

# Rates policy project

## Taxi rates review

In response to the changing passenger transportation landscape in B.C., the Passenger Transportation Board (Board) began reviewing taxi rates and examining potential changes in 2022.

Following more than a year of research and consultation with taxi licensees, the Board announced in [January 2024](#) the decision to make the following changes to taxi meter rates:

- establish regional [rates bands](#) across the province.
- eliminate common rates rules meter rates in regions where they are in effect and replace these with Board [standardized rates](#).

## Responding to an evolving market

The sustainability and competitiveness of the taxi sector are key priorities for the Board, particularly since the government approved the introduction of TNS (ride-hailing) to the regulatory framework in B.C. in 2019.

In April 2022, the Board prioritized undertaking systemic decisions on rates in anticipation of market restructuring (from the introduction of TNS) and other issues as the passenger transportation industry

emerged from the pandemic. From an economics perspective, rates or pricing are an important lever for regulators to make system-wide adjustments to the market.

The Board's focus is to implement systemic decisions on rates to better support its priorities. As outlined in the Board's Strategic Plan 2023-2026, these priorities include transitioning to data-driven and objective evidence-based decision-making, including making systemic decisions regarding how rates are structured in the sector.

The Board continues to undertake [quantitative analysis](#) of relevant data to inform its ongoing systemic decision-making in support of a healthy and sustainable taxi sector during market restructuring.

### **Consultation with taxi licensees**

The Board consulted extensively with taxi licensees in 2022/2023 to discuss the possibility of new rates structures.

The first consultation occurred in October 2022. This was to gather preliminary concerns and issues from the industry regarding the rates topic. After extensive policy work, including consultations with economists and cross jurisdictional scans, the Board introduced more specific options to industry in March 2023.

The Board held five information sessions with taxi licensees between August and September 2023. These focused on a review of current taxi rates and consideration of new rates structures. The Board also invited taxi licensees to submit written feedback on the taxi rates review and new rates structures being considered.

Informed by the feedback from licensees, the Board announced its decision on new regional rates structures on [January 17, 2024](#).

## Implementing the rates structures

The timeline for implementing the new rates structures in each region has not yet been determined. For the time being, all rates are staying in place. The Board will start the process of implementing the new rates structures in phases in late 2024.

The Board will communicate with taxi licensees during implementation of the new rates structures to ensure they are implemented smoothly and effectively with minimal disruption of licensee operations.

## Taxi Cost Index (TCI)

Cost increases due to inflation will be met by the new custom [Taxi Cost Index \(TCI\)](#).

Currently, the Board uses its [Taxi Limousine Cost Index \(TLCI\)](#) to measure inflation and allow for rates adjustments. The taxi rates review found that the TLCI it was not accurately reflecting the cost of business increases affecting the taxi sector. The new TCI will calculate custom increases more applicable to the taxi sector. This new TCI will consist of only relevant Consumer Price Index (CPI) elements and gathered sector data specific to B.C.

The new TCI will continue to provide an option for the taxi sector to increase rates to offset rising operational costs. It will also reduce the administrative burden when paired with the Board's new rates structure, once implemented. In the future, whenever the Board adjusts the TCI, the increase will be automatically applied to the [Board standardized rate](#) and the [rates bands](#) in each region where they are in effect.

The Board's systemic decisions on rates, including the new rates structures and custom TCI, will provide the taxi sector with more support to respond to market restructuring.

## Rates bands

In [January 2023](#), the Board announced its decision to introduce new regional rates bands for taxi meter rates that will apply across the province, except where [Board standardized rates](#) apply.

Please note that existing rates structures will remain in place until the Board has calculated the new rates and implemented the new structures.

## Advantages of rates bands

Taxi rates have historically been set by licensees applying to the Board and proposing a rate with supporting information. As a result, outside of common rates rules areas, the flag, distance, and waiting time rates can vary significantly. While it is important to consider the reasonable rate of return for taxi licensees in an area, it is also important to provide consistent and transparent rates for the public.

A rates band structure provides enhanced flexibility for licensees, allowing them to be responsive to changes in their business, and makes rate changes easier and more efficient from an administrative perspective:

- As long as licensees choose a rate within the Board's rates band for the region, they are not required to submit an application or supporting documents to the Board to justify their choice. They are simply required to notify the Board and follow a streamlined process. This saves application fees and time.

- Licensees will have the opportunity to change their rate (within the rates band) at regular intervals if they wish. Note: The precise interval is yet to be determined, for example, it could be every four months, or every six months etc.
- Licensees can choose a rate within the band that best fits the service that they offer. For example, some licensees may want to offer a premium service at a higher cost, while others may prefer to offer a simple service at a lower cost.
- Licensees can choose a rate within the band that balances their operating costs with their margin of profitability, while addressing changing market conditions.

## Setting rates bands

To set the minimum and maximum rates in the rates band for a given region, the Board will review taxi cost data, trip data, and other business attributes, then conduct [quantitative analysis](#) and consult with licensees, as required. The Board will consider:

- whether the proposed band minimum rate supports a reasonable rate of return for an average taxi business that is effectively operated, and
- whether the proposed band maximum rate is affordable to customers.

Under a rates band, licensees can have different rates from other taxi licensees in the region, provided their rates are within the established band.

## Making changes to rates

Once the initial rates band has been implemented in a region, licensees will have the opportunity to change their rate within the band at regular intervals if they wish. Licensees will also have the option to remain at the same rate, as long as it remains within the rates band.

No application or fees will be necessary to make a rate change within the band. The Board will establish a streamlined notification process.

## **Choosing rates outside bands**

If a licensee wishes to have a rate outside their rates band (i.e., lower than the minimum or higher than the maximum), they will be required to submit a full application to the Board. The licensee will need to pay an application fee and provide a rationale for the different rate.

## **Cost of living adjustments**

After moving to a rates band structure, any cost-of-living adjustments will be automatically applied by the Board to the regional rates band.

## **Board standardized rates**

In [January 2023](#), the Board announced its decision to introduce regional rates bands for taxi meter rates across the province. As an exception, the Board also decided to introduce standardized rates in areas where common rates rules previously applied.

Please note that existing rates structures will remain in place until the Board has calculated the new rates and implemented the new structures.

## **Advantages of Board standardized rates**

Taxi rates have historically been set by licensees applying to the Board and proposing a rate with supporting information. In common rates rule areas, all licensees were required to charge one consistent meter rate. While it is important to consider the reasonable rate of return for taxi licensees in an area, it is also important to provide consistent and transparent rates for the public.

Board standardized rates offer key benefits for both customers and taxi licensees.

- They provide consistent, predictable, and transparent rates.
- They provide an efficient and streamlined administrative process for updating rates along with automatic adjustments for inflation.
- They are set and monitored based on real taxi data and economic analysis.
- They allow the Board to proactively identify industry-wide changes and adjust taxi rates in a streamlined manner.

## Setting Board standardized rates

As a first step, the Board will establish regional rates bands across the province. These will be calculated based on [cost data](#) supplied by taxi licensees, as well as trip data and other business attributes. Then the Board will conduct [quantitative analysis](#), looking at profitability and sustainability factors to support a reasonable rate of return for an average taxi business that is effectively operated in the area, balanced with customer affordability.

Once the regional rates bands are established, the Board will determine standardized rates that will apply in areas where common rates rules previously applied to meter rates. These will be expressed as a fixed percentile within the rates band for that region.

## Making changes to rates

Once implemented, licensees in a region may request a review or recommend changes to the Board standardized rate. The Board will continue to monitor profitability, sustainability, and affordability as cost data is collected from taxi licensees and analyzed on an annual basis.

If an individual licensee in a Board standardized rate area wishes to have a different rate for their business, they can still apply to the Board for a rate change. However, they must pay an application fee and provide information to justify the rate change and the reason they should be removed from the Board standardized rate regime.

## **Cost of living adjustments**

After moving to Board standardized rates, any cost-of-living adjustments will be automatically applied by the Board to the set standardized rate.