

Proposed Changes to Leasing and Lease Caps in the Medallion Taxicab Industry

December 18, 2008

Outline

- Where we stand now
- Lease Cap Changes:
 - Adjusting for vehicle purchase costs
 - Adjusting mis-aligned incentives
- Intro 876: Incentives/disincentives via vehicle retirement
- Leasing Language:
 - Clear terms and information
 - Principles

Where we stand now

- Federal Judge Crotty ruled that the EPCA (Energy Policy and Conservation Act) pre-empts NYC from mandating minimum mileage standards for taxicabs.
- TLC will propose rules to repeal the earlier mandate.
- However, NYC and the TLC are still committed to a cleaner city and a more efficient Fleet.
- TLC conducted a lease hearing in March 2008.
- Mayor Bloomberg has asked the TLC to develop **financial incentives and disincentives** to induce vehicle owners to invest in alternate-fuel vehicles.
- The Transportation committee of the City Council had a hearing on incentives and disincentives to encourage hybrid taxis on December 4, 2008 (Council Bill Intro 876).
- TLC is considering all options to improve emissions and fuel economy of Taxicab fleet.
- There are currently 1,683 hybrids out of 13,237 medallion taxis (13%).

Current Lease Caps

Current Lease Caps

■ Daily Lease Rates:

- Ranges from \$105 to \$129 per shift.
- Averages \$113 per shift.
- A car being run for all shifts at the maximum rate generates \$1,587 per week in revenue.
- ...totaling **\$82,524** per year.

<u>Shift</u>	<u>Sun</u>	<u>Mon</u>	<u>Tues</u>	<u>Wed</u>	<u>Thurs</u>	<u>Fri</u>	<u>Sat</u>	<u>Average</u>	<u>Total</u>
AM	\$105	\$105	\$105	\$105	\$105	\$105	\$105	\$105	\$735
PM	\$115	\$115	\$115	\$120	\$129	\$129	\$129	\$122	\$852
Total	\$220	\$220	\$220	\$225	\$234	\$234	\$234	\$227	\$1,587

Current Lease Caps

- Weekly - medallion with a vehicle:
 - maximum is \$666 for a medallion for 7 shifts per week and a vehicle, totaling \$69,264 per year
- Weekly - medallion-only:
 - Maximum is \$800, totaling \$41,600 per year

New Cleaner Vehicles: Purchase Cost

- MTBOT members attested in court papers that in 2008 they paid about \$5,000 more for a hybrid car than a Crown Victoria, and a hybrid hack-up costs nearly \$1,000 more than a Crown Victoria.
- Increased costs for a hybrid total **\$6,000** per car.

Impact over life of vehicle: Daily Lease

- Increased cost to buy a hybrid adds about **\$3.00** to owner costs per shift over 3 years.
 - \$6,000 over 3 years is \$2,000 per year.
 - There are 728 shifts per year.
- Hybrids and Clean Diesel vehicles should have their lease caps altered to reflect this.
- We should implement new lease caps quickly as the number of hybrids increases.

Impact over life of vehicle: Weekly Lease

- Daily – medallion with a vehicle
 - Average increases to \$116 per shift or \$42 per vehicle with medallion per week, totaling **\$84,708** per year (+2,184)
- Weekly - medallion with a vehicle:
 - Increases to \$687 for a single-shift medallion and vehicle (+\$21/week), totaling **\$71,448** per year (+\$2,184)

Mis-Aligned Incentives

Mis-aligned incentives: Current Lease Structure

<u>Type of Owner</u>	<u>Who pays for fuel?</u>	<u>Who chooses the car?</u>
Owner-Driver	Driver	Driver
DOV	Driver	Driver
Fleet	Driver	Owner

The Impact of Changing Gas Prices

	\$3.28 per gallon (Dec. '07)	\$4.23 per gallon (July '08)	\$2.18 per gallon (Dec. '08)	??? per gallon (2009)
Fleet Owner	\$0.00	\$0.00	\$0.00	\$0.00
Crown Victoria Driver	\$29.52	\$38.07	\$19.62	\$???
Hybrid Driver	\$13.02	\$16.80	\$8.66	\$???

Mis-aligned incentives

- Having to pay for gas influences the vehicle buyer's decisions.
- Fleet drivers are subsidizing fleet owners without any input into vehicle selection.

January-June 2007 vs. January-June 2008

<u>Buyer</u>	<u>Hybrid Purchases</u>
Owner-Driver	+404%
DOV	+844%
Fleet	+58%

Proposal: Re-align incentives

- A typical Crown Victoria driver earns approximately \$15 a shift less than a hybrid driver because of gas costs.
 - Avg. 135 miles driven per shift
 - Escape gets 34 MPG City versus 15 MPG City for the Crown Victoria.
 - Assuming gas costs \$3.05 (avg. price of last 2 years):
(Source: U.S. Department of Energy, Energy Information Administration)
 - 34mpg=\$12.11 per shift (+\$15.34)
 - 15mpg=\$27.45 per shift
- Re-alignment = a \$12 adjustment per shift.
 - Equalizes purchasing economics for the Owner.
 - Covers the Driver for the burden of paying for gas.
 - Adjustment includes: \$15 gas savings - \$3 additional leasing fee

Re-aligned Lease Cap

- Proposed change for Crown Victorias
 - -\$12.00 from current lease caps

<u>Shift</u>	<u>Sun</u>	<u>Mon</u>	<u>Tues</u>	<u>Wed</u>	<u>Thurs</u>	<u>Fri</u>	<u>Sat</u>	<u>Ave</u>	<u>Total</u>
AM	\$93	\$93	\$93	\$93	\$93	\$93	\$93	\$93	\$651
PM	\$103	\$103	\$103	\$108	\$117	\$117	\$117	\$110	\$761
Total	\$196	\$196	\$196	\$201	\$210	\$210	\$210	\$203	\$1,412

Lease Cap Proposed Changes: Impact

- Fleet Hybrid Owners would gain \$2,184 per car per year.
- A Fleet Crown Victoria Lease would decrease \$12 per shift.
- Hybrid drivers pay \$3 more per shift.

**Incentives and
Disincentives proposed
by the City Council**

Intro 876:

Disincentives via vehicle retirement

- Proposal is for “dirty” cars to be off the road more quickly.
- It provides a **disincentive** to conduct business as usual.
 - Owning the Ford Crown Victoria would no longer be the cheapest option:
 - Purchase cost amortization goes from \$10,000 per year to nearly \$20,000 per year
- It is anticipated this would change purchase behavior

Intro 876:

Incentive via vehicle retirement

- Cleaner cars are permitted to be on the road 33% longer.
- Frequent inspections have proven cleaner vehicles are performing as well or better than the “standard” fleet.
- TLC proposes to repeal conditional extension requirements allowed by local law.

Leasing Language

Leasing Language:

Clear terms and information

- Leases are ambiguous, difficult to understand, and in some cases are informal and unsigned.
- Leases should have clearly defined terms and definitions.
- Leases should follow a standard clear format.

Lease Caps - Principles

- Lease Caps = maximum limit for all charges, fees, and taxes.
- A clear detailed receipt, listing all charges, is provided upon each payment.
- TLC will have the power to enforce the lease rules based on inspections and complaints.

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