Passenger Transportation Board
MOVING FORWARD, TOGETHER

Notice to licensees Re: potential changes to taxi rates regulation

August 16, 2023

Edit: Updated on September 20, 2023 with an extended deadline.

The HTML version of the document displayed below for your convenience may contain typographical and formatting errors. The PDF version(154 KB) is considered the true copy.

The Passenger Transportation Board is requesting feedback regarding potential changes to the regulation of taxi 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 either with minimum and maximum rates (bands) for taxis or with rates standardized by the Board.

Currently the Board is seeking feedback on these high-level options. This notice describes the changes the Board is considering, the rationale for each proposed change, and guidance for providing feedback about the changes.

The rates change options the Board is considering could impact all existing and future taxi licensees. These changes will not directly impact other passenger directed vehicles, TNS, limousines, or inter-city bus licensees.

All potentially affected licensees may participate in this process. Feedback must be in writing and provided to the Board **by October 13, 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 is seeking ways to be more proactively responsive to market changes.

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. The Board is expected to be regulating the passenger transportation industry in the public's interest.

Rates are an important policy 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. Rates are the strongest tool the Board has to positively influence the industry and help businesses thrive. The industry has changed since the time the current rates structure was created and it needs to be reviewed for the current market.

The Board considers several areas when it comes to making decisions that impact the entire passenger transportation 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, and Board resources to maintain the rates structures; and
- Key values the Board wishes to promote.

What are the Board's guiding principles?

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

- 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’s rates rules should provide the flexibility necessary for the industry to embrace **innovation** and **competition**.
- 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 rules will form part of an **equitable regulatory framework** in which passenger transportation sectors can thrive and meet demand, considering different business models.

More information regarding the Board's key values can be found in the Strategic Plan(4 MB).

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 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.

- In April 2023, the Board sent a letter to all BC Taxi and TNS licensees inviting their input and feedback on the changes being considered by the Board.

- In June 2023, the Board voted to return to the industry for further feedback on the changes being considered regarding taxi rates.

- In August 2023, the Board is conducting information sessions for taxi licensees to discuss the taxi rates structure options.

- This notice provides guidance for licensees providing written feedback.

How can feedback be given?

The Board encourages taxi licensees to respond to these proposed changes. All feedback must be received **by October 13, 2023.**

Participants may 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?
- If Common Rates Rules are eliminated, which do you prefer: Rates Bands, or Board Standardized Rates?
- How do you think the proposed 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 proposed 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 written feedback and relevant information, the Board will consider making a systemic decision regarding taxi rates. The Board's decisions could create new rates rules applicable to the taxi sector.

Please remember that the Board's decisions will indicate the Board's general direction for a taxi rates structure. 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.

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*. With this change, the rates of taxi licensees currently under CRR could become more independent from other licensees' rates in the area.

* 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.

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. The process of changing rates under the Common Rates Rules relies on the intervention of licensees and delays caused by the requirement of majority submissions are not efficient. Therefore, the Board is considering eliminating CRR in favour of a more agile approach to support sector sustainability in the current competitive market.

The Common Rates Rules would be replaced by a new taxi rate structure—the two directions 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 will consider how best to implement the elimination of CRR.

Establishing a replacement taxi rates structure

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.

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 any taxi rate structure based on data and these considerations.

A. Option #1: rates bands

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”.

Initially, the Rate Band would be determined by the Board based on data analysis, modelling, and consultation. Taxi licensees would select their rate within the band and notify the Board of their selection through a streamlined process.

In this structure, taxi licensees wishing to change their rate in the future 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.

Rates Bands provide a more responsive process to making adjustments to address market changes. Issues detected by Board monitoring of data analysis and modelling and/or licensees can be evaluated and, if intervention is determined to be required, adjustments to be band can be made (with notice) outside the application process. Any cost-of-living increase, such as the custom Taxi Cost Index, would be streamlined by applying it directly to the band, increasing the minimum and maximum.

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.

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 Rates Bands for the taxi sector. For example, the Rates 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 their Rate Band (e.g., every 6 months) and set requirements around clearly posting rates for the public.

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

B. Option #2: Board standardized rates

The Board is considering a taxi rate structure in which the Board establishes identical taxi meter rates for licensees in a particular area. Under this structure, taxi rates are generally no longer proposed by applicants but determined by the Board based on data analysis, modelling, and consultation. Rates would be set by the Board, who can consider broader implications on the profitability and long-term sustainability of the industry.

As not all taxi businesses are the same, it is likely that the Board Standardized Rate would be based on a sample average, reasonably well-run taxi business. The goal being to set a rate that promotes sustainability through a reasonable rate of return, balanced with affordability.

Board Standardized Rates provide a more responsive process to making adjustments to address market changes. Issues detected by Board monitoring of data analysis and modelling and/or licensees can be evaluated and, if intervention is determined to be required, adjustments to the rate can be made (with notice) outside the application process. Any cost-of-living increase, such as the custom Taxi Cost Index, would be applied directly to the standard rate. This process reduces the administrative burden to licensees and the Board over the current system as no applications are required.

If the Board proceeds with this option, it will determine how best to establish the areas across which rates will be standardized. For example, there could be one rate for the province, or rates set for a regional district or by population density. The Board’s implementation would depend on its analysis of the data.

Taxi licensees wishing to charge a rate different from the Board Standardized Rate for their area would continue to be permitted to submit a rate change application with evidence to justify the exception. Licensees wishing to see a change to the taxi rates for the area overall (including for other licensees) would be able to bring forth issues to the Board at any time for consideration.

The Board has heard from some licensees that price consistency is important for their business in the competitive passenger transportation market. Board Standardized Rates maximize the predictability and price consistency of taxi rates. For those licensees currently included in a Common Rates Rules area, this structure will maintain price consistency as a market niche and would introduce minimal change for passengers.

If the Board proceeds with this option, it will examine how to best proceed in areas without Common Rates Rules. As taxi businesses in these areas currently compete on price, the implementation of a Board Standardized Rate would remove this competition.

The Board recognizes that, in this structure, individual licensees would not have the flexibility to respond to changing market conditions independently. However, the Board would have the capacity to proactively identify industry-wide changes and adjust taxi rates in a streamlined manner. This would reduce overall reaction time by bypassing the time necessary for a rates application’s submission process.