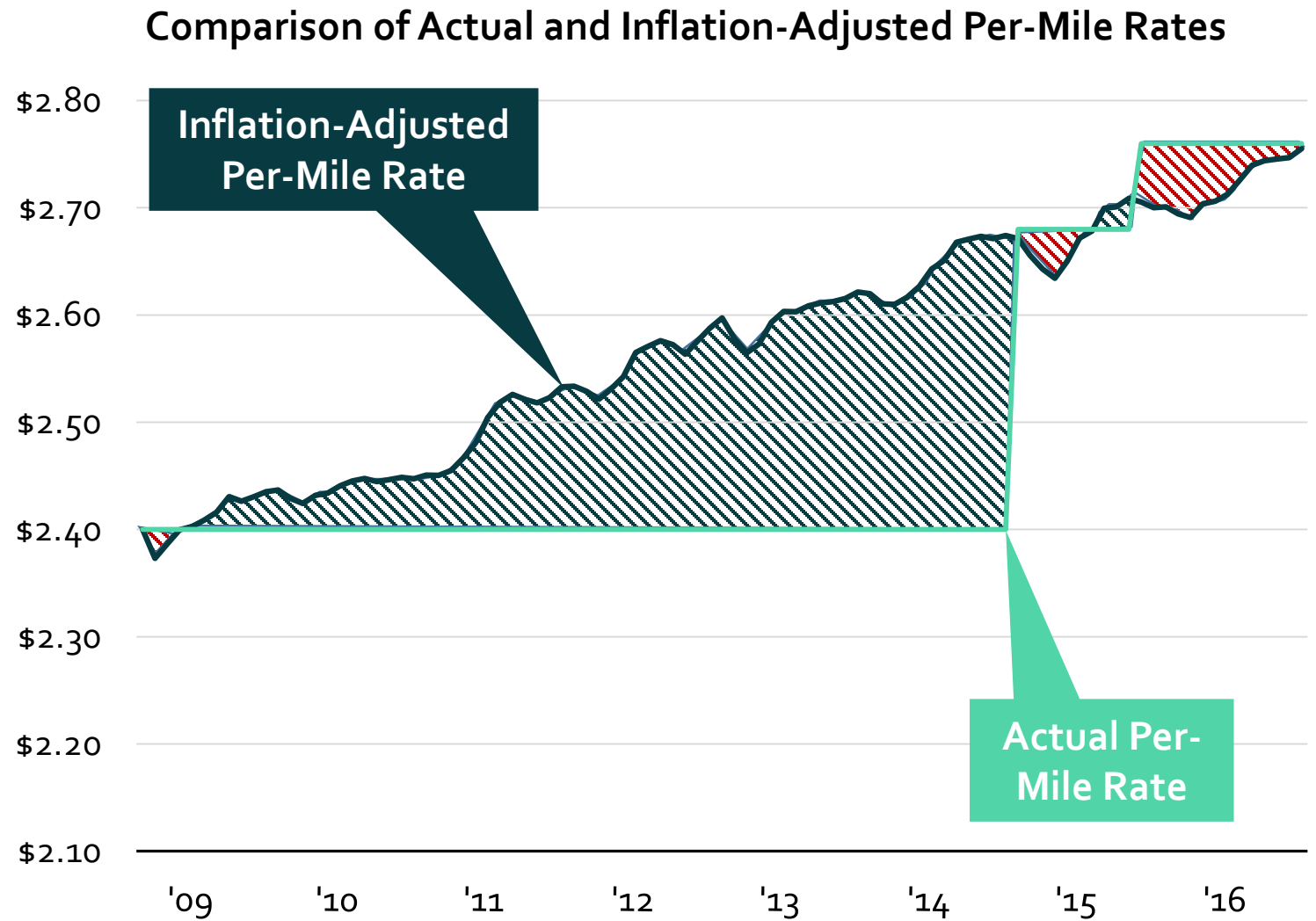
Source: CPI data is from the U.S. Bureau of Labor Statistics (west urban area); calculations by Applied Analysis.

If per-mile rates would have increased at the same rate as inflation since November 2008, per-mile charges would have far exceeded actual charges.



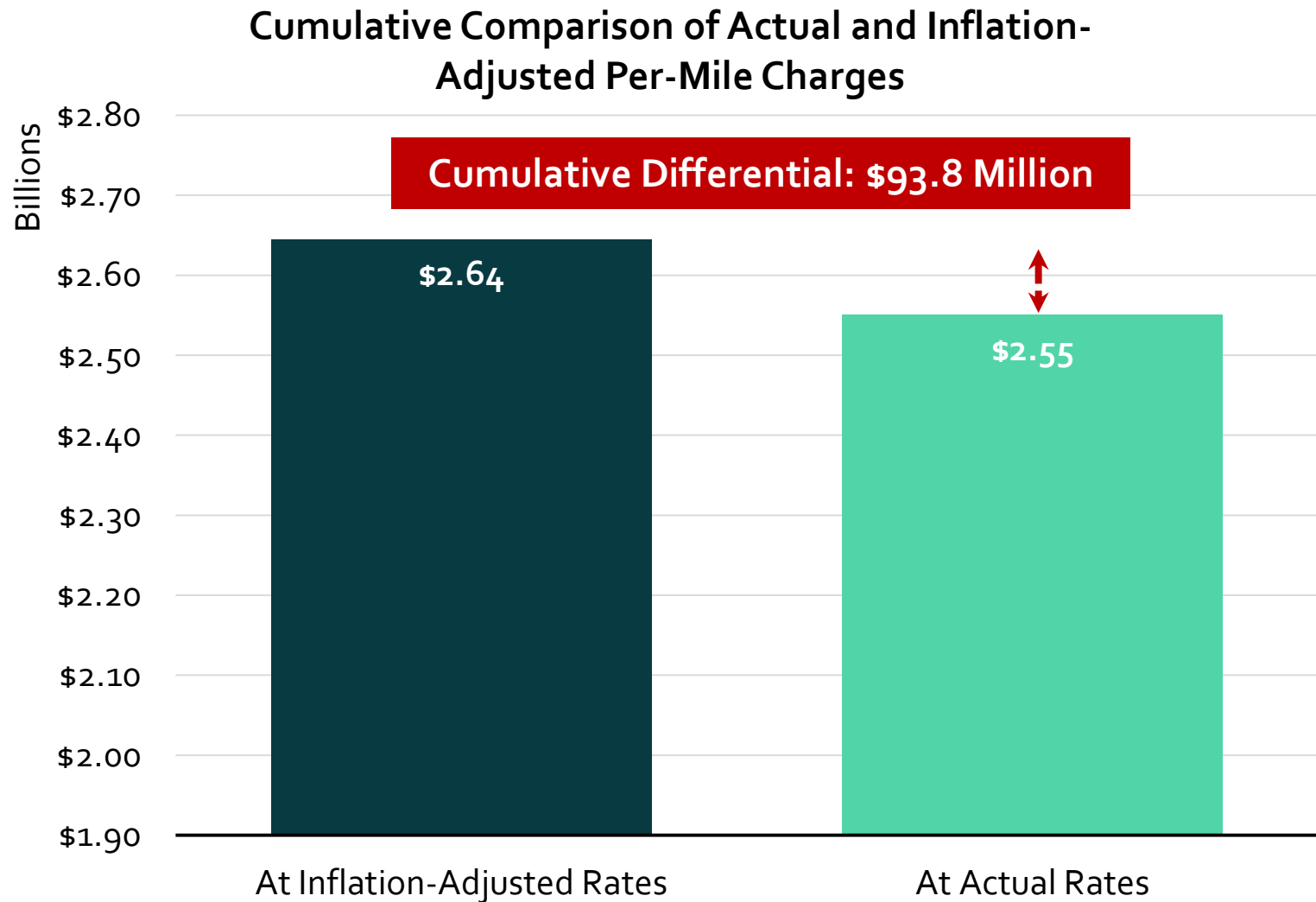
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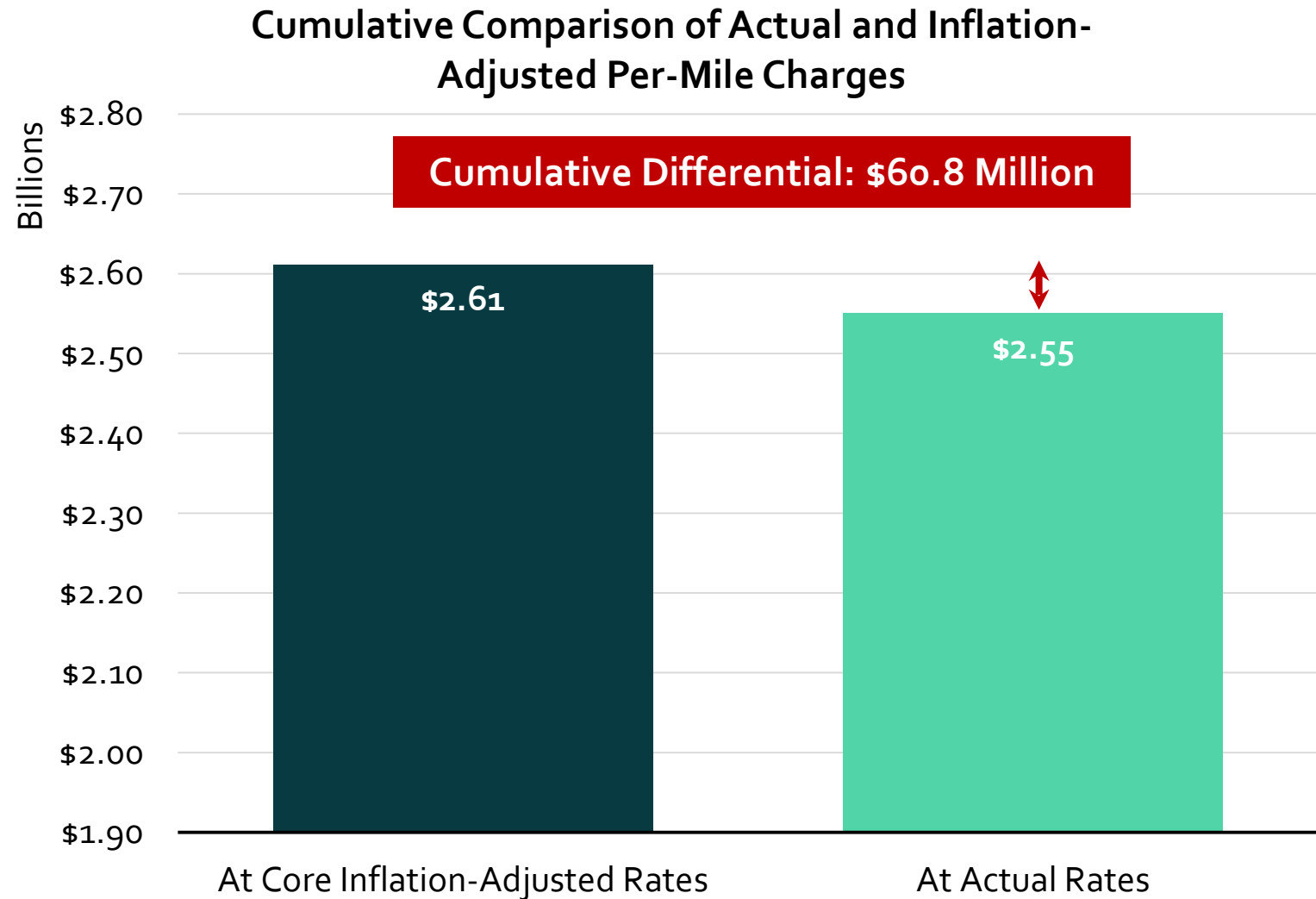


Source: CPI data is from the U.S. Bureau of Labor Statistics (west urban area); calculations by Applied Analysis.
Calculations utilize actual number of trips by month, CPI and assumes 5 miles per trip on average.

Concern

CPI includes fuel cost; the analysis of taxi rates did not include the fuel surcharge in effect between April 2011 and December 2014 when sustained gas prices were above \$3.25 per gallon.

Alternative Analysis #1: Replace CPI with Core CPI, which excludes the cost of fuel and energy, creating an analysis that excludes fuel from both sides of the equation.

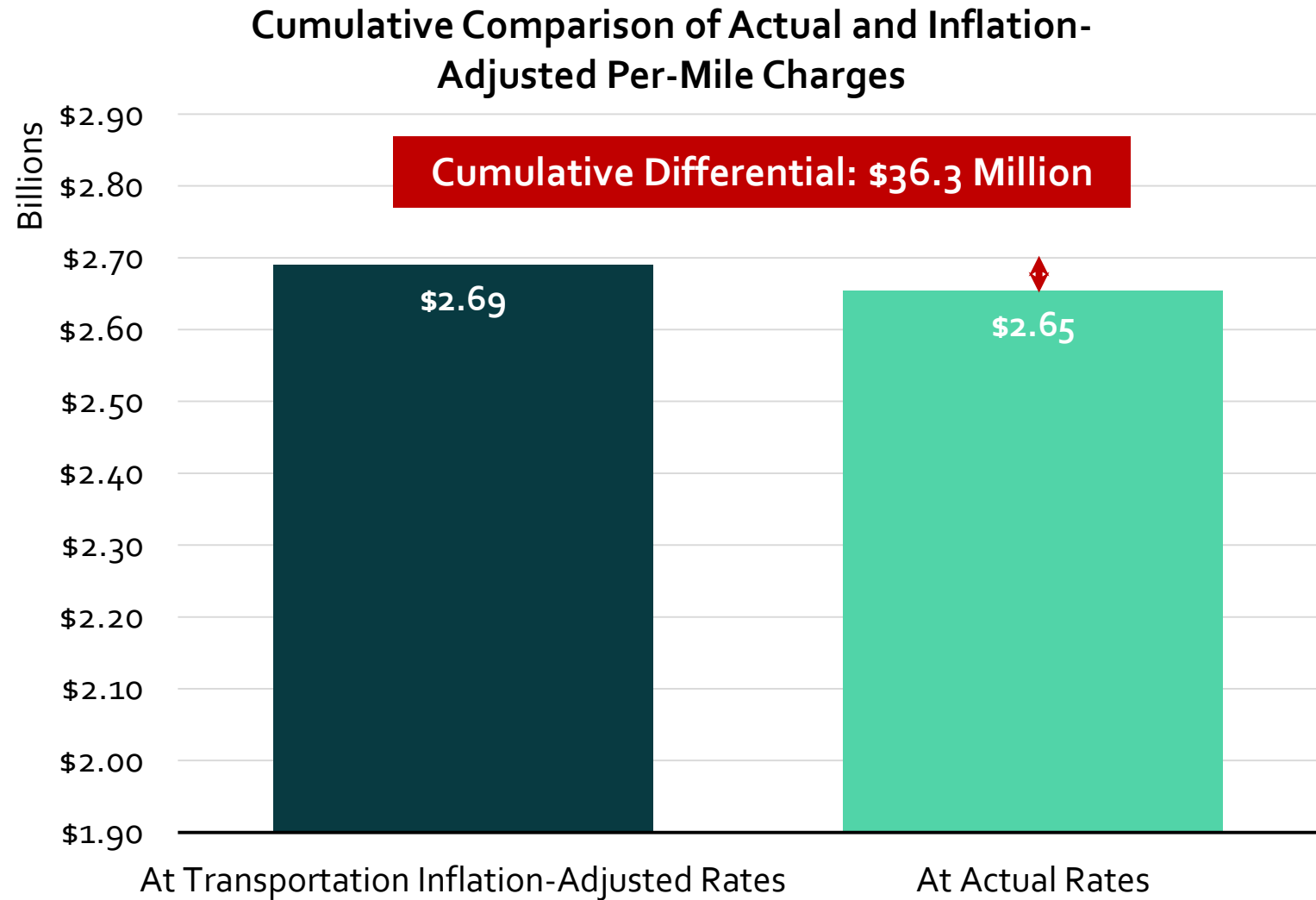


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Concern

CPI includes fuel cost; the analysis of taxi rates did not include the fuel surcharge in effect between April 2011 and December 2014 when sustained gas prices were above \$3.25 per gallon.

Alternative Analysis #2: Replace CPI with Transportation Services CPI, which more accurately captures the impact of higher fuel prices; fuel surcharge included.



Source: CPI data is from the U.S. Bureau of Labor Statistics (west urban area); calculations by Applied Analysis.
Calculations utilize actual number of trips by month, CPI and assumes 5 miles per trip on average.

Taxicab Rates are **Not Excessive** on their Face

- Since 2008, rate changes have generally lagged inflation. Currently, rates are essentially aligned with inflation.
- Other factors including increases in higher wages and increased fees and taxes are factors that may also need to be considered.
- Alternative analyses have shown that changes to the type of Consumer Price Index used still result in charges that are lower than inflation-adjusted numbers.

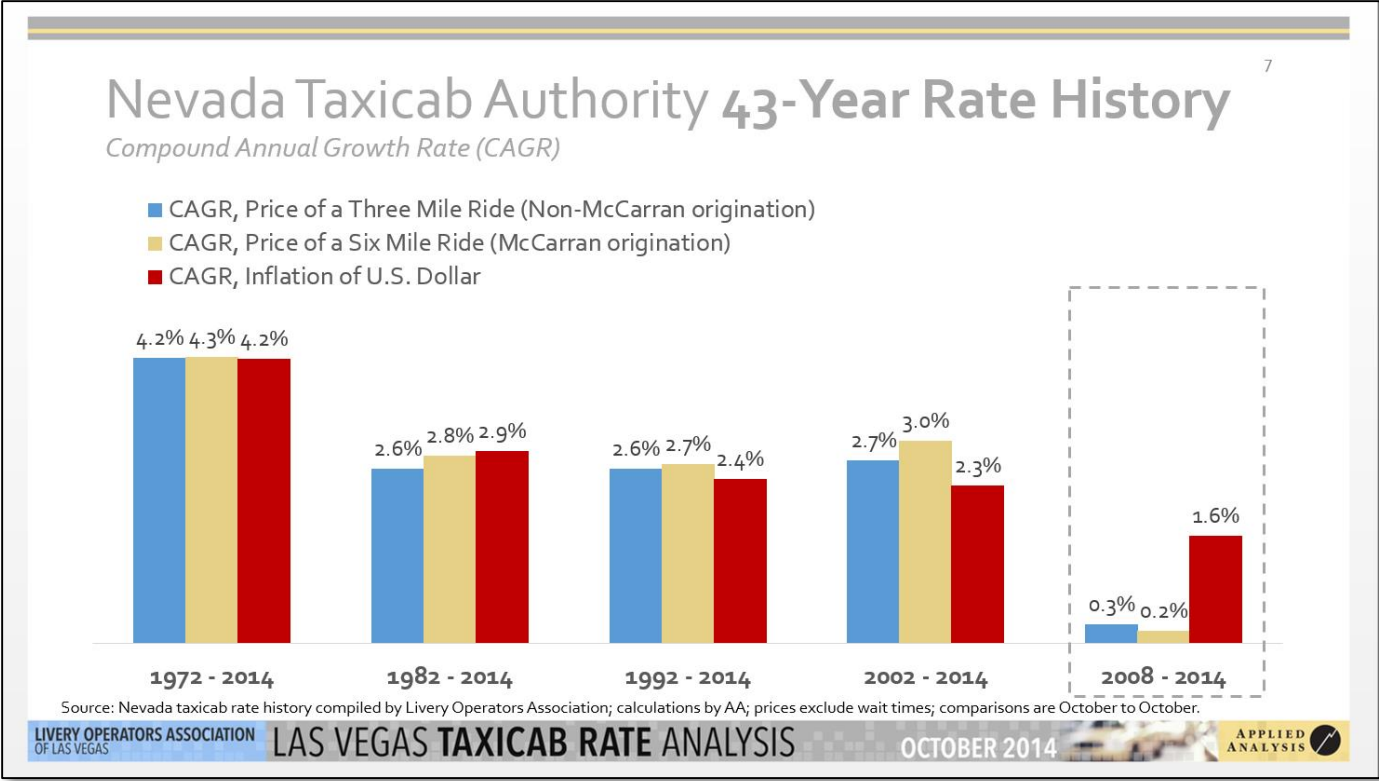


OPERATING COST INFLATION & RATES

QUESTION

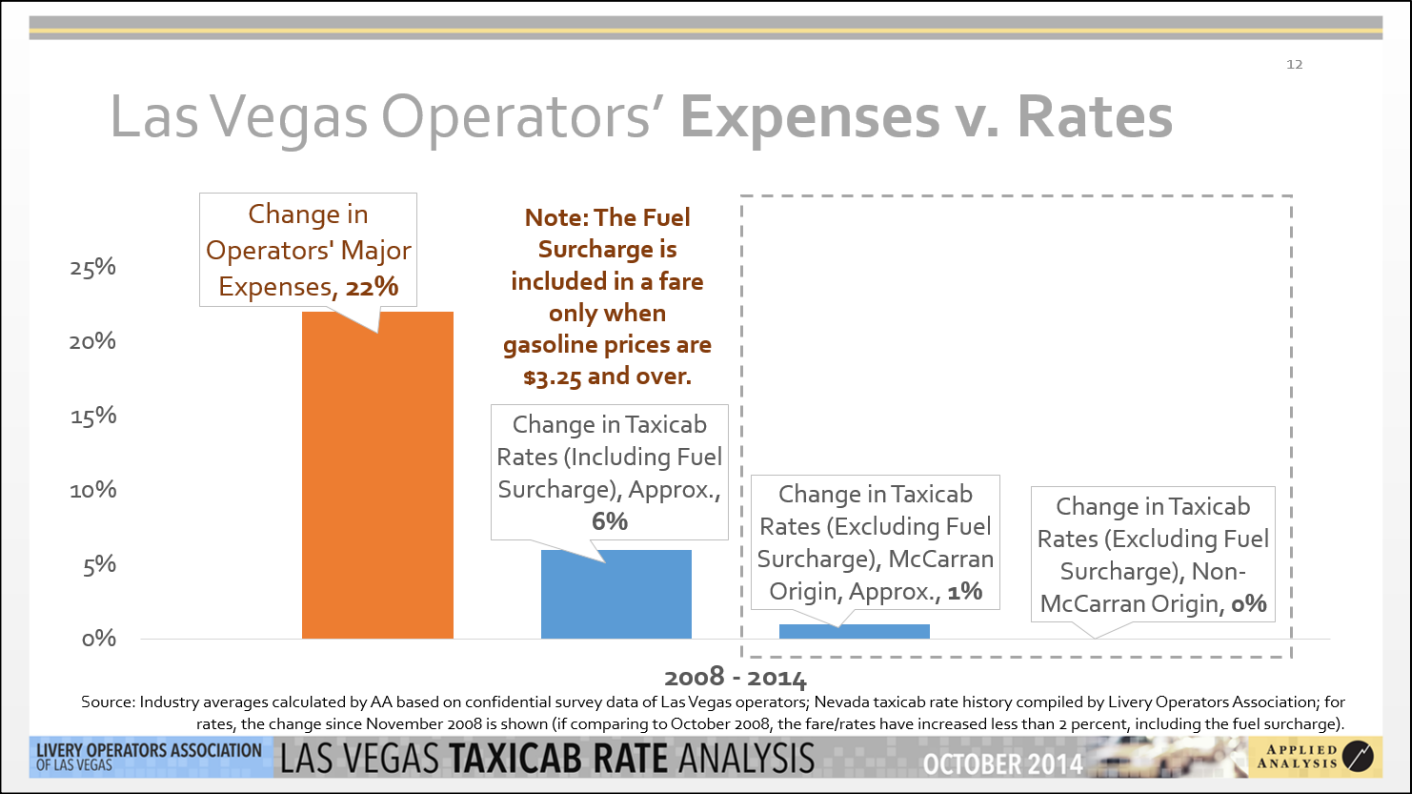
Have taxicab rates and charges kept pace with operating costs?

While prices have increased over time, taxicab rates have generally remained below the level of inflation.



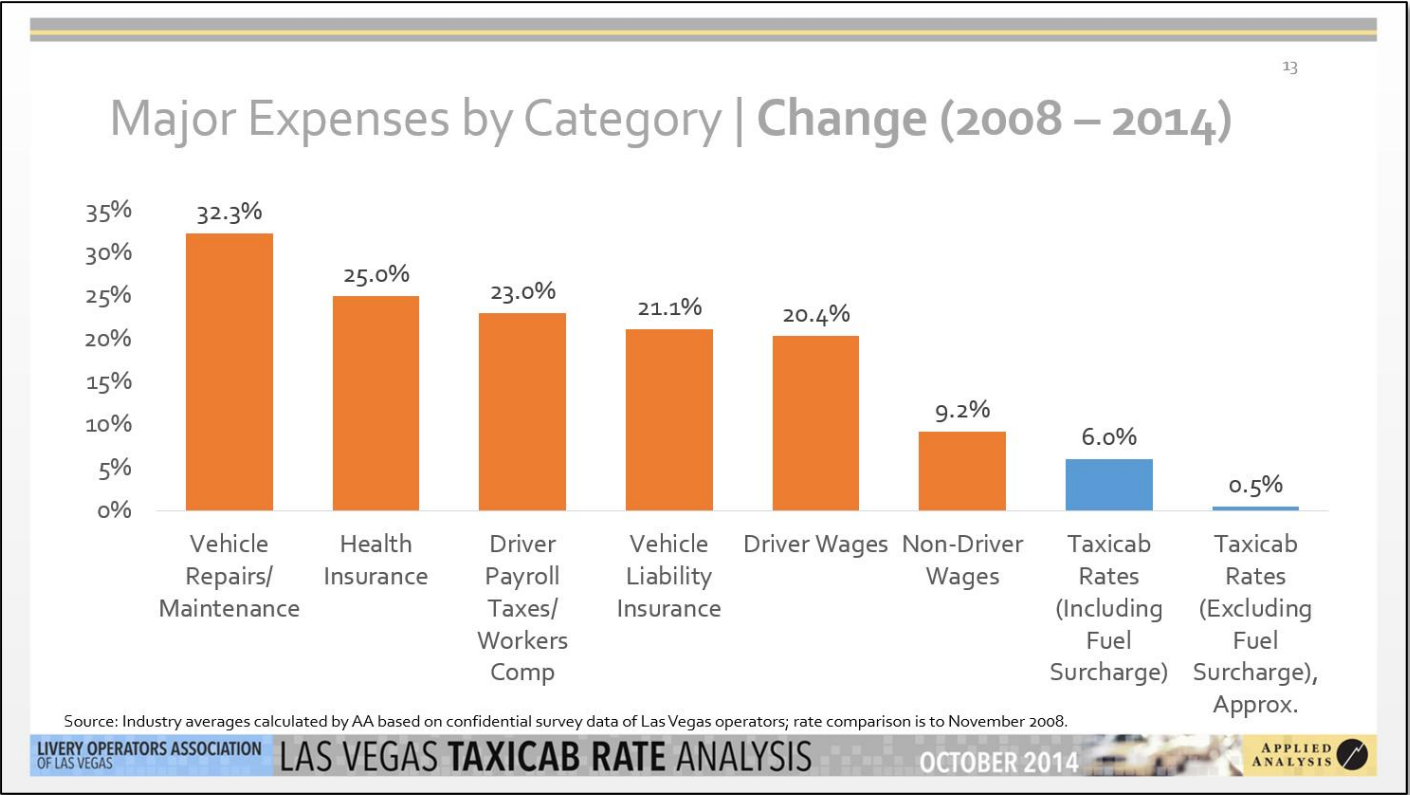
Prior analyses revealed that operating costs were rising faster than rate increases from 2008 to 2014.

Operators' major expenses (representing approximately 72% of total expenses) increased 22% from 2008 to 2014. In comparison, overall taxicab rates including fuel surcharges increased just 6%. Excluding fuel surcharges, taxicab rates grew between 0% and 1%, depending on origin.



Prior analyses revealed that operating costs were rising faster than rate increases from 2008 to 2014.

Taxicab operators faced across-the-board increases in major expenses. As an example, driver wages, which represent more than 40 percent of all expenses, increased 20.4% from 2008 to 2014, partly due to an 11%-increase in the minimum wage.



Disparity in taxicab operating costs and rates showed there was potential for rate adjustments.

The analysis found that (1) a 4.7%-increase in the rate would be needed to keep up with the minimum wage increase and (2) a 15.7%-increase in the rate would be required to keep up with overall business cost increases.

Potential Rate Adjustment Scenarios

Baseline Scenario

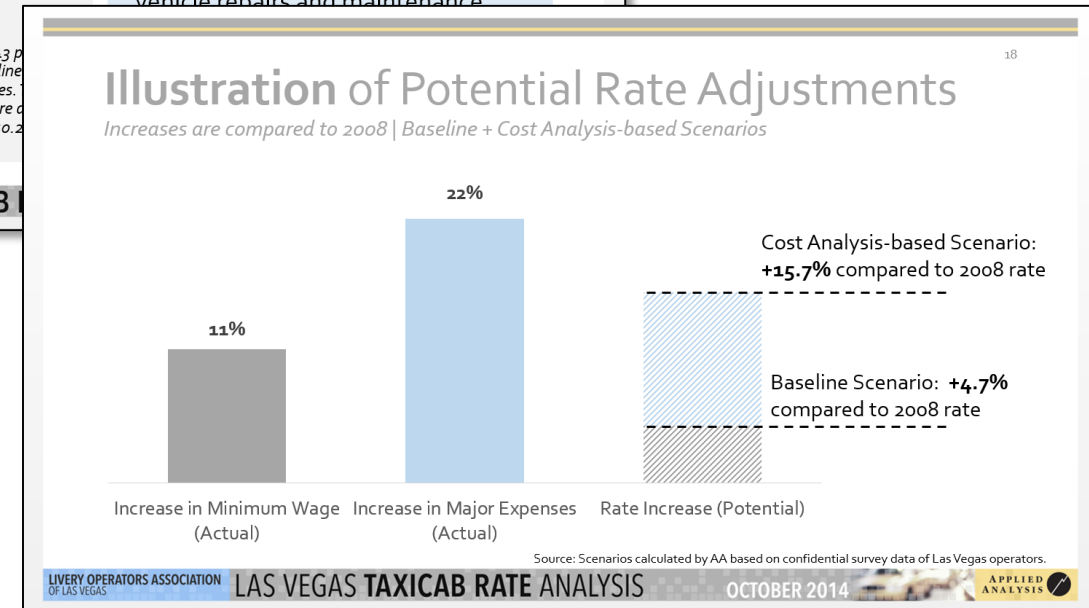
- An increase of approximately 4.7-percent in each component (outside of fuel surcharges) would be required solely to keep pace with the baseline minimum wage increase.

Note that with driver salaries representing 43 percent of all expenses, an 11-percent increase in baseline equates to a 4.7-percent rise in total expenses. This scenario assumes 100 percent of revenues are derived from taxicab fares and retains the existing \$0.2 fuel surcharge.

Comprehensive Cost Analysis-based Scenario

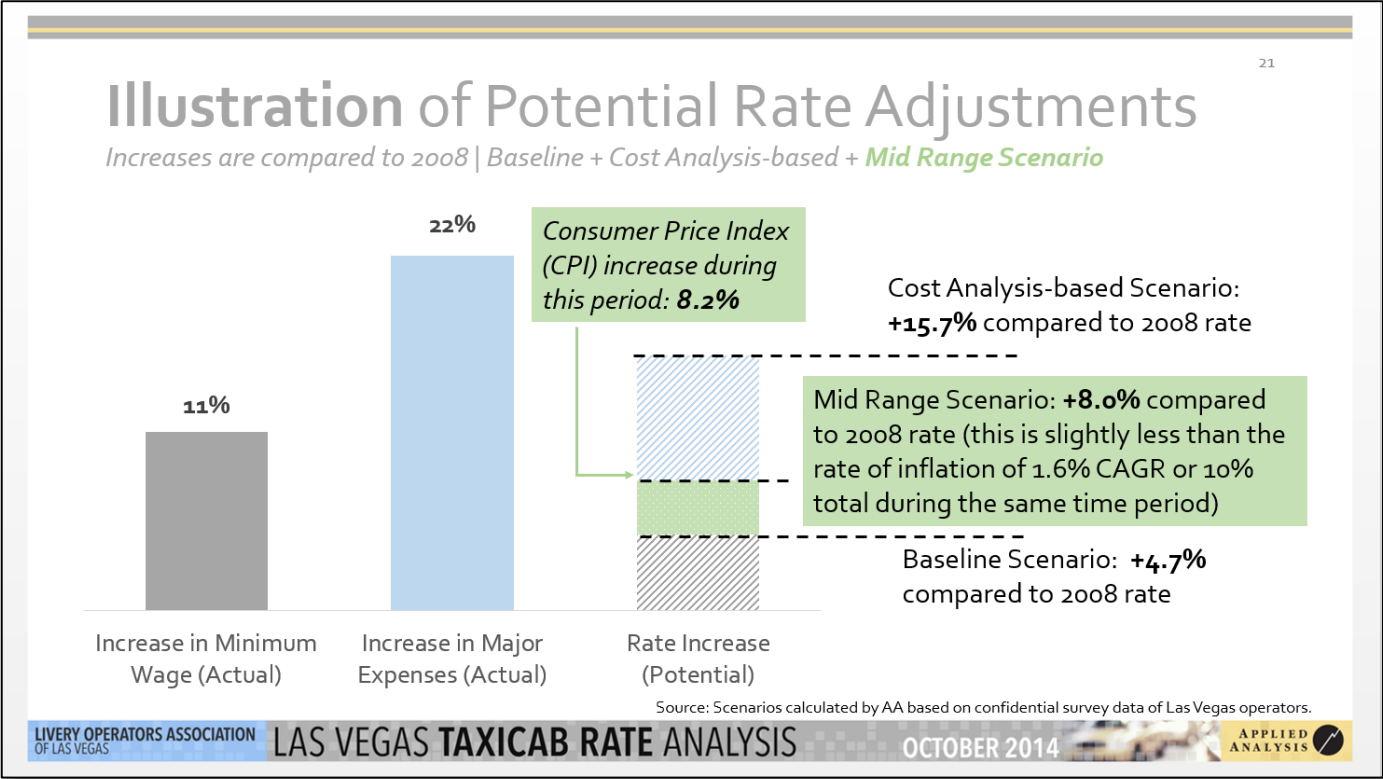
- An increase of 15.7 percent in each component would be required to keep pace with rising costs of doing business, including major expenses such as health insurance, vehicle insurance, and increasingly technical vehicle repairs and maintenance.

LIVERY OPERATORS ASSOCIATION OF LAS VEGAS LAS VEGAS TAXICAB RATE ANALYSIS



A mid-range scenario of 8.0% was determined as an appropriate rate increase.

This 8.0% increase was slightly less than the rate of inflation of 1.6% CAGR or 10% total during the same time period.



Since July 2013, drop fees have increased \$0.20 (6.1%) to \$3.50. Per mile fees excluding the surcharge have increased \$0.36 (15.0%) to \$2.76.

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Source: Nevada Taxicab Authority. Note: Data are reported for November 13, 2008 going forward.

Increases in the drop and per mile fees have generally fallen between the mid-range and cost analysis-based scenarios.

Las Vegas Taxicab Rate Comparison

2014 (Potential Scenarios)

Component	Baseline Scenario (+4.7%)	Mid-Range Scenario (Approx. +8.0%)	Cost Analysis-based Scenario (+15.7%)
Drop for 1 st 1/12 th mile	\$3.46	\$3.45 (Note: Represents only a +4.5% increase)	\$3.82
Each additional 1/12 th mile	\$0.21 (\$2.52/ mile + \$0.20/ mile fuel surcharge, or \$2.72/ mile)	\$0.22 (\$2.64/ mile + \$0.20/ mile fuel surcharge, or \$2.84/ mile) (Note: Represents no change to fuel surcharge amount of \$0.20/mile)	\$0.23 (\$2.76/ mile + \$0.20/ mile fuel surcharge, or \$2.96/mile)
Waiting time/hour	\$31.41	\$32.40	\$34.71
McCarran Airport fee	\$2.00 (N/A - No change)	\$2.00 (N/A - No change)	\$2.00 (N/A - No change)

Source: Scenarios calculated by AA based on confidential survey data of Las Vegas operators; rate per mile calculated based on rounded rate per 1/12 mile.

Taxicab Rates have **Not Kept Pace** with Operating Cost Increases

- Prior analyses show that taxicab rate increases have not kept pace with growth in operating costs.
- The baseline scenario concluded that an increase of approximately 4.7% would have been required to keep pace with the minimum wage increase alone. The comprehensive cost analysis-based scenario concluded that an increase of approximately 15.7% would have been required to keep pace with rising business costs.
- A mid-range increase of 8.0% would have been just under the rate of inflation. Over time, rate adjustments have generally fallen between the mid-range and cost analysis-based scenarios.

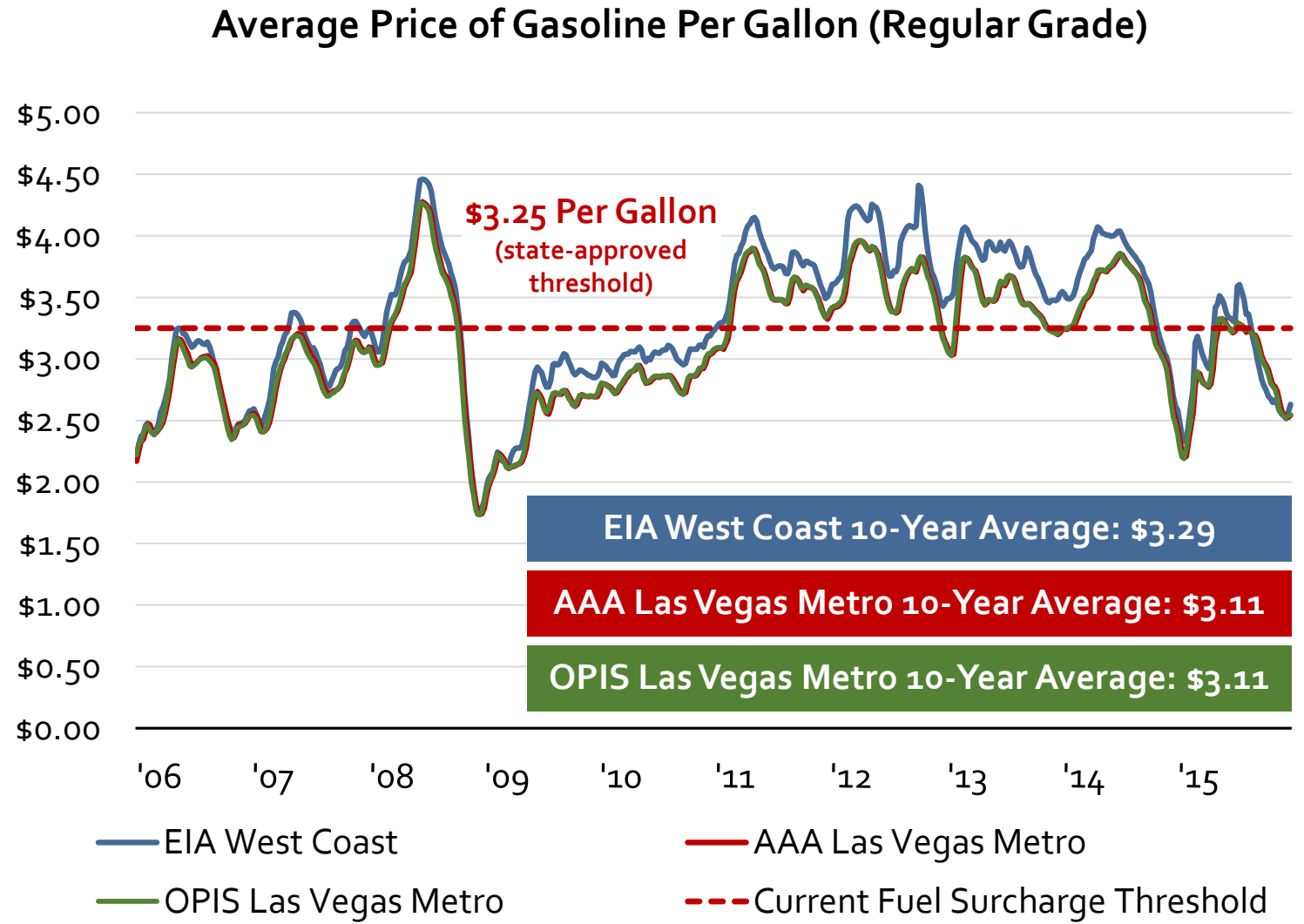


THE FUEL SURCHARGE

QUESTION

Have the fuel surcharges appropriately addressed spikes in fuel prices?

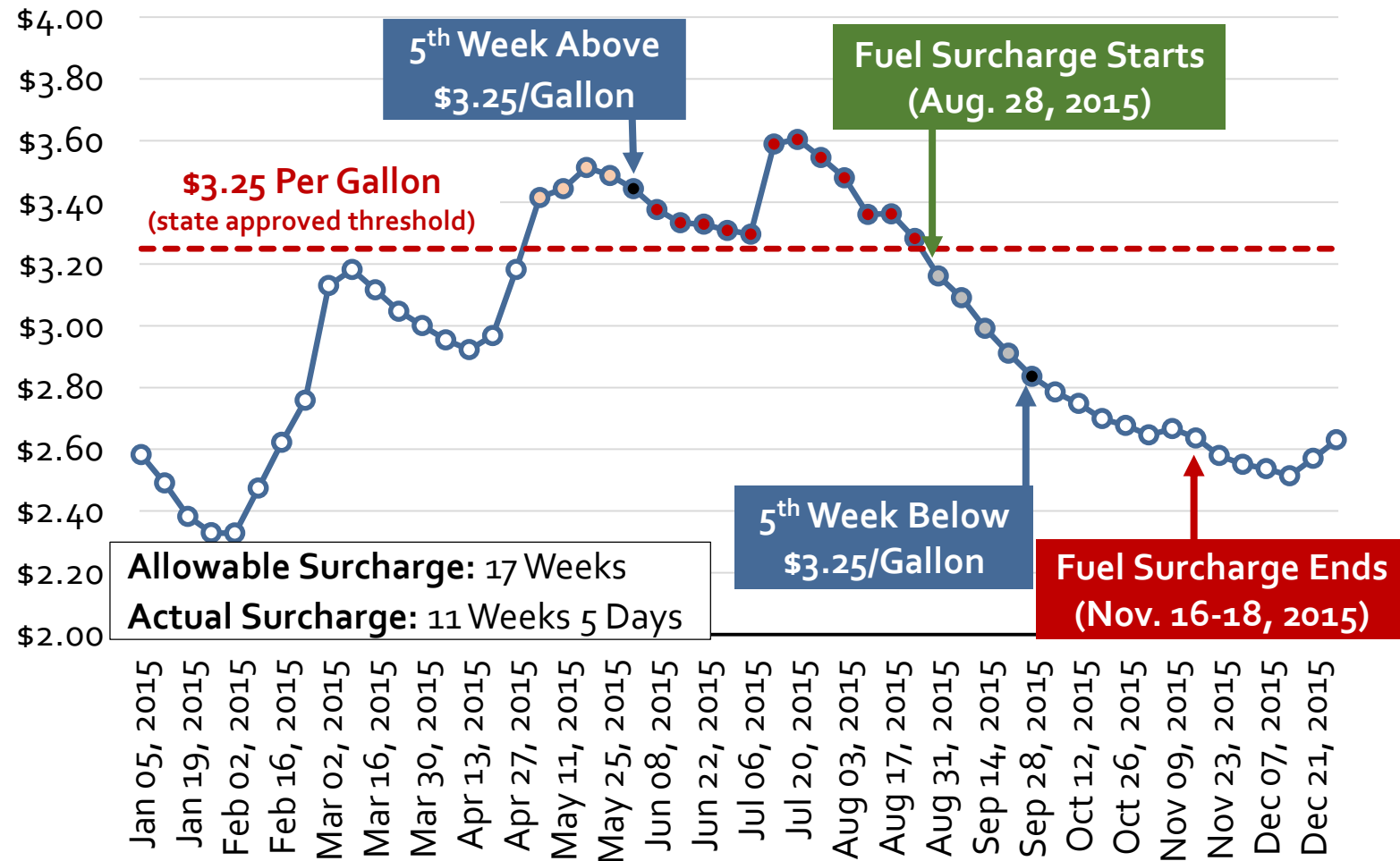
The board used federal data for fuel prices to support the surcharge. Actual fuel prices in Las Vegas/Clark County are lower.



Source: Energy Information Administration; AAA and Oil Price Information Service (OPIS).

Federal data shows there were 17 weeks where fuel prices were above the state-approved threshold of \$3.25 per gallon. Actual surcharges imposed by the board lasted just under 12 weeks.

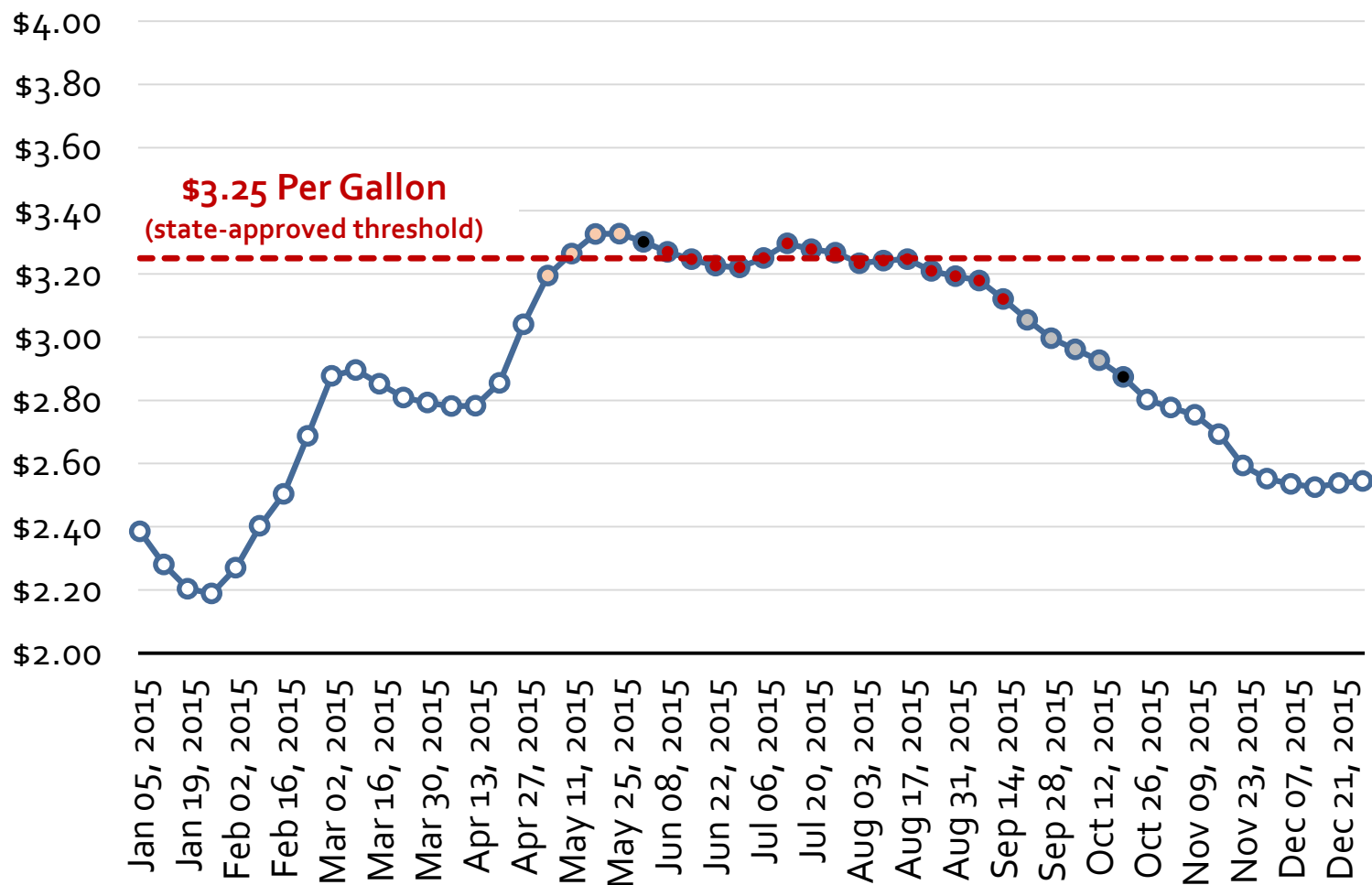
Average Price of Gasoline Per Gallon (Regular Grade): West Coast



Source: Gas prices are from the Energy Information Administration; fuel surcharge calculations by Applied Analysis.

Local fuel prices were generally lower than the state-approved threshold of \$3.25 per gallon.

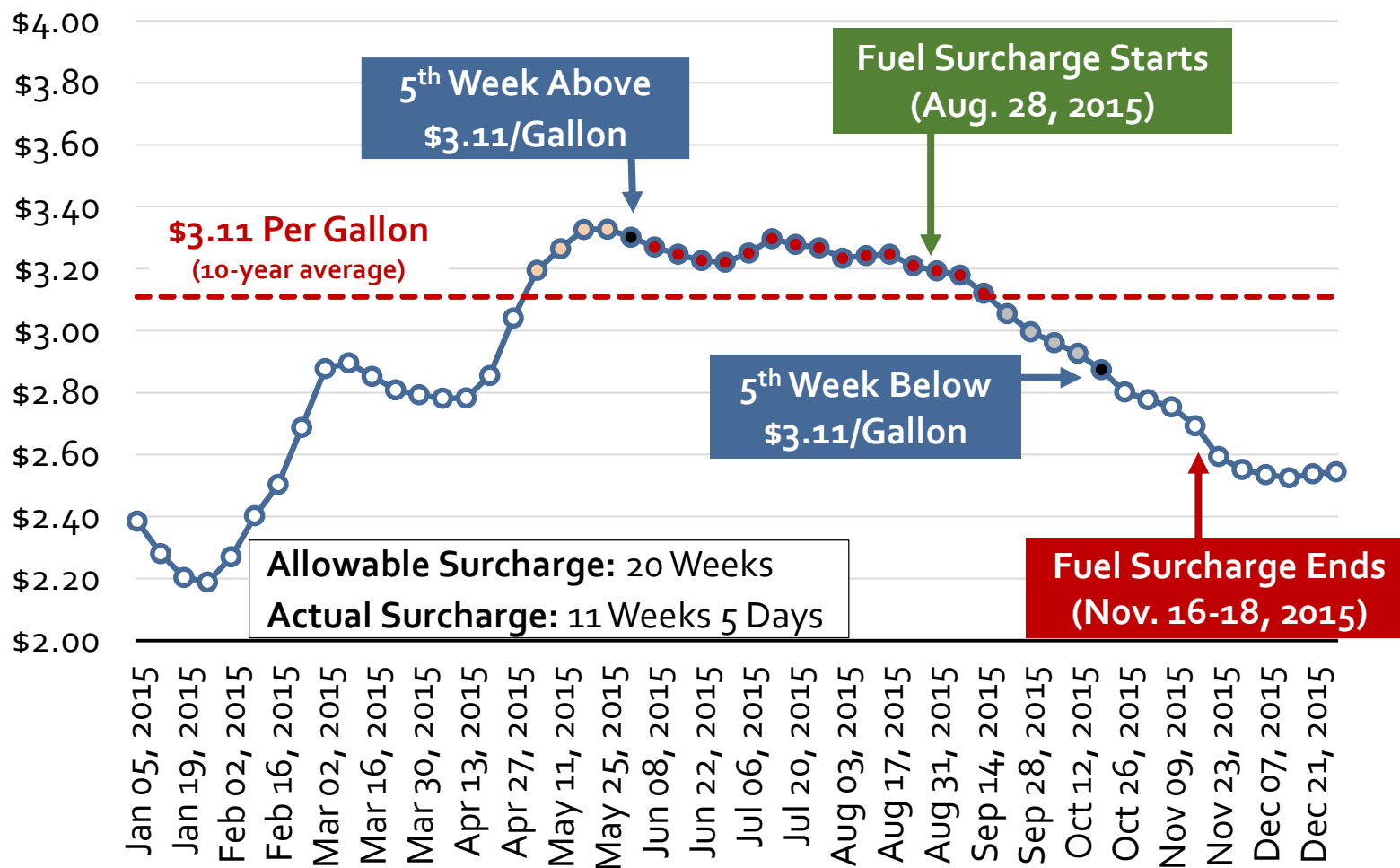
Average Price of Gasoline Per Gallon (Regular Grade): www.gasbuddy.com



Source: Gas prices are from the Oil Price Information Service and includes data from Gasbuddy.com; fuel surcharge calculations by Applied Analysis.

Using the 10-year average of local fuel prices as a threshold, there would have been 20 weeks where prices were above the threshold.

Average Price of Gasoline Per Gallon (Regular Grade): www.gasbuddy.com



Source: Gas prices are from the Oil Price Information Service and includes data from Gasbuddy.com; fuel surcharge calculations by Applied Analysis.

Fuel Charges were **Applied Properly** but **Could be Modified**

- Federal data for fuel prices are used to determine when a fuel surcharge is applied. These prices are higher than local fuel prices.
- If both the fuel price index and the trigger point were both modified consistent with Las Vegas prices and the 10-year average, the fuel surcharge would have still been imposed in 2015.
- Fuel surcharges were applied properly and for a time period shorter than authorized.
- Modifications should consider both the index and trigger point.



ADDITIONAL CHARGES

QUESTION

Are credit card convenience fees appropriately applied?

*Credit card fees, at \$3.00,
may exceed costs, but
Nevada Revised Statutes
does not limit these fees
solely to costs.*

NRS 706.88355 Acceptance of credit cards or debit cards for payment of rates, fares and charges: Contracts with issuers; regulations; certain acts by issuers prohibited.

1. A certificate holder may enter into a contract with an issuer of credit cards and debit cards to provide for the acceptance of credit cards or debit cards by the certificate holder for the payment of rates, fares and charges owed to the certificate holder.

2. The Taxicab Authority may prescribe by regulation or order the maximum fee that a certificate holder may charge a customer for the convenience of using a credit card or debit card to make payment to the certificate holder. In prescribing such fees, the Taxicab Authority may consider the expenses incurred by the certificate holder in accepting payment by a credit card or debit card, including, without limitation:

- (a) Costs of required equipment and its installation;
- (b) Administrative costs of processing credit card or debit card transactions; and
- (c) Fees paid to issuers of credit cards or debit cards.

3. An issuer shall not, by contract or otherwise:

- (a) Prohibit a certificate holder from charging and collecting a fee authorized pursuant to subsection 2; or
- (b) Require a certificate holder to waive the right to charge and collect a fee authorized pursuant to subsection 2.

4. As used in this section, “issuer” means a business organization, financial institution or a duly authorized agency of a business organization or financial institution which:

- (a) Issues a credit card or debit card; or
- (b) Enters into a contract with a certificate holder or other person to enable or facilitate the acceptance of a credit card or debit card.

(Added to NRS by [2011, 3658](#))

A review of rates and charges suggests that most jurisdictions do not directly regulate credit card fees, including (but not limited to) New York, NY; Los Angeles, CA; Houston, TX; Seattle, WA; and Washington, DC.

For those jurisdictions that do regulate, there is no single approach:

Jurisdiction	Max Credit Card Convenience Fee
Chicago, IL	4%
Philadelphia, PA	5%
Miami, FL	\$2.70 discount if cash payment
Las Vegas, NV	\$3.00

Source: New York City Taxi and Limousine Commission; City of Los Angeles Department of Transportation; City of Houston Administration & Regulatory Affairs Department; Seattle Regulatory Compliance & Consumer Protection; D.C. Municipal Regulations 13-801 Passenger Rates and Charges; Chicago Business Affairs Consumer Protection; The Pennsylvania Code and Miami-Dade County Department of Transportation and Public Works.

Approaches **Differ by Jurisdiction**, but Nevada's Costs have **Remained Unchanged Since Inception**

- Nevada Revised Statutes does not limit the credit card fee to those items considered in the State Audit Report.
- Most communities build credit card fees into the rate structure, meaning that riders who do not use credit cards bear some convenience cost burden.
- As currently structured a customer can opt out of paying the credit card fee by paying cash.
- The credit card fee is a known cost to consumers, printed on the door of every taxi in operation.
- The fee has been in existence at the same rate since 2004.

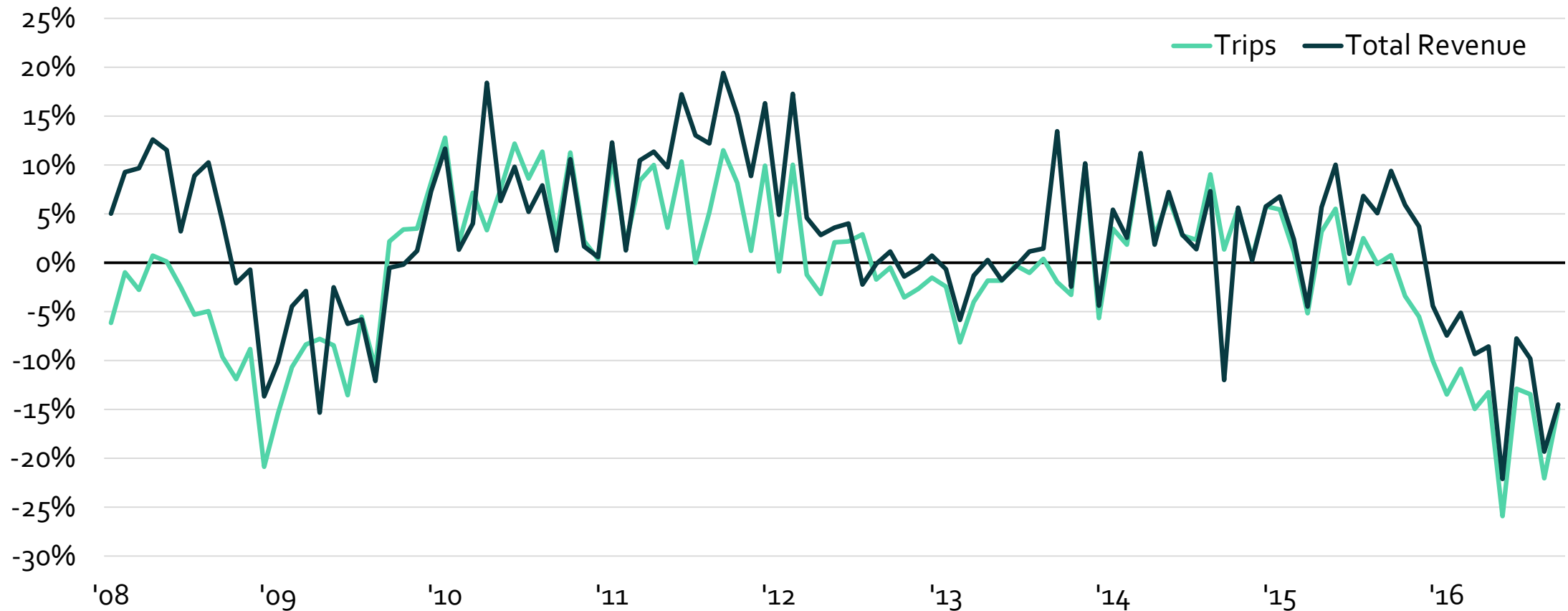


COMPETITIVE LANDSCAPE

QUESTION

*What is the competitive landscape
and why does it matter?*

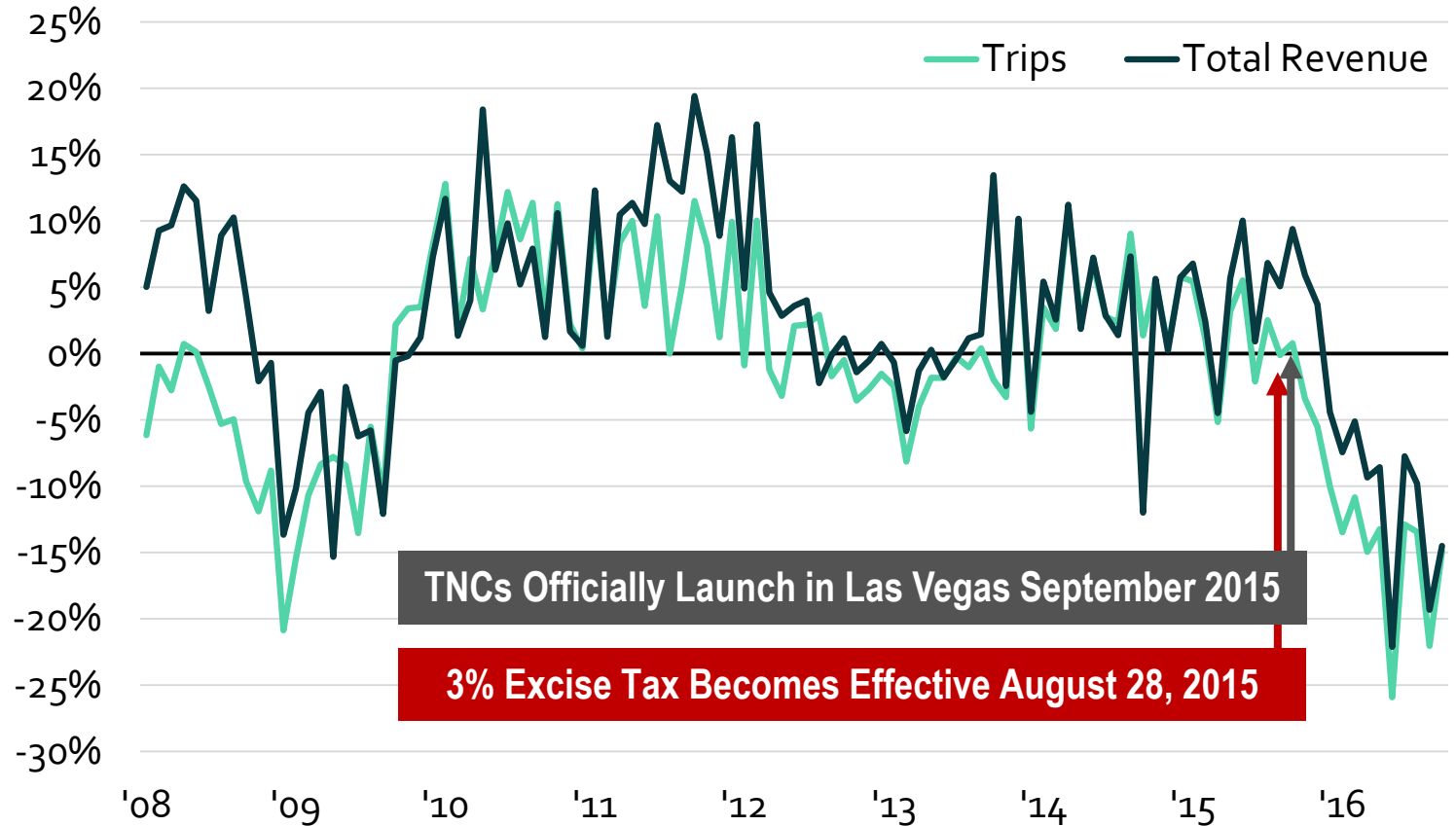
Taxicab Trips & Revenues are Down



Source: Nevada Taxicab Authority.

A 3% excise tax on fares & fees mandated by the 2015 legislature, as well as increased competition from transportation network companies (TNCs) like Lyft and Uber are contributing to trip and revenue declines.

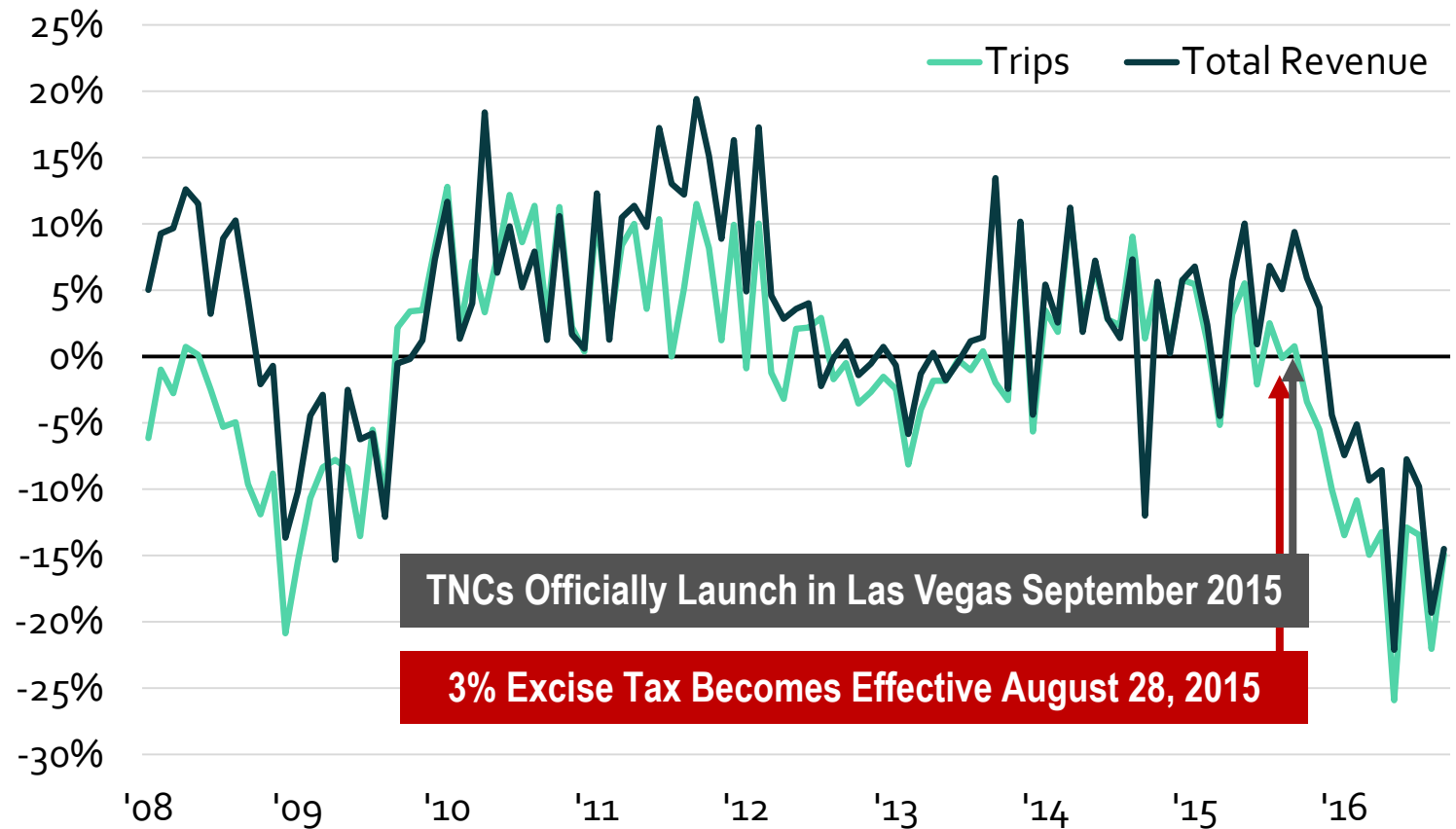
Annual Growth in Clark County Taxicab Trips and Revenue



Source: Nevada Taxicab Authority.

Lifts on operating volume and geographic restrictions have been added to ease the competitive landscape, but are they working?

Annual Growth in Clark County Taxicab Trips and Revenue



TNCs Officially Launch in Las Vegas September 2015

3% Excise Tax Becomes Effective August 28, 2015

Source: Nevada Taxicab Authority.

The negative effects of state reports, which cast the industry in an inaccurate and disparaging light, have also contributed to the industry's decline.



Ultimately, the goal is to increase transportation, not decrease transportation, for tourists and residents in the Las Vegas area.





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