Passenger Transportation Board
MOVING FORWARD, TOGETHER

Notice to licensees RE: potential changes to taxi and TNS rates regulation

March 29, 2023

The Passenger Transportation Board is requesting feedback regarding potential changes to the regulation of taxi and ride-hailing rates in BC.

Introduction

What is this notice about?

The Passenger Transportation Act ("Act") allows the Board to set rates "for the purpose of establishing just and uniform charges" and to make rules respecting rates (sections 7(1)(f-g)).

The Board is considering enacting rates rules regarding the following:

1. Eliminating Common Rate Rules for taxis;
2. Replacing Common Rate Rules with minimum and maximum rates (bands) for taxis;
3. Allowing taxis to charge higher rates during designated peak periods;
4. Maintaining the TNS Minimum Rates Rule and revising it to better achieve its intended purpose;
5. Imposing maximum rates on TNS prices during emergencies;
6. Creating a new, custom Taxi Cost Index to reflect inflation in taxi rates; and,
7. Linking the TNS minimum rate to the new Taxi Cost Index.

Currently the Board is seeking feedback on these high-level options. This document describes the changes the Board is considering, the rationale for each proposed change, and guidance for those interested in responding.

The rates change options the Board is considering could have an impact on all existing taxi and TNS licensees. These changes are not intended to impact other passenger directed vehicles, limousines, or inter-city bus licensees.

All potentially affected licensees may wish to participate in this process. Feedback must be in writing and provided to the Board by May 3, 2023. Please send your feedback with the subject line “Proposed rates rules changes” to: ptboard@gov.bc.ca. There is no fee associated with providing feedback on this topic.

Why is the Board looking at rates?

With the introduction of TNS (“ride-hailing”) to BC in 2019, the passenger transportation landscape has fundamentally changed. The industry is now a more competitive environment. These changes have raised issues regarding the Board’s regulatory framework for rates.

The Board needs to align its rates rules and policy with the 2019 amendments to the Act, which expanded the Board’s role as an economic regulator for the industry. Rates are an important regulatory tool for the Board. Rates rules can be used to address market conditions and balance competition, sustainability, and affordability to meet public need for services.

What are the Board’s guiding principles?

The Board considers several areas when it comes to making decisions that impact the entire system, or “systemic decisions”:

- Legislation and mandate: the requirements of the Act; the common law; Select Standing Committee (SSC) recommendations etc.;

- Administrative costs and complexity: administrative costs for industry; implementation costs; Board resources to maintain the rates structures; and,
- Key values the Board wishes to promote.

In evaluating its role in regulating the passenger transportation industry, the Board has established certain strategic priorities and, regarding rates, the Board seeks to balance the following key values:

- The Board seeks to set rates that will be affordable to as many consumers as possible.
- The Board's rates should maximize service quality and preserve public safety.
- The Board seeks to set rates that will be sustainable for passenger transportation sectors and motivate sufficient supply to meet public need.
- The Board's rates rules should provide the flexibility necessary for the industry to embrace innovation and competition.
- The Board's rules will form part of an equitable regulatory framework in which passenger transportation sectors can thrive and meet demand, considering different business models.

Where are we in this process?

In October 2022, the Board sent a letter to all BC taxi and TNS licensees inviting their input, feedback, concerns, and recommendations for the Board's rate policies and structures. The information received from industry was incorporated into the Board's subsequent work on rates policy, along with research on other jurisdictions and economic analysis.

In March 2023, the Board voted to consider the above changes to the way rates for passenger transportation are regulated in BC. The Board directed staff to undertake a submission process prior to the Board making its final decision. This document provides information that supports people who wish to participate in this feedback process.

How can feedback be given?

Potentially affected licensees (taxi, TNS) may wish to respond to these proposed changes. All feedback must be received by May 3, 2023.

The Board encourages participants to address as many proposed changes as they wish, providing as much information they can to support their feedback. Licensees may wish to consider the following questions in response to each proposed change:

- What is your reaction to these proposed changes?
- How do you think the changes might affect your business?
- Are there issues or concerns you think the Board should consider before deciding to implement these changes?
- Do you have any other information that will help the Board make an informed, evidence-based decision about these changes?

Information on current Board rules, policies, and procedures can be found at the Board's website: https://www.ptboard.bc.ca/.

What are the next steps after this?

After viewing your feedback and relevant information, the Board will consider making a systemic decision regarding rates. The Board's decisions would create new rates rules applicable to the taxi and TNS sectors.

Please remember that the Board's decisions will indicate the Board's general direction for taxi and TNS rates structures. The Board will then prepare for implementation, which will require extensive work. The implementation process may include further consultation (public, licensees, or experts), data analysis, economic modelling, phased starts, etc.

Each option will have different implementation requirements and timelines. The Board commits to providing plenty of notice and guidance to affected licensees before any changes occur.

Changes under consideration

1. Elimination of all Common Rates Rules

The Board is considering enacting a rule under section 7(1)(g) of the Passenger Transportation Act to eliminate the eight Common Rate Rules and implement Rate Bands, and direct staff to undertake a submission process prior to the Board making its final decision.

Common Rates Rules define areas in which all taxi licensees have the same metered rates. There are currently eight Common Rate Rules (CRR) areas in BC with the following features:

- All rates (flag, distance, and waiting) are the same between all licensees under a particular CRR area;
- New licensees are generally required to comply with the CRR in their area; and,
- A majority (51%) of licensees (or approved vehicles in the case of Vancouver or Fraser Valley) is required to allow any licensee within the CRR area to submit a rate change application.

The Board is considering eliminating the eight current Common Rates Rules (Part II: Flat Fare Zone Rates (YVR) and Part III: Flat Fare Zone Rates (Canada Place Cruise Ship Terminal) included in the Greater Vancouver Common Rates Rules would be upheld and moved to an independent rule.). With this change, the rates of taxi licensees currently under CRR would become more independent from other licensees' rates in the area.

The Board has an expanded mandate to regulate the passenger transportation industry using more objective, evidence-based decision-making. Through the data submission requirements, the Board has access to detailed industry-wide information that can be used to inform systemic decisions.

Common Rates Rules were established during a time in which TNS did not exist in BC and taxis competed only with other taxis. In that time, the CRRs were beneficial for both the taxi sector and the public. However, the introduction of TNS has fundamentally changed the passenger transportation landscape. Therefore, the Board is considering eliminating CRR to support sector sustainability in the current competitive market.

The Common Rates Rules would be replaced by a new taxi rate structure—the direction the Board is considering is outlined in the following section. However, the removal of the CRR is an independent decision.

If the Board proceeds with this option, it would consider how best to implement the elimination of CRR. Some potential approaches could include any of the following:

- Establishing a streamlined application process for licensees within a CRR to set their new rate prior to the elimination of the CRR;
- Setting the current CRR flag rate as the first post-CRR rate for its area when the area transitions to the replacement taxi rate structure;
- Moving directly to the replacement taxi rate structure (i.e., Rate Bands) on a specific day (without application) but ensuring the first Rate Band includes the flag rate found in the CRR for that area.
- Taking a phased approach where CRR is eliminated in one region at a time.

2. Establishing minimum and maximum rates (bands) for taxis

The Board is considering enacting a rule under section 7(1)(g) of the Passenger Transportation Act to eliminate the eight Common Rate Rules and implement Rate Bands, and direct staff to undertake a submission process prior to the Board making its final decision.

Taxi rates in BC are usually based on an initial flag rate, a time/distance rate, and a waiting time rate. Such rates have not been permitted to change without the approval of a change of rate application by the Board. This is consistent with the taxi business model and its role as a predictable, stable “essential service” for the public.

The Board is considering a taxi rate structure in which the Board establishes minimum and maximum taxi meter rates (for flag, distance, and waiting). The range within the minimum and maximum is called the “Rate Band”.

In this structure, taxi licensees wishing to change their rate to an amount within the approved Rate Band for their area would simply notify the Board rather than go through a full application process. Taxi licensees wishing to charge a rate that falls outside of the approved Rate Band for their area would submit a rate change application with evidence to justify the exception.

See the following visual representation of a Rate Band and how it may affect the requirement for rate change applications. [Link to image.]

Through this change, taxi licensees could make rates choices based on their knowledge of the industry, their unique business situation, and changing market conditions.

The Board has heard from some of the taxi sector that flexibility is important for their business to compete in the changing passenger transportation industry. The Board wants to encourage healthy competition in the industry while ensuring that the public can access predictable and affordable passenger transportation options.

With access to industry data, the Board can now directly regulate taxi rates in a more objective, evidence-based manner. The Board can consider system-wide implications of rates decisions on the profitability and long-term sustainability of the industry, as well as affordability for the public. The Board would control the Rate Bands based on data and these considerations.

The Board also recognizes that business owners know their own business best and can use this knowledge to choose rates that work well for them, within an established range. By easing the

administrative burden on the Board and taxi licensees to adjust rates, the Board seeks to move towards an equitable regulatory framework and greater efficiency.

If the Board proceeds with this option, then it would examine how best to establish Rate Bands for the taxi sector. For example, the Rate Bands could be established on a provincial, regional, or municipal level or based on population density or some other geographic factor. The Board's implementation would depend on its analysis of the data.

The Board may also consider how to ensure predictability and transparency for the public. For example, the Board may set limits to the frequency at which a taxi business can change their rates within the Rate Band (e.g., every 6 months) and set requirements around clearly posting rates for the public.

The specific Rate Bands would likely be approved by the Board following data analysis and economic research. Again, the Board would provide plenty of notice to the taxi sector.

The Board knows that moving to a Rates Band scheme would reduce price consistency as a market niche for taxis. Therefore, the Board may consider initially setting narrow Rate Bands to allow industry and the public an adjustment period, with monitoring, review, and potentially a phased approach to setting Rate Bands on a regional or local level over time.

3. Establishing peak period rates for taxis

The Board is considering enacting a rule under section 7(1)(g) of the Passenger Transportation Act to allow taxis to charge higher rates during designated peak periods and direct staff to undertake a submission process prior to the Board making its final decision.

Taxis in BC currently cannot charge peak period rates; rates do not vary as demand for the service fluctuates. The Board is considering allowing taxis in BC to charge higher rates during defined "peak periods".

The term “peak periods” refers to defined time periods with significant increases in demand for passenger transportation services. These increases in demand can occur, for example, during evenings, late night/early morning weekends, weekday rush hours, holidays etc.

Peak period rates for taxis are not the same as dynamic pricing for TNS. Peak period rates for taxis are a fixed (higher) rate that can be charged during specific time periods. Therefore, the peak period rate would be programmed into the taxi meter to adjust during the specified peak period hours.

The Board prioritizes ensuring adequate supply to meet public need, with high expectations for service quality through low wait times and reliability. The Board promotes sound economic conditions in the passenger transportation industry, including healthy competition, and sustainability. The Board also prioritizes an equitable regulatory framework between sectors, which in turn maintains choice for consumers.

Peak period rates for taxis increase earnings during peak periods and may help operators to use their full fleet capacity and offset higher operational costs. These increased earnings could be invested back in the taxi businesses, ultimately benefiting consumers in terms of service quality and low wait times. It can also help keep taxi licensees operational and competitive, providing stability to the industry and reliability for the public.

A peak period rate could also incentivize more drivers to work during peak times or encourage more taxi business to embrace single shift paired vehicles, resulting in more supply over a 24-hour period and during peak periods (fleet size permitting). Peak periods can be less-desirable times to work for drivers, so peak period rates could motivate drivers to take advantage of extra earnings, improving service to the public as a result.

Allowing taxi licensees to charge peak period rates could mitigate some of the market challenges taxis have encountered since 2019. Improving the sustainability of the taxi sector maintains choice for consumers. The Board balances these benefits with the need to keep taxi rates affordable and predictable for passengers. In considering peak period rates for taxis, the Board would want to see an improvement in service delivery, customer wait times, and adequate supply to meet public need.

If the Board proceeds with this option, it would provide ample advance notice to the taxi sector. The Board would likely examine certain questions during the implementation phase, such as:

- What does “peak period” mean – rush hour, weekends, holidays, night shift?
- How would setting certain peak periods impact the sector and public?
- Would all taxis in a region be allowed to charge a peak period rate, or are there other considerations like population density or competition levels?
- Would peak period rates be optional or mandatory?
- What are the peak period times in a particular region? The Board’s ability to implement data-based peak period rates relies on licensee data submissions.
- Does taxi meter technology limit peak period eligibility, considering meter capabilities and transparency to passengers?
- How will the peak period rate be set (e.g., flat dollar, percentage, multiplier)?
- How will the peak period rate interact with other Board decisions regarding taxi rates (e.g., Rate Bands)?
- How will the Board continue to monitor the outcomes of peak period rates to ensure efficiencies and benefits to the public have been achieved?

4. Increasing the minimum rate for TNS services

The Board is maintaining a rule under section 7(1)(g) of the Passenger Transportation Act to impose minimum rates on TNS but is considering revising the rule and direct staff to undertake a submission process prior to the Board making its final decision.

In 2019, the Board set the TNS Minimum Rates Rule, which states that TNS rates (including coupons or discounts) must not fall below the minimum taxi flag rate set in each of BC’s five regions. The Board

established the TNS Minimum Rates Rule to ensure rates do not undercut public transit fares and promote healthy competition between taxi and TNS sectors.

However, the current minimum rates rule is based only on taxi flag rates. The rule does not currently reflect the time (waiting) and distance rates for taxis, which contribute to a total taxi fare.

If this change is enacted, the Board's TNS Minimum Rates Rule would be maintained and adjusted to align better with its key policy objectives. The rule would maintain TNS minimum rates that are higher than public transit fares. The proposed changes to the rule would better align TNS minimum rates with taxi fares across the province, including time and distance calculations. This would likely increase the minimum rates for TNS in each region.

Revising the TNS Minimum Rates Rule can better reflect the Board's responsibility to maintain sound economic conditions. It would do so by preventing unhealthy price competition that does not ultimately benefit the public or the sustainability of the passenger transportation industry.

If the Board proceeds with this option, then it would do so after analyzing available trip data and public transit fares. This analysis could be impacted by availability of data in certain regions.

Any changes to the TNS Minimum Rates Rule would require alignment with the proposed changes to the taxi rate structure (e.g., Rates Bands) and Taxi Cost Index as well. The Board would provide ample notice to the TNS sector prior to implementing such a rule change.

5. Establishing a maximum rate for ride-hailing during emergencies

The Board is considering enacting a rule under section 7(1)(g) of the Passenger Transportation Act to impose maximum rates (caps) on TNS pricing during emergencies only, and direct staff to undertake a submission process prior to the Board making its final decision.

There is currently no maximum rate for TNS (under any circumstance). The Board is considering limiting TNS rates during emergencies to ensure that TNS algorithms cannot increase prices above the Board approved maximum rate during those emergency conditions. Currently, the Board is not

contemplating a maximum rate cap on TNS during non-emergencies.

The Board is concerned about passenger safety and service affordability during emergencies. During these events, passengers may have limited transportation options and are more vulnerable to unreasonable price extremes. Passengers have complained in the past that TNS rates are unaffordable and unfair during extreme weather events in BC (e.g., snowstorms and flooding). The Board is concerned about the affordability of service and safety of the public during these emergency events.

TNS use dynamic pricing to increase supply during high demand periods by increasing their rates, and to attract more passengers during low demand period by lowering their rates. This model strives to achieve service reliability. While the prices may fluctuate and be less predictable at any given time compared to taxi rates, the higher rates could incentivize more drivers to work, resulting in reduced wait times and more efficient response to public need. This increase in price can be at the expense of passenger affordability.

While it logically makes sense to want to limit what passengers can be charged when they are more vulnerable, setting a limit that is too low can also harm supply and service reliability.

If the Board proceeds with this option, then it would undertake data analysis and review evidence to determine a reasonable emergency cap. The Board would also need to consider how it would define what constitutes an “emergency,” and at what geographic level it applies (i.e., local, regional, provincial). Again, the Board would provide advance notice of any rule changes affecting the TNS sector.

6. Establishing a new Taxi Cost Index to keep pace with inflation

The Board is considering enacting a rule under section 7(1)(g) of the Passenger Transportation Act to create a custom Taxi Cost Index to reflect inflationary impacts on taxi rates, and direct staff to undertake a submission process prior to the Board making its final decision.

There is currently an annual scheduled review of taxi rates using the Taxi and Limousine Cost Index (TLCI) to address ongoing issues that impact rates, including pressures related to inflation and cost-of-living. This rule is revised and published following each year TLCI is initiated. Currently, the Board incorporates cost-of-living increase to taxi rates through the TLCI.

The Board’s current TLCI uses all of Statistics Canada’s Consumer Price Index (BC); however, only select CPI factors are relevant cost considerations for the taxi sector. As time passes, using all of CPI (BC) will not correctly capture and handle the effects of inflation on the taxi sector.

Therefore, the Board is considering creating a new custom Taxi Cost Index, consisting of only related CPI (BC) elements and gathered industry data to calculate custom cost-of-living increases more applicable to the taxi sector.

Compiling a custom Taxi Cost Index better reflects the Board's priorities to maintain sound economic conditions and ensure sustainability in the passenger transportation industry. This new Taxi Cost Index would better capture and handle the effects of inflation on the taxi sector, without including CPI factors that are less relevant. Doing so can also benefit consumer affordability by not unnecessarily raising prices when relevant business costs have not risen.

An index comprised of specific, appropriately weighted factors would maximize the Board’s ability to adjust rates to match true increases for the taxi sector.

If the Board chooses the Rate Bands option, it is not compatible with the current TLCI process. In that situation, the Board would consider enacting a TCI that would be mandatory but integrated within the Rate Bands. In this case, only those taxis on the “edges” of the Rate Band would be affected, in addition to any taxis the Board has allowed to exist outside of the Rate Band.

The Board would also consider whether fuel costs should be included in any Taxi Cost Index or whether Fuel Surcharges would be allowed in addition to the Taxi Cost Index. Fuel prices can be volatile and are handled differently in other jurisdictions. If the Board decides on a separate Fuel Surcharge, there are different ways this can be implemented, such as the surcharge coming into effect

automatically when fuel costs have reached a predetermined dollar threshold or percentage increase threshold, or when directed by the Board for a period of time.

7. Link TNS minimum rates to changes to the Taxi Cost Index

The Board is considering enacting a rule under section 7(1)(g) of the Passenger Transportation Act to link TNS minimum rates to changes to the Taxi Cost Index and directs staff to undertake a submission process prior to the Board making its final decision.

Under the TNS Minimum Rates Rule, there is currently no mechanism to increase TNS minimum rates in a region over time as the average taxi flag rate increases. If there is a minimum rate in place for TNS, this can be connected to the minimum taxi rate with inflation increases over time.

Without a mechanism linking TNS minimum rate increases to the Taxi Cost Index going forward, taxi (and potentially transit) rates will likely rise over time and TNS minimum rates will remain the same. This undermines the rationale of the TNS Minimum Rates Rule described above.

The Board’s proposal would ensure that TNS minimum rates increase over time according to criteria consistent with taxi rate increases and the cost of public transit fares.