Department of Regulatory Agencies

The Taxi Industry

In the Denver Metropolitan Area

Report Prepared by the Staff of the

Colorado Public Utilities Commission

to the

House Transportation and Energy Committee

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The Taxi Industry in the Denver Metropolitan Area

Table of Contents

Appendices

Executive Summary

The purpose of this Public Utilities Commission (PUC or Commission) Staff assessment is to provide the House Transportation and Energy Committee (Committee) and the PUC Commissioners with a detailed report concerning the taxi industry in the Denver Metro area to the Committee during the 2007 legislative session. In House Bill 07-1114, the prohibition against the Commission reviewing lease rates was removed from statute giving broad authority and responsibility to the Commission to determine whether the lease rates charged to taxi drivers should be regulated by the Commission.

The Commission is comprised of three Commissioners, who are appointed by the governor with the consent of the Senate. The Commission makes policies, procedures, and decisions in legislative and adjudicatory capacities. The Commission Staff (Staff), under the Director of the Commission, supports the Commission through the implementation of the policies, procedures, and decisions made by the Commissioners.

It is important to note that the Commission has not yet addressed the merits of establishing lease rates in an investigatory proceeding, a rulemaking proceeding or in an adjudicatory proceeding. If the Commission ultimately decides to regulate lease rates, it will then have to decide the optimal method to do so. This report along with other reports and information from industry participants will provide the foundation for a Commission decision.

As a first step in informing the Committee and the Commission, it was determined that an update of the industry in metropolitan Denver (this Report) along with confidential audits of each of the companies, focusing on the relationship between lease rates charged by each company and their costs of providing service, were necessary. The results of those confidential audits will be available to the Commission.

The team assigned to the activity began a series of activities, including: researching activities in other states; interviewing industry representatives; reviewing key Commission decisions that established entry and rate policies; reviewing information on file at the PUC as part of the taxi companies' annual reporting requirements; reviewing Commission's complaints for the companies; collecting information to evaluate industry concentration; and, reviewing existing Staff practices when requests for rate changes are made.[1] The team also sought information from the taxi drivers concerning their revenues and costs by working through driver advocates. They also met with key personnel of Freedom Cabs, Inc. (Freedom Cabs), MKBS, LLC (Metro Taxi), Colorado Cab Company, LLC (Denver Yellow Cab), ProTAXI, and the Ground Transportation unit at Denver International Airport (DIA). Staff acknowledges the time and efforts and thanks all participants in this endeavor. Without a doubt this report is more comprehensive because of the participants' contributions.

In addition to this Commission report, the Denver taxi industry is also the focus of a study by Dr. Ray Mundy on behalf of the Denver Metro Convention and Visitors Bureau. It is anticipated that Dr. Mundy's study will examine the quality of taxi service currently being provided in the Denver area and the type and degree of competition between the three taxi companies. The taxi industry also is addressed in-part in the 2007 Sunset Review of the PUC, in particular HB08-1227, which is currently pending before the Legislature. The Office of Policy, Research, and Regulatory Reform (OPRRR) contacted the taxi companies for input regarding the PUC's Sunset review. The proposed changes focus on which party should carry the burden of proof when determining if the issuance of a new authority to operate a taxi company is in the public interest. Staff expects that these reports will also inform both the Commission and the Legislature in their decision-making.

As the Committee is aware, many taxi drivers sought assistance from the Legislature during the 2007 legislative session. The taxi drivers' expressed various types of complaints against the taxi companies. Many drivers alleged that the rates charged by the taxi companies to the independent contracting drivers were simply too high and sought legislative solutions to address their issues, although other drivers disagreed. House Bill 07-1114 *Concerning the Issuance of Certificates of Public Convenience and Necessity to Operate as Motor Vehicle for Hire as a Taxicab*, sought to change the nature of regulation of the taxi industry in Colorado. Ultimately, after much discussion and debate, House Bill 07-1114 repealed the prohibition that precluded the Commission from regulating the lease rate charged to a driver by a common or contract carrier. With the passing of the bill, the Commission is no longer prohibited from reviewing the lease rate charged to drivers.

1 See Appendix 1 and Appendix 2.

In general, determining whether the lease rate charged (*i.e.*, wholesale rate) to taxi drivers is just and reasonable is a simpler process than determining whether the fares charged to customers (*i.e.*, retail rate) for taxi service is just and reasonable. The former, by its nature, requires an evaluation of the revenues and costs of a company. The latter, by its nature, requires an evaluation of the revenues received from customers and the costs of both the taxi company and the independent drivers that provide the transportation service. At least some of the companies believe that an evaluation of the lease rates requires consideration of drivers' costs and profitability. While drivers' costs and profitability were not a focus of this report, Staff concludes that such an endeavor could be accomplished if the Commission ultimately decides that such an endeavor is necessary, particularly if both the companies and the drivers cooperate.

This Staff report examines the taxi industry in the Denver metropolitan area, focusing on: key legislative and policy initiatives that have shaped the current state of the industry; the Denver metropolitan taxi market, the relationship between the taxi companies and the taxicab drivers, substitute service providers, and pricing methods for establishing retail fares and wholesale lease rates.

Over the past 20 years there have been a number of key policy changes that impact today's taxi market in Colorado. In 1990, the Legislature enacted §§ 40-11.5-101 & 102, C.R.S., which provided that common carriers may use independent contractors as drivers, that taxi companies may establish leases with the independent contractors, and that certain requirements may be placed on the independent contractor with regard to federal, state, and municipal laws and rules. In 1991, the Legislature amended § 40-3-103, C.R.S., to prohibit the Commission from regulating the lease rate charged to a driver by a common or contract carrier. In 1994, Senate Bill 94-0113 changed the entry standard from regulated monopoly to regulated competition for taxi companies in counties with populations of 60,000 or more based on 1990 federal census data.

Subsequent to that 1994 policy change, the count of authorized carriers in the Denver Metro market expanded from three to five, and the count of vehicles authorized to be in service at any one time expanded from 1042 to 1142. However, after this period of expansion, a period of mergers and consolidations followed.

Today, three taxi companies operate in the Denver Metro area. The three taxi companies in aggregate are authorized to have up to 942 vehicles in service at any one time. The counts of authorized vehicles are: Freedom Cabs, 150 taxis in service at one time; Metro Taxi, 492 taxis in service at one time; and Denver Yellow Cab, 300 taxis in service at one time. Despite policy efforts to expand the number of companies serving the Denver Metro area and to expand the number of authorized vehicles as a result of the passage of Senate Bill 94-0113, the market has returned to three companies and approximately ninety percent (90%) of vehicles as were authorized prior to 1995.

Passengers in the metro Denver area have transportation options in addition to taxi service. These substitute services are part of the comprehensive transportation market and potentially limit the rates that taxi companies can charge in the retail taxi market. If the retail rate for taxi service is too high, passengers may migrate to these substitute services. These options include: carriers that run on a schedule between points; call-and-demand limousine service providers that offer service on a pre-arranged basis; contract carriers that have a contract or agreement to transport a specific business or entity's employees or clients; luxury limousine companies; carriers with federal authority; rental car companies; and bus/light rail services.

While taxi companies operate in a wholesale environment by leasing their systems and vehicles to taxi drivers, under the current regulatory structure in Colorado, they also seek retail rate changes. The companies' filings for retail fare changes with the Commission generally identify how the company proposes to divide the increased revenues between the company and the drivers. The retail rates charged by the drivers to passengers are set by the Commission based on an application by the taxi company (not by the drivers) with the Commission. This unusual relationship whereby the wholesale supplier (taxi company) controls an essential element of a driver's profitability (through the lease rate), but also is instrumental in establishing the revenues earned by the driver (through the setting of retail rates) creates a situation whereby the taxi companies have an influence on drivers' profitability by either raising the lease rate or not seeking to raise retail rates on behalf of the drivers.

The taxi drivers are independent contractors. Some drivers lease their vehicles from the taxi companies, while others are owner-drivers. The lease rates charged to the taxi drivers currently vary depending on the length of the lease and the services included in that particular lease as well as each company's individual business plan. The number and type of lease rates and services offered vary significantly between the three companies. The companies provide, to the drivers and the industry as a whole, such things as: financing the accounts receivable from customer "vouchers" and credit card charges from passengers; a brand identity; promoting the service; ensuring that legal, regulatory, insurance, and safety requirements are met; financing to drivers who may want to purchase their own vehicles; a centralized dispatch service; centralized vehicle maintenance; and negotiated vehicle liability insurance rates based on a large volume of drivers.

Taxi drivers have four main ways in which they can acquire passengers to generate revenue. Each driver may focus on one or on a combination of these methods to generate revenue. However, the mix of methods is often the characteristic that defines the driver's business model.

Business expenses for taxicab drivers include the cost of: the lease, fuel, and workman-compensation-like insurance, in addition to the capital and maintenance costs of the vehicle for owner-drivers. A driver's daily cost of providing service to the public may also include incidental expenses such as a cell phone to communicate and arrange trips for their personal client list. As independent contractors, taxicab drivers are not required to report their earnings and their expenses to the taxi company.

The retail rates charged by the drivers are set by the Commission based on an application by the taxi company with the Commission. The Commission has received and approved several requests for changes in retail rates for taxi fares from the three Denver taxi companies since 1995. Freedom Cabs has changed the fares it charges for taxi service twice since it began operating in 1995. Metro Taxi has changed the fares it charges for taxi service four times since 1995. Denver Yellow Cab has changed the fares it charges for taxi service five times since 1995. In addition to the above noted changes in the taxi fares, the Commission has approved temporary fuel surcharges on several occasions for the same taxi companies.

To date, the companies have not used a specific methodology in determining the lease rates, but rather set rates based on market factors. While it is not clear what market information (*e.g.,* costs, demand, competitor service rates, etc.) has been used to set the lease rates, the resulting revenues received by the companies from the drivers have increased over time. It is expected that this issue will be explored more fully in the confidential audit reports for each company.

In conclusion, the first step in providing the Commissioners with information regarding the question of whether lease rates should be regulated is gathering information including a review of the industry (this Report). The second step includes confidential audits which will be made available to the Commissioners for each of the companies, focusing on the relationship of the lease rate charged by each company to its costs of providing service. While this Staff report assesses the current state of the taxi market, and begins to inform the Legislature and the Commission on these issues, Staff believes this is a first step. There are multiple solutions and perspectives to these complex and intertwined issues. Staff supports a collaborative process before the Commission allowing opportunities for direct input from all interested industry parties.

History and Scope

This assessment of the taxi industry in the Denver Metro area responds to concerns from the House Transportation and Energy Committee during the 2007 legislative session. During the 2007 legislative session many taxi cab drivers sought assistance from the Legislature to address long-standing issues within the industry in Colorado. To assist the Committee in finding solutions to resolve these long-standing issues, the Staff began by examining the Colorado taxi industry, beginning with the three companies in the Denver Metro area.

This assessment evaluates the Denver Metro taxi market. The taxi companies that operate outside of the Denver Metro area, both large and small, were not part of this assessment and may have unique elements that differ from the Denver Metro area taxi companies.

This assessment was one of a number of activities resulting from substantive discussions before the Committee during the session. The purpose and scope of these other activities are briefly explained later to clarify the scope and purpose of this assessment as compared to the scope and purpose of these other activities.

House Bill 07-1114 and Current PUC Regulation

In its original version, House Bill 07-1114 *Concerning the Issuance of Certificates of Public Convenience and Necessity to Operate as Motor Vehicle for Hire as a Taxicab* sought to change the nature of regulation of the taxi industry in Colorado. This bill arose in response to complaints by many Denver Metro area taxi drivers to the Legislature. These included:

- Drivers complained that the daily and weekly lease rates charged by the taxi companies to the drivers are too high. The drivers claimed that they must work or drive many hours per shift just to cover the cost of the lease rate. The drivers stated they must drive for 12 or 14 hours per day to earn sufficient revenue to pay for the lease rate, insurance, the gasoline used per shift, the vehicle general maintenance costs for the owner-drivers, and other expenses such as cell phone service, and other incidental expenses.

- The drivers stated that America is the land of opportunity. The drivers do not want to be forced to drive for only one of the three Denver taxi companies. The drivers stated they should be able to start a new company that could attempt to compete with the existing companies.

- The drivers averred that they believe that the taxi companies have an unfair advantage in determining and setting what a driver will be charged for a daily or weekly lease rate. The drivers were of the opinion that if they were allowed to start a new taxi company the lease rates charged by the new company would be much lower than the rates currently being charged by the existing taxi companies.

- The drivers complained that the taxi companies may arbitrarily impose monetary penalties against them for various infractions that may occur while they are operating their taxis.

- The drivers complained that some of the companies charged voucher processing fees back to the drivers in addition to the base lease rates.

- The drivers also complained that the taxi companies make them sign a contract but do not provide them with a copy of the contract.

Not all drivers who testified before the Legislature expressed complaints with the current lease arrangements. These comments included:

- Certain drivers represented that it is not a lease rate issue, but rather that if the driver works hard, he or she can make sufficient revenue to support a family.

- Select drivers also represented that just waiting at DIA for passengers limits the drivers' ability to earn significant daily revenue.

- Other drivers represented that an ease of the entry standard would increase the number of drivers in the market, thereby lowering the average revenue per driver.

While often characterized as a "deregulation" bill, HB07-1114 in its original form sought to eliminate some regulations on the industry and proposed to modify how other parameters of the industry were regulated. As a bit of background information, the PUC regulates some or all of the following parameters of utility companies ranging from gas to electricity to telecommunications to water to transportation: rates, terms, availability and quality of service, infrastructure, and safety. The Commission's role in these dimensions of regulation takes various forms depending upon the industry.

In recent history, the Commission's authority to approve rates for taxi services has been limited to review of retail rates. The Commission has been prohibited from requesting information from the taxi companies as to how the lease rates are determined by the company. However, the Commission could and has requested that the company seeking a fare increase identify the lease rates. The companies generally provide an estimate of how the revenues from increased fares will be split between the company and the contracted drivers.

For retail taxi services, the Commission uses a traditional regulatory tariff process. When a taxi company is first granted an authority to operate or when it seeks to change its existing retail rates, it files a tariff or a tariff change request with the Commission. After notice[2] to the public, who can protest and request a hearing, and after a review by the Transportation Section, the Commission either sets the proposed tariff for hearing or allows the tariff to go into effect by operation of law without a hearing. If another impacted party raises concerns about rates or if the Commission itself has concerns that the rates may not be just or reasonable, the Commission may set the matter for hearing and further investigation. This hearing provides an opportunity for all interested parties to bring forth evidence to support their respective positions. The Commission[3] then decides, based on the evidence presented.

In contrast, lease rates to the taxi drivers are determined at the sole discretion of the taxi company. Prior to the enactment of HB07-1114, the Commission was prohibited from reviewing lease rates. Consequently, if the Commission or other interested parties (*i.e.*, the drivers), believed a lease rate was not just or reasonable, no opportunity for hearing by a third-party was provided. Instead, the taxi company could simply implement a lease rate change. The drivers' options, then, were simply to: accept the lease rate change; try to convince the company's management who had decided to change the rate to modify its decision; or find another taxi company.

The Commission's role in regulating the availability and quality of service and safety of the taxi companies has focused on resolving consumer complaints and working with the taxi companies to ensure adequate service is available. The Commission has also outlined minimum requirements for dispatch systems and the number of vehicles required for those taxi companies operating in counties of 60,000 or more people. Relative to the safety parameter, the Commission's Staff performs physical vehicle inspections, performs record audits to ensure

2 Generally, thirty-day notice is provided to the public.

3 The Commission may assign the issue to an administrative law judge. However, the party can appeal to the Commission for review of the judge's decision.

compliance with driver qualification, service-hour, vehicle maintenance, criminal back ground check, and accident registration requirements.

During the discussion and debate at the Legislature, multiple amendments to the original bill were proposed. Each of these amendments sought to balance the nature and scope of taxi regulation in Colorado in various ways. For example, in its early form, the bill stated a legislative declaration that "competition in the motor vehicle carrier industry will benefit Colorado consumers, making for greater choice and convenience." The introduced version of the bill included a criminal history background check; the requirement that the operator meet certain safety, insurance and service quality standards; and the requirement that the Commission not limit the number of companies authorized to provide taxi service. Amendments were drafted, but not adopted, that required the Commission to conduct a study regarding expanding taxi service in rural areas; mandated the Commission to prescribe taxi rules regarding wheelchair access, refusals of service, taxi hailing without dispatch, reasonable lease rates, and the use of alternative fuels; prohibited unreasonable lease rates and fees to process credit transactions; and required companies to have at least 25 vehicles in populous base areas; required the companies to operate vehicles that are less than eight model years old, and to have a central dispatch open at all times.

Ultimately, after much discussion and debate, House Bill 07-1114 repealed the prohibition that precluded the Commission from regulating the lease rate charged to a driver by a common or contract carrier as found in § 40-3-103, C.R.S.

Purpose of this Evaluation

The purpose of this PUC Staff assessment is to provide the House Transportation and Energy Committee (Committee) and the PUC Commissioners with a detailed report concerning the taxi industry in the Denver Metro area. In House Bill 07-1114, the prohibition against the Commission reviewing lease rates was removed from statute giving broad authority and responsibility to the Commission to determine whether the lease rates charged to taxi drivers should be regulated by the Commission. It is important to note that the Commissioners are appointed by the Governor and are the decision makers for the Commission.

As a first step in providing the Commissioners with information in which to decide if lease rates "should" be regulated, it was determined that additional information should be provided to the Committee, the Commissioners, and the public to better inform that decision-making. Part of that additional information included an update and review of the industry (this Report). The second part includes confidential audits of each of the companies, focusing on the relationship of the lease rate charged by each company to its costs of providing service. The results of those confidential audits will be available to the Commission.

In general, determining whether the lease rate charged (*i.e.*, wholesale rate) to taxi drivers is just and reasonable is a simpler process than determining whether the fares charged to customers (*i.e.*, retail rate) for taxi service is just and reasonable. The former, by its nature, requires an evaluation of the revenues and costs of a company. The latter, by its nature, requires an evaluation of the revenues received from customers and the costs of both the taxi company and the independent drivers that provide the transportation service. At least some of the companies believe that an evaluation of the lease rates requires consideration of drivers' costs and profitability.

The cost analysis that evaluates the lease rates charged to a driver must include both capital costs (*e.g.*, depreciation and other investment costs of dispatch systems, buildings, vehicles owned by the company, etc.) and expenses (*e.g.*, wages of company personnel, liability and property insurance, cost of maintaining the vehicles if owned by the company, etc.). It is necessary to evaluate the entirety of a taxi company's cost for its taxi operations because these become the basis for just and reasonable lease rates charged to the drivers. These lease rates, in turn, are one of a number of critical components that determine whether taxi drivers have an opportunity to make a reasonable profit.

In order to assess whether the lease rates are just and reasonable, accurate financial information from the taxi companies is necessary. Additionally, to assess whether taxi companies have established reasonable lease rates to their drivers, the methods used by the taxi companies to establish rates (both lease rates to the drivers and rates for end users) must also be available for independent audit and review. Taxi companies' accounting records, just like other companies operating for profit, include assets, liabilities, equity, revenues, and expenses. Well-established cost accounting methods used by both regulated and unregulated industries are available to allocate and assign these costs to various business operations and services, with the goal of evaluating the profitability of these business operations and services.

In contrast to the information required to establish that lease rates are cost based (*i.e.*, the costs of the company), the information required to establish that retail rates for taxi service are cost-based is more complex because financial and business information from the drivers (or a sampling thereof) or a business model that estimates driver costs is also necessary. This information includes vehicle costs (both capital and operating, as appropriate), operating expenses including lease costs, insurance, fuel, payroll taxes and benefits of the independent contractors, and other miscellaneous expenses such as cell phones. It may also include other information such as tips received, the number and types of trips driven (*e.g.*, "bells", personals, airport, cab stands), and hours worked.

Other Initiatives and Their Relationship to the PUC Report

In addition to this assessment completed by the PUC's Staff, the Denver Metro taxi industry is the focus of another study currently under way by the Denver Metro Convention and Visitors Bureau. The industry also is the subject of one component of the 2007 Sunset Review of the PUC. Proposed legislative changes as a result of the PUC's 2007 Sunset Review are currently pending before the Legislature in HB08-1227. It is expected that these additional initiatives, in addition to this report, will inform the Commission and the Legislature as they make the "next-step" decisions. A summary of each of these other studies is included to compare their focus to the focus of this assessment.[4]

The Denver Metro Convention & Visitors Bureau Taxi Industry Study

The Denver Metro Convention & Visitors Bureau has formed a committee to oversee an in-depth analysis of the State's taxi industry. Dr. Ray Mundy, who heads the Center for Transportation Studies at the University of Missouri at St. Louis, is conducting the study. The study will examine such things as quality of service and degree of competition. The Bureau has

4 Note that some confusion has resulted from having multiple independent initiatives started at or about the same time. As a result, it is necessary to clarify which initiative is under discussion when someone makes a statement that "The Study" finds or recommends something. It is expected that all three of these initiatives will help inform the Legislature and the Commission as they make their policy decisions.

an interest in identifying what works and what does not work from a consumer's perspective, particularly in light of the upcoming Democratic National Convention. Committee members include state and city officials, representatives from taxi companies, taxicab drivers, hotel representatives and a representative for disabled passengers.

The study involves surveying business and service organizations including major hotels, motels, and social service agencies; the testing of taxi service by sending out "mystery shoppers"; analyzing data from taxi companies to evaluate whether there are areas in the Metro Denver area that are underserved by existing taxi service; and evaluating the number of cabs needed at DIA by running simulations.

The Sunset Review Recommendations from DORA's Office of Policy, Research, and Regulatory Reform

As a result of the 2007 Sunset Review of the PUC, the OPRRR within the Department of Regulatory Agencies (DORA) investigated transportation issues facing the state. The OPRRR contacted the taxi companies for input regarding the PUC's Sunset review. Its focus regarding transportation issues, however, was not whether lease rates charged by taxi companies to independent contract drivers should and/or practically can be reviewed by the Commission. Instead, its efforts focused on market entry standards; specifically, which party (the applicant or an intervening party) should carry the burden of proof when determining if the issuance of a new authority to operate a taxi company is in the public interest. Ultimately, its recommendations were incorporated into proposed legislation (House Bill 08-1227), which is currently before the Legislature.

As a separate independent office that resides within DORA, the OPRRR is charged with reviewing all "Sunshine" and "Sunset" activities for all regulatory agencies and Commissions within the State and is charged with making recommendations to protect the health, safety, and welfare of Coloradoans. While the Commission and the OPRRR are both housed in DORA, their missions are distinct and their recommendations independent.

In summary, the OPRRR recommended that:

> Currently, new applicants for authority to provide taxi service must prove that there is a public need for such service which is not being met by existing motor carriers. Placing the burden of proof on the applicant can give existing carriers an inequitable advantage, especially if the applicant is a small start-up company and existing carriers are large corporations with legal representation. This burden of proof should be shifted: existing carriers wishing to contest a new applicant's application should be required to prove that granting the applicant authority to provide service would harm the public. This change would remove an unnecessary barrier to market entry for new companies and would shift the regulatory focus to protecting the public, rather than existing carriers.

In support of its position, the OPRRR relied upon a report titled *Entry Controls in Taxi Regulation: Regulatory Policy Implications of the U.S. and Canadian Experience* published by Bruce Schaller of Schaller Consulting in September 2006. The analysis was based on the experiences of 43 American and Canadian cities and counties, including Denver, with a variety of market types and entry standards. The 2007 Sunset Review report acknowledged that deregulation of entry standards in the taxi market was not appropriate,[5] but did recommend removing the burden of proof from the applicant so that the applicant need only show financial and operational fitness to provide the service. The burden would then shift to the intervening party to show that a new authority would not be in the public interest.

Assessment Method

Staff of the Commission held a number of industry discussions and interviews to identify the issues facing the industry.

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5 Schaller report states:

> Much of the rationale that is used to support the status quo depends upon arguments against taxi deregulation for support. Admittedly, a great deal of evidence shows that deregulation of the taxi market leads to oversupply, price gouging, and poor customer service. However, oversupply and its attendant problems seems to be more of a problem in areas with active cab stand and street hail markets.88
>
> The presence of large open entry cab stand markets leads to oversupply of cabs, as occurred at airports in Dallas and San Jose. In an open entry system, companies have the incentive to put as many cabs on the street as there are drivers will to pay the lease fees and thus fail to act as a gateway control to entry.89

The Staff's activities included: researching activities in other states; interviewing industry representatives; reviewing key Commission decisions that established entry and rate policies; reviewing information on file at the PUC as part of the taxi companies' annual reporting requirements; reviewing Commission's complaints for the companies; collecting information to evaluate industry concentration; and, reviewing existing Staff practices when requests for rate changes are made.[6] The team also sought information from the taxi drivers concerning their revenues and costs by working through driver advocates. They also met with key personnel of Freedom Cabs, Metro Taxi, Denver Yellow Cab, ProTAXI, and the Ground Transportation unit at DIA.

Commission Staff also initiated questions to the taxi companies, performed on-site tours at each company's facilities, and interviewed personnel of all three companies. The questions sought not only traditional financial and service information, but also information to assess: market conditions, existing lease options available to drivers, and the nature of existing wholesale and retail pricing practices.

Initially, Staff planned to incorporate the results of the financial audits into this report. However, due to the confidential nature[7] of some of the financial information that was received, limited company-specific information is included in this report.[8]

As stated above, Staff performed a literature search to determine whether activities in other states may assist in clarifying issues and identifying solutions for Colorado. A list of articles reviewed by various team members is included as Appendix 1 to this Assessment. While the literature search served to expand the knowledge and options available to team members, no situations were identical. That said, a couple of studies were of particular interest and those are specifically identified, as applicable, throughout the ensuing discussion.

6 See Appendix 1 and Appendix 2.

7 See § 40-15-107 (a) and (b), C.R.S.; also see §§ 40-6-106 and 107.

8 It is the practice at the Commission to provide a company that is audited by the Commission's Staff an opportunity to respond to any data interpretations and conclusions prior to finalizing the report. This allows the company to provide alternative interpretations of the data and conclusions and allows an opportunity to correct any inadvertent Staff errors. As part of that process, the Staff of the Commission allowed the companies to confirm that information provided by the companies, but included in this report, is not subject to confidential treatment.

Limits of the Assessment

The Staff's report is based on the information gathered to date. Staff believes that there are two information gaps that may be necessary to address. First, the comprehensive financial audits of the three taxi companies are not yet complete because some of the information has not yet been received. The current schedule for completion is as follows:

- Freedom Cabs, Inc. (Freedom Cabs) scheduled to be released on or about April 30th to the Company;
- Colorado Cab Company, LLC (Denver Yellow Cab) scheduled to be released to the Company on or about May 30th; and
- MKBS, LLC (Metro Taxi) scheduled to be released on or about June 30th to the Company.

Further, even after the audits are completed and released to the companies, a certain reasonable amount of time is necessary for each company to review and respond to its audit report.[9]

Second, as discussed in greater detail in this report, statistically reliable information from the drivers is not included in this report. The PUC did not initiate such a study. Such a study could be initiated, but would require a focused effort, along with cooperation by both the taxi companies and the independent drivers.

It is also noteworthy that while the Staff of the Commission performed this assessment to address concerns raised by the Legislature, the PUC Commissioners, as independent decision-makers, have not addressed the merits of these issues in an investigatory proceeding, a rulemaking proceeding or in an adjudicatory proceeding. While this Staff report assesses the current state of the market, and informs the Legislature and the Commission, Staff supports a collaborative industry process before the Commission to address these issues.

9 Usually 30 calendar days.

History of Taxi Regulation in the Denver Metro Area

1953- 1994: Traditional Regulation - History

Prior to 1953, the City and County of Denver regulated the taxi industry within its boundaries. In 1953, Denver opted out of regulating taxi companies and regulatory oversight was given to the PUC. At that time, there were three taxi companies operating in the Denver Metro area.[10]

The late 1980s and early 1990s were characterized by numerous legislative policy changes, all driving toward loosening regulation for parts of the transportation industry. Senate Bill 85-0100, passed in 1985, partially deregulated charter buses, luxury limousines, off-road scenic charters, and couriers carrying packages weighing five pounds or less. This bill established Article 16 of Title 40. In 1995, House Bill 95-1068 was passed to harmonize Colorado law with the Federal Airport Improvement Act of 1994. This bill partially deregulated all property transportation carriers except for regulating their insurance and safety requirements. The bill deleted all language in Articles 10 and 11 of Title 40 regarding property transportation, and repealed Article 14 regarding household goods carriers and Article 16.5 regarding carriers of sludge. Except for towing carriers, all property transportation was put under Article 16 of Title 40. Each of these impacted the economics of the taxi segment of the transportation industry.

This period of time was also characterized by incumbent taxi providers seeking to limit regulatory review of their profitability and operations. For example, in the late 1980's, the Colorado Department of Labor and Employment began studying the issue of whether taxi drivers should be considered independent contractors because their relationship to the taxi companies was more of an employee/employer relationship. In response, some of the taxi companies sought legislation to clarify the relationship between the taxi companies and the drivers. Ultimately, in 1990 the Legislature enacted §§ 40-11.5-101 & 102, C.R.S., which provided that common carriers may use independent contractors as drivers, that taxi companies may establish leases

10 The Denver Metro area is generally considered to mean the counties of Adams, Arapahoe, Boulder, Denver, Douglas, and Jefferson. See C95-456, p. 5. Since that time, the City and County of Broomfield was established.

with the independent contractors, and that certain requirements may be placed on the independent contractor with regard to federal, state, and municipal laws and rules.[11]

Similarly, in the late 1980s, the Commission received numerous complaints from Denver area taxi drivers about the allegedly unfair and unreasonable driver lease rates they were being charged by the taxi companies. As a result, the Commission's Staff began examining those leases and considering whether the Commission should review the lease rates. In response, some of the taxi companies succeeded in lobbying for legislation that prohibited the Commission from regulating these lease rates. Specifically, in 1991 the Legislature amended § 40-3-103, C.R.S., to prohibit the Commission from regulating the lease rate charged to a driver by a common or contract carrier. The Commission now finds itself back where it started almost 20 years ago – possibly examining the driver lease rates to determine whether they are reasonable and fair to both the taxi companies and the drivers. Although the Denver area taxi companies, their ownership, the industry, and the environment have changed in the last twenty years, many of the same complaints by drivers are resurfacing.

1953- 1994: Traditional Regulation - Doctrine of Regulated Monopoly

During the period of time from 1953 through 1994, the Commission operated under the policy doctrine of regulated monopoly with regard to the granting of common carrier authorities, which includes authorities to provide taxi service. Under this policy doctrine, a new applicant seeking to enter the market must prove that there is both a public need and that any existing service provided by incumbent carriers is substantially inadequate before the Commission may grant the new authority. Proving an incumbent carrier's service is substantially inadequate is a significant burden of proof for a new entrant, and based on this legal standard the Commission could not grant the new applicant's request if this burden was not met. In fact, at the time of the

11 However, this statute has created some misunderstandings on the part of the drivers and management personnel of the taxicab companies that resulted in problems for consumers. For example, lacking the employee/employer relationship, an independent contractor driver may refuse to take a short trip under the mistaken idea that the taxicab company can't force him or her to do so because he is an independent contractor. The consumer's problem is then increased when taxicab company management personnel, not understanding the taxicab company's requirement to enforce Commission service quality rules, advises the complaining consumer that the taxicab company cannot force the driver to take a short mileage trip (short trip) because the driver is an independent contractor. Commission rules specifically state that no taxicab carrier or driver may refuse to transport any passenger unless: the passenger is acting in an unlawful, disorderly, or endangering manner; there is a previous commitment of the taxicab equipment; or the passenger is unable to care for himself or herself, if not in the charge of a responsible companion or attendant.

enactment of HB95-1008 (1995) no new CPCNs for taxis had been granted in the Denver Metro area for at least 40 years.[12]

1994-Current: Policy Change - The Doctrine of Regulated Competition

In 1994, Senate Bill 94-0113 changed the entry standard from regulated monopoly to regulated competition for taxi companies in counties with populations of 60,000 or more based on the federal census conducted in 1990.[13] Counties with a population of 60,000 or more in 1990 were Adams, Arapahoe, Boulder, Denver, Douglas, El Paso, Jefferson, Larimer, Mesa, Pueblo, and Weld. Under the "regulated competition" entry standard, the applicant seeking to enter the market must prove that there is a public need for the requested service. If public need cannot be shown, the application is denied. However, in contrast to the doctrine of regulated monopoly, if the public need is shown, then the burden shifts to any carrier intervening in the application (usually an incumbent taxi company) to prove that the additional authority will result in destructive competition. If destructive competition is proven, the application is denied. If not, the application is granted.

1994-Current: Expansion and Consolidation

At the time Senate Bill 94-0113 was passed, the three taxi companies in Denver were Zone Cab, Inc.; Metro Taxi; and Yellow Cab Cooperative Association (YCCA) dba Yellow Cab, Inc.[14] These companies' authorized fleet sizes and market shares were: Zone Cab, 142, calculating to a 14% market share; Metro Taxi, 300, calculating to a 29% market share; and Yellow Cab, Inc., 600, calculating to a market share of 58%.[15] Subsequently in 1994, after the change of the entry standard to "regulated competition", seven companies, including Freedom Cabs filed applications with the Commission for a CPCN to provide taxi service in the Denver metropolitan area. Two incumbent companies, Metro Taxi and Zone Cab, Inc., also filed

12 C95-456, p. 5.

13 It is noteworthy that this bill did not eliminate the Commission's authority and responsibility to ensure just and reasonable retail rates and it did not modify the Commission's authority and responsibility to determine the number of permits allowed in the market.

14 While reading this history of certain authorities, the reader will notice changes in entity names of certain CPCNs that are not explained. These were intentionally left out because, although the taxicab company's business structure may have changed (e.g. from a LLC to a corporation) or a trade name was added or deleted, there was no change in the scope of the CPCN.

15 Market Share is based on authorized permits.

applications to extend their certificates such that they could provide additional taxi service in the Denver metropolitan area. The Commission consolidated these nine applications into one proceeding that lasted five weeks. Subsequently, two applicants withdrew their applications and one was dismissed for failure to comply with procedural rules.

The combination of Decision R95-68 (the Administrative Law Judge's Recommended Decision to the Commission) and Decision C95-456 (Commission Decision on Exceptions) established Commission policy on regulated competition and on the entry standards governing expansion of the Denver Metro market. The Commission's Decision ultimately granted:

- Freedom Cabs a revised CPCN to provide taxi service;[16]
- American Cab Company of Denver, Inc. a CPCN to provide taxi service; and
- Metro Taxi. an extension to its CPCN to provide additional taxi service.

The Commission Decision allowed for a gradual expansion of Freedom Cabs' and American Cab's fleet sizes over the period of time from October 1, 1995 through January 1, 1996, capping their operating authorities to 50 taxis each. Initially, these authorities were restricted to transporting passengers and their baggage within the Denver Metro area, but later HB96-1114 amended § 40-10-105, C.R.S. to allow all carriers that had an authority to operate as a taxi between points in the City and County of Denver to also have the authority to deliver passengers and their baggage to all points within Colorado. The Decision also clarified that Metro Taxi's fleet is or will be capped at 300 vehicles *operating* at any given point in time.

Also important, the Commission order's established policies concerning evaluating the financial viability for applicants seeking entry into the market and addressed other policy issues. Policies addressed in the Commission Decision included:

- *Identifying the legal standard necessary for consideration of these applications;*
- *The evidence requirements to demonstrate a need for additional service, including public testimony on poor service, lack of service to some communities in the Denver Metro area; excessive delays, and no shows;*

16 In the recommended decision from the Administrative Law Judge to the Commission, Freedom Cabs was granted a CPCN. In the decision on exceptions by the Commission, the Commission affirmed the grant of the CPCN by the Administrative Law Judge, but attached conditions to the granted authority.

- *Recognized that destructive competition can cause both impaired service or higher rates; and identified acceptable methods for estimating the number of allowable new taxis in the market;*

- *Identified criteria to judge the fitness of applicants including consideration of the minimum fleet size necessary for long-term financial viability of a new taxi company; recognition that fitness is broader than a consideration of financial aspects only; that any determination regarding fitness should include consideration of financial capability, managerial and industry experience, and operational aspects;*

- *Concluded that an assessment of financial capability includes consideration of the amount of start-up capital available to the applicant and sources of funding for on-going operations;*

- *Concluded that an assessment of managerial experience includes consideration of key personnel's previous experience in managing or running a taxi company; concluded that previous experience as a taxi driver should be considered, but to a lesser degree; and*

- *Concluded that consideration of operational aspects includes an examination of a company's proposed business plan, and consideration of unique elements of that plan as compared to other applicants.*

Decision C95-456 resulted in expanding the number of authorized carriers in the Denver Metro market from three to five, and resulted in expanding the number of authorized vehicles (loosely referred to as permits) from 1042 to 1142.

However, this expansion was barely completed and merger, consolidation, and bankruptcy events occurred. Specifically:

- Decision No. C95-1260 on December 13, 1995 authorized Yellow Cab Cooperative Association, Inc. dba Yellow Cab, Inc. to transfer CPCN 2378&I to Denver Taxi, LLC. This restricted the company to *operating* 300 taxis at any given time, from the previously authorized total of 600.

- The application, 95A-122CP, identified the transferee as Yellow Transportation, LLC. On page 29 of Decision No. C95-1260, the Commission changed the transferee to Denver Taxi, LLC.

- Decision No. C96-141 on February 8, 1996 authorized Yellow Cab Cooperative Association, Inc. (doing business as Yellow Cab, Inc.) to transfer CPCN 2378&I to Denver Taxi, Inc. This decision was in response to a decision from Federal District Court on a bankruptcy case. This decision restricted the company to the operation of 600 taxis.

- Decision No. C96-252 on March 6, 1996 rescinded Decision No. C96-141 dated February 8, 1996. This was in response to a decision from Judge Kane in Federal District Court on the same bankruptcy case. Decision No. C96-252 directed staff to immediately issue to Denver Taxi, Inc**.** a letter of authority for CPCN 2378&I. This decision again restricted the company's operations to 300 taxis.

In Decision C95-1260, the Commission cited two reasons for reducing the number to 300. First, because of a failure to operate up to 300 of the taxis during the previous five years, YCCA had effectively abandoned that portion of the CPCN. Second, because Yellow Transportation LLC was in a much stronger financial position than YCCA, granting use of 600 taxis to Yellow Transportation LLC would result in destructive competition to the other four taxi companies in Denver.

In the ensuing years, the Denver Metro taxi market continued to consolidate, with numerous name changes and "doing business as" (dba) filings before the Commission. In 1999, the Commission in Decision C99-970 granted approval to Metro Taxi and Greater Colorado Transportation Company dba American Cab of Denver to complete a merger of operations. CPCN 53680 was merged into CPCN 1481, with the result that Metro Taxi was authorized to operate 350 vehicles at one time and this reduced the number of taxi companies from five to four. In 2001 via Decision R01-747, the Commission granted approval to Metro Taxi to purchase all corporate stock in Cabs, Inc., dba Zone Cabs, Inc. and/or Centennial Sedans, Inc.,[17] and to transfer CPCN No. 1221 from Cabs, Inc., dba Zone Cabs, Inc. and/or Centennial Sedans, Inc. to Metro Taxi, with the result that Metro Taxi was authorized to operate 492 vehicles at one time and this further reduced the number of taxi companies from four to three.

In 2001, Freedom Cabs filed an application requesting authority to extend operations under its CPCN No. 53683 by increasing the number of vehicles with which it may provide taxi service from 50 to 200. Also, Reliable Taxi Cab Associates, Inc. filed an application for a new CPCN to provide taxi service in the Denver metropolitan area. These applications were consolidated and resulted in Decision No. R02-218. This Decision increased the fleet size of Freedom Cabs from 50 to 150 taxis. The application of Reliable Taxi Cab Associates, Inc. was denied based on its questionable financial ability to implement a taxi service. This decision, like

17 Ibid.

Decisions R95-68 and C95-456, is a comprehensive study of the doctrine of regulated competition and destructive competition.

The mergers, transfers, and name changes have resulted in the following three taxi companies operating in the Denver Metro area: Freedom Cabs, CPCN 53638, authorized a maximum of 150 taxis in service at one time; MKBS, LLC dba Metro Taxi and/or Taxi Fiesta, CPCN 1481, authorized a maximum of 492 taxis in service at one time; and Colorado Cab Company, LLC dba Denver Yellow Cab &/or Boulder Yellow Cab &/or Boulder SuperShuttle &/or Boulder Express Shuttle &/or Boulder Airporter &/or Boulder Airport Shuttle (Denver Yellow Cab), CPCN 2378&I, authorized a maximum of 300 taxis in service at one time. The 942 currently authorized number of vehicles result in the following market shares: Freedom Cabs (16%); Metro Taxi (52%); and Denver Yellow Cab (32%).

It is interesting to note that despite policy efforts to expand the number of companies serving the Denver Metro area and to expand the number of authorized vehicles as a result of the passage of Senate Bill 94-0113, the market has returned to three companies and approximately ninety percent (90%) of permitted vehicles. This may suggest that there is an optimal size of operation that can operate in the market and continue to sustain profitable operations. Such a conclusion, from an economic perspective, may impact regulatory structure design for an efficient market.

It is also worth noting that a regression analysis performed by a noted transportation industry expert, Bruce Schaller, appears to suggest that the number of taxis authorized and operating in the Denver metropolitan is generally consistent with the number that would be expected for a similarly situated metropolitan area.

Bruce Schaller published an article in the *Journal of Public Transportation*, Vol. 8, No. 5, 2005 entitled *A Regression Model of the Number of Taxicabs in U.S. Cities.* Based on a regression model of the number of taxicabs in 118 U.S. cities, including Denver, the study identified three primary factors related to demand for taxi service. These are:

- *the number of households with no vehicles available;*
- *the number of workers commuting by subway; and*

- *The number of airport taxi trips.*

These factors explained 98.9% of the variation in the number of taxis in the 118 cities. Population was not a significant influence once these factors were included in the model. The evaluation of predicted and actual values in the model found that the predicted number of taxis closely matched the actual number in Denver and several other cities including Los Angeles, San Diego, and St. Louis. These studies appear to validate that the total number of taxis authorized in the Denver metropolitan area generally is consistent with the number that would be expected for a similarly situated metropolitan area.

The Taxi Market in the Denver Metropolitan Area: Who, What, When, Where, and How

The Companies

Sources of revenues for Freedom Cabs, Denver Yellow Cab, and Metro Taxi may include lease rates charged to independent contract drivers, advertising on vehicles, maintenance shop work, and other revenues such as driver payments for the processing of credit card receipts.

The companies have the authority and responsibility by law under their certificates to provide taxi services to the public. The companies are required to carry insurance for the protection of the public, are subject to audits of their operations, and are subject to civil penalty assessment notices for violation of rules and statutes.

The major source of the taxi companies' wholesale revenue is the lease rates charged to the taxi drivers. Companies' expenses can and do vary from company to company based on such factors as whether the company owns the fleet, the number of employees, the type of dispatch system, the amount of advertising and name recognition, the investment in infrastructure, and other services offered to the taxi drivers and the passengers.

As part of the setting of the rates for regulated and unregulated companies, an operating ratio may be used to establish a reasonable profitability target for the company. Operating ratios are used to determine a reasonable target earnings level. A regulated utility without significant capital investment requirements (*e.g.*, taxi, water) may not have enough capital investment to set a rate of return on rate base.[18] As an alternative, the operating ratio is determined by dividing expenses of a utility by its gross revenues. For example, if a company collects $1 in revenue and spends 90 cents to deliver the product or service, the operating ratio is ninety percent (90%).

The driver lease rates vary depending on the length of the lease and the services included in that particular lease as well as each company's individual business plan. Currently, Freedom Cabs has two different lease rates, Metro Taxi, has six different lease rates; and Denver Yellow Cab has 20 different lease rates. The number and type of lease rates and services offered vary depending on each company's business plan.

The companies also try to differentiate themselves from each other. For example, Freedom Cabs' representatives tout their low lease rates. Denver Yellow Cab touts its many lease options. In contrast, Metro Taxi touts its move toward a hybrid-vehicle fleet, and the resulting savings in fuel costs for the drivers.

An area that is sometimes overlooked is the benefit of the services that the companies provide to the drivers and the industry, including: financing the accounts receivable from customer "vouchers" and credit card charges from passengers; creating a brand identity; promoting the service offering; ensuring that legal, regulatory, insurance, and safety requirements are met; providing financing to drivers who may want to purchase their own vehicles; providing centralized dispatch services; providing centralized vehicle maintenance; and negotiating insurance rates based on a large volume of drivers.

While taxi companies operate in a wholesale environment by leasing their systems and vehicles to taxi drivers, under the current regulatory structure in Colorado, they also seek retail rate changes. The companies' filings with the Commission generally identify how the company proposes to divide the increased revenues between the company and the drivers. The retail rates charged by the drivers to passengers are set by the Commission based on an application by the taxi company (not by the drivers) with the Commission. This unusual relationship whereby the wholesale supplier (taxi company) controls an essential element of a driver's profitability (through the lease rate), but also is instrumental in establishing the revenues earned by the driver

18 Rate base includes the investment, accumulated depreciation, and such items like material and supplies. Once the rate base is determined, a return is applied to the rate base calculation in order to set reasonable earnings for the utility.

(through the setting of retail rates) creates a situation whereby the taxi companies have an influence on drivers' profitability by either raising the lease rate or not seeking to raise retail rates on behalf of the drivers.

With the retail rate reviewed by the Commission, but not the wholesale rate, the companies may find it easier to increase their own profitability by raising wholesale lease rates (no regulatory review) rather than justifying to the Commission that an increase in either wholesale or retail rates is justified or increasing the efficiencies of their own operations. This ability to influence the drivers' profitability may be one demonstration of "market power" by the wholesale provider, particularly when the wholesale supplier influences the retail rates charged and when there are few alternative suppliers for the drivers.

The wholesale taxi industry in the Denver Metro area is highly concentrated, indicating a potential for market power by the highly concentrated firms. The Herfindahl-Hirshmand Index (HHI) is one criterion used by the U.S. Department of Justice when evaluating the advisability of a proposed merger. The HHI captures both the number of firms and their market shares. It is calculated by squaring the market share of each firm then summing those numbers. For example, the HHI is 2,600 ($30^2 + 30^2 + 20^2 + 20^2 = 2,600$), if a market has four firms with shares of thirty, thirty, twenty and twenty percent. Relative size and distribution of the firms in a market are important. In a market with a large number of firms of roughly equal size the HHI approaches zero. Conversely, the HHI increases both as the number of firms in the market decreases and as the disparity in size between those firms increases.

There are guidelines for interpreting the HHI calculations. A market in which the HHI is below 1,000 is considered to be un-concentrated. If the HHI is between 1,000 and 1,800 points, markets are considered to be moderately concentrated, and those markets in which the HHI is in excess of 1,800 points are considered to be concentrated. In terms of context, a duopoly with equal 50 percent market shares has a HHI of 5,000; a monopoly HHI is 10,000.

Based on the number of permits authorized by the Commission, an HHI index calculated for the metro area taxi market is 3984, indicating a high degree of concentration. Using information provided by the three companies in their un-audited annual reports filed with the Commission, the HHI using 2006 company-generated revenues is 4245; the HHI based on 2006 trips (both DIA and other) is 4052.[19] The effects of operating in a highly concentrated market are discussed in detail in the "The Economics of the Taxi Company and the Taxi Driver" section of this report.

	Permits		Revenues		Trips	
	Market %	**(Market %)^^{2}**	**Market %**	**(Market %)^^{2}**	**Market %**	**(Market)^2**
Freedom Cabs	16%	256	8.7%	76	11.7%	137
Denver Yellow Cab	32%	1024	46.4%	2153	47.7%	2275
Metro Taxi	52%	2704	44.9%	2016	40.5%	1640
	HHI	**3984**	**HHI**	**4245**	**HHI**	**4052**

While the wholesale taxi industry is highly concentrated, drivers do have product choices from the taxi companies. Staff, as part of its assessment, prepared a comprehensive comparison of contract offerings available from each of the three companies. It is included as Appendix 3.

Appendix 3 profiles the similarities and differences in lease options. All lease options include: commercial motor vehicle liability insurance, broadcast dispatch, and the ability to offer service to hotels/motels, airports, and "personals".

While "base packages" are offered by each of the companies, some companies also provide a range of services options including Global Positioning Systems (GPS), vehicle maintenance, vehicle ownership, type of vehicle, time of day and day of week alternatives, dispatch or no dispatch, and "rookie" and "student" options. Various levels of training and driver assistance are also available, depending upon the company.

Each company's cost structure is different based on its business strategies and operational practices. Denver Yellow Cab is owned by a subsidiary of Veolia, a multi-billion dollar international holding company.[20] In contrast, Freedom Cabs and Metro Taxi are owned by individuals. Freedom Cabs does not own the vehicles it utilizes to provide taxi service.[21] Denver Yellow Cab and Metro Taxi have both company-owned and driver-owned vehicles, although Metro Taxi has "grandfathered" the driver-owner option. Both Denver Yellow Cab and Metro Taxi have sophisticated dispatch systems, whereas Freedom Cabs' dispatch system is

19 Excludes personal trip revenues.

20 www.veoliaenvironnement.com/en/group

21 It does own some vehicles for the purpose of loaning them to the drivers when the drivers' vehicles need repair. This loan program is free to the drivers for a period of four days.

much simpler. Dispatch is optional at one company. Denver Yellow Cab and Metro Taxi have maintenance garages; Freedom Cabs does not. Denver Yellow Cab, Metro Taxi and Freedom Cabs have 20, six, and two lease rates, respectively. Thus, depending on the individual company structure, the underlying costs can and should be different.

The variety of lease options has given rise to the taxi companies using a multiple-part document for their independent contractor drivers. The first critical part of the document is the contract which spells out the rights and responsibilities of each party (the company and each driver). In general, the taxi company agrees to provide liability insurance, advertising, good will, and marketing. Provision of the vehicle, vehicle maintenance, and dispatch services depend upon the type of contract. Credit card readers, global positioning devices, and hybrid vehicle availability all vary depending on each individual company. In turn, the driver agrees to comply with federal, state, and municipal statutes, ordinances, and regulations. Pursuant to subsection (b) of C.R.S. 40-11.5-102, this enforcement does not affect the driver's independent contractor status. A second critical part of the document is the lease agreement, which dictates the lease rate paid to the taxi company from the driver depending upon the acceptance or decline of the offerings in the contract.

All three companies have financial or business relationships with affiliated[22] companies or other companies owned by the principle owners of the taxi company.[23] In some cases, the taxi companies purchase goods and services from the affiliates. In other cases, the affiliates use services from the taxi company. These practices are not unusual for any business, whether regulated or not. Generally, in these situations, a reasonability test is performed to ensure that the price paid to the affiliate is at or below the current market rate that would be paid to another non-affiliated provider. While potentially challenging for pricing of products and services, these issues can be resolved through affiliated interest contracts or cost allocation methods.

22 See 4 CCR 723-1-1004 for the Commission's definition of an affiliated company.

23 For example, Colorado Cab Company, LLC, the owner of Denver Yellow Cab, also owns Boulder Airport Shuttle, which provides scheduled and call-and-demand limousine services between points in Boulder and Denver on one hand, and DIA on the other hand. In other words, the affiliates offer services that can be substituted for taxi service.

The Drivers

The retail side of the industry focuses on drivers' profitability. The drivers' profitability is determined by the revenue collected from passengers using taxi services and the drivers' cost of goods sold. Revenue is collected by the taxi drivers and is considered taxable income to the driver. Fares and tips make up the revenue that they receive. The drivers' collect the revenue from their passengers in cash, or may receive promises to pay in the form of "vouchers" or credit card charges. The drivers "cash-out" these vouchers and credit card charges with the taxi company, on a daily or weekly basis.[24]

Taxi drivers are independent contractors that either own their own vehicles or lease company-owned vehicles. They generally pay their own workman's compensation-like insurance, are required to maintain their vehicles in good working condition, and pay for the fuel cost to operate the vehicle, whether owned or leased. Consequently, the cost of goods sold for the taxi drivers includes the cost of: the lease, fuel, vehicle maintenance (in whole or in part), and workman's compensation-like insurance[25] in addition to the capital and maintenance costs of the vehicle if they own the vehicle. Their costs may also include incidental expenses such as a cell phone to communicate and arrange trips for their personal client list and to maintain contact with dispatch and with other drivers who may assist them in acquiring passengers. The drivers may, or may not, choose to lease a GPS or a reader for credit cards.

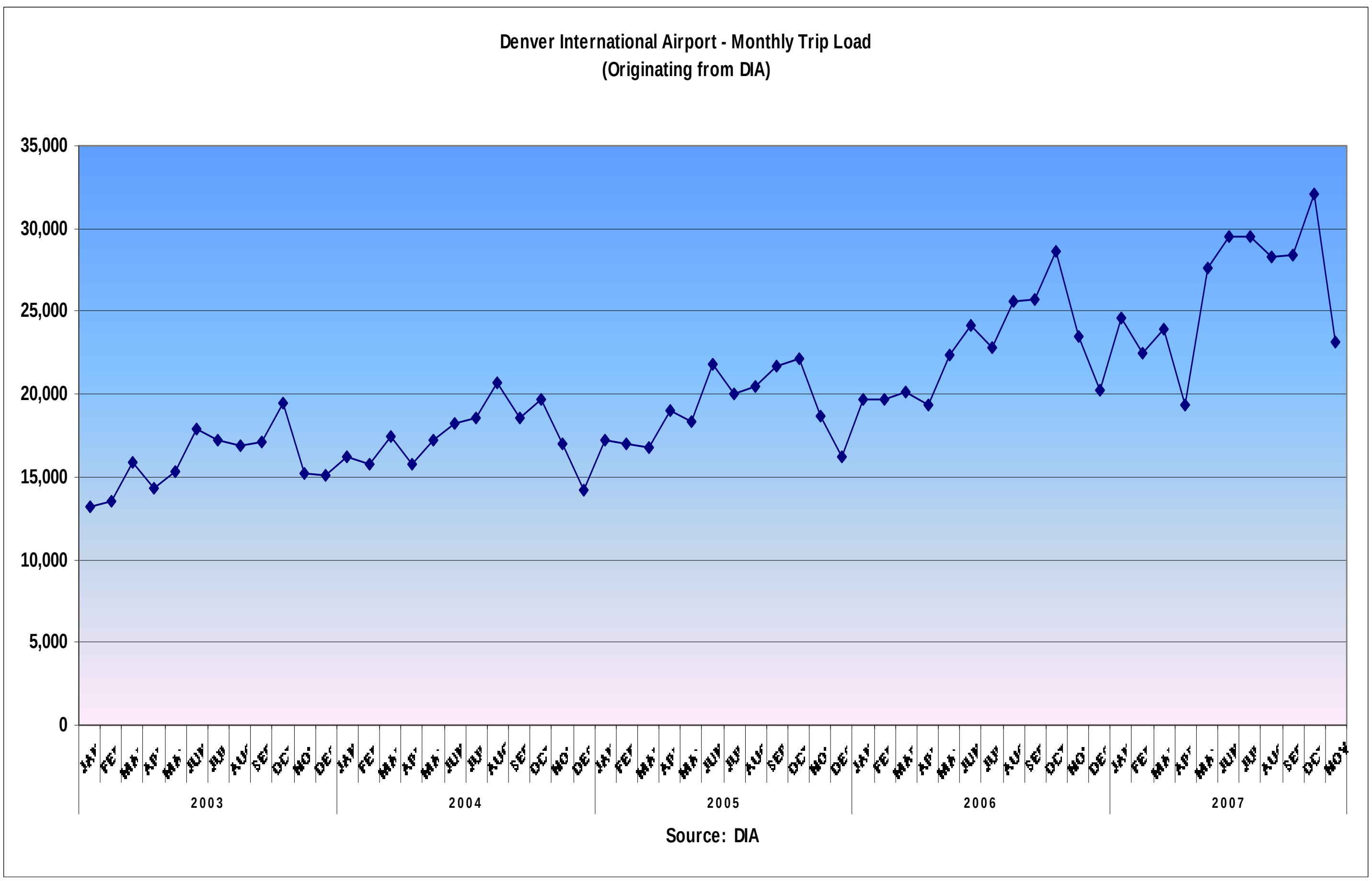
While the independent contractors are required to maintain trip logs, taxi drivers are not required to report their earnings and their expenses to the taxi company. By Commission rule,[26] the companies are required to maintain for a minimum of one year the following information for each trip: the taxi number, the driver name, the date and time of the customer's request for service, the address, date and time of the customer's pick-up, and the address of the customer's destination.

24 It should be noted that the driver is paid when he or she "cashes out", however, the company receives the revenues at a later date. Sometimes this waiting period is up to 60 days.

25 For example, Taxi Driver Accident Protection (TDAP).

26 Rule 6255 of 4 CCR 723-6.

The demand for taxi service varies by time-of-the-day, day-of-the-week, and month-of-the-year. Following is a graph showing monthly DIA statistics counting the number of trips originating at the airport from January of 2001 through December of 2007 clearly show that while trips originating from DIA have steadily increased over the period, month-to-month variation is expected. Interviews with both drivers and company representatives identify that demand varies by day of the week, time-of-day, and by season. The demand is increased by major events, such as conventions. All these factors impact the drivers' opportunity to earn revenue, and ultimately a reasonable profit on a consistent basis. This demand-side risk is borne primarily by the drivers as they must pay the lease rate, whether there are customers needing taxi service, or not.



Following is a chart of trip statistics. These are based on the companies' un-audited results. As shown, Freedom Cabs DIA trip percentage is higher on a relative basis to the other companies. Whereas, Metro Taxi has the lowest DIA percentage to its market share.

	2000	2001	2002	2003	2004	2005	2006
Total Trips							
Freedom Cabs	162,240	200,019	262,009	357,254	389,860	392,483	426,098
Metro Taxi	1,434,889	1,206,516	1,397,567	1,321,006	1,232,983	929,328	1,731,879
Denver Yellow Cab	1,519,063	1,606,122	1,657,605	1,193,141	1,324,880	1,418,625	1,469,125
Total	3,116,192	3,012,657	3,317,181	2,871,401	2,947,723	2,740,436	3,627,102
	100.0%	96.7%	106.4%	92.1%	94.6%	87.9%	116.4%
Year over Year Growth		-3.3%	9.8%	-14.3%	2.4%	-6.7%	28.5%
Average Growth							2.7%
Market Share (Total Trips)							
Freedom Cabs	5.2%	6.6%	7.9%	12.4%	13.2%	14.3%	11.7%
Metro Taxi	46.0%	40.0%	42.1%	46.0%	41.8%	33.9%	47.7%
Denver Yellow Cab	48.7%	53.3%	50.0%	41.6%	44.9%	51.8%	40.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
DIA Trips							
Freedom Cabs	27,040	33,604	42,341	57,364	60,415	62,333	64,888
Metro Taxi	82,766	77,877	86,443	81,707	76,304	57,480	103,909
Denver Yellow Cab	112,320	114,975	90,383	114,975	114,975	118,625	155,125
Total	222,126	226,456	219,167	254,046	251,694	238,438	323,922
	100.0%	101.9%	98.7%	114.4%	113.3%	107.3%	145.8%
Year over Year Growth		1.9%	-3.3%	15.7%	-1.1%	-6.0%	38.5%
Average Growth							7.6%
% DIA							
Freedom Cabs	16.7%	16.8%	16.2%	16.1%	15.5%	15.9%	15.2%
Metro Taxi	5.8%	6.5%	6.2%	6.2%	6.2%	6.2%	6.0%
Denver Yellow Cab	7.4%	7.2%	5.5%	9.6%	8.7%	8.4%	10.6%
Total	7.1%	7.5%	6.6%	8.8%	8.5%	8.7%	8.9%
Other Trips							
Freedom Cabs	135,200	166,415	219,668	299,890	329,445	330,150	361,210
Metro Taxi	1,352,123	1,128,639	1,311,124	1,239,299	1,156,679	871,848	1,627,970
Denver Yellow Cab	1,406,743	1,491,147	1,567,222	1,078,166	1,209,905	1,300,000	1,314,000
Total	2,894,066	2,786,201	3,098,014	2,617,355	2,696,029	2,501,998	3,303,180
	100.0%	96.3%	107.0%	90.4%	93.2%	86.5%	114.1%
Year over Year Growth		-3.7%	10.8%	-16.6%	2.7%	-6.7%	27.7%
Average Growth							2.4%

Based on the un-audited annual reports and excludes Personal Trips

Taxi drivers employ different business models, though they may well not verbalize it as a "business model". Drivers have four main ways in which they can acquire passengers to generate revenue:

(1) The taxi companies receive calls (or in taxi lingo "bells") for taxi service from the general public and those businesses with which the company has established a contract to transport the business' employees or clients. The taxi company then sends the request for service via its dispatch system to their taxi drivers who are currently in the same general geographic area;

(2) The drivers can get in a taxi-line at hotels, motels and events and wait for a turn to load passengers;

(3) The drivers can park at the holding lot at DIA and wait to be dispatched to the terminal for a turn to load passengers; and,

(4) The drivers may build their own business through the development of "personals", who are passengers who bypass the taxi company's dispatch system and call the driver directly.

Each driver may focus on one or on a combination of these methods to generate revenue. However, the "mix" of methods is often the characteristic that defines the driver's business model. Some drivers prefer to be "order takers" (options 2 and 3 and some of 1). Others prefer to be "order makers" (option 4 and some of 1). In Staff's discussions with industry personnel, it was generally held that the drivers that make the most profit are those that actively pursue "personals". Other discussions with industry personnel suggested that the drivers that make the most money are those that choose to respond to available calls, whether "bells" or "personals" and do not sit at taxi stands or DIA waiting for a passenger to request service. In addition, all taxi drivers depend on the tips they receive from passengers for a portion of their revenues.

There was much discussion in the course of this assessment about drivers' numerous disincentives to provide accurate data regarding their own fuel costs, gross hourly revenue, and estimated weekly earnings. In the course of this examination, no one provided documentation that drivers have submitted inaccurate information. Many explanations were given about the root cause of this alleged issue. Some suggested that drivers are hesitant to openly give information for fear of reprisal from the taxi company. Others suggested that drivers simply do not keep records of daily, weekly, or monthly expenses. Staff also heard counter-arguments that this is simply a "red-herring" because while drivers' costs are relevant to establishing retail rates, those costs are not relevant to establishing the lease rate charged to drivers.

Staff of the Commission also heard unconfirmed reports that drivers have applied pressure to other drivers to protest lease rates. If this is true, it appears that this pressure is only partially successful. Drivers giving in to the pressure may be willing to vocally protest the lease rate but are not necessarily willing to provide documentation to support their allegations. In this way, drivers may stay in the good graces of fellow drivers. Additionally, cultural responses against government review may drive a reluctance to provide information to regulators. Other drivers simply may not wish to disclose this information for reasons unknown to the Commission.

Substitute Service Providers

Passengers in the Denver metropolitan area have other options, besides taxis, for transportation service. Some of these substitute services have authorities regulated by the Commission. Others do not. These substitute services include:

- *Carriers with scheduled authority, such as SuperShuttle International Denver, Inc., provides services that operate at specific arrival and departure times. An example is service between DIA and hotels in downtown Denver;*
- *Carriers with call-and-demand limousine authority, such as 1st ABC Transportation, Inc., which provide service between two points at the time requested by a passenger. An example is service between a passenger's home and DIA. However, a call-and-demand service is only provided after a passenger requests the service, while also offering multiple loadings on a per person basis;*
- *Contract carrier permits. A contract carrier is a passenger carrier that has a contract with a company or entity to provide transportation to employees or clients of the contracted company (e.g., Dialed-In Auto, LLC provides non-emergency medical transportation for Medicaid clients of the Colorado Department of Health Care Policy and Financing);*
- *Luxury limousines provide luxury transportation services on a pre-arranged, charter basis;*
- *Carriers operating under federal (rather than state) authority;*
- *Rental car companies; and,*
- *Bus and light rail services.*

These substitute services are part of the comprehensive transportation market and potentially limit the rates that taxi companies can charge in the retail taxi market. If the retail rate for taxi service is viewed as too high, passengers may migrate to substitute services. Some passengers may choose the relatively more expensive luxury limousine service because they believe that the price differential has become irrelevant, so they will make their purchasing decision based on non-price factors. Other passengers may seek options such as bus and light rail that are more inconvenient, but relatively less expensive.

The relationship between these competitors and the taxi companies and drivers also is an important issue. It is virtually impossible to have a conversation with a taxi driver without the driver identifying that luxury limousine and contract carriers are siphoning off the “good” fares.

Denver International Airport

Without a doubt, the policies, rules and regulations placed on taxi companies and drivers by any major airport impacts the way companies and drivers operate. On August 2, 2007, Staff visited with the ground transportation manager at DIA. Staff toured the airport holding lot and Level 5 of DIA’s ground transportation center. The holding lot has a capacity of approximately 150 taxi cabs. Originally, the lot held more taxis but then a barrier was erected to shorten the available space. A separate section of the lot is used by luxury limousines, shuttle service vehicles, and buses. In the facility, there is a waiting room along with vending machines and a lavatory. Outside, the facility there are covered picnic tables and a separate building that houses four lavatories.

DIA, in connection with the Transportation Security Administration (TSA), requires that each driver submit an application in order to acquire authorization to pick-up passengers on Level 5. This process is known as “badging”. The airport initiates a background check on the driver to verify that the driver meets airport security requirements. If the driver meets the badge requirements, he or she is given a badge that has his or her picture on it, similar to an employee identification badge. This badge has a magnetic strip which the driver swipes at security access points in order to gain entrance. Automated Vehicle Identification Tags (AVI Tag) are also required by DIA on all vehicles entering Level 5.

The taxis at the airport are dispatched via a relay system from ground transportation personnel who call to the holding lot to request additional taxis. The lot dispatcher then activates a green light, similar to a traffic signal, to indicate to the waiting drivers that passengers are available for pick-up. DIA charges a gate fee to all drivers picking up passengers on Level 5. The drivers purchase tokens for $3.50[27] each. The tokens are then fed into the automated gate arm at the exit of the holding lot.

27 Effective February 1, 2008.

Disputes over the number of taxis that can be at the holding lot at any given time have arisen. Airline arrivals are clustered such that a large number arrive at the same time. These are commonly known as "banks of flight". In the interim, the passenger traffic is relatively light. Naturally, there can be long periods of waiting followed by a rush of activity. Drivers complain about the length of time they spend in the holding lot. DIA, in the past, has investigated limiting the number of taxis at the holding lot at any given time. These include programs such as incorporating the last digit of a license plate, be it even or odd, and then alternating even and odd numbers for daily pick-up work. These types of programs have been met with resistance by some of the drivers and well as by taxi company management. Due to the different market strategies of the companies, and differing business models of individual drivers, these measures affect each company and each driver differently, with those drivers working the airport primarily affected.

Trips originating or terminating at DIA, on the one hand, and the Downtown Denver area, the Denver Tech Center and the city of Boulder, on the other hand, are provided at a flat-rate. The rate is $43 to or from Downtown Denver, $45 to or from the Denver Tech Center, and $70 to or from the city of Boulder. The flat-rate charge applies to all three companies, and the flat-rate fee cannot be changed without two of the three companies seeking a change or the Commission holding a proceeding to change the existing flat-rates. The DIA gate fee is added to these flat-rate fees for trips originating at DIA as part of the charge to the passengers. The DIA trip charges have not been changed since they were first implemented in 1995.

Driver Advocates

A voice for driver advocacy is provided by ProTAXI. ProTAXI is self-described as an association of cab drivers who are a division of the Communication Workers of America (CWA), #7777. ProTAXI was founded in March of 2003. Staff has interviewed and had discussions with ProTAXI officers and representatives. The primary goals of ProTAXI are to serve the membership and improve the taxi industry from a drivers' perspective. To that end, ProTAXI has lobbied the Legislature in the past to change market entry standards and to lower taxi lease rates. One of the representatives stated that ProTAXI has approximately 300 to 400 members. ProTAXI's association with the Communication Workers of America #7777 has also led Staff to have discussions with one of the CWA representatives.

Other Industry Groups

The City and County of Denver

The City and County of Denver requires any person who operates a taxi cab to obtain a "Herdic"[28] license from its Department of Excise and Licenses. The licensing procedure includes completing an application and taking an examination. The application must be signed under oath. It requests information concerning:

- *the company the driver intends to work for;*
- *personal information including physical attributes, former places of residence and places of employment (8 years), age, citizenship, ability to read and write English;*
- *felony, misdemeanor or ordinance arrests and convictions;*
- *past and current chauffeur's and driver's license information and past revocations or suspensions related thereto; and,*
- *motor vehicle traffic violations in the past 12 months.*

The application also requires a supervising officer of a taxi company to certify that he or she has examined the application and that the applicant is acceptable to the Company and that the applicant will be employed upon issuance of the license.

The process also requires the applicant to provide or have available:

- *a current head-tax receipt (also known as Denver's Occupational Privilege Tax);*
- *a medical report signed by a doctor indicating that, in the physician's opinion, the driver is capable of performing the duties of a taxi driver;*
- *two affidavits of persons who will vouch for the applicant's character and reputation;*
- *a current Colorado driver's license and Motor Vehicle Driving Record (within last 90 days);*
- *a completed City and County of Denver Applicant Criminal History Form;*
- *a Colorado Bureau of Investigation (CBI) background check; and,*

28 "Herdic" refers to Peter Herdic, of Williamsport, Pennsylvania. Peter Herdic was the inventor of the Herdic horse-drawn carriage, which was a predecessor to the taxicab. The carriage was a small two wheeled carriage that had side seats and an entrance at the back. The major improvements over previous types of carriage were in the springs, the way the body was mounted on the springs, and the manner in which the axles, springs, body and shaft were connected. They were designed as passenger vehicles, and, in particular, for use in public transportation. Their low entry made it easy for passengers to enter and exit the cars. The first Herdic cabs carried up to eight passengers and were painted bright yellow. (Wikipedia)

- *an Affidavit of Lawful Presence*.

The licensing process also requires that the applicant pass a test administered by the Department. The test evaluates an applicant's knowledge of the metropolitan area, including major scenic sights, street locations, and major traffic thoroughfares. The applicant is allowed to take the Denver Guide of maps and maps of Denver into the testing room. The applicant is required to pay a $50 application fee, with an annual renewal license fee of $25.

The Denver Metro Convention and Visitor's Bureau

The Denver Metro Convention & Visitors Bureau (DMCVB or Bureau) is a membership-based organization focused on promoting and marketing the Denver Metro area as a visitor and meeting destination. DMCVB operates as a private, non-profit organization and its mission is to bring conventions and visitors to Denver for the economic benefit of the city and its membership. The Bureau was identified by both drivers and company representatives as a key source of information about upcoming events that impact day-to-day demand for taxi service. Taxi company representatives shared how they post upcoming event and convention information from the Bureau on their bulletin boards to inform drivers of areas where service demand may be higher than normal. Drivers shared "pocket-sized" calendars supplied by the Bureau identifying major events. As taxi drivers are often the first person out-of-town visitors meet, the Bureau has initiated educational and marketing activities to make taxi drivers successful ambassadors for the city.

Environmental Factors Impacting the Market

In interviews and discussions with drivers and company representatives, there are a number of "environmental" factors that have influenced or are beginning to influence change in the taxi market in metropolitan Denver. From a historical perspective, these include: the move from Stapleton to DIA; certain Homeland Security requirements instituted at DIA post 9-11 resulted in increased security requirements for drivers; the relaxed regulation of luxury limousine services; changes in technology including both increased system mechanization by the companies and the advent of the cell phone. From a futuristic perspective, the "greening" of vehicle fleets as well as change in the Denver ordinance allowing people to "hail taxicabs" may provide the next challenges and opportunities for the industry.

Historically, the moving of the airport from the Stapleton facility to DIA certainly changed the taxi industry in the Denver Metro area. As discussed previously, airport traffic is a major factor influencing the number of vehicles that can operate in any taxi market. The growth in trips to DIA has been a key source of growth for at least some taxi companies and their contracted drivers.

After more than 10 years of operation, DIA is still on the eastern edge of the metropolitan area, which impacts trip length, and wait times between trips. Staff discussions with drivers and driver representatives suggested that the DIA trips are not always trips to downtown Denver, Boulder, or the Tech Center. In some cases, the trips are short trips to the surrounding DIA hotels or to the eastern metropolitan suburbs such as Aurora. A long trip also likely decreases airport drivers' flexibility to "pick-up" a return ride back to the airport if they view working the airport as their first-choice business strategy.

The flat-rate trip charge from DIA to Downtown, the Denver Tech Center, and Boulder, as stated previously, has not increased since being implemented in 1995 despite increases in gas prices, a key component of driver's profitability. Staff discussions with company representatives, however, indicated a reluctance to seek a flat-rate fare increase for DIA trips because of competition from luxury limousine and shuttle services.

While taxi service opportunities at the airport have increased over time, luxury limousine trips have also increased during that time. The competition between these two segments of the industry is not likely to vanish. In virtually every discussion with taxi drivers, discussions about unfair competition with luxury limousines surfaced.

The advent of new technologies and system mechanization has also modified how the taxi industry functions today. The automated dispatch systems and GPS tracking systems have greatly modified how the companies and drivers interact. Metro Taxi can track when each of its drivers has logged into the dispatch system to receive calls and can shut-down the dispatch system to a driver if the driver exceeds the allowed hours of service. Denver Yellow Cab can monitor the individual vehicles including the speed of the vehicles. The tracking systems also assist the drivers in finding locations, reducing "lost time" and miles, while also increasing passenger confidence that he or she is receiving the shortest trip possible.

In addition to automated dispatch and tracking systems, the cell phone has already changed how successful drivers operate. The cell phone facilitates more “personals”, making increased bypass of the dispatch system not only possible, but also likely. The phones also “facilitate” communication between “buddy” drivers who share hotspots throughout the Denver Metro area. This suggests that taxi companies may need to be more creative in designing options that encourage their top performing drivers to stay. A possible progression for the top performing drivers who have built a significant base of personal clients is to become a luxury limousine driver.

A recent change in policy potentially will impact parts of the Denver Metro market. In 2007, the City of Denver changed its municipal code to allow hailing of taxis. Specifically, Section 54-160 states:

> Sec. 54-160. Impeding traffic. Subsection (b) Notwithstanding the provisions of [subsections] 54-160(a) and 54-70(g), taxis may stop for up to (90) seconds in a traffic lane to pick up or drop off a fare, provided the stop is made in the traffic lane nearest the curb from which the fare embarks or disembarks and further provided an amber flashing light is visibly displayed to the rear during the stop. Reasonable accommodations shall be made as to time for the embarkation and disembarkation of persons with disabilities.

This effectively changes part of the Denver metropolitan area to an active “cab stand and street hail” market. Prior to this, a driver that stopped in a traffic lane to pickup a passenger was subject to getting a ticket for impeding traffic. A review of the literature on taxi regulation in other states indicates that this change in policy may impact the market, both positively and negatively. From a consumer perspective, the “hail taxi” method can minimize waiting times. However, Bruce Schaller[29] concludes that based on the experiences of 43 American and Canadian cities and counties, including Denver, with a variety of market types and entry standards that:

> The presence of large open entry cab stand markets leads to oversupply of cabs, as occurred at airports in Dallas and San Jose. In an open entry system, companies have the incentive to put as many cabs on the street as there are drivers willing to pay lease fees and thus fail to act as a gateway control to entry.[89]

In their effort to provide paratransit service, Metro Taxi owns 12 wheelchair accessible vans, while Denver Yellow Cab owns 30 vans. Freedom Cabs’ owner-drivers do not operate any

29 *Entry Controls in Taxi Regulation: Regulatory Policy Implications of the U.S. and Canadian Experience* published by Bruce Schaller of Schaller Consulting in September 2006.

wheelchair accessible vans. However, Freedom does service wheelchair bound clients if the wheelchair can be folded and stored within the vehicle. It should be noted that the capital cost for wheelchair accessible vans, like other vans, is more expensive.

A final environmental factor that has the potential to greatly impact the profitability of both the companies and the drivers is the replacement of traditional vehicles with Hybrid models. Recent tests show the promise of significantly increased fuel efficiency, with a very significant reduction in the fuel cost to operate the vehicles. It is not yet clear whether the vehicles will have the longevity of traditional vehicles, and it is not yet clear if the companies or drivers have the economic capital to invest in Hybrid alternatives. However, the concept shows promise. Metro Taxi and Denver Yellow Cab have 20 and 8 company-owned Hybrids, respectively. Whereas, Freedom Cabs' owner-drivers have chosen not to purchase Hybrids at this time.

Rates: Retail Prices and Wholesale Lease Rates

The Economics of the Taxi Company and the Taxi Driver

Any evaluation of the taxi market in the Denver metro area must include a general but short discussion of economics and markets. Markets, when functioning properly, can be shown to be efficient. For markets to function as depicted in theory, certain conditions must be met. Generally, those conditions can be distilled to the notion that there must be a large number of buyers and sellers so that no single entity or group of entities can manipulate the market process to their own advantage. If these conditions do not exist, then the market will not function as well and may even misfire under certain conditions.

Analysis of markets is intended to link market characteristics with market performance. That is, how does the structure of a market influence the performance or efficiency of a market? Structure refers to the number of firms. Performance is a measure of the efficiency of the overall market relative to certain standards such as profitability and quality. Also of concern is the 'conduct' of firms in the market, that is, "How do firms interact with one another and with customers and suppliers?" These concerns are integrated into a general technique known as the 'structure-conduct-performance' (SCP) paradigm. The paradigm is widely applied and the techniques generally accepted by courts and government agencies as a means of evaluating firms and markets. The SCP also is applied in anti-trust and merger analysis by the Justice Department and the Federal Trade Commission.

An important component of the SCP method is the 'continuum of market structures'. The continuum ranges from highly competitive to highly non-competitive. Roughly in the middle of the spectrum are markets that are 'effectively competitive'. Most markets fall within this broad category. At the competitive end of the spectrum, little government oversight is indicated or applied. In most instances, effectively competitive markets require little oversight. At the non-competitive end of the spectrum, some form of intervention is indicated and often is required. One form of intervention is 'utility type' regulation. Generally, utility type regulation is imposed where market forces have not produced satisfactory outcomes, that is, regulation becomes the best means of obtaining acceptable performance from a market.

The spectrum reveals a relationship between concentration and competitiveness. Usually, as markets become more concentrated they also become less competitive. In extreme cases where there are only a few firms, market concentration can lead to a variety of market malfunctions, principally significant divergence of prices charged from costs incurred, low levels of production, and perhaps poor service and product quality. Such inefficiency is often manifested in high rates of profit or high rates of return. Concentration generally is antithetical to efficiency and social benefit. Thus, if concentration cannot be reduced then other modalities must be explored.

Utility type regulation is designed to alter market performance. It does so by having the regulatory agency serve as a surrogate for an effectively competitive market. Generally, this is done by setting prices that are closer to the level of reasonably incurred costs and by establishing minimal service quality standards. Regulation can be applied at both retail and wholesale levels, as needed.

Application of the SCP to the Denver metro taxi market reveals a highly concentrated market that is unlikely to be effectively competitive. Only three companies hold all the authorizations to lease about 1000 taxicabs at any one time, that is, a market with many buyers but only a few sellers. Standard economic analysis indicates that the three companies have been left to set lease rates as they wish. Consequently, it is reasonable to suspect that excessive lease rates may be in effect.

In order to test this assertion, it is necessary to study the firms in the market. Such study involves necessarily an examination of cost characteristics, prices, profitability, quality, safety, and other indicators of firm performance. This examination requires a ‘cost of service’ analysis – a standard regulatory practice. If the study reveals inefficiency, excessive markup, or other problems then the Commission may be warranted in setting lease rates. Lease rates may be set using standard utility regulation techniques.

History of Retail Price Changes

The Commission has approved changes in retail rates for taxi fares several times since 1995 for Freedom Cabs, Metro Taxi, and Denver Yellow Cab. Freedom Cabs has changed the fares it charges for taxi service twice since it began operating in 1995. Metro Taxi has changed the fares it charges for taxi service four times since 1995. Denver Yellow Cab has changed the fares it charges for taxi service five times since 1995. In each of these cases the Commission, while acknowledging the fact that the Commission could not review the lease rates, expressed concern that the surcharge go to the driver rather than back to the taxi company in the form of increased lease rates.

The following chart summarizes the current retail tariffs for each company:

	First increment of a mile	**Each add'l increment of a mile**	**Price for first mile of trip**	**Per Mile Charge**	**Each 40 seconds of waiting time**	**Each 40 seconds of traffic delay**
Freedom Cabs	$1.80 per 1/9 mile	$0.20	$3.60	$1.80	$0.25	$0.25
Metro Taxi	$2.60 per 1/8 mile	$0.25	$4.35	$2.00	$0.25	$0.25
Denver Yellow Cab	$2.50 per 1/9 mile	$0.25	$4.50	$2.25	$0.25	$0.25

In addition to the above noted changes in the taxi fares, the Commission has approved temporary fuel surcharges on several occasions for the taxi companies. The following charts show a more comprehensive recap of each company’s approved retail fares beginning in 1995, but do not include any temporary rate changes for fuel (gas) surcharges.

Retail Price Changes for Freedom Cabs

	26-Jun-95	15-Oct-98	09-Apr-04
First 1/7 of a Mile	$ 1.40		
Each Add'l 1/7 of a Mile	$ 0.20		
First 1/8 of a Mile		$ 1.60	
Each Add'l 1/8 of a Mile		$ 0.20	
First 1/9 of a Mile			$ 1.80
Each Add'l 1/9 of a Mile			$ 0.20
Each one minute of wait time	$ 0.30	$ 0.30	
Each one minute of traffic delay	$ 0.30	$ 0.30	
Each 45 seconds of wait time			
Each 45 seconds of traffic delay			
Each 40 seconds of wait time			$ 0.25
Each 40 seconds of traffic delay			$ 0.25
Each add'l passenger	$ 0.40	$ 0.40	$ 0.40
Multiple Load Reduction	20%	20%	20%
Traffic Delay Charge added when speed of taxi drops below	11	11	11
Charge for a Seven Mile Trip	$ 11.00	$ 12.60	$ 14.20

Retail Price Changes for Metro Taxi

	25-Jul-95	19-May-97	01-Oct-02	21-May-04	26-Nov-06
First 1/7 of a Mile	$ 1.40				
Each Add'l 1/7 of a Mile	$ 0.20				
First 1/8 of a Mile		$ 1.60		$ 1.60	$ 2.60
Each Add'l 1/8 of a Mile		$ 0.20		$ 0.25	$ 0.25
First 1/9 of a Mile			$ 1.60		
Each Add'l 1/9 of a Mile			$ 0.20		
Each one minute of wait time					
Each one minute of traffic delay					
Each 45 seconds of wait time	$ 0.20	$ 0.20			
Each 45 seconds of traffic delay	$ 0.20	$ 0.20			
Each 40 seconds of wait time			$ 0.20	$ 0.25	$ 0.25
Each 40 seconds of traffic delay			$ 0.20	$ 0.25	$ 0.25
Each add'l passenger	$ 0.20	$ 0.20	$ 0.40	$ 0.40	$ -
Multiple Load Reduction	20%	20%	20%	20%	20%
Traffic Delay Charge added when speed of taxi drops below	15	15	15	15	15
Charge for a Seven Mile Trip	$ 11.00	$ 12.60	$ 14.00	$ 15.35	$ 16.35

Retail Price Changes for Denver Yellow Cab

	21-Oct-93	04-May-98	22-Aug-01	05-Mar-04	08-Jan-06	28-Sep-07
First 1/7 of a Mile	$ 1.40					
Each Add'l 1/7 of a Mile	$ 0.20					
First 1/8 of a Mile		$ 1.60			$ 2.50	
Each Add'l 1/8 of a Mile		$ 0.20			$ 0.25	
First 1/9 of a Mile			$ 1.60	$ 1.60		$ 2.50
Each Add'l 1/9 of a Mile			$ 0.20	$ 0.25		$ 0.25
Each one minute of wait time	$ 0.30					
Each one minute of traffic delay	$ 0.30					
Each 45 seconds of wait time						
Each 45 seconds of traffic delay						
Each 40 seconds of wait time		$ 0.20	$ 0.20	$ 0.25	$ 0.25	$ 0.25
Each 40 seconds of traffic delay		$ 0.20	$ 0.20	$ 0.25	$ 0.25	$ 0.25
Each add'l passenger	$ 0.40	$ 0.40	$ 0.40	$ 0.40	$ 1.00	$ 1.00
Multiple Load Reduction	20%	20%	20%	20%	20%	20%
Traffic Delay Charge added when speed of taxi drops below	15	15	15	15	15	15
Charge for a Seven Mile Trip	$ 11.00	$ 12.60	$ 14.00	$ 17.10	$ 16.25	$ 18.00

The Commission does have a procedure by which a taxi carrier may file an amendment to a tariff on less than 30-days notice. Commission Rule 6207 (j), *4 C.C.R. 723-6* states "An application to amend a tariff on less that 30-days notice shall only be granted for good cause. The application shall contain information fully explaining why the tariff is sought, why it is sought on less than 30-days notice, and how the tariff change will affect the public if approved." Denver Yellow Cab, Freedom Cabs, and Metro Taxi have each filed amendments on less than 30-days notice to increase the rates for taxi service. The filing of these amendments has been more frequent because the retail price of gasoline dramatically increased in the past three years. At least in recent history the companies, as part of their justification for the fuel surcharge, have represented that all the increased revenues from the surcharges will be retained by the drivers.

Metro Taxi has filed six requests to amend its tariff on less than 30 days notice since August of 2005. These amendments were filed as fuel surcharges for specific periods of time. These six requests are summarized in the following chart:

Date of Filing	Flag Drop Increase	Duration of Increase (Days)	Commission Action
September 19, 2005	From $1.60 to $2.50	90	Grant
March 2, 2006	From $1.60 to $2.10	120	Grant
June 29, 2006	From $1.60 to $2.10	120	Grant
October 24, 2006	From $1.60 to $2.10	120	Deny
October 30, 2006	From $1.60 to $2.60	Permanent	Deny
May 15, 2007	From $2.60 to $3.35	120	Grant

Denver Yellow Cab filed two requests to amend its tariff on less than 30 days notice since August of 2005. These amendments were also filed as fuel surcharges for specific periods of time. These changes are detailed below:

Date of Filing	**Flag Drop Increase**	**Duration of Increase (Days)**	**Commission Action**
September 12, 2005	From $1.60 to $2.50	24	Grant
October 5, 2006	From $1.60 to $2.10	90	Grant

Freedom Cabs has only filed one request to amend its tariff on less than 30 days notice since August of 2005. Freedom Cabs did not request to increase the flag drop charge. On November 30, 2007, Freedom Cabs filed an application to increase the extra passenger charge for the first extra passenger from $ .40 to $2.00, and the charge for each additional passenger after the first extra passenger from $ .40 to $1.00. The increase was requested for a period of 120 days. The Commission did grant the request.

Retail Pricing Methods Currently Used by the Companies

Except for requests for fuel surcharges, the taxi companies generally file rate or fare increases on 30-days notice to the Commission. Traditionally, when reviewing these requests, Staff performs an operating ratio analysis, which is used to advise the Commissioners. An operating ratio analysis is one type of cost-based methodology. The Commission reviews the proposed rate or fare increase on its own merit at its weekly meeting. Staff, at this meeting, makes a recommendation to the Commission either to suspend the fare increase or to allow the increase to become effective by operation of law. If the Commission decides to allow it to become effective by operation of law, no order detailing the Commission's rationale is issued. If the Commission has concerns, it suspends the request and sets it for hearing. However, in the past two-three years when it appeared the Commission had reservations regarding the just and reasonableness of a proposed tariff increase, the company requesting the increase usually withdrew their request for a fare increase.

As part of this examination, Staff explored the current pricing methods and practices used by the taxi companies for establishing both their wholesale and retail rates. The taxi companies' responses were varied.

Yellow Cab represented that they analyze various factors such as: the financial data included in the annual report required by the Commission; an estimate of the drivers' operating income ratio; total cost for a driver to operate a cab; per gallon cost of fuel; (flag drop) + (trip miles) x (tariff); fares for flat rate trips to or from DIA as named in Rule 6256; market factors (e.g., substitute services of other local transportation providers); agreed upon fares for contract customers; and the effect on the traveling public.

In discussions with Metro Taxi, representatives indicated that it does not use formulas, or algorithms or the like to calculate its proposed rates. When the current ownership of the Company assumed control in 2004, tariff rates were already in place, as were lease fees for its independent contract drivers. The Metro Taxi representative also indicated that for its tariff rates, Metro Taxi submits various accounting and financial data to the PUC Staff to demonstrate any increases in costs from its previous rate filings. As for driver lease fees, these levels also began from the level set by the previous ownership and the fees are then largely determined by the market for independent contract drivers in the surrounding area. In order to attract drivers, the lease rates must be competitive with other taxi companies in the area and with other work opportunities for the independent contract drivers. According to Metro Taxi, if the lease rates are perceived to be too high, an insufficient number of drivers will chose choose to contract with Metro Taxi.

Freedom Cabs also indicated that they set tariff rates and lease rates by comparing their existing rates to those of the other companies in the market.

In sum, the Commission received either no information or alternatively, philosophical concepts lacking numerical data. Perhaps this was a short-coming of the questions or even of the current regulatory scheme. Nonetheless, a more definite mechanism for determining the price charged to passengers would provide the Commission with additional information. Drawing upon the Commission's regulatory experience in other arenas, there could be a two-step process similar to the one used for determining the lease rate (*i.e.*, determine the revenue requirement and set a rate or rates to recover that revenue requirement).

Review of Wholesale Pricing Practices

Since the Commission was not authorized to approve the lease rates charged to taxi drivers prior to enactment of HB07-1114, it was not clear to Staff how often those rates have been modified by the taxi companies. It also was not clear what methods the companies used to establish those lease rates. It was also not clear whether all or part of the retail rate changes that were approved by the Commission were used by the companies to enhance the financial viability of the drivers.

Staff also requested information about how the companies set lease rates to their drivers. In general, all three companies stated that they did not have a specific methodology in determining the lease rates, but rather set rates based on what the market will bear. It is expected that this issue will be explored more fully in the confidential audit reports for each company.

While it is not clear what market information (e.g., costs, demand, competitor service rates, etc.) has been used to set the lease rates, the resulting revenues received by the companies from the drivers have increased over time. Based on un-audited financial information filed with the Commission in the companies' annual reports, the revenues for the three companies have increased, in aggregate, by an average of 5.4% annually over the past six years.

	2000	2001	2002	2003	2004	2005	2006
Total Company Revenues (Excluding Estimated Driver Revenues)							
Freedom Cabs	$ 644,466	$ 767,884	$ 947,511	$ 1,291,844	$ 1,410,785	$ 1,416,647	$ 1,725,715
Metro Taxi	$ 8,551,365	$ 7,928,376	$ 8,668,878	$ 8,542,727	$ 8,352,689	$ 8,722,553	$ 8,925,847
Denver Yellow Cab	$ 5,799,483	$ 6,966,848	$ 7,615,133	$ 7,109,497	$ 6,834,970	$ 8,409,364	$ 9,236,867
Total	$ 14,995,314	$ 15,663,108	$ 17,231,522	$ 16,944,068	$ 16,598,444	$ 18,548,564	$ 19,888,429
	100.0%	104.5%	114.9%	113.0%	110.7%	123.7%	132.6%
Year over Year Growth		4.5%	10.5%	-1.9%	-2.3%	13.0%	8.9%
Average Growth							5.4%

This compares to a growth in total trips (excluding personals) of 2.7% over the same time period.

ProTAXI Studies

As explained earlier, Staff sought information from drivers and driver organizations during the workshops. Of particular interest were the ongoing discussions with the driver organization known as ProTAXI. To its credit, ProTAXI attempted to acquire relevant information from drivers, and even promised the drivers anonymity in providing data. Ultimately, ProTAXI provided two data points of information, neither of which could be independently validated by Staff.

First, ProTAXI created a model to represent "benchmarks" to estimate driver earnings. Based on representations by the study author, the study was informally performed. The author, when conducting the study, used informal conversations with approximately 70 to 80 drivers over a one-month period as a basis for his study. The author did not openly disclose to the drivers why he was inquiring as to the profitability or un-profitability of each driver. In attempting to achieve a random survey, the author, as a driver, used his own experiences to filter responses (data points) that he felt were anomalous or unrepresentative. See Appendix 4.

Second, ProTAXI provided the raw data results of a survey it collected from drivers. Appendix 5 summarizes the results. Based on representations from ProTAXI's representative, this survey was also informally performed. He developed the survey and the survey was reviewed and commented on by ProTAXI and CWA representatives. The survey was then randomly distributed primarily at taxicab stands, to those indicating a desire to complete and return the survey, with a return envelope. The survey was also distributed around the Metro Taxi cashier area where drivers go to pay their weekly leases. The ProTAXI representative indicated that he did not try to distribute a lot of surveys at Metro Taxi because he wanted a representative sample. Similarly, he only distributed a limited amount of the surveys at DIA. In order to prevent collaboration amongst the surveyed group, the survey's author performed the distribution and collection of the surveys over a five to six day period. Unfortunately, from Staff's perspective, ProTAXI's efforts are not independently verifiable, and may not be representative of the population of drivers serving the Denver Metro area.

This difficulty in determining taxi driver income, both gross and net, is not unique to Colorado. The United States Internal Revenue Service (IRS) is faced with the same problem with regard to taxi drivers. IRS Training document No. 84459N, titled *Market Segment Specialization Program* provides some guidance in examining various books and records to, at best, estimate taxi driver income. A report titled *Hourly Income of Los Angeles Taxi Drivers*, April 7, 2007, by Jan De Leeuw with the UCLA Department of Statistics, analyzed a report by the Los Angeles Department of Transportation (LADOT) titled *Taxicab Driver Economic & Working Conditions*, April 3, 2007, regarding taxi driver hourly wages. Because of the problems with obtaining good information upon which to make a conclusion, the De Leeuw report concluded, "There is a huge discrepancy between the ideal data needed and the available data. The discrepancy is both in the nature of the data and in the amount of the data." Also, the De Leeuw report stated, "For now it seems we can safely say the net average hourly wages of an average taxi driver are somewhere between $5 and $20, but neither the concept we are trying to measure and nor the interval for its value are very useful or very interesting. In fact we could safely have set that interval without doing any study at all."

As also explained earlier, Staff did not initiate an independent study of drivers' profitability, but instead focused its attention on providing information to answer the question whether the Commission should review lease rates charged by the companies. However, Staff is confident that a reasonable method to estimate these revenues and costs based on a few key cost factors could be developed. Certainly the model used in the Los Angeles study along with refinement of the ProTAXI survey, questions could be used as a starting point for a valid survey if ultimately it is determined that such an endeavor is necessary. However, it should be noted that in a traditional cost-based methods, it is not necessary to know drivers' revenues and costs to calculate a lease rate to be charged to the drivers. Rather, it is necessary to know the revenues and costs of each taxi company. Other pricing methods (*e.g.*, "what the market can bear") may require driver profitability estimates.

Denver Metropolitan Area Taxi Rates Compared to Other Major Metropolitan Areas

The PUC's Transportation Section also initiated a survey of retail and lease rates in relatively comparable cities throughout the United States. This information is presented in Appendix 6. While not comprehensive, the survey does provide a comparison of retail rates in the Denver area to rates in 14 other large cities across the United States. This comparison should be used with caution because it was not feasible to perform a comprehensive evaluation as to whether these other cities are directly comparable to the Denver metropolitan area in structure or in issues currently facing the market. It is notable, however, that only one of the 14 cities, New York, regulates the lease rates charged to drivers by establishing a maximum rate that can be charged. In most cases, the regulating entity does not determine the lease rates, and the government representative contacted did not know what the lease rates were for each of the companies.

Additionally, it should be noted that the cities use different rate elements in their pricing structures. For example, Austin, Texas charges for each 1/8 of a mile. In contrast, Charlotte, North Carolina charges for each 1/5 of a mile. However, each of these can be “equalized” by profiling the rate as the charge for a full mile. These equalized values are profiled in the following table, with the equivalent current rates for each of the companies from the previous table also included. Comparing, with caution, the rates of the companies to the rates charged in other cities areas shows that generally Freedom Cabs’ rates to consumers are lower than the 14-city average, while the flag-drop rate of Metro Taxi is greater than the 14-city average ($2.60 vs. $2.50), but the per mile charge is slightly below the 14-city average ($2.00 vs. $2.02). The flag-drop rate for Denver Yellow Cab mirrors the average rate ($2.50), while the per-mile charge is above the average ($2.25 vs. $2.02).

Comparison of Denver Metro Company Retail Rates to Rates of 14 Other U. S. Cities

	Flag-drop Charge	Per Mile Charge	Traffic Delay Charge per Hour
Austin, TX	$2.00	$2.00	$25.00
Charlotte, NC	$2.00	$2.00	$24.00
Columbus, OH	$2.75	$2.02	$27.00
Dallas, TX	$2.25	$1.80	$18.00
Fairfax, VA	$2.75	$1.75	$21.00
Ft. Lauderdale, FL	$2.50	$2.40	$36.00
Las Vegas, NV	$3.30	$2.20	$28.00
Little Rock AR	$2.00	$1.60	$22.00
Long Beach, CA	$2.45	$2.45	$26.50
Los Angeles, CA	$2.00	$2.00	$25.00
Nashville, TN	$3.00	$2.00	$18.00
New York	$2.50	$2.00	$36.00
Seattle, WA	$2.50	$2.00	$30.00
St. Louis, MO	$2.50	$2.00	$24.00
Average	**$2.46**	**$2.02**	**$25.75**
	Flag-drop Charge	**Per Mile Charge**	**Traffic Delay Charge per Hour**
Freedom Cabs	$1.80	$1.80	$22.50
Metro Taxi	$2.60	$2.00	$22.50
Denver Yellow Cab	$2.50	$2.25	$22.50

On-going Work: Audits of the Taxi Companies

The purpose of the Staff audits is to assist in satisfying the pledge to the Legislature for the Commission to determine whether it should regulate lease rates, beginning with an examination of the three Denver area taxi companies. It is important to note that the Commission has not yet decided whether or not it should regulate the lease rates, and has not determined how it should regulate lease rates if it ultimately decides that it should regulate lease rates. However, important inputs into those decisions are whether such examinations are necessary, feasible and practical, and whether standard regulatory review methods can be established to minimize the regulatory costs to the companies if the Commission ultimately decides that the lease rates should be reviewed by the Commission. The confidential audit results of the Denver Metro companies will assist the Commission in making those decisions.

To have a complete understanding of the financials, one must understand the business strategies, operational and business practices of each company. To this end, the auditors requested information such as employee and driver counts, vehicle information (*e.g.*, number of wheelchair-accessible taxicabs, hybrids), business processes dealing with vouchers (*e.g.*, medical) and credit cards, employee and driver incentives, training, etc. This information is used to understand the underlying products offered by each company and to then assign and allocate costs to each product offering.

Several audit steps are required to understand the overall financials of each taxi company. Each step may require additional audit clarifications. The first step in the audit process is to compare the general ledger to the trial balance. Once the trial balance and adjusting entries have been verified, the next step is to reconcile the annual reports filed by the companies with the PUC. In addition, where feasible, the auditors verify the information against tax information filed by the company.

To assess whether the lease rates are just and reasonable, Staff Auditors need to determine the proper revenues for the company including the financial operating ratio. Inherent in the analysis of the operating ratio, the auditors evaluate the underlying books of account, balance sheet, income statement, financial safeguards, and managerial practices. Generally accepted accounting principles used in the audits include identifying one-time events, prior period adjustments, and disallowances. One-time events are adjusted to normalize the revenue requirement. In addition, specific expenditures are evaluated using “just and reasonable”, “known and measurable”, and “used and useful” standards.

The auditors also requested copies of the check registers, internal and external (e.g., CPA) audit reports, credit card statements, etc. This last step is used to verify actual expenditures and becomes a critical step in determining if the expenditures are appropriately included in determining the lease rate. These analyses of the above factors can then be used to review the lease pricing.

Rate setting based on cost calculation and cost studies is intended to serve as a proxy for the price that would exist if the market for the service in question was reasonably competitive.

In setting rates for regulated utility services, a regulatory body generally will determine a rate that is "just and reasonable" based on the cost of providing the service to customers. Cost-based does not require, however, that all rates be set identically to the cost calculated for that service. Cost-based does include a reasonable opportunity to earn a profit.

Calculating cost of service and product costs can be challenging – computing and setting rates is a mixture of art and science. However, monitoring costs and setting rates are activities performed in the normal course of business for most businesses. The challenge is often not that an estimate is not possible, but rather that the estimate is not perfect.

Market Safety and Service Attributes

Rates are certainly a key part of consumers' decisions to purchase taxi service. However, rates are not the only important factor in consumer purchase decisions. Safety, service quality, and the availability of the service also play a key part in choosing a taxi company. Consequently, an evaluation of the market for a company's service should also include information about these key aspects of the market. The Commission retains some information about these aspects of the marketplace. The companies themselves also retain such information. This section of the report provides information about these issues, beginning with information available from the PUC and concluding with a discussion of additional information that is available from the companies.[30]

The PUC has regulatory authority over several safety and service aspects of taxi service in Colorado. First, the Commission has the authority to investigate and resolve consumer complaints. Some of these complaints are investigated and resolved informally by the Commission's Consumer Affairs Staff. Other complaints are investigated and resolved directly by members of the Transportation Section. In addition, the Transportation Section performs safety inspections. The Commission has the authority to issue civil penalties for these safety violations. Each provides useful information in evaluating the safety and service aspects of the

30 It is important to note that the first call on a service issue will virtually always go to the impacted company itself rather than the PUC, as they are usually the best equipped to resolve the issues. It is also important to note that not all consumers are aware that they can call the PUC with taxi service issues.

market. Each is discussed in this section, beginning with information available from safety inspections.

Safety Inspections and Violations

A key aspect of the Commission's safety review program is the recording of drivers' hours of service to minimize driver fatigue and accidents resulting from that fatigue. The Commission's authority to issue civil penalties provides an incentive for both the companies and the drivers to comply with these safety requirements. Additionally, the Commission can issue civil penalties for failure to provide accurate and true time records. In its safety audits, Commission Staff documents the number of violations found for failure to maintain accurate and true time records. These violations reflect each day that a driver failed to provide the time going on duty, the time going off duty, and/or total hours for the day, or failed to provide any information at all.

Generally, the safety rules for a Denver taxi driver operating within a 100 air-mile radius of the normal work reporting location provide that:

- *The driver returns to the work reporting location and be released from duty within 16 consecutive hours;*
- *At least eight consecutive hours off duty separate each 16-hour on duty period;*
- *The driver shall not exceed 10 hours maximum driving time following eight consecutive hours off duty;*
- *The driver shall not drive for any period after having been on duty 80 hours in any eight consecutive days; and*
- *The taxi company maintain and retain accurate and true time records, and all supporting documents verifying such time records, for a period of six months showing: the time(s) the driver reports for duty each day; the time(s) the driver is released from duty each day; the total number of hours the driver is on duty each day; and for a driver that is off duty for an entire day, an indication to that effect.*

Information taken from the taxi companies' most recent safety audits, each covering a 30-day period, provides one measure of safety for each of these companies. For Metro Taxi and Freedom Cabs, the audit found only one instance of a driver driving over-hours, but found substantially more for Denver Yellow Cab.

Company	Date	Over-hours Violations	Record of Duty-Status Violations	Drivers Reviewed (%)	Average Duty Status Violations Per Driver
Metro Taxi	10/22/2007	1	38	17 of 400 or 4.3%	2.2
Denver Yellow Cab	8/27/2007	21	167	27 of 570 or 4.7%	6.2
Freedom Cabs	7/25/2007	0	28	11 of 134 or 8.2%	2.5

Notably, this information tracked for safety purposes may also be useful in calculating the number of hours typically worked by drivers during a given period of time. Without an honest effort on behalf of drivers and the companies to maintain an accurate and true time record, even if such record proves to be self incriminating, and without internal management controls to see that this is done, it is very difficult to confirm or deny the existence of the fatigued driver. This obviously plays an important role in attempting to tie these concepts to the issue of lease rates charged to the drivers.

However, while not perfect due to incomplete data, this information does appear to provide a reliable source of information to calculate average hours worked by individual drivers. While a survey of this information was not completed as part of this assessment, the data may be useful in the future if a study of driver profitability is required. It is likely that a reliable and statistically valid sampling program could be developed to determine average driver times based on the information.

Commission Complaints to Consumer Affairs

The Consumer Affairs unit of the PUC tracks informal complaint contacts received regarding the major taxi companies that operate in Colorado. The Consumer Affairs Staff receives numerous informal inquiries via telephone and in writing; some of which are resolved on first contact, and do not result in the opening of a complaint case. Other cases that are opened and closed by Consumer Affairs are later referred on to Transportation Staff for further investigation. At other times, no Consumer Affairs Staff is as the Transportation Section Staff opens its own investigations on information received directly by the Transportation Section.

If the contact to the Consumer Affairs Staff is a general inquiry not regulated by the PUC, the contact is closed as an "information request". If the complaint is in opposition to a utility's regulated services or actions, it is counted as an "objection". When the Staff determines that the utility has not followed Colorado statute, the PUC's rules or regulations, or the company's tariff or operating authority, the complaint is coded as "Not in Compliance". It is important to note that currently the Consumer Affairs Staff does not intake or track matters that are non-jurisdictional to the PUC. For example, in the past the PUC's complaint organization did not address lease rate disputes between the drivers and the company because the Commission was prohibited from reviewing lease rates.

The Consumer Affairs Staff has been tracking this information since January 1, 2007. Statistics since that time are summarized in the table following for each of the three companies. For Yellow Cab and Metro Taxi/Taxis Fiesta, the vast majority of both the "Non-compliance" and "Objections" involve quality of service issues. "Quality of Service" complaints typically involve issues such as timely provision of service and driver courtesy. For Freedom Cabs, the one "Non-compliance" contact concerns an issue with rates; all three of the "Objections" involve quality of service issues.

Trip information filed by the companies with the Commission in their annual reports, allow the Staff to calculate market share based on trips. The results are: Denver Yellow Cab (47.7%); Metro Taxi (40.5%); and Freedom Cabs (11.7%). Comparing the relative percentage of complaints to the Commission by company to the percent market share may be a useful way of evaluating relative service performance. These results are profiled in the following table along with the aforementioned statistics:

		Non-Compliance		**Informational**		**Objection**		**Total**	
	Trips	Count	Market %	Count	Market %	Count	Market %	Count	Market %
Denver Yellow Cab	**47.7%**	16	**64%**	4	**50%**	22	**51%**	42	**55%**
Metro Taxi	**40.5%**	8	**32%**	2	**25%**	18	**42%**	28	**37%**
Freedom Cabs	**11.7%**	1	**4%**	2	**25%**	3	**7%**	6	**8%**
Total	**100%**	25	**100%**	8	**100%**	43	**100%**	76	**100%**

Transportation Section Investigations

As explained earlier, the Transportation Section may also investigate issues. Prior to January 1, 2007, all informal transportation related complaints were handled by the Transportation Section in much the same manner as they are handled today by Consumer Affairs. Then, as now, a complaint may result in an investigation, which is considered a form of graduated enforcement. The investigation often involves the Transportation Section Staff working the investigation in the field rather than in the office. Investigations may occur at such places as hotels and airports, or at the taxi company's facility. Additionally, an investigation may result in the issuance of a civil penalty assessment notice (CPAN) to the company or person being investigated for violating a specific statute or Commission rule.

Investigations are coded either "Non-compliance" or "Other". An investigation that is coded "Non-compliance" means that there was a violation of a statute or rule. An investigation that is coded "Other" may mean, for example, there was no violation.

In calendar year 2007, the Transportation Section Staff worked a total of 21 investigations involving Freedom Cabs, Metro Taxi, and Denver Yellow Cab. These investigations generally involved alleged problems with quality of service, overcharges, and safety. Three investigations were on Freedom Cabs, of which one resulted in the issuance of a CPAN for a safety violation and two were coded "Other". Four investigations were on Metro Taxi, of which one resulted in the issuance of a CPAN for a quality of service violation and three were coded "Other". Fourteen investigations were on Denver Yellow Cab, of which two resulted in the issuance of CPANs (one for safety violations and one for a quality of service violation). Nine others were coded "Non-compliance" but were settled to the satisfaction of the complainant, and three were coded "Other".

Company-Complaint Records

The companies keep a log of consumer complaints. A review of complaint records is a normal step in the audit process for each company and will be provided as part of the confidential audit results for each individual company. Consequently, as part of this examination, Staff did not perform a targeted review or survey of that information.

Conclusion

Pros and Cons of Commission Regulation of Lease Rates

Throughout Staff's discussions and interviews with industry participants, many arguments in support of Commission regulation of lease rates were presented. These include:

- *There will be a higher comfort level that lease rates are just and reasonable if the Commission approves the rates because the PUC has the expert-level knowledge to review these issues and to apply regulatory principles consistently.*

- *Unlike today, the drivers will have an opportunity to have their concerns addressed before an independent third-party charged with balancing the interests of the companies, the drivers, and the public.*

- *Currently, a wide variety of lease rates exist, and it is difficult to determine whether the variables used to determine these lease rate differentials are grounded in known and measurable criteria or merely reflective of the companies' market power. Commission review will increase the likelihood that the lease rates are grounded in accepted rate-making principles. A possible consequence of this is that non-economic lease options may be eliminated, providing a "net economic benefit" to some drivers, and a "net economic loss" to other drivers.*

- *The Commission has both knowledge and experience approving both traditional and alternative regulatory structures. Consequently, it can exercise its discretion to approve a regulatory structure that that balances both the public interest and the private interests of the companies and the drivers.*

- *Lease rates need to vary dependent upon the type of lease, and Commission review will assist in ensuring that cost causers pay for the benefits received.*

- *Should regulation result in lower lease rates, drivers may be more likely to work within the hours established in the Commission's safety rules. Consequently, taxi companies should have fewer drivers with over-hour violations and violations for not keeping records of on duty hours.*

- *Regulating lease rates may provide the Commission more comparative economic and financial information about taxi companies, resulting in increased accountability by the companies to the Commission.*

- *The result of a review of lease rates is that retail rates could also be impacted, either up or down.*

Many arguments against Commission regulation of lease rates were also presented. These include:

- *Review of companies' financial information will be a regulatory burden to the companies, particularly if rates must be cost justified. This will require the companies to perform cost studies to justify the rates for each lease offering, which some do not do today. It will be necessary to recover those costs from the drivers and ultimately the passengers.*

- *Commission review will stifle the companies' ability to respond to the drivers' concerns and to develop new driver offerings because the companies will have to seek approval for any charges for these new offerings. Wholesale pricing flexibility will be limited.*

- *Leases and rates should depend upon the company's business strategies and its offerings of services, advertising, promotions and the amount of business it generates for the drivers, not on mandates from regulators. Reviewing companies' lease rates will stifle innovation and interrupt company's business plans. As a result, it is likely that the number of lease offerings will be reduced.*

- *There is not enough "hard" (non-anecdotal) data and information about drivers' costs and revenues. Consequently, even if lease rates are established by the Commission, the entirety of the problem presented to the Legislature will not be solved because determining an acceptable "livable wage" for drivers is problematic and will continue to be debated. Similarly, using an hourly wage scale, i.e. figuring out how much drivers make on an hourly basis, for determining whether drivers can make a livable wage is problematic. As a result, since we can't fully understand the drivers' profitability, it is unnecessary to understand the companies' costs and their relationship to the prices they charge the drivers.*

- *It is not standard pricing practice in the taxi industry to have cost-plus lease rates.*

- *The Denver Convention and Visitors Bureau Study is not yet complete. Therefore, the parties should wait before making any additional policy changes.*

- *Not all drivers have an issue with lease rates.*

- *Regulating the lease rate might have a chilling effect on the companies' ability to hire and retain drivers because standardized lease rates might price some drivers out of the market who negotiate reduced lease rates.*

- *The Commission may incur an additional fiscal cost if it decides to review the lease rates charged to drivers.*

As previously stated, the first step in providing the Commissioners with information regarding the question of whether lease rates should be regulated is gathering information including a review of the industry (this Report). The second step includes confidential audits which will be made available to the Commissioners for each of the companies, focusing on the relationship of the lease rate charged by each company to its costs of providing service. While this Staff report assesses the current state of the taxi market, and begins to inform the Legislature and the Commission on these issues, Staff believes this is a first step. There are multiple solutions and perspectives to these complex and intertwined issues. Staff supports a collaborative process before the Commission allowing opportunities for direct input from all interested industry parties.

Appendix 1

Articles Reviewed

An Economic Analysis of Taxicab Regulation in Portland, Oregon, John W. Boroski and Gerard C.S. Mildner, Cascade Policy Institute, April 1998.

Challenging Denver's Taxicab Monopoly, John e. Kramer, Institute for Justice, posted to *www.taxi-library.org* website.

Do Economists Reach a Conclusion on Taxi Regulation?, Adrian T. Moore and Ted Balaker, Econ Journal Watch, Volume 3, Number 1, January 2006, pg. 109-132.

Driving Poor: Taxi Drivers and the Regulation of the Taxi Industry in Los Angeles, Gary Blasi, University of California Law School and University of California Institute of Industrial Relations and Jacqueline Leavitt, Department of Urban Planning University of California Los Angeles School of Public Affairs, 2006.

An Economic Analysis of Taxicab Regulation in Portland, Oregon, John. W. Boroski and Gerald C.S. Mildner, Portland State University on behalf of Cascade Policy Institute, April 1998.

Higher Pay, Safer Cabbies, An Analysis of the Relationships Between Driver Incomes and Taxi Crashes in New York City, Schaller Consulting on behalf of Transportation Alternatives, January 2004.

Hourly Income of Los Angeles Taxi Drivers, Jan De Leeuw, University of California Los Angeles, Department of Statistics, April 7, 2007. (pg. 43)

Entry Controls in Taxi Regulation: Regulatory Policy Implications of the U.S. and Canadian Experience, Schaller Consulting, September 2006. (pg. 13 and pg. 36)

Fare Games, James Surowiecki, The New Yorker, March 15, 2002.

Market Segment Specialization Program – TAXICABS, Training 3149-108 (5-93), TPDS No. 84459N. (pg. 43)

The New York City Taxicab Fact Book, Schaller Consulting, March 2006.

Report on Regulation of the Taxi Industry, Paul Stephen Dempsey, University of Denver School of Law, November 16, 2001.

Running Boston's Bureaucratic Marathon, Dana Berliner, Institute for Justice.

Taxicab Driver Economic & Working Conditions, Los Angeles Department of Transportation, April 3, 2007. (pg. 43)

Taxicab Ridership Study Miami-Dade County Phase One Report, Ray A. Mundy, Ph.D., Tennessee Transportation & Logistics Foundation, February 8, 2006.

Taxicab Ridership Study Miami-Dade County Phase Two Report, Ray A. Mundy, Ph.D., Tennessee Transportation & Logistics Foundation, March 28, 2006.

Taxicab Ridership Study, Miami-Dade County, Ray A. Mundy, Ph.D., Tennessee Transportation & Logistics Foundation, January 14, 2007.

Taxi/Limousine Licensing and Testing Procedures, Taxi/Limousine Driver Application, City and County of Denver, Criminal History Form www.denvergov.org./LicensesandPermits/TaxiLimousineDriver/tabid/379918.aspx (2/28/2008).

2006 Taxicab Fact Book, Taxicab, Limousine & Paratransit Association, September 2006.

UNFARE: Taxi Drivers and the Cost of Moving the City, Community Development Project of the Urban Justice Center, September 2003.

Various Denver area newspaper articles.

Appendix 2

Meetings Held with Taxi Drivers, Driver Representatives, Companies and other Industry Representatives

5/24/2007 - Met with taxi drivers and ProTAXI representatives prior to the signing of HB07-1114 to discuss the drivers concerns regarding: fines for paperwork done incorrectly; cost of insurance; safety repairs being forced to be done at companies sites; drivers are not given copies of contracts; and lease rates that are too high.

6/19/2007 – Attended the Transportation Legislative Review Committee (TLRC) meeting at capital. The PUC; City of Denver; Ground Transportation Manager of DIA; Denver Metro Convention and Visitor's Bureau; President, Taxi, Limousine and Paratransit Association; Executive Director, Colorado Cross Disability Coalition; Taxi Drivers; and ProTAXI Representatives spoke.

6/21/2007 - PUC Taxi Industry Workshop – listened to taxi drivers, ProTAXI representatives and taxi company representatives. At that time, Commission Staff invited drivers and driver organizations to supply information relevant to the legislation in HB07-1114 (the legislation lifted the prohibition against the Commission's regulation of the lease rate). In particular, Commission Staff invited drivers and driver organizations to provide information relating to driver operational costs. The information that was provided by the driver organizations is discussed in this assessment. In addition to the issue of driver lease rates, the companies and the drivers raised numerous concerns.

6/26/2007 - Met with Denver Yellow Cab Representatives– they couldn't make the PUC Taxi Industry Workshop.

7/10/2007 - Mailed out the first set of audit questions to Freedom Cabs, Denver Yellow Cab, and Metro Taxi.

8/2/2007 - Met with Metro Taxi regarding audit requests.

9/14/2007 - Met with Freedom Cabs and partial audit responses for 1st audit request.

Meetings Held with Taxi Drivers, Driver Representatives, Companies and other Industry Representatives (Cont)

9/28/2007 - Met with Ed Szmijter and others from ProTAXI and also CWA Local 7777 representative.

10/16/2007 - On-site inspection of Denver Yellow Cab.

11/14/2007 – Met with Denver Yellow Cab to explain audit requests.

12/10/2007 – Met with Denver Yellow Cab at company premises to discuss audit responses.

1/9/2008 – Met with Taxi Company Representatives concerning transportation needs during the Democratic National Convention and safety rule issues.

2/19/2008 - On-site inspection of Freedom Cabs.

2/27/2008 – On-site inspection of Metro Taxi.

03/13/2008-03/14/2008 – Met with companies concerning confidential information (in-person, via phone and email).

Appendix 3

	Vehicle Ownership				Services Received as part of Lease								
Cab Company	Owner Driver	Company Owned	Lease Options	2008 Rates (includes liab. insurance)	Duration Hrs/Day	Number of Lease Days	Specific Dispatch (Bells)	Maintenance	Credit Card Reader	GPS (per day extra charge)	Hybrid Availability?	Van Availability? (per day extra charge)	Comments
Freedom	√		Full-Time	$ 275	24	7	√		$10 a week extra				
	√		Full-Time	$ 285	24	7	√		√				
Metro	√		Full-Time	$ 470	24	7	√		√	$5		$4	
		√	12 hour	$ 115	12	0.5	√	√	√	$5		$4	
		√	24 hour	$ 145	24	1	√	√	√	$5		$4	
		√	Full-Time	$ 630	24	7	√	√	√	$5		$4	
		√	Hybrid Vehicle	$ 755	24	7	√	√	√	$5	√	$4	
		√	Full-Time Team	$ 996	24	7	√	√	√	$5		$4	$498 x 2 drivers
Yellow	√		O/D Retired	$ 140	24	7	√		√	√			Drivers that have been with Yellow for thirty-plus years.
	√		O/D Weekend	$ 250	24	2.5	√		√	√			Friday 2 p.m. to Monday 5 a.m.
	√		O/D Senior YC 62	$ 289	24	7	√		√	√			Used for Senior Drivers
	√		O/D Medical	$ 300	24	7	√		√	√			The driver has specific medical conditions (e.g., bad back) and it limits the drivers use of the cab.
	√		O/D Senior	$ 314	24	7	√		√	√			Used for Drivers that are not as senior as the YC 62
	√		O/D Fleet Limited	$ 335	24	7			√	√			
	√		O/D Option 1	$ 440	24	7	√		√	√			
	√		O/D & Associate	282.50	24	7	√		√	√			Each Driver pays $282.50 (Tandem)
		√	Semi Retired	$ 58	8	1	√	√	√	√			
		√	Day Lease	$ 70	13	1	√	√	√	√			5 a.m. to 6 p.m. Any Day
		√	Night Lease	$ 80	11	1	√	√	√	√			6 p.m. to 5 a.m. S or M or T or W or Th
		√	Rookie 1st Week	$ 240	24	7	√	√	√	√			First Week Only
		√	Weekend	$ 273	24	2.5	√	√	√	√			Friday 6 p.m. to Monday 5 a.m.
		√	Rookie	$ 300	24	7	√	√	√	√			First Month Only
		√	Mobility Plus	$ 500	24	7	√	√	√	√		√	Wheelchair accessible vans. No extra charge for van
		√	Mobility Plus	$ 390	12	7	√	√	√	√		√	Wheelchair accessible vans. Two drivers that pay $390 each for a total lease rate of $780. No extra charge for van
		√	Tandem	$ 430	24	7	√	√	√	√	√		Two drivers that pay $430 each for a total lease rate of $860
		√	Airport Limited	$ 445	24	7		√	√	√		√	No extra charge for van
		√	5-Day	$ 480	24	5	√	√	√	√			Monday 5 a.m. to Friday 6 p.m.
		√	7-Day	$ 600	24	7	√	√	√	√	√	√	No extra charge for van

Taxi Driver Earnings Charts

The purpose of these charts is to help identify the amount of hours that drivers need to work in order to show a profit for their work. In studying these please note that:

1. The gas consumption estimate is set at approximately 1.3 gal./hr. This may vary according to type of car driven, areas worked, season of the year, etc.

2. The revenue per hour amounts represent the average low side to high side range of daily revenue reported by drivers from Metro Taxi and Yellow Cab. Freedom Cab drivers reported an average range of between $12.00 and $20.00 per hour per day and their chart is adjusted to reflect that difference.

3. These numbers do not reflect time and money lost to car breakdowns, cleaning costs, dispatch errors, processing fees for vouchers and/or credit cards, licensing fees, and customers who do not pay (runoffs), nor does it account for owner drivers' costs for maintenance as well as the cost of the vehicle itself.

4. The net revenue figures represent revenue earned before the assessment of state and federal taxes.

5. Lease Fees reflect the 7 day rate charged to drivers. Included in these fees are all required insurance charges. Excluded are charges to drivers for security deposits, back payments, processing fees, and accident deductibles.

Based on Metro Taxi Lease Rate for Company Sedans

(with gas usage at approximately 1.3 gal./hr.)

Driver Averaging $15.00/HR. for Entire Week:

Hours Worked	Gross $	Lease Fee	Gas	Net $
100	1500.00	630.00	400.00	470.00
90	1350.00	630.00	360.00	360.00
80	1200.00	630.00	320.00	250.00
70	1050.00	630.00	280.00	140.00
60	900.00	630.00	240.00	30.00
50	750.00	630.00	200.00	- 80.00
40	600.00	630.00	160.00	-190.00

Driver Averaging $20.00/HR. for Entire Week:

100	2000.00	630.00	400.00	970.00
90	1800.00	630.00	360.00	810.00
80	1600.00	630.00	320.00	650.00
70	1400.00	630.00	280.00	490.00
60	1200.00	630.00	240.00	330.00
50	1000.00	630.00	200.00	170.00
40	800.00	630.00	160.00	10.00

Driver Averaging $25.00/HR. for Entire Week:

100	2500.00	630.00	400.00	1470.00
90	2250.00	630.00	360.00	1260.00
80	2000.00	630.00	320.00	1050.00
70	1750.00	630.00	280.00	840.00
60	1500.00	630.00	240.00	630.00
50	1250.00	630.00	200.00	420.00
40	1000.00	630.00	160.00	210.00

Based on Metro Taxi Lease Rate for Company Vans

(with gas usage at approximately 1.3 gal./hr.)

Driver Averaging $15.00/HR. for Entire Week:

Hours Worked	Gross $	Lease Fee	Gas	Net $
100	1500.00	654.00	400.00	446.00
90	1350.00	654.00	360.00	336.00
80	1200.00	654.00	320.00	226.00
70	1050.00	654.00	280.00	116.00
60	900.00	654.00	240.00	6.00
50	750.00	654.00	200.00	-104.00
40	600.00	654.00	160.00	-214.00

Driver Averaging $20.00/HR. for Entire Week:

100	2000.00	654.00	400.00	946.00
90	1800.00	654.00	360.00	786.00
80	1600.00	654.00	320.00	626.00
70	1400.00	654.00	280.00	466.00
60	1200.00	654.00	240.00	306.00
50	1000.00	654.00	200.00	146.00
40	800.00	654.00	160.00	-14.00

Driver Averaging $25.00/HR. for Entire Week:

100	2500.00	654.00	400.00	1446.00
90	2250.00	654.00	360.00	1236.00
80	2000.00	654.00	320.00	1026.00
70	1750.00	654.00	280.00	816.00
60	1500.00	654.00	240.00	606.00
50	1250.00	654.00	200.00	396.00
40	1000.00	654.00	160.00	186.00

Based on Metro Taxi Lease Rates for Owner/Drivers

(gas usage of approximately 1.3 gal./hr.)

Driver Averaging $15.00/HR. for Entire Week

Hours Worked	Gross $	Lease Fee	Gas	Net $
100	1500.00	470.00	400.00	630.00
90	1350.00	470.00	360.00	520.00
80	1200.00	470.00	320.00	41000
70	1050.00	470.00	280.00	300.00
60	900.00	470.00	240.00	190.00
50	750.00	470.00	200.00	80.00
40	600.00	470.00	160.00	-30.00

Driver Averaging $20.00/HR. for Entire Week

100	2000.00	470.00	400.00	1130.00
90	1800.00	470.00	360.00	970.00
80	1600.00	470.00	320.00	810.00
70	1400.00	470.00	280.00	650.00
60	1200.00	470.00	240.00	490.00
50	1000.00	470.00	200.00	330.00
40	800.00	470.00	160.00	170.00

Driver Averaging $25.00/HR. for Entire Week

100	2500.00	470.00	400.00	1630.00
90	2250.00	470.00	360.00	1420.00
80	2000.00	470.00	320.00	1210.00
70	1750.00	470.00	280.00	1000.00
60	1500.00	470.00	240.00	790.00
50	1250.00	470.00	200.00	580.00
40	1000.00	470.00	160.00	370.00

Based on Yellow Cab Lease Rate for Company Cars

(with gas usage at approximately 1.3 gal./hr.)

Driver Averaging $15.00/HR. for Entire Week:

Hours Worked	Gross $	Lease Fee	Gas	Net $
100	1500.00	618.00	400.00	482.00
90	1350.00	618.00	360.00	372.00
80	1200.00	618.00	320.00	262.00
70	1050.00	618.00	280.00	152.00
60	900.00	618.00	240.00	42.00
50	750.00	618.00	200.00	- 68.00
40	600.00	618.00	160.00	-178.00

Driver Averaging $20.00/HR. for Entire Week:

100	2000.00	618.00	400.00	982.00
90	1800.00	618.00	360.00	822.00
80	1600.00	618.00	320.00	662.00
70	1400.00	618.00	280.00	502.00
60	1200.00	618.00	240.00	342.00
50	1000.00	618.00	200.00	192.00
40	800.00	618.00	160.00	22.00

Driver Averaging $25.00/HR. for Entire Week:

100	2500.00	618.00	400.00	1482.00
90	2250.00	618.00	360.00	1272.00
80	2000.00	618.00	320.00	1062.00
70	1750.00	618.00	280.00	852.00
60	1500.00	618.00	240.00	642.00
50	1250.00	618.00	200.00	432.00
40	1000.00	618.00	160.00	222.00

Based on Yellow Cab Lease Rates for Owner/Drivers

(gas usage of approximately 1.3 gal./hr.)

Driver Averaging $15.00/HR. for Entire Week

Hours Worked	Gross $	Lease Fee	Gas	Net $
100	1500.00	495.00	400.00	605.00
90	1350.00	495.00	360.00	495.00
80	1200.00	495.00	320.00	385.00
70	1050.00	495.00	280.00	275.00
60	900.00	495.00	240.00	165.00
50	750.00	495.00	200.00	55.00
40	600.00	495.00	160.00	-55.00

Driver Averaging $20.00/HR. for Entire Week

100	2000.00	495.00	400.00	1105.00
90	1800.00	495.00	360.00	945.00
80	1600.00	495.00	320.00	785.00
70	1400.00	495.00	280.00	625.00
60	1200.00	495.00	240.00	465.00
50	1000.00	495.00	200.00	305.00
40	800.00	495.00	160.00	145.00

Driver Averaging $25.00/HR. for Entire Week

100	2500.00	495.00	400.00	1605.00
90	2250.00	495.00	360.00	1395.00
80	2000.00	495.00	320.00	1185.00
70	1750.00	495.00	280.00	975.00
60	1500.00	495.00	240.00	765.00
50	1250.00	495.00	200.00	555.00
40	1000.00	495.00	160.00	345.00

Based on Freedom Cab Lease Rates for Owner/Drivers

(gas usage of approximately 1.3 gal./hr.)

Driver Averaging $12.00/HR. for Entire Week

Hours Worked	Gross $	Lease Fee	Gas	Net $
100	1200.00	303.00	400.00	497.00
90	1080.00	303.00	360.00	457.00
80	960.00	303.00	320.00	337.00
70	840.00	303.00	280.00	257.00
60	720.00	303.00	240.00	177.00
50	600.00	303.00	200.00	97.00
40	480.00	303.00	160.00	17.00

Driver Averaging $16.00/HR. for Entire Week

100	1600.00	303.00	400.00	897.00
90	1440.00	303.00	360.00	777.00
80	1280.00	303.00	320.00	657.00
70	1120.00	303.00	280.00	537.00
60	960.00	303.00	240.00	417.00
50	800.00	303.00	200.00	297.00
40	640.00	303.00	160.00	177.00

Driver Averaging $20.00/HR. for Entire Week

100	2000.00	303.00	400.00	1297.00
90	1800.00	303.00	360.00	1137.00
80	1600.00	303.00	320.00	977.00
70	1400.00	303.00	280.00	817.00
60	1200.00	303.00	240.00	657.00
50	1000.00	303.00	200.00	497.00
40	800.00	303.00	160.00	337.00

Appendix 6
Taxi Rate Comparison of Cities

	Austin, TX	Charlotte, NC	Columbus, OH	Dallas, TX	Fairfax, VA	Ft. Lauderdale, FL	Las Vegas, NV
Flag drop	$2.00	$2.00	$2.75	$2.25	$2.75	$2.50	$3.30
Increment distance	1/8 mile	1/5 mile	2/9 mile	1/9 mile	1/5 mile	1/6 mile	1/11 mile
Increment charge	$0.25	$0.40	$0.45	$0.20	$0.35	$0.40	$0.20
Per mile	$2.00	$2.00	$2.02	$1.80	$1.75	$2.40	$2.20
Traffic delay time	36 seconds	40 seconds	60 seconds	90 seconds	60 seconds	40 seconds	25.7 seconds
Traffic delay charge	$0.25	$0.40	$0.45	$0.45	$0.35	$0.40	$0.20
Traffic delay per hour	$25	$24	$27	$18	$21	$36	$28
Fares are set by	city	city	city	city	city	city	city
Are lease rates set by the City?	no	no	no	no	no	no	no

	Little Rock, AR	Long Beach, CA	Los Angeles, CA	Nashville, TN	New York, NY	Seattle, WA	St. Louis, MO
Flag drop	$2.00	$2.45	$2.00	$3.00	$2.50	$2.50	$2.50
Increment distance	1/4 mile	1/7 mile	1/8 mile	1/10 mile	1/5 mile	1/10 mile	1/10 mile
Increment charge	$0.40	$0.35	$0.25	$0.20	$0.40	$0.20	$0.20
Per mile	$1.60	$2.45	$2.00	$2.00	$2.00	$2.00	$2.00
Traffic delay time	60 seconds	47.5 seconds	36 seconds	per hour	40 seconds	24 seconds	30 seconds
Traffic delay charge	$0.37	$0.35	$0.25		$0.40	$0.20	$0.20
Traffic delay per hour	$22	$26.50	$25	$18	$36	$30	$24
Fares are set by:	city	city	city	city	city	city	city
Are lease rates set by the City?	no	no	no	no	maximum only	no	no

Appendix 5
ProTAXI's Driver Survey

	Type of Lease		Work Locations			Wheelchair?	Average hours worked		Average gas expenditure		Lease Payment		Average take home revenue			Days off in 2007	Union Member
	Owner Driver	Lease Driver	Downtown Stands	Airport	Running Bells	Wheelchair Accessible Van	Average hours worked per day	Average hours worked per week	Average daily gas expenditure	Average weekly gas expenditure	Lease Payment (payoff) per day	Lease Payment (payoff) per week	Average take home revenue (after payoff & gas) per day	Average take home revenue (after payoff & gas) per week	Average take home revenue (after payoff & gas) per year	Approximately how many day taken off in 2007	Member of the CWA 7777, ProTAXI Division?
Survey 1		Yes			Yes	No	18	126	$ 40	$ 220	$ 115	$ 675			$ 8,500	14	Yes
Survey 2		Yes	Yes		Yes	No	14		$ 35	$ 245	$ 125	$ 640	$ 40			0	No
Survey 3	Yes		Yes		Yes	No	14		$ 50			$ 303	$ 60			40	No
Survey 4		Yes	Yes	Yes		No	12 to 16		$ 40			$ 452		$400 to $550		21	No
Survey 5		Yes			Yes	No		84		$ 200		$ 630		$ 450		10	Yes
Survey 6	Yes		Yes		Yes	No	12		$ 40			$ 303	$ 50			30	No
Survey 7		Yes	Yes			No		120		$ 350		$ 640		$ 200		0	No
Survey 8		Yes			Yes	No		75		$ 250		$ 630		$ 550		10	No
Survey 9		Yes	Yes		Yes	No	12		$ 30		$ 406		$55 to $60			30	No
Survey 10		Yes			Yes	Yes	14		$ 45			$ 360		$ 800		36	No
Survey 11		Yes			Yes	Yes	12 to 14		$40 to $80		$ 114			$ 800		15	Yes
Survey 12	Yes		Yes	Yes	Yes	No	10	50	$ 40	$ 200	$ 48	$ 303	$ 35	$ 167	$ 8,400	80	Yes
Survey 13	Yes		Yes		Yes	No	10		$ 35			$ 585		$ 550		1	No
Survey 14	Yes		Yes	Yes	Yes	No	12		$ 40			$ 470	$ 250			1	Yes
Survey 15		Yes	Yes	Yes	Yes	No	10	80	$ 50	$ 350	$ 110	$ 700	$ 50	$ 250	$ 12,000	20	Yes
Survey 16	Yes		Yes	Yes	Yes	No	10 to 14		$ 30			$ 450		$ 400		10	Yes
Survey 17	Yes				Yes	No	15		$ 35		$ 475				$8,000 to $9,000		Yes
Survey 18	Yes		Yes		Yes	No		80+		$ 200		$ 403	$ 100			0	No
Survey 19	Yes		Yes	Yes		No	10	70	$ 30	$ 350		$ 390	2 weeks				Yes
Survey 20	Yes			Yes		No	15		$ 30			$ 358			$8,000 to $9,000		Yes
Survey 21	Yes			Yes		No	14	90	$ 45			$ 303	$ 60			4	Yes
Survey 22	Yes		Yes	Yes	Yes	No	10	70	$ 50	$ 350		$ 500		$ 500		14	Yes
Survey 23		Yes	Yes		Yes	No	15		$ 50			X	$ 50			0	No
Survey 24	Yes		Yes	Yes	Yes	No	10		$ 60			$ 480	$ 60			0	No
Survey 25	Yes		Yes	Yes		No	14	84	$ 30	$ 100	$ 340	$ 500	$ 80	$ 480	$ 23,040	?	Yes
Survey 26	Yes				Yes	No	12 to 14		$ 30			$ 500		$ 250		0	Yes
Survey 27		Yes	Yes		Yes	No	14	90	$ 40		$ 109		$ 50			3 to 4	No
Survey 28	Yes		Yes		Yes	No	10	80		$ 250		$ 300		$ 300		0	No
Survey 29		Yes	Yes		Yes	No		77		$ 350		$ 654		$ 800		20	Yes
Survey 30	Yes		Yes		Yes	No	14	98	$ 45			$ 450		$ 300		5	No
Survey 31	Yes				Yes	No		82	$ 35			$ 455		$ 550		24	Yes