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# M E M O R A N D U M

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**DATE:** April 14, 2006  
**TO:** City Council Members  
**FROM:** Russell Weeks  
**RE:** Proposed Ordinance to Enact a Temporary 50-cent Surcharge on Taxicab Fares  
**CC:** Cindy Gust-Jenson, Rocky Fluhart, Sam Guevara, Ed Rutan, Louis Zunguze, Orion Goff, Edna Drake, Gary Mumford, Melanie Reif

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This memorandum pertains to a proposed ordinance that would increase Salt Lake City taxicab flag-drop rates from \$2 to \$2.50 for six months. According to taxicab industry representatives' testimony, the increase would go to cab drivers to compensate them for a gasoline price spike last fall.

The City Council is scheduled to hold a public hearing April 18 on the issue. The City Council generally holds public hearings on issues involving proposed changes to taxicab industry regulation when they have arisen because it is an industry currently regulated under certificates of public convenience and necessity.

## **OPTIONS**

- Adopt the ordinance.
- Not adopt the ordinance.
- Amend the ordinance to reflect a higher or lower increase than the one proposed or a time longer or shorter than the six-month period proposed, including permanently raising the flag-drop rate by 25 cents or 50 cents.
- Indicate to the City Attorney's Office that the City Council would like to consider a different procedure for considering rate changes when gasoline prices fluctuate.
- Adopt the ordinance but amend it to require taxicab companies to freeze lease rates during the time the surcharge is in effect to help make sure taxicab drivers collect the entire surcharge.
- Not adopt the ordinance but consider mechanisms to address rates and gasoline price fluctuations in the planned revision of ground transportation ordinances that will implement a contract method of regulating the taxicab industry.

## **POTENTIAL MOTIONS**

- I move that the City Council adopt the ordinance amending Section 5.72.455 pertaining to maximum taxicab rates.
- I move that the City Council consider the next item on the agenda.

- I move that the City Council adopt the ordinance amending Section 5.72.455 pertaining to maximum taxicab rates with the following amendments:
  - That the proposed flag-drop hike be (decreased/increased) by (ten cents, twenty cents, thirty cents, forty cents, fifty cents).
  - That the proposed six-month period be (decreased/increased) by (one month, two months, three months, four months, five months, six months).
- I move that the City Council adopt the ordinance amending Section 5.72.455 pertaining to maximum taxicab rates with the following amendments: That the proposed flag-drop rate be permanently increased by (25 cents or 50 cents).
- I move that the City Council consider the next item on the agenda, and that the City Attorney's Office prepare an amendment to Section 5.72.457, titled *Annual Review of Maximum Rates*, that either would eliminate Paragraph E or substitute Paragraph E with a more flexible procedure than is now in the ordinance.
- I move that the City Council adopt the ordinance amending Section 5.72.455 pertaining to maximum taxicab rates with the following amendment: That during the time the surcharge is in effect the rates taxicab companies charge drivers to lease vehicles or the companies' name shall be frozen to make sure that drivers receive the benefit of the surcharge.
- I move that the City Council consider the next item on the agenda but direct City Council staff to work with the Administration to implement a mechanism for dealing with the fluctuation of gasoline prices as part of the City's revision of ordinances to move to a contract method of regulating the taxicab industry.

## **KEY POINTS**

- The taxicab industry is seeking a 50-cent surcharge on taxicab flag-drop rates for six months. The industry contends that the surcharge would compensate taxicab drivers for an increase in gasoline prices that occurred about the same time Hurricane Katrina struck the Gulf Coast in late August 2005.
- The surcharge would be in addition to the maximum rate increase for the flag-drop rate that the City Council adopted in May 2005. The other rates would remain the same as adopted in May 2005.
- The proposed ordinance is based on recommendations made January 20, 2006, by an administrative hearing officer after a hearing on November 23, 2005.

## **ISSUES/QUESTIONS FOR CONSIDERATION**

- Is it sound and equitable policy to increase a fee or charge to make up for an event that occurred in the past?
- Given the potential for fluctuations in gasoline prices, do the City's ordinances regulating the taxicab industry provide enough flexibility to address circumstances involving gas price fluctuation, or should City government take a longer view of price fluctuations before determining a need to increase fares?
- What effect would a six-month, 50-cent increase in the drop fare rate have on local taxicab customers, many of whom have fixed incomes?
- In a March budget opening the City Council adopted a motion to allocate more public funds to pay for increases in fuel costs, particularly for the Police Department. In addition, last September the City adopted Internal Revenue Service reimbursement rate for mileage of 48.5 cents per mile for the last four

months of 2005 instead of 40.5 cents per mile before September. The rate since has dropped to 44.5 cents per mile.

- Given that the taxicab companies on November 23, 2005, changed their request from a \$1 surcharge in the drop-fare “until the gas prices retreat to the price levels that existed at the time the maximum rates were last increased,” to a 50-cent surcharge for six months, how did the companies arrive at price for a surcharge?
- If an increase is adopted, should the increase be as long as the six months recommended by the administrative hearing officer?
- If the City Council adopts the proposed increase, how will the City know that the entire increase ultimately will go to taxicab drivers?
- When the City Council enacted fare increases on May 3, 2005, the cost per gallon of regular unleaded gasoline in the Rocky Mountain Region was \$2.265. When the taxicab companies petitioned on September 20, 2005, for a \$1 surcharge on drop rates the cost per gallon of regular unleaded gasoline in the Rocky Mountain Region was \$2.873 – an increase of 60.8 cents per gallon.<sup>1</sup>
- The cost per gallon of regular unleaded gasoline appeared to have peaked in the Rocky Mountain Region at \$2.978 on September 5. When the administrative hearing officer heard the taxicab companies’ petition on November 23, 2005, the cost per gallon of regular unleaded gasoline in the Rocky Mountain Region was \$2.252 – a decrease of 72.6 cents. When the administrative hearing officer signed the recommendations on January 20, 2006 the per gallon cost of regular unleaded gasoline was roughly \$2.20 to \$2.22.<sup>2</sup>
- The fare increases the City Council enacted on May 3, 2005 were the first fare increases for taxicab drivers since April 6, 1999. Again, when the City Council enacted fare increases on May 3, 2005, the cost per gallon of regular unleaded gasoline in the Rocky Mountain Region was \$2.265. When the City Council enacted fare increases on April 6, 1999, the cost per gallon of regular unleaded gasoline in the Rocky Mountain Region was \$1.162 – a difference of \$1.103 between April 1999 and May 2005.<sup>3</sup>
- Given the above, at what point is it necessary to consider an increase in gasoline prices as a special circumstance warranting action?

## **Discussion/Background**

The proposed ordinance stems from a September 20, 2005, written request from the taxicab industry for a \$1 surcharge on the flag-drop rate. The request was made in response to a surge in gasoline prices after Hurricane Katrina struck the Gulf Coast on August 29, 2005. According to a September 20 letter to the City’s business and licensing administrator, the companies proposed “the increased flag drop rate remain in effect until the gas prices retreat to the price levels that existed at the time the maximum rates were last increased.”<sup>4</sup>

In response to City Council questions at the March 21 briefing, legal counsel for the taxicab companies in an April 6, 2006 letter provided the following information:

In response to questions about how taxicab companies determined proposed fare increases, the letter said:

“The taxicab companies economist ... prepared his reports only after carefully analyzing numerous factors, including national and local gas prices, inflationary trends with a primary focus on cost of living increase and the effects on driver take home pay, a comparison of rates in and similar increase implements by other jurisdictions, and an analysis of driver income and expenses and the effects thereon of proposed rate increases.”

In response to questions about why the companies pared back their original request from a \$1 increase “until the gas prices retreat to the price levels that existed at the time the maximum rates were last increased,” to a 50-cent surcharge for six months, the letter said, “When the Petition was filed (in September 2005) the cab companies had no idea how high gas prices would go. When the hearing was held in November, gas prices already had peaked, so the cab companies ... cut back their request.

In response to a question of how many taxicab drivers who worked in September 2005 were still working for the taxicab companies, the letter estimated that driver turnover has been at about 12 percent. The legal counsel also provided lists of Yellow Cab Association drivers from September 2005 and February 2006.

In response to a question of whether an increase in the flag drop rate would adversely affect City residents who use taxicabs, the letter said an increase would.

The letter also said that the cab companies would like to see a more flexible ordinance that would provide a “more immediate response to severe swings in fuel costs.”

The City Council on May 3, 2005, adopted the following maximum rates for taxicabs: A \$2 flag-drop rate (an increase of 40 cents from the previous \$1.60 rate); a 20-cent increase in the per mile rate (from \$1.60 per mile to \$1.80 per mile); a \$1 increase in waiting time rate (from \$21 to \$22); and a \$2 increase in the minimum airport rate (from \$10 to \$12). The increases were the first since April 6, 1999.

When the City Council adopted the maximum rates, the rate was higher than the taxicab industry originally sought. The taxicab industry petitioned for a flag-drop rate of \$1.75 – a 15-cent increase over the then existing flag-drop rate of \$1.60. Earlier versions of the petitions also sought a lower increase in the per mileage rate than the City Council ultimately approved. It should be noted that the City Council’s increase in the maximum flag-drop rate was a 25 percent increase versus a 9 percent increase proposed by the taxicab companies. One assumes the taxicab companies based their proposal on their economist’s research. Salt Lake City also remains one of the few cities in the United States to charge a minimum fee for service from an airport.

At the time of the taxicab industry’s September 20, 2005, request, Salt Lake City did not have a legal mechanism in its ordinances to increase taxicab rates in what might be considered emergency or special circumstances.

On November 1, 2005, the City Council adopted Ordinance No. 64 which contained the following language:

E. If in the determination of the mayor or the city council it is decided that certain special circumstances warrant an additional hearing during a calendar year, then

either the mayor or the city council may direct that a hearing be scheduled. A holder of a certificate of public convenience and necessity to operate a taxicab within the city who has already received a hearing under subsection A of this ordinance may petition the mayor or city council at any time under this provision. Neither the mayor nor the city council is required to grant the petition for a hearing. All other provisions governing fees and hearing procedures shall be the same as set forth above.

The taxicab industry then renewed its petition for a temporary flag-drop increase, and the petition was heard on November 23, 2005, by Administrative Hearing Officer Michael W. Crippen.

At the hearing the taxicab companies told Mr. Crippen that instead of a temporary \$1 increase to remain in effect “until the gas prices retreat to the price levels that existed at the time the maximum rates were last increased,” the companies sought a 50-cent increase for six months “to allow a catch-up for the high gas prices over the last six months.”<sup>5</sup>

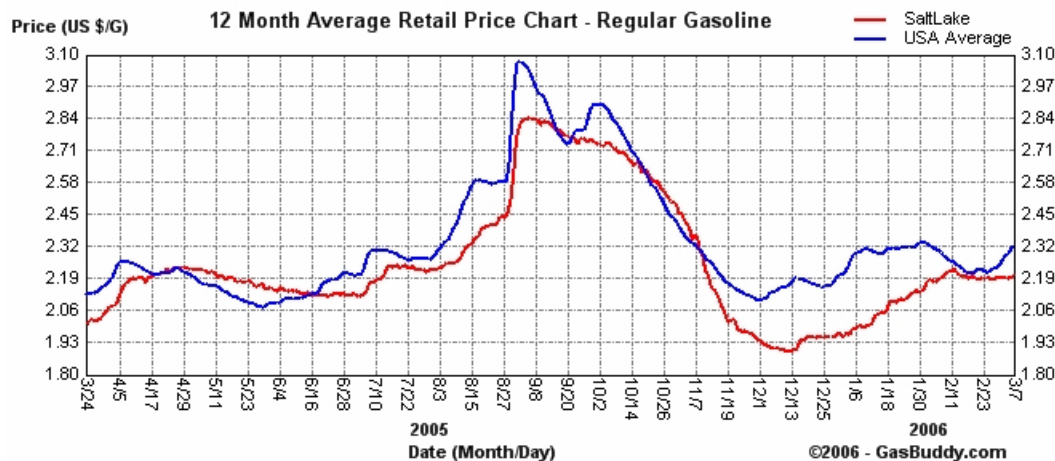
Some of the testimony included an economists’ written view that, “The taxicab industry depends heavily on gasoline. The take-home income of taxicab drivers is a function of the fares they earn and the costs they undertake. The two main costs that taxicab drivers undertake are the cost of renting the cab from the companies and the cost of gasoline.”<sup>6</sup> During After hearing testimony from the taxicab companies and their representatives, Mr. Crippen recommended that:

- “The current flag-drop rate of \$2 should be increased to \$2.50 for a period of six months.
- “One hundred percent of the increase in the flag-drop rate should go to the taxicab drivers, and none of it should go to the Cab Companies”<sup>7</sup>

According to the hearing officer:

Although gasoline prices have now retreated, it is fair, reasonable and necessary to compensate the taxicab drivers for the loss they suffered during the recent period of increased gasoline costs. As set forth in (Exhibit 5), gas prices peaked at \$2.90 per gallon in the fall of 2005, increasing by nearly \$.75 per gallon from mid-summer, requiring the cab drivers to absorb this expense without any relief. Therefore, a temporary increase in the flag drop rate to compensate them retroactively is justified. ... It is fair and reasonable for the flag drop rate to be increased by \$.50 for a period of six months to cover the gas price index from at least August 2005 to November 2005 and maybe going back as far as April 2005.<sup>8</sup>

The hearing officer appears to have based some conclusions on a graphic depiction of gasoline prices similar to the following one:



A few things might be of interest from the chart:

- The top line represents the U.S. average for the cost of a gallon of regular unleaded gasoline over 12 months. The bottom line is the average cost for a gallon of regular unleaded gasoline in Salt Lake City over the same period.
- The chart seems to indicate that gasoline prices started to climb precipitously about August 15, peaked at about September 3 and declined sharply October 26 – roughly a 14-week period.
- When the City Council enacted fare increases on May 3, 2005, the cost per gallon of regular unleaded gasoline in the Rocky Mountain Region was \$2.265. (The period between 4/29 and 5/11 on the chart.) The cost per gallon of regular unleaded gasoline in the Rocky Mountain region reached \$2.25 on the week of November 21.<sup>9</sup> (That roughly corresponds with the period between 11/7 and 11/19 on the chart.)
- The cost per gallon peaked in the Rocky Mountain Region the week of September 5 but had declined significantly by the week of October 24.
- Gasoline prices in the Salt Lake City area continued to fall even below the cost per gallon of gasoline on May 3, 2005 until about mid-February. Prices in March remained near the May 3, 2005 level or slightly higher. (The chart appears to indicate that Salt Lake City gasoline prices always were a few cents lower than the national average. The chart also appears to show prices lower than figures compiled for the Rocky Mountain region. In addition, the website where the chart was created consistently lists Utah and Salt Lake City as having some of the lowest prices in the nation.)
- The hearing officers' interpretation of similar information appears to indicate that the proposed 50-cent surcharge was warranted before the City Council enacted new maximum rates on May 3, 2005.<sup>10</sup>

It appears to City Council staff that the period of steep increases in gasoline prices occurred more over a three-month period than a six-month period. It also appears that from late November to mid-February taxicab drivers paid for gasoline at levels lower than those on May 3, 2005.

If a 50-cent surcharge is authorized the drop-flag rate would rise from \$2 to \$2.50. It should be noted that when the City Council enacted the new maximum rates on May 3, 2005 the \$2 drop-flag rate brought the rate to the median point of 61 cities in the West. The average flag-drop rate of the 61 cities was \$2.30.

It also should be noted that the Council raised the per mile charge to the median per mile rate for the 61 cities. In addition, Salt Lake City is one of the few cities in the nation to charge an airport minimum fee. The City Council staff report for the May 3, 2005, public hearing on taxicab maximum rates quoted taxicab company representatives as saying Los Angeles charges a \$38 flat rate for trips to and from the Los Angeles International Airport, and the cities of Memphis, Tennessee, and Pensacola, Florida, respectively charge airport minimum fees of \$8 and \$6.

According to an Internet website operated by Schaller Consulting, the flag-drop rate in 10 of 23 major U.S. cities is \$2.50. Another 11 cities have flag drop rates lower than \$2.50, and two have flag-drop rates higher than \$2.50.<sup>11</sup>

Schaller Consulting noted that “12 of the 23 cities increased fares in 2005, partly in response to rising gasoline prices, and also as a result of many cities holding off on fare increases during the recession earlier in this decade.” The twelve cities are Honolulu (May), Miami (October), Los Angeles (November), Seattle (April), Las Vegas (April), Philadelphia (July), Atlanta (October), Minneapolis (September), Houston (August), Chicago (May), Dallas (November), and Baltimore (July). Boston also apparently added a charge in December to bring up its flag-drop rate to \$2.50.

During the hearing in November, taxicab industry representatives discussed tying taxicab rates to fluctuations in gasoline prices. They proposed to implement a flag-drop rate that would be adjusted monthly to account for fluctuations in gasoline prices of more than \$.50, either up or down based on a base price of \$2 per gallon. The hearing officer recommended that the issue “should be appropriately left for decision by the City Council or Budget Office as a policy matter.”<sup>12</sup>

Given the above, what might warrant serious City Council consideration of an increase in the flag-drop rate? One of the main questions that would have to be answered is: Is it sound public policy to enact an increase based on an event that turned out to be of relatively short duration?

Factors to consider might be that the City Council in its March budget amendment allocated more funds to pay unanticipated fuel costs, particularly for the Police Department – a department that depends on automobiles to patrol. It also should be noted that until September 2005 the City’s mileage reimbursement was 40.5 cents per mile. After September it rose to 48.5 cents per mile for four months before dropping to 44.5 cents per mile. In addition, it should be noted that airlines are increasing fares while cutting services to meet the cost of fuel.

It might be worth consideration to enact a permanent increase of 25 cents in the flag-drop rate for the following reasons:

Gasoline prices are projected to increase beyond the \$2.25 level when the City Council adopted higher rates last year.

Making the increase permanent might change the discussion from looking backward to looking forward.

A modest increase would have less an adverse effect on residents who use taxicabs for transportation.

The current ordinance does not require the taxicab companies to raise the maximum rate to the maximum level. The ordinance allows the companies to raise rates to the maximum level gradually if they chose to do so.

The cab companies' proposal to implement a flag-drop rate that would be adjusted monthly to account for fluctuations in gasoline prices of more than 50 cents, either up or down based on a base price of \$2 per gallon contains a variety of issues to explore.

First, City representatives at the hearing where the proposal was made noted that current ordinances allow taxicab companies to lower maximum fares without hearings. Second, a sliding scale that would rise or fall 50 cents based on a \$2 floor appears weighted in favor of increasing flag-drop rates. The last time a gallon of regular gasoline's average cost was less than \$1.50 in the Rocky Mountain Regions was the first week in January 2004.<sup>13</sup> Third, it would seem necessary to explore the effect fluctuating drop fees may have on local residents who use taxicabs for reasons other than going to the Salt Lake City International Airport.

The City Council may wish to address the effectiveness of the ordinance that allowed an additional hearing on taxicab fares during the calendar year when circumstances such as gasoline price fluctuations. It is now roughly eight months since gasoline prices started to spike, and, again, the issue has become retrospective instead of prospective.

Finally, as indicated earlier in this memorandum taxicab drivers appear to have two major costs: fuel for their vehicles and "renting the cab from the companies." The hearing officer recommended that if the City Council enacts a surcharge the "increase in the flag-drop rate should go to the taxicab drivers, and none of it should go to the Cab Companies." If the City Council wanted to make absolutely sure that an increase would go to taxicab drivers, it might wish to explore amending the ordinance to freeze taxicab lease rates at current levels until the proposed need for a surcharge ends. Some would argue that because the hearing officer wrote that any increase should go to the drivers, it will. However, the current ordinance makes clear that the hearing officer can make only recommendations that the City Council can accept or reject. That means the City Council would have to take formal action on the recommendations if the Council wishes to make sure they will part of the regulation.



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- <sup>1</sup> Please see Attachment No. 1, Page 3.
- <sup>2</sup> Please see Attachment No. 1, Page 3.
- <sup>3</sup> Please see Attachment No. 1, Page 2.
- <sup>4</sup> Please see Attachment No. 2
- <sup>5</sup> Please see Administration Transmittal, Michael W. Crippen ... Recommendation, Page 2.
- <sup>6</sup> Please see Administration Transmittal, Theodor P. Tatos, *Review of Proposed Flag Drop Fee Increase*, Page 4.
- <sup>7</sup> Please see Administration Transmittal, Michael W. Crippen ... Recommendation, Page 8.
- <sup>8</sup> Please see Administration Transmittal, Michael W. Crippen ... Recommendation, Page 6 Paragraph 14, Page 7 Paragraph 17.
- <sup>9</sup> Please see Attachment No. 1, Page 3.
- <sup>10</sup> Please see Administration Transmittal, Michael W. Crippen ... Recommendation, Page 7 Paragraph 17
- <sup>11</sup> Please see Attachment No. 5.
- <sup>12</sup> Please see Administration Transmittal, Michael W. Crippen ... Recommendation, Page 8.
- <sup>13</sup> Please see Attachment No. 1, Page 3.

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April 6, 2006

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Re: *Cab Companies' Request for Temporary Rate Increase*

Dear City Council Members:

This is in follow up to the questions raised both in Russell Weeks' March 23, 2006 e-mail and in the March 21, 2006 working session in which the City Council considered the proposed ordinance to increase taxicab rates.

Specifically, two Council members (Christensen and Jergensen) inquired about the objective measures utilized to determine proposed increases. The taxicab companies' economist, Ted Tatos, prepared his reports only after carefully analyzing numerous factors, including national and local gas prices, inflationary trends with a primary focus on cost of living increases and the effects on driver take home pay, a comparison of rates in and similar increases implemented by other jurisdictions, and an analysis of driver income and expenses and the effects thereon of proposed rate increases. (A copy of his last two reports will be delivered to Russ for his and your reference.)

Russ noted fuel prices were \$2.25 at the time the City Council enacted the latest fare increase, on May 3, 2005. It is important to bear in mind the petition for that increase was originally filed in December 2004, and at that time fuel prices were averaging below \$2.00. (See chart on pg. 5 of Russ' Memorandum of March 8, 2006.) The current procedure for increasing taxicab rates is lengthy and fails to allow a prompt reaction to changes in gasoline prices.



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Russ asked why the taxicab companies initially petitioned for a \$1.00 increase, then decided on a 50¢ increase. As noted in my e-mail of March 21, 2006, when the Petition was filed, the cab companies had no idea how high gas prices would go. When the hearing was held in November, gas prices had already peaked, so the cab companies appropriately cut back their request.

With respect to the Councilman Buhler's concern about whether a temporary increase would benefit the drivers in fact disadvantaged by periodic unusually high gasoline prices last year, Ute Cab and Yellow Cab Companies observe driver turnover has been approximately twelve percent. Therefore, most of the drivers who were working at the relevant time are still working as cab drivers. (A copy of Yellow Cab's Monthly Driver Reports for September, 2005 and February, 2006 will be delivered to Russ for his and your reference).<sup>1</sup>

Councilman Turner questioned whether an increase in the flag drop would more adversely affect local citizens. The answer is yes, since the increase applies equally to short trips around town as well as trips from the airport. The cab companies' expert opined that gasoline prices could be tied to per-mile rates, but didn't suggest an appropriate amount. We'll ask him to study this before the Public Hearing.

Councilman Turner also forecast an increase in gas prices this summer, as have many analysts. Predictions are for gasoline prices to "spike above \$3.00 a gallon again in the coming months." (DESERET NEWS, January 04, 2006, "*Gasoline Price to Top \$3.00 Again*," by Doug Abrahms, Gannett News Service). The more immediate prediction is we "are looking at retail prices that will soon be above \$2.50 a gallon. . . ." (*Id.*, March 15, 2006, "*Utah Gas Prices Hold Steady*," by Brice Wallace).

Councilman Jergensen asked if a formula shouldn't be adopted to deal with fluctuations in gas prices. The cab companies couldn't agree more. The cab companies strongly believe flexibility should be built into any ordinance governing maximum rates so there can be a more immediate response to severe swings in fuel costs. At the hearing, the cab companies suggested a sliding scale approach, tied to 50¢ increases or decreases in gasoline prices based upon a \$2.00 per gallon floor. The Hearing Officer declined to adopt this approach, stating:

The question of benchmarking future increases in the flag drop rate to respond to changes in gasoline prices should be

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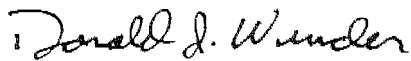
<sup>1</sup> All but 15 of the Yellow Cab drivers in September are still driving in February. An "X" has been placed next to their names. There are more drivers in February because it's the busiest season.

appropriately left for decision by the City Council or Budget  
Office as a policy matter, rather than the Hearing Officer.

The only alternative under current ordinances is to request a special hearing each time gas prices  
spike.

We also refer you to our letter e-mailed Tuesday, March 21, 2006 for additional detailed answers  
to these and other questions. Another copy for your reference accompanies. We hope this is  
helpful. Thank you for your kind consideration.

Sincerely yours,

A handwritten signature in cursive script that reads "Donald J. Winder".

DONALD J. WINDER

DJW:jlj

cc: Mayor Rocky Anderson (via e-mail)  
Sam Guevara (via e-mail)

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**WINDER & HASLAM PC**  
BUSINESS AND TRIAL ATTORNEYS

March 21, 2005

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*Re: Cab Companies' Request for Temporary Rate Increase*

Dear City Council Members:

As you know, Winder & Haslam is legal counsel for Salt Lake City's licensed taxicab companies. We just received Russell Weeks' March 8, 2006 memorandum concerning the proposed ordinance to enact a temporary surcharge on the flag drop rate.

Mr. Weeks' memorandum, at page 2, sets forth certain questions and issues for consideration. The following are the cab companies' responses to the specific questions raised in the memorandum.

☐ *Is it sound and equitable policy to increase a fee or charge to make up for an event that occurred in the past?*

The cab companies believe it is sound and equitable policy to adopt Hearing Officer Crippen's recommendation. The cab drivers had to bear the cost of the severe increases in gasoline prices. Due to their inability under Salt Lake City ordinances to seek adjustments in rates, it was impossible to obtain immediate relief at the time gas prices soared to nearly \$3.00 per gallon.

☐ *Given the potential for fluctuations in gasoline prices, do the City's ordinances regulating the taxicab industry provide enough flexibility to address circumstances involving gas price fluctuation, or should City government take a longer view of price fluctuations before determining a need for increased fares?*



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Salt Lake City Council Members  
c/o Russell Weeks

March 21, 2006  
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The cab companies strongly believe flexibility should be built into the ordinance governing maximum rates so there can be a more immediate response to severe swings in fuel costs. At the hearing, the cab companies suggested a sliding scale approach, tied to 50-cent increases or decreases in gasoline prices based upon a \$2.00 per gallon floor. The Hearing Officer declined to adopt this approach, stating:

The question of benchmarking future increases in the flag drop rate to respond to changes in gasoline prices should be appropriately left for decision by the City Council or Budget Office as a policy matter, rather than the Hearing Officer.

The only alternative under current ordinances is to request a special hearing each time gas prices spike.

☐ *What effect would a six-month, 50-cent increase in the drop fare rate have on local taxicab customers, many of whom have fixed incomes?*

The cab companies' economist, Ted Tatos, presented two alternatives in his report to react to gasoline price fluctuations. The first was to adjust the flag drop rate, which is a simple approach to implement. This approach has been adopted by other municipalities throughout the United States. The second approach is to tie per-mile rates to gasoline prices. Under this approach, a customer would be affected in direct proportion to the mileage traveled. However, there would be a greater cost of implementing this approach because of the need to reset the taxicab meters and change mileage decals on each cab each time the mileage rate is adjusted.

☐ *Given that the taxicab companies on November 23, 2005, changed their request from a \$1.00 surcharge in the drop-fare to a 50-cent surcharge, how did the companies arrive at price for a surcharge?*

The cab companies had no idea where gas prices would come to rest in September of last year when their petition was filed, but hoped it wouldn't exceed \$3.00 per gallon. When the hearing before Mr. Crippen occurred the end of November, 2005, gas prices had peaked and the cab companies, correspondingly, reduced their original petition for relief on behalf of their drivers.

☐ *If an increase is adopted, should the increase be as long as the six months recommended by the administrative hearing officer?*

Salt Lake City Council Members  
c/o Russell Weeks

March 21, 2006

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The graph cited in Mr. Weeks' memorandum, and taken from the report of the cab companies' economist, shows gas prices were on the rise even before Hurricane Katrina hit. Prices leveled off in November, but have again been increasing since mid-December 2005. Additionally, during their most elevated period, gas prices were substantially higher than what had been experienced previously. Hearing Officer Crippen, in his finding No. 17, even recognizes that a six-month increase in the flag drop rate would be appropriate to compensate cab drivers for increasing gas prices going back to April, 2005. There's been much more than just a 14-week spike in prices.

☐ *If the City Council adopts the proposed increase, how will the City know that the entire increase ultimately went to the taxicab drivers?*

The cab companies already committed at the hearing that any temporary increase in the rate will be as a catch-up to compensate drivers for the high gasoline prices. Lease rates will not be increased by virtue of any temporary increase. Judge Crippen's order so provides.

☐ *When the City Council enacted fare increases on May 3, 2005, the cost per gallon of regular unleaded gasoline in the Rocky Mountain Region was \$2.265. When the taxicab companies petitioned on September 20, 2005, for a \$1.00 surcharge on drop rates the cost per gallon of regular unleaded gasoline in the Rocky Mountain Region was \$2.873 – an increase of 60.8 cents per gallon.*

One thing to keep in mind is that whenever the cab companies petition the City for an adjustment in rates, there is a significant lag time between when the petition is filed and when there is actually a public hearing on the issue. In the interim, the matter has to be presented to the Hearing Officer, and the Hearing Officer's recommendations need to be prepared. In the months it can take for the matter to be presented to the City Council for action, things can change, including gasoline prices. When the last fare increases were actually enacted by the City Council on May 3, 2005, gasoline prices had substantially increased from the time the petition was originally filed in December 2004. Again, Hearing Officer Crippen found a temporary increase was fair and reasonable not only because of the spike in prices after Hurricane Katrina, but because of gas price increases dating back to April, 2005.

☐ *The cost per gallon of regular unleaded gasoline appeared to have peaked in the Rocky Mountain Region at \$2.978 on September 5. When the administrative hearing officer heard the*

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c/o Russell Weeks

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*taxicab companies' petition on November 23, 2005, the cost per gallon of regular unleaded gasoline in the Rocky Mountain Region was \$2.252 – a decrease of 72.6 cents. When the administrative hearing officer signed the recommendations on January 20, 2006 the per gallon cost of regular unleaded gasoline was roughly \$2.20 to \$2.22.*

See foregoing comment.

☐ *The fare increases the City Council enacted on May 3, 2005 were the first fare increases for taxicab drivers since April 6, 1999. Again, when the City Council enacted the fare increases on May 3, 2005, the cost per gallon of regular unleaded gasoline in the Rocky Mountain Region was \$2.265. When the City Council enacted fare increases on April 6, 1999, the cost per gallon of regular unleaded gasoline in the Rocky Mountain Region was \$1.162 – a difference of \$1.103 between April 1999 and May 2005.*

See foregoing comment. Additionally, when the fares were adjusted in May 2005, it was unforeseeable that Hurricane Katrina would hit and have such a dramatic impact on gasoline prices. Again, the cab companies are merely seeking a temporary increase to allow cab drivers to recoup some of their losses for the period gas prices jumped so unexpectedly.

☐ *Given the above, at what point is it necessary to consider an increase in gasoline prices as a special circumstance warranting action?*

As mentioned above, the cab companies would favor a sliding scale approach that would allow them to react quickly to fluctuations in gasoline prices and avoid the cumbersome and lengthy process of petitioning for rate adjustments under current procedures. Adjustments in the rate should be made according to an established sliding scale, as opposed to having to define a "special circumstance."



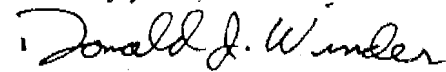
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We hope these responses to Mr. Weeks' issues and concerns are helpful. We would be happy to provide additional information. Thank you for your kind consideration.

Sincerely yours,



DONALD J. WINDER

DJW:jlj

cc: Mayor Rocky Anderson (mayor@slcgov.com)  
Sam Guevara (sam.guevara@slcgov.com)

**Report of**  
**Theodor P. Tatos**  
**Senior Economist - LECG**

**Prepared at the Request of the**  
**Salt Lake City Taxicab Industry**

## **I. Introduction**

I have been engaged by the Salt Lake Taxicab Industry (City Cab, Ute Cab, and Yellow Cab) in order to provide an analysis of whether a taxicab rate increase is economically justified. It is my understanding that the Salt Lake Taxicab Industry has petitioned the City for the following rate increases:

- Flag Drop: from \$1.60 to \$1.75
- Per Mile Rate: from \$1.60 to \$1.80
- Waiting Time: from \$21.00 to \$22.00
- Min. Airport Fare: from \$10.00 to \$12.00

It is also my understanding that these rates have not been changed since 1997.

The following report describes my findings and the research upon which these findings are based. The opinions and findings expressed herein are based upon the pattern of facts observed in my review of the information itemized in Exhibit 1 of this report. This report has been prepared solely in connection with the matter referenced herein and is intended for no other purpose.

## **II. Professional Qualifications**

I am a Senior Economist in the international professional services firm of LECG. I have over nine years of experience in economic consulting for both public and private sector clients. I have provided consulting services in healthcare matters requiring statistical sampling and mathematical analysis, high-profile antitrust cases, business valuations, employment discrimination litigation matters, and others. I have taught and am currently

teaching both undergraduate and graduate-level economics classes at the University of Utah as an Adjunct Professor. I have also made presentations to graduate classes in the Finance department and to the Executive MBA Program at the University of Utah as well as presentations to organizations such as the American Agricultural Economics Association. I have also published a chapter in the 2004 Supplement to the book Intellectual Property Damages: Guidelines and Analysis. A copy of my Curriculum Vitae is detailed in Exhibit 2 of this report.

### **III. Analysis**

I have performed my analysis in two parts. First, I have compared the waiting time, drop, and per-mile charges in Salt Lake City with the charges in other cities in the western United States. Second, I have performed an analysis of inflationary trends over the previous seven years since the rates were modified in order to determine whether such effects might have decreased the real income of taxicab drivers in Salt Lake City.

#### **Comparison of Rates**

The first section of my analysis is based on data provided in the 2003 Taxicab Division Fact Book. The Fact Book provides data on the drop charges and per-mile rates of each city in its report. I have performed a comparison of Salt Lake City's rates with the rates in the western United States.

In performing my analysis, I considered the rates in the western U.S. states of Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, Oregon, Washington, and Wyoming. The data for these states is shown in Exhibit 3. The average drop charge is approximately \$2.30 and the median drop charge is \$2.00. Among the sixty-one cities

considered in this analysis, Salt Lake City has the fourth lowest drop charge. That is, fifty-seven of the sixty-one cities have a higher drop charge than Salt Lake City. Raising the drop charge to \$1.75 will still leave Salt Lake City's drop charge as the eleventh lowest of the sixty-one cities. Thus, by comparison, the rate increase requested by the Salt Lake City Taxicab industry will have minimal effects.

Similarly, the average per mile rate is \$1.93 and the median per mile rate is \$1.80. Raising the rate from \$1.60 to \$1.80 in Salt Lake City will leave Salt Lake City in the middle of the distribution relative to the other western U.S. cities in this analysis with regard to per mile rates. For example, thirteen other western U.S. cities, including Seattle, Los Angeles, San Diego, Palo Alto, Portland, and Cheyenne all have a per-mile rate of \$1.80.

The average waiting time charge in the western U.S. cities analyzed is approximately \$23.61 and the median is \$21.00. Raising the rate by \$1.00 from \$21.00 to \$22.00 will still leave Salt Lake City in the middle of the distribution of waiting time charges in cities in the Western U.S.

Thus, based on comparisons with cities in the same region, Salt Lake City's taxicab rates are low, at least with regard to drop charge and the per-mile charge. The rate increase requested by the taxicab industry is reasonable.

### Inflationary Trends

The second section of my analysis deals with the inflationary economic trends over the previous seven years. The effects of inflation are measured through indices such as the Consumer Price Index. Generally, references to "inflation" in the vernacular refer to an

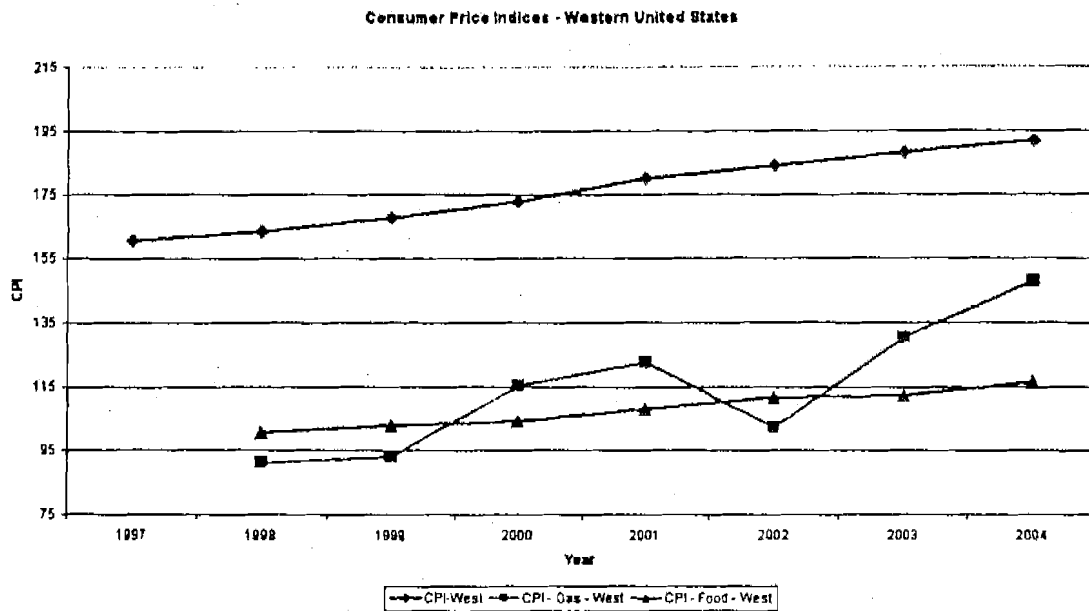
increase in the Consumer Price Index nationally for all urban consumers.<sup>1</sup> However, the Bureau of Labor Statistics ("BLS") and certain financial institutions also publish region-specific price indices. Inflation often exerts a disparate impact on regions. Housing prices and gasoline prices are examples of such disparate impacts. Some regions see rapid growth in housing prices while others see only moderate growth or price stagnation. Since transportation costs can be a major factor in the prices consumers pay, distance from the supply source of a certain product can also play a major role in the retail price. For this reason, focusing on regional price trends may provide a clearer picture of a localized region's economic trends than analyzing national trends.

I have analyzed regional economic trends to determine the level of inflation over the past seven years. For this analysis, I have relied upon data provided by the BLS. I have analyzed the following series: the Consumer Price Index (CPI) for all items and all urban consumers in the Western U.S., the CPI for gasoline in the Western U.S., the food CPI in the Western U.S., the gas CPI in the Denver region, the food CPI in the Denver region, and the shelter CPI in the Denver region. I used the data for the Western U.S. and the data for the Denver regions as a proxy for Salt Lake City since these were the closest regions for which the BLS reported data.

The results of my analysis are discussed below. The graph below shows the changes in the Consumer Price Index for the Western United States over the time period from 1997 to 2004. Two of the series began reporting data in 1998, so I have used 1998 as the starting point where applicable. The graph covers three time series: All Items, Gasoline, and Food.

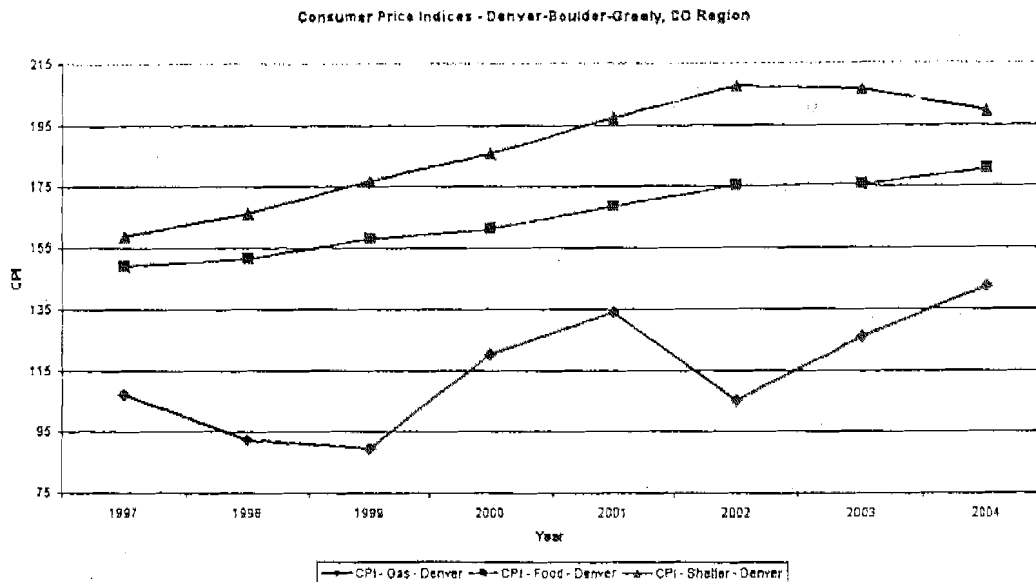
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<sup>1</sup> The CPI represents changes in prices of all goods and services purchased for consumption by urban households. User fees (such as water and sewer service) and sales and excise taxes paid by the consumer are also included. Income taxes and investment items (like stocks, bonds, and life insurance) are not included.



The above graph illustrates the upward trend in consumer prices in the Western United States over the seven years since the taxicab rates were last increased in Salt Lake City. Although certain years experienced a decrease, the overall trend is upward for each of the series shown: All Items, Gasoline, and Food.

As noted previously, I have also analyzed the data for the Denver region. The graph below illustrates price trends in the Denver-Boulder-Greeley, Colorado area over the previous seven years:



Again, the prices show an increase from 1997 through 2004. The percentage changes are shown below:

**Percentage Changes in Consumer Price Indices**

Year	CPI - West	CPI - Gas - West	CPI - Food - West	CPI - Gas - Denver	CPI - Food - Denver	CPI - Shelter - Denver
1997	2.55%			4.69%	3.76%	3.39%
1998	1.87%			-13.73%	1.74%	4.72%
1999	2.57%	2.09%	2.28%	-3.25%	4.09%	6.37%
2000	3.16%	23.76%	1.26%	34.45%	2.15%	4.92%
2001	4.10%	6.43%	3.74%	11.40%	4.53%	6.41%
2002	2.11%	-16.57%	3.23%	-21.51%	3.86%	5.06%
2003	2.28%	27.50%	0.63%	19.79%	0.34%	-0.53%
2004	1.97%	13.66%	3.74%	12.95%	2.73%	-3.39%
<b>Average Annual Increase</b>	<b>2.58%</b>	<b>9.48%</b>	<b>2.48%</b>	<b>5.60%</b>	<b>2.90%</b>	<b>3.37%</b>
<b>Increase Since 1997</b>	<b>19.5%</b>	<b>62.6%</b>	<b>15.8%</b>	<b>32.8%</b>	<b>21.1%</b>	<b>25.6%</b>

Source: Bureau of Labor Statistics

There has been a clear inflationary trend in the previous seven years. Inflation in the Western U.S. for all items has averaged approximately 2.58% per year since 1997. Gasoline, however, has experienced a greater price increase. As the chart above shows, the CPI for



gasoline in the Western U.S. has increased by approximately 9.48% per year over the past seven years. The Consumer Price Indices for the Denver area have also increased over the past seven years, by an average of nearly 33% for gasoline, 21% for food, and 25% for shelter.

These factors indicate that the real take-home pay of taxicab drivers has decreased over the past seven years. That is, based on the CPI for the western U.S., in real dollar terms, if a taxicab driver earned \$20,000 per year in 1997, those dollars would only be worth approximately \$16,100 in 2004. Thus, the taxicab drivers have suffered nearly a 20% drop in their take-home pay because of inflationary trends. This calculation is based on all items. Gasoline prices have risen even more rapidly. As the chart on the previous page shows, the CPI for gasoline in the Western U.S. has increased by approximately 62% over the past seven years. Furthermore, conventional regular motor gasoline spot prices have nearly doubled since 1997, based on data from the Department of Energy (DOE), as shown in Exhibit 4. New York prices show a 95.6% increase, Gulf Coast prices show a 99.8% increase, and Los Angeles prices show a 103.8% increase. Since gasoline costs comprise a significant portion of taxicab drivers' operating costs, gasoline price increases have made a strong contribution to the drop in the real income of taxicab driver over the past seven years.

Insurance costs also comprise a large portion of the costs associated with running a taxicab business. These costs have also increased over the previous seven years. The average annual increase in insurance premiums is approximately 8%. This average is primarily driven by large increases in 2000, 2001, and 2003. Overall, premiums paid by Yellow Cab have increased by over 72% over the previous seven years. The chart below

shows the premium costs paid by Yellow Cab over these years. These premiums reflect payments for the same number of taxicabs each year.

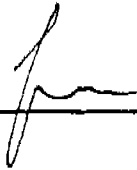
Year	Yellow Cab Premiums Paid	
1997	\$	154,836
1998	\$	142,600
1999	\$	151,250
2000	\$	180,630
2001	\$	227,968
2002	\$	204,512
2003	\$	267,380
2004	\$	274,450
Annual % Change		8.12%
Total % Change		72.69%

Source: Yellow Cab of Utah.

Typically, producers pass on at least a portion of their cost increases downstream to consumers. The amount by which costs are passed downstream is called the "pass-through". For example, increases in the price of wood will generally lead furniture manufacturers to charge higher prices for their products, since they must pay more for the raw materials. Heating costs are another example where increases in supply costs are passed to consumers. In 2000, Questar Gas asked the Utah Public Service Commission for a \$167 million pass-through rate increase. Questar justified this pass-through based on increases in the market price of the natural gas it purchased. However, in the case of the taxicab industry in Salt Lake City, the pass-through has been zero for the previous seven years. Insurance cost increases have been absorbed without the ability to pass on the added cost. Thus, the real income of taxicab drivers and companies has been adversely impacted.

Based on the analysis above, it is my opinion that the rate increases requested by the taxicab industry in Salt Lake City are justified and appropriate.

Respectfully submitted this day of January 20, 2005,

A handwritten signature in black ink, appearing to be 'Tatos', is written over a horizontal line.

Theodor P. Tatos

Senior Economist

LECG, LLC

# **EXHIBIT "1"**

## Exhibit 1. Documents Considered

- 1 2003 Taxicab Fact Book
- 2 Utah Annual Average Pay Growth Rates - from Office of Governor  
(<http://www.governor.utah.gov/dea/Forecasts/avgpay.pdf>)
- 3 UTA proposed rate increases
- 4 Bureau of Labor Statistics Inflation Data (<http://www.bls.gov>)
- 5 Insurance premium increases - Yellow Cab
- 6 United States Department of Energy - Spot Prices of Gasoline (<http://www.doe.gov>)
- 7 Utah League of Cities and Towns (ULCT) -  
from Salt Lake Tribune, 12/20/2000 - *Heat Cost Hike to Hit Utah, Average Bil May Jump 29%*
- 8 Federal Reserve Bank of San Francisco  
Does a Fall in the Dollar Mean Higher U.S. Consumer Prices - Economic Letter 2004-21

## EXHIBIT "2"

# LECG

*Ted P. Tatos*

**LECG, LLC**

**201 S. Main Street, Suite 450**

**Salt Lake City, UT, 84111**

**Tel. (801) 321-6329**

**Fax (801) 364-6230**

**Email [ted\\_tatos@lecg.com](mailto:ted_tatos@lecg.com)**

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Mr. Tatos is a Senior Economist in the Salt Lake City, UT office of LECG, LLC. In addition to his consulting practice, Mr. Tatos has served and continues to serve as Adjunct Professor for graduate and undergraduate economics classes at the University of Utah. Mr. Tatos has completed the coursework and thesis for the M.S. in Statistics from the University of Utah and has B.A. in Economics from Duke University. He has over nine years of experience in litigation and non-litigation consulting, specializing in econometric and statistical analysis. Mr. Tatos has been involved in matters requiring complex statistical analysis, among which are matters involving employment discrimination, statistical sampling for medical claim cases, wage and hour cases, employment benefits consulting, lost profits, stock valuation, and others. Mr. Tatos has been involved in several high-profile antitrust cases as well as numerous economic damage assessments.

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## ***Employment History***

September 2001 to present	LECG, LLC Senior Economist Washington, DC and Salt Lake City, Utah
January, 2001 to September 2001	DynCorp – Healthcare Information Technology Services Statistical Analyst Reston, Virginia
March 1997 to January 2001	LECG, LLC Research Analyst, Associate Washington, DC
August 1995 To February 1997	Triangle Economic Research Associate Economist Durham, NC

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## ***Education***

Duke University, Durham, NC  
B.A. Economics, 1995

University of Utah, Salt Lake City, Utah

M.S. Statistics - Econometrics, 2004 (coursework completed, degree to be awarded fall 2004  
– Thesis was published in Intellectual Property Damages: Guidelines and Analysis, 2004 Supplement – *Applying Statistical Analysis to the Market Approach*)

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## Teaching Credentials

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- Adjunct Professor – Spring 2005 – Economics 3640 – University of Utah
- Adjunct Professor – Spring 2005 – Economics 7801 – University of Utah
- Guest Lecturer – Summer 2004 – Executive MBA Program – University of Utah
- Adjunct Professor – Spring 2004 – Economics 7801 – University of Utah
- Guest Lecturer – Spring 2003 – Industrial Organization – University of Utah
- Adjunct Professor – Spring 2002 – Undergraduate Econometrics - University of Utah

## Publications and Presentations

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- *Applying Statistical Analysis to the Market Approach* (with Rick Hoffman) in Intellectual Property Damages: Guidelines and Analysis, 2004 Supplement
- *Determining the Choice Set in a Random Utility Model* (with Steven Waters) - Presentation to American Agricultural Economics Association, Toronto, Ontario, Canada, July 1997

## Commercial and Government Consulting and Litigation Experience

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### **Employment Discrimination and Benefits Consulting**

- Developed regression models to test for statistically significant differences in pay rates among men and women for big four accounting firm.
- Used parametric and nonparametric statistical techniques to compare promotion rates among men and women in employment discrimination litigation case.
- Critiqued expert report in employment discrimination litigation case. Developed statistical model to show flaws in expert report.
- Used statistical tests to determine inter-year differences between proportions of employees electing benefits
- Used logistic regression to determine trends in benefits elections
- Critiqued expert report analyzing employment benefits elections in financial sector litigation
- Provided consulting advice to employer in employment discrimination litigation matter



# LECG

- Developed statistical models to be used in testing for employment discrimination in litigation matters
- Developed statistical models to ensure a company undertaking layoffs is conducting the process randomly without discriminating with respect to gender, race, or age.

## **Statistical Analysis - (Sampling, Regression, Forecasting etc.)**

- Prepared statistical sampling analysis to critique expert report in case involving business interruption damages in grocery store industry.
- Prepared sales forecasting analysis in grocery industry matter.
- Prepared sales forecasting analysis in retail clothing industry.
- Performed regression analysis to critique expert report and prepare damages analysis in retail store litigation matter.
- Analyzed sub-grade loan portfolio to determine monthly gross loss percentage during the life of the portfolio. Performed regression analysis to validate model performance.
- Performed statistical analysis to determine fixed versus variable costs at oil refinery
- Used regression analysis to predict hospital purchase price per bed based on historical hospital/medical center transactions in litigation involving failed hospital market entry
- Performed regression analysis to forecast subgrade gasoline production in business interruption case involving explosion at an oil refinery.
- Estimated statistical relationship between mortgage lending activity and loan officer salaries in rebuttal of expert report
- Created statistical sampling plan in order to estimate overcharges or undercharges in insurance reimbursement case
- Compared difference in resulting weighted average cost of capital (WACC) from using the arithmetic vs. geometric mean to calculate the equity risk premium.
- Critiqued expert's Monte Carlo analysis with respect to appropriate value ranges and distribution of values in defense industry litigation
- Performed Monte Carlo analysis to determine end-of-lease residual value guarantee for leased tractors for trucking company
- Critiqued sampling design performed by statistical expert with regard to sample size and representativeness in medical claims case

# LECG

- Developed forecasting model to predict air ambulance flights in the presence and absence of accreditation
- Prepared revenue forecasting model for matter involving sales of nutritional supplements
- Performed survival analysis for case involving kidney dialysis patients
- Performed survival analysis for case involving time until retirement for optometrists still working after age 70 in Utah
- Developed forecasting model to predict sales of tiles used for building courts in domestic and commercial sports facilities in Canada
- Performed statistical analysis to critique expert's forecasting methodology using regression analysis techniques in multi-level marketing case
- Performed statistical sampling analysis of insurance claims in asbestos litigation and critiqued expert report of statistician
- Created statistical sampling design for study of automobile purchase records for major U.S. auto retailer
- Performed nonparametric statistical analysis and developed regression models to assess sampling accuracy and analyze potential damages in asbestos litigation.
- Assisted in creating sampling design for hospital study in Florida
- Assisted in creating sampling design for health services administration in Hawaii
- Performed statistical analysis for U.S. Department of Defense hospitals in regard to Joint Commission on Accreditation of Healthcare Organizations (JCAHO) Oryx measures
- Developed statistical models of lower-extremity amputations (LEA) in diabetics
- Developed statistical models of congestive heart failure (CHF) rates
- Developed statistical models of hospital readmission rates in cases of chronic obstructive pulmonary disease (COPD)
- Developed statistical models to analyze prescription pick-up rates at pharmacies in states throughout the nation for major U.S. pharmacy
- Performed analysis of retail outlets in contact lens litigation

## **Analysis of Large Databases**

- Developed pricing analysis of long-distance domestic and international calls in litigation involving major long-distance telephone service provider

# LECG

- Performed data extraction from databases of several U.S. commercial tissue manufacturers and compiled databases for statistical analysis
- Compiled data from several U.S. and foreign ferrosilicon and silicon metal manufacturers and retailers for statistical forecasting analysis.
- Created database programs and macros to extract data from various databases in response to requests from opt-out claimants in ferrosilicon litigation

## **Antitrust Cases**

- Performed market analysis and researched relevant market issues in case involving private versus public water companies
- Performed market analysis for aircraft engine services merger
- Performed market analysis and research, determined relevant markets and market concentrations in major defense industry merger.
- Developed geographic market and performed statistical analysis for Canadian sanitary services company merger.
- Developed geographic market analysis for merger of Utah radiology services providers.
- Developed econometric forecasting model and provided statistical analysis in ferrosilicon and silicon metal price-fixing litigation. Rebutted regression models of opposing experts.
- Analyzed pricing patterns and provided statistical categorical data analysis in commercial tissue litigation matter. Performed econometric analysis to determine existence of disparate impacts in class certification.
- Developed statistical and econometric models for analyzing pricing patterns in vitamin price-fixing litigation.
- Provided geographic market analysis and statistical analysis in contact lens price-fixing litigation
- Developed econometric analysis to analyze brand name erosion in clothing industry.
- Analyzed pricing patterns and performed statistical analysis in tobacco industry price-fixing litigation.
- Analyzed antitrust issues associated with entry of new members into physician network in Utah.
- Calculated market effects and performed statistical testing in analysis of gasoline market in a Utah city.
- Determined effects of tariff regulation on watch imports for American Watch Association.

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## **Damages Analysis**

- Provided statistical review and rebuttal of opposing expert's regression model and analysis of damages in litigation regarding furniture manufacturer. Developed econometric analysis.
- Calculated damages arising from breach of contract in litigation regarding mining company.
- Determined value of option to purchase real estate in Utah.
- Determined the value of trademark in trademark infringement litigation involving a restaurant and bakery.
- Calculated lost profits stemming from breach of contract in sports industry
- Prepared damages analysis in breach-of-contract matter in insurance industry

## **Environmental Litigation**

- Performed Preliminary Natural Resource Damage Analysis (PNRDA) at river in Massachusetts.
- Performed Preliminary Natural Resource Damage Analysis (PNRDA) at river in New York State.
- Performed demographic analysis for survey purposes in Natural Resources Damage Analysis at Superfund site in northwestern U.S.
- Provided survey supervision and analysis in damages analysis stemming from oil spill in Florida.
- Provided market analysis in analysis of damages stemming from oil spill in Rhode Island.

## **Business Valuation**

- Performed statistical analysis to determine comparable companies to benchmark firm in medical products industry
- Performed statistical analysis to determine comparable companies to benchmark firm in pre-packaged software industry
- Performed statistical analysis to determine comparable companies to benchmark firm in Internet company valuation.

# LECG

- Performed multivariate statistical analysis using various methods to determine proximity of comparable companies in high-technology government consulting company valuation.
- Developed statistical regression model to forecast loans for major U.S. bank.
- Used survival analysis methods to determine expected lifetime of firm in loan industry.
- Used option valuation techniques (Black-Scholes, Binomial Tree Models) to value options in pre-IPO Internet company.
- Used statistical analysis to value option to purchase land in future ski resort
- Used regression model to determine accuracy of retail sales forecasts in valuation of store damaged by fire.

## **EXHIBIT "3"**

Exhibit 3. Western U.S. Cities in 2003 Taxicab Annual Report

City	State	Drop Charge	Add'l Charge	Mile Increment	Waiting Time \$/HR	Per Mile Charge
Kingman	AZ	\$ 2.00	\$ 0.25	0.20	\$ 30.00	\$ 1.25
Prescott	AZ	\$ 2.00	\$ 0.10	0.08	\$ 40.00	\$ 1.20
29 Palms	CA	\$ 1.75	\$ 0.25	0.14	\$ 18.00	\$ 1.75
Anaheim (Orange Cty)	CA	\$ 2.30	\$ 0.30	0.14	\$ 24.00	\$ 2.10
Avalon	CA	\$ 3.75	\$ 1.75	1.00	\$ 63.00	\$ 1.75
Big Bear	CA	\$ 2.00	\$ 0.25	0.10	\$ 20.00	\$ 2.50
Daly City	CA	\$ 1.80	\$ 0.20	0.11	\$ 12.00	\$ 1.80
Fountain Valley	CA	\$ 1.90	\$ 0.20	0.13	\$ 27.00	\$ 1.60
Freemont	CA	\$ 2.00	\$ 2.50	1.00	\$ 40.00	\$ 2.50
Joshua Tree	CA	\$ 1.75	\$ 1.75	1.00	\$ 18.00	\$ 1.75
Long Beach	CA	\$ 2.00	\$ 0.20	0.10	\$ 22.50	\$ 2.00
Los Angeles	CA	\$ 1.90	\$ 0.20	0.11	\$ 18.00	\$ 1.80
Oakland	CA	\$ 2.50	\$ 0.25	0.13	\$ 20.00	\$ 2.00
Pacific	CA	\$ 2.00	\$ 0.20	0.13	\$ 20.00	\$ 1.60
Palm Springs	CA	\$ 2.50	\$ 0.27	0.13	\$ 35.00	\$ 2.16
Palo Alto	CA	\$ 2.00	\$ 0.20	0.11	\$ 22.00	\$ 1.80
Pomona	CA	\$ 1.90	\$ 0.19	0.10	\$ 24.00	\$ 1.90
Redding	CA	\$ 1.90	\$ 1.65		\$ 21.00	
Ridgecrest	CA	\$ 2.80	\$ 0.60	0.25	\$ 30.00	\$ 2.40
Roseville	CA	\$ 5.00	\$ 0.20	0.10	\$ 50.00	\$ 2.00
Sacramento	CA	\$ 5.00	\$ 0.20	0.09	\$ 25.00	\$ 2.20
San Bernardino	CA	\$ 1.90	\$ 0.30	0.17	\$ 18.00	\$ 1.80
San Diego	CA	\$ 2.10	\$ 0.20	0.11	\$ 18.00	\$ 1.80
San Francisco	CA	\$ 2.85	\$ 0.45	0.20	\$ 24.00	\$ 2.25
San Jose	CA	\$ 2.50	\$ 0.25	0.10	\$ 20.00	\$ 2.50
Santa Barbara	CA	\$ 1.70	\$ 0.20	0.09	\$ 30.00	\$ 2.20
Simi Valley	CA	\$ 2.00	\$ 0.25	0.14	\$ 20.00	\$ 1.75
Veneta	CA	\$ 1.75	\$ 0.25	0.14	\$ 15.50	\$ 1.75
Vista	CA	\$ 2.00	\$ 0.20	0.11	\$ 15.00	\$ 1.80
Aspen	CO	\$ 2.75	\$ 0.25	0.09	\$ 42.00	\$ 2.75
Colorado Springs	CO	\$ 1.65	\$ 0.15	0.11	\$ 16.00	\$ 1.35
Delta	CO	\$ 2.50	\$ 0.30	0.20	\$ 18.00	\$ 1.50
Denver	CO	\$ 1.40	\$ 0.20	0.13	\$ 15.00	\$ 1.60
Grand Junction	CO	\$ 2.75	\$ 0.35	0.17	\$ 21.00	\$ 2.10
Telluride	CO	\$ 2.00	\$ 2.00	1.00	\$ 30.00	\$ 2.00
Boise	ID	\$ 1.80	\$ 0.35	0.17	\$ 35.00	\$ 2.10
Caldwell	ID	\$ 1.40	\$ 0.10	0.07	\$ 20.00	\$ 1.50
Billings	MT	\$ 3.25	\$ 1.50		\$ 30.00	
Albuquerque	NM	\$ 2.20	\$ 0.20	0.10	\$ 24.00	\$ 2.00
Las Cruces	NM	\$ 2.50	\$ 0.25	0.17	\$ 15.00	\$ 1.50
Santa Fe	NM	\$ 2.25	\$ 2.00	1.00	\$ 27.00	\$ 2.00
Socorro	NM	\$ 1.75	\$ 0.50	0.17	\$ 18.00	\$ 3.00
Las Vegas	NV	\$ 2.70	\$ 0.20	0.11	\$ 22.00	\$ 1.80
Reno	NV	\$ 1.65	\$ 0.25	0.17	\$ 15.95	\$ 1.50
Sparks	NV	\$ 1.30	\$ 0.20	0.14	\$ 14.50	\$ 1.40
Ashland	OR	\$ 2.00	\$ 0.10	0.06	\$ 17.00	\$ 1.80
Bend	OR	\$ 1.80	\$ 0.10	0.07	\$ 18.00	\$ 1.50
Cool Bay	OR	\$ 3.00	\$ 0.30	0.10	\$ 25.00	\$ 3.00
Florence	OR	\$ 2.50	\$ 0.20	0.13	\$ 18.00	\$ 1.60
Medford	OR	\$ 2.00	\$ 0.10	0.06	\$ 17.00	\$ 1.80
Newport	OR	\$ 2.25	\$ 0.25	0.11	\$ 21.00	\$ 2.25
Pendleton	OR	\$ 2.35	\$ 0.20	0.11	\$ 17.00	\$ 1.80
Portland	OR	\$ 2.50	\$ 0.20	0.11	\$ 30.00	\$ 1.80
Salem	OR	\$ 2.20	\$ 0.10	0.07	\$ 25.00	\$ 1.50
Bellingham	WA	\$ 1.60	\$ 0.16		\$ 25.00	
Kennewick	WA	\$ 4.50	\$ 1.85		\$ 22.00	
Seattle	WA	\$ 1.80	\$ 0.20	0.11	\$ 30.00	\$ 1.80
Spokane	WA	\$ 2.10	\$ 0.19	0.10	\$ 18.00	\$ 1.90
Casper	WY	\$ 3.40	\$ 0.15		\$ 18.00	
Cheyenne	WY	\$ 1.80	\$ 0.18	0.10	\$ 18.00	\$ 1.80
Gillette	WY	\$ 3.10	\$ 1.60	1.00	\$ 18.00	\$ 1.60

Minimum	\$ 1.40	\$ 1.40	\$ 1.40
Maximum	\$ 5.00	\$ 63.00	\$ 3.75
Average	\$ 2.30	\$ 23.61	\$ 1.93
Median	\$ 2.00	\$ 21.00	\$ 1.80

CURRENT STATUS QUO

# Cities with Rate Greater Than Salt Lake City	57	28	41
# Cities Reporting Data	61	61	56
% Cities with Rate Greater Than Salt Lake City	93.4%	45.9%	67.2%

AFTER PROPOSED RATE INCREASE

# Cities with Rate Greater Than Salt Lake City	49	24	25
% Cities with Rate Greater Than Salt Lake City	80.3%	39.3%	44.6%

Source: 2003 Taxicab Fact Book

## EXHIBIT "4"



**Exhibit 4. US Department of Energy - Conventional Regular Motor Gasoline Spot Prices**  
**Annual Averages 1997-2004**

<i>Data in cents per gallon</i>	1997	1998	1999	2000	2001	2002	2003	2004
<b>Year</b>								
NY Average	60.38	42.74	54.45	86.30	74.15	72.45	88.43	118.07
Gulf Coast Average	58.53	41.32	52.23	83.77	74.03	72.12	87.14	116.97
LA Average	66.01	47.68	64.98	99.78	86.20	77.15	98.47	134.55

**Change from 1997-2004**

NY Average	95.56%
Gulf Coast Average	99.84%
LA Average	103.83%

*Source: United States Department of Energy (USDOE) file: psw13rdgt.xls.*

2005 Addendum to  
Report of  
Theodor P. Tatos  
Managing Economist - LECG  
  
Review of Proposed Flag Drop Fee Increase

Prepared at the Request of the  
Salt Lake City Taxicab Industry

## **I. Introduction**

I have been engaged by the Salt Lake Taxicab Industry (City Cab, Ute Cab, and Yellow Cab) in order to review the reasonableness of the proposal to increase the flag drop rate as a result of increased gas prices. This report is an addendum to the report that I submitted at the end of 2004 in regard to the issue of raising taxicab rates.

This report describes my work to date and summarizes my opinions and the bases for those opinions. The opinions and findings expressed herein are based upon my work to date and upon the facts and data I observed from my research of the issues involved in this matter. The materials I have specifically relied upon are listed in Exhibit 1 to this report. If new relevant facts are produced, I expect to update my analysis accordingly.

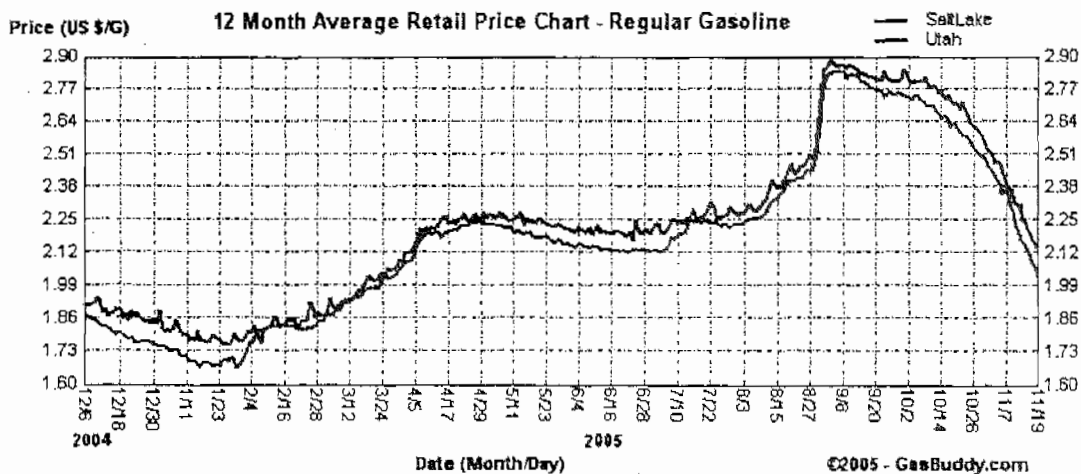
## **II. Professional Qualifications**

I am a Managing Economist in the international professional services firm of LECG. I have over nine years of experience in economic consulting for both public and private sector clients. I have provided consulting services in healthcare matters requiring statistical sampling and mathematical analysis, high-profile antitrust cases, business valuations, employment discrimination litigation matters, and others. I have taught both undergraduate and graduate-level economics classes at the University of Utah as an Adjunct Professor. I have also made presentations to graduate classes in the Finance Department and to the Executive MBA Program at the University of Utah as well as presentations to organizations such as the American Agricultural Economics Association. I have also published a chapter in the 2004 Supplement to the book Intellectual Property Damages: Guidelines and Analysis. A copy of my Curriculum Vitae is detailed in Exhibit 2 of this report.

### III. Analysis

#### A. Gasoline Price Fluctuations

As a result of the recent increases in gasoline prices, the taxicab companies in Salt Lake City had requested an immediate, but temporary increase in the flag drop from \$2.00 to \$3.00. This fall, gasoline prices in Utah reached \$3.00. The chart below illustrates the average regular gasoline prices in Utah and Salt Lake City over the past year:



Source: <http://www.saltlakegasprices.com><sup>1</sup>

Recently, the gas prices have retreated, due to several factors, including lighter-than-expected damage from Hurricane Rita as well as political pressure. A comparison of current gas prices with those of a year ago is shown below:

<sup>1</sup> This web site depends on reports from visitors, who enter in the prices they see at various gas stations throughout the Salt Lake area.

Salt Lake City- Ogden		Regular	Mid	Premium	Diesel
11/21	Current	\$2.10	\$2.22	\$2.31	\$2.87
	Yesterday	\$2.13	\$2.25	\$2.35	\$2.90
	Month Ago	\$2.70	\$2.85	\$2.97	\$3.25
	Year Ago	\$1.95	\$2.06	\$2.15	\$2.29

**Highest  
Recorded Price:**

Regular Unl.	\$2.88	9/8/2005
Dsl.	\$3.33	10/28/2005

Source: AAA Daily Fuel Gauge Report<sup>2</sup>

As shown above, prices have dropped significantly in the last month. However, despite the recent drop, the effects of the price increases have been felt across the country, both by commuters and by industries heavily dependent on gasoline.

## **B. Benchmarking Taxicab Rates**

The taxicab industry depends heavily on gasoline. The take-home income of taxicab drivers is a function of the fares they earn and the costs they undertake. The two main costs that taxicab drivers undertake are the cost of renting the cab from the companies and the cost of gasoline. Thus, gasoline price increases affect the taxicab drivers' costs of doing business. The gasoline price increases experienced over the last year underscore the importance of benchmarking taxicab rates to gasoline prices. Other

<sup>2</sup> <http://198.6.95.31/UTmetro.asp>

Note on methodology: AAA's Daily Fuel Gauge Report is updated each business day and is the most comprehensive retail gasoline survey available. Every day up to 85,000 self-serve stations are surveyed. This methodology is described below:

- Prices shown on Wednesday are based on the last credit card swipe at each station on Tuesday.
- Prices shown on Thursday are based on the last credit card swipe at each station on Wednesday.
- Prices shown on Friday are based on the last credit card swipe at each station on Thursday.
- Prices shown on Saturday are based on the last credit card swipe at each station on Friday.
- Prices shown on Sunday are based on the last credit card swipe at each station on Saturday.
- Prices shown on Monday are based on the last credit card swipe at each station on Sunday.
- Prices shown on Tuesdays are based on the last credit card swipe at each station on Monday.

© Copyright, Oil Price Information Service

industries that are highly dependent on gasoline have measures to compensate for such cost increases. The airline industry can levy fuel surcharges. The retail transportation industry can pass along its costs to the retail industry. The taxicab industry has no such outlet, absent approval from municipal authorities.

Other cities and municipalities have adopted this same approach. These municipalities include: Seattle (WA), Arlington (VA), Fairfax County (VA), and Philadelphia (PA). Below is a chart detailing the surcharges imposed by several municipalities in the United States in response to rising gasoline prices. Annapolis (MD) has responded to gas price increases by tying fare increases to fluctuations in gas prices.<sup>3</sup> The chart below illustrates how municipalities have administered fuel surcharges. As the chart below illustrates, the effects of the gasoline price increases on the taxicab industry is not a phenomenon indigenous to the United States. Rather, countries across the world have had to address the fuel surcharge issues. The chart also underscores that, unlike other industries that can adjust to cost increases, the taxicab industry generally depends on intervention from municipal authorities in order to respond to cost increases. I have not found the methodology used by the municipalities.

***Surcharges Proposed or Levied by Municipalities  
in Response to Gasoline Price Increases***

Arlington, VA	\$	0.50	
Additional Increase	\$	1.00	
(Later repealed in favor of per-mile increase of \$0.20)			
Fairfax Co., VA	\$	1.00	
NYC	\$	0.50	if gas > \$2.00
	\$	1.00	if gas > \$3.00
Pennsylvania	\$	0.55	Reviewed on monthly basis
	to \$	0.90	

**Other Countries**

China	\$	1.00	yuan
Australia	\$	0.50	dollars
Canada (BC)		4.50%	increase on metered rates
US Virgin Islands	\$	1.00	

<sup>3</sup> <http://www.baltimoresun.com/business/bal-ar.taxis14oct14,1,2004039.story?coll=bal-business-headlines>

As shown above, several municipalities have considered or incorporate adjustments that vary according to the fuel price increases ("sliding scale price indices"). The existence of such an index would prevent taxicab drivers from bearing the full burden of gasoline price increases. The advantage of such a sliding scale is that approval from local jurisdictions often takes considerable time. While the wheels of government grind through the approval process, the taxicab drivers are forced to bear the burden of cost increases. The existence of a sliding scale would allow for a faster response to gasoline price increases.

There are several ways to implement a taxicab rate schedule that is tied to changes in gasoline prices:

- Tie flag drop rates to gasoline prices. This approach appears to be the simplest method of compensating for fuel costs increases. This method has been chosen by many municipalities in the United States and abroad. Furthermore, patrons can know upfront what the impact of the fuel surcharge is. However, the main problem with this approach is that it disproportionately affects patrons who take taxicabs for short trips. For example, patrons who take longer trips have a greater impact on the fuel costs paid by taxicab drivers.
- Tie per-mile rates to gasoline prices. If this approach is implemented, taxicab patrons would be affected in direct proportion to the mileage traveled. However, based on my discussions with taxicab personnel, the transaction costs of implementing this method are greater than adjusting the flag drop, because, if the flag drop is adjusted, the decals on each taxi could state "Subject to gasoline tax surcharge.", rather than having to decal for each change in the mileage rate.
- Allow a percentage increase to the overall fare. This approach has been implemented in other municipalities as well. This approach levies a fuel surcharge as a percentage of the total fare. For example, a 5% surcharge on a \$10 fare would equal \$0.50.

### **C. Proposed Sliding Scale**

In order to obtain a measure of the impact on taxicab drivers in Salt Lake City, I have analyzed trip sheets obtained from Yellow Cab. These sheets consisted of airport and city trips for a two-week period from October 12 through October 26, 2005. I have relied upon the trip sheets as presented to me, and I have brought the trip sheets to the hearing. These trip sheets were not selected according to a statistically random plan, therefore I cannot make any statements as to the degree to which they are representative of the entire population of trips undertaken by Salt Lake City taxi drivers. However, these trip sheets provide a snapshot in time of the type of trips taken by taxicab drivers during this time.

The results of my analysis are attached in Exhibits 3 and 4. These exhibits illustrate trip sheet results for Airport and Non-Airport trips. These figures are based on the trip sheet data provided to me by Yellow Cab. I have also received trip sheet data from City Cab. However, these data were provided to me as summaries only, so I did not see the actual trip sheets. For this reason, I have not relied upon the data provided by City Cab. However, the summary sheets from City Cab indicated a substantially higher total miles traveled by airport and non-airport drivers. The City Cab indicated between 82 and 89 miles per day traveled by airport drivers and between 152 and 167 miles traveled by non-airport drivers.<sup>4</sup> If these figures are correct, they imply that the gasoline price increases have a greater impact upon taxicab drivers than the Yellow Cab trip sheets indicate.

### **Conclusion**

After reviewing the fuel price data and trip sheets from taxicab drivers in Salt Lake City, I have arrived at the following conclusions:

1. The current gasoline prices have reached the same levels upon which the previous rate increase was implemented. However, during the previous six months, fuel

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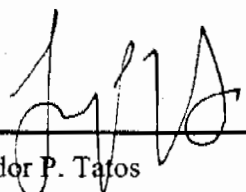
<sup>4</sup> These are actual figures and not doubled to reflect empty return trips.



prices have ranged from \$2.00 to \$3.00. For this reason, a six-month temporary increase in flag drop rates of \$0.50 is reasonable.

2. Gasoline price spikes can have a substantial impact upon taxicab drivers. This phenomenon has been illustrated nationwide as well as worldwide.
3. The taxicab drivers have no recourse from rising gasoline prices except to petition the municipal government.
4. A sliding scale for fuel surcharges would permit taxicab drivers to adjust their rates when fuel costs reach certain levels. Levels used by other municipal governments have been in the \$.50 increment range. These have been generally applied to the flag drop fee.

I respectfully submit this report to the City Council of Salt Lake City on this day of November 23, 2005.



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Theodor P. Tafos

Managing Economist

LECG, LLC

***Documents Considered***

***Exhibit 1***

Trip Sheets from Yellow Cab  
Trip Sheets from City Cab  
Various newspaper articles regarding fuel surcharges  
[www.saltlakegasprices.com](http://www.saltlakegasprices.com)  
AAA Daily Fuel Gauge Report

# LECG

## Theodor P. Tatos, Managing Economist, LECG

201 South Main Street, Suite 450  
Salt Lake City, Utah, 84111  
United States of America

Phone: (801) 321-6329  
Fax: (801) 364-6230  
Email: ttatos@lecg.com

### Summary of Credentials

Mr. Tatos is a managing economist in the Salt Lake City, UT office of LECG. He has over nine years of experience in litigation and non-litigation consulting, specializing in econometric and statistical analysis. Mr. Tatos has been involved in matters requiring complex statistical analysis, among which are matters involving employment discrimination, statistical sampling for medical claim cases, wage and hour cases, employment benefits consulting, lost profits, stock valuation, and others. Mr. Tatos has been involved in several high-profile antitrust cases as well as numerous economic damage assessments. In addition to his consulting practice, Mr. Tatos has taught as adjunct professor for graduate and undergraduate economics classes at the University of Utah. Mr. Tatos has completed the coursework and thesis for the MS in statistics from the University of Utah and has BA in economics from Duke University.

### Employment History

September 2001 to present	LECG Managing Economist Washington, DC and Salt Lake City, Utah
January, 2001 to September 2001	DynCorp – Healthcare Information Technology Services Statistical Analyst Reston, Virginia
March 1997 to January 2001	LECG Research Analyst, Associate Washington, DC
August 1995 To February 1997	Triangle Economic Research Associate Economist Durham, NC

# LECG

## Education

Duke University, Durham, NC  
BA Economics, 1995

University of Utah, Salt Lake City, Utah  
MS Statistics - Econometrics, 2004  
(coursework completed, degree to be awarded spring 2005 – Thesis was published in Intellectual Property Damages: Guidelines and Analysis, 2004 Supplement – Applying Statistical Analysis to the Market Approach)

## Teaching Credentials

- Adjunct Professor – Economics 3640 – University of Utah – Spring 2005
- Adjunct Professor – Economics 7801 – University of Utah – Spring 2005
- Guest Lecturer – Executive MBA Program – University of Utah – Summer 2004
- Adjunct Professor – Economics 7801 – University of Utah – Spring 2004
- Guest Lecturer – Industrial Organization – University of Utah – Spring 2003
- Adjunct Professor – Undergraduate Econometrics – University of Utah – Spring 2002

## Testifying Credentials

- Testified before Administrative Law Judge on the matter of whether Salt Lake City should issue additional taxicab licenses – November 2004
- Testified before Administrative Law Judge on the matter of whether taxicab rates in Salt Lake City should be increased to reflect inflationary trends – January 2005
- Deposition for Terranet Investments v. The Gap, Inc. – April 2005

## Publications and Presentations

- *Applying Statistical Analysis to the Market Approach* (with Rick Hoffman) in Intellectual Property Damages: Guidelines and Analysis, 2004 Supplement
- *Determining the Choice Set in a Random Utility Model* (with Steven Waters) -Presentation to American Agricultural Economics Association, Toronto, Ontario, Canada, July 1997

## COMMERCIAL AND GOVERNMENT CONSULTING AND LITIGATION EXPERIENCE

### Employment Discrimination and Benefits Consulting

- Developed regression models to test for statistically significant differences in pay rates among men and women for big four accounting firm.
- Used parametric and nonparametric statistical techniques to compare promotion rates among men and women in employment discrimination litigation case.
- Critiqued expert report in employment discrimination litigation case. Developed statistical model to show flaws in expert report.
- Used statistical tests to determine inter-year differences between proportions of employees electing benefits.
- Used logistic regression to determine trends in benefits elections.
- Critiqued expert report analyzing employment benefits elections in financial sector litigation.
- Provided consulting advice to employer in employment discrimination litigation matter.
- Developed statistical models to be used in testing for employment discrimination in litigation matters.
- Developed statistical models to ensure a company undertaking layoffs is conducting the process randomly without discriminating with respect to gender, race, or age.

### Statistical Analysis - (Sampling, Regression, Forecasting etc.)

- Prepared statistical sampling analysis to critique expert report in case involving business interruption damages in grocery store industry.
- Prepared sales forecasting analysis in grocery industry matter.
- Prepared sales forecasting analysis in retail clothing industry.
- Performed regression analysis to critique expert report and prepare damages analysis in retail store litigation matter.
- Analyzed sub-grade loan portfolio to determine monthly gross loss percentage during the life of the portfolio. Performed regression analysis to validate model performance.
- Performed statistical analysis to determine fixed versus variable costs at oil refinery.

# LECG

- Used regression analysis to predict hospital purchase price per bed based on historical hospital/medical center transactions in litigation involving failed hospital market entry.
- Performed regression analysis to forecast subgrade gasoline production in business interruption case involving explosion at an oil refinery.
- Estimated statistical relationship between mortgage lending activity and loan officer salaries in rebuttal of expert report.
- Created statistical sampling plan in order to estimate overcharges or undercharges in insurance reimbursement case.
- Compared difference in resulting weighted average cost of capital (WACC) from using the arithmetic vs. geometric mean to calculate the equity risk premium.
- Critiqued expert's Monte Carlo analysis with respect to appropriate value ranges and distribution of values in defense industry litigation.
- Performed Monte Carlo analysis to determine end-of-lease residual value guarantee for leased tractors for trucking company.
- Critiqued sampling design performed by statistical expert with regard to sample size and representativeness in medical claims case.
- Developed forecasting model to predict air ambulance flights in the presence and absence of accreditation.
- Prepared revenue forecasting model for matter involving sales of nutritional supplements.
- Performed survival analysis for case involving kidney dialysis patients.
- Performed survival analysis for case involving time until retirement for optometrists still working after age 70 in Utah.
- Developed forecasting model to predict sales of tiles used for building courts in domestic and commercial sports facilities in Canada.
- Performed statistical analysis to critique expert's forecasting methodology using regression analysis techniques in multi-level marketing case.
- Performed statistical sampling analysis of insurance claims in asbestos litigation and critiqued expert report of statistician.
- Created statistical sampling design for study of automobile purchase records for major U.S. auto retailer.

# LECG

- Performed nonparametric statistical analysis and developed regression models to assess sampling accuracy and analyze potential damages in asbestos litigation.
- Assisted in creating sampling design for hospital study in Florida.
- Assisted in creating sampling design for health services administration in Hawaii.
- Performed statistical analysis for U.S. Department of Defense hospitals in regard to Joint Commission on Accreditation of Healthcare Organizations (JCAHO) Oryx measures.
- Developed statistical models of lower-extremity amputations (LEA) in diabetics.
- Developed statistical models of congestive heart failure (CHF) rates.
- Developed statistical models of hospital readmission rates in cases of chronic obstructive pulmonary disease (COPD).
- Developed statistical models to analyze prescription pick-up rates at pharmacies in states throughout the nation for major U.S. pharmacy.
- Performed analysis of retail outlets in contact lens litigation.

## **Analysis of Large Databases**

- Developed pricing analysis of long-distance domestic and international calls in litigation involving major long-distance telephone service provider.
- Performed data extraction from databases of several U.S. commercial tissue manufacturers and compiled databases for statistical analysis.
- Compiled data from several U.S. and foreign ferrosilicon and silicon metal manufacturers and retailers for statistical forecasting analysis.
- Created database programs and macros to extract data from various databases in response to requests from opt-out claimants in ferrosilicon litigation.

## **Antitrust Cases**

- Performed market analysis and researched relevant market issues in case involving private versus public water companies.
- Performed market analysis for aircraft engine services merger.
- Performed market analysis and research, determined relevant markets and market concentrations in major defense industry merger.

# LECG

- Developed geographic market and performed statistical analysis for Canadian sanitary services company merger.
- Developed geographic market analysis for merger of Utah radiology services providers.
- Developed econometric forecasting model and provided statistical analysis in ferrosilicon and silicon metal price-fixing litigation. Rebutted regression models of opposing experts.
- Analyzed pricing patterns and provided statistical categorical data analysis in commercial tissue litigation matter. Performed econometric analysis to determine existence of disparate impacts in class certification.
- Developed statistical and econometric models for analyzing pricing patterns in vitamin price-fixing litigation.
- Provided geographic market analysis and statistical analysis in contact lens price-fixing litigation.
- Developed econometric analysis to analyze brand name erosion in clothing industry.
- Analyzed pricing patterns and performed statistical analysis in tobacco industry price-fixing litigation.
- Analyzed antitrust issues associated with entry of new members into physician network in Utah.
- Calculated market effects and performed statistical testing in analysis of gasoline market in a Utah city.
- Determined effects of tariff regulation on watch imports for American Watch Association.

## Damages Analysis

- Provided statistical review and rebuttal of opposing expert's regression model and analysis of damages in litigation regarding furniture manufacturer. Developed econometric analysis.
- Calculated damages arising from breach of contract in litigation regarding mining company.
- Determined value of option to purchase real estate in Utah.
- Determined the value of trademark in trademark infringement litigation involving a restaurant and bakery.
- Calculated lost profits stemming from breach of contract in sports industry.
- Prepared damages analysis in breach-of-contract matter in insurance industry.



# LECG

## **Environmental Litigation**

- Performed Preliminary Natural Resource Damage Analysis (PNRDA) at river in Massachusetts.
- Performed Preliminary Natural Resource Damage Analysis (PNRDA) at river in New York State.
- Performed demographic analysis for survey purposes in Natural Resources Damage Analysis at Superfund site in northwestern U.S.
- Provided survey supervision and analysis in damages analysis stemming from oil spill in Florida.
- Provided market analysis in analysis of damages stemming from oil spill in Rhode Island.

## **Business Valuation**

- Performed statistical analysis to determine comparable companies to benchmark firm in medical products industry.
- Performed statistical analysis to determine comparable companies to benchmark firm in pre-packaged software industry.
- Performed statistical analysis to determine comparable companies to benchmark firm in Internet company valuation.
- Performed multivariate statistical analysis using various methods to determine proximity of comparable companies in high-technology government consulting company valuation.
- Developed statistical regression model to forecast loans for major U.S. bank.
- Used survival analysis methods to determine expected lifetime of firm in loan industry.
- Used option valuation techniques (Black-Scholes, Binomial Tree Models) to value options in pre-IPO Internet company.
- Used statistical analysis to value option to purchase land in future ski resort.
- Used regression model to determine accuracy of retail sales forecasts in valuation of store damaged by fire.

**Analysis of Airport Trips  
Evaluation of Proposed Flag Drop Increase  
LECG, LLC**

**Exhibit 3**

Date	Trips	Total Fare
10/16/2005	5 \$	93
10/17/2005	8 \$	174
10/18/2005	11 \$	188
10/19/2005	14 \$	268
10/20/2005	9 \$	153
10/21/2005	6 \$	105
10/22/2005	7 \$	135
10/23/2005	11 \$	206
10/24/2005	14 \$	256
10/25/2005	22 \$	356
10/26/2005	5 \$	94
<b>Total</b>	<b>112 \$</b>	<b>2,027</b>
Average \$/Trip	\$	18.10
Average Trips/Day		10.18
Average \$/Day	\$	184.31
Average Miles Traveled		106.85 <1>
Assumed MPG		15.04 (from Taxicab Fact Book)
Gallons Used Per Day		7.10
Effect of \$.50 Gas Price Increase	\$	3.55
Effect of \$1.00 Gas Price Increase	\$	7.10
Benefit of \$0.50 increase	\$	5.09
Benefit of \$1.00 increase	\$	10.18

**Notes:**

<1> This figure is equal to double of the actual miles listed on the trip sheets. The reason for this is that taxicab drivers serving the airport must return to the airport. Based on the trip sheets I have seen, they generally appear to return empty to the airport. Furthermore, this figure does not include idling time and time spend driving to and from the Yellow Cab location.

A. LOUIS ZUNGUZE

DIRECTOR

BRENT B. WILDE

DEPUTY DIRECTOR

# SALT LAKE CITY CORPORATION

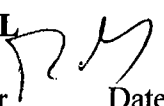
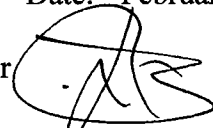
DEPT. OF COMMUNITY DEVELOPMENT

OFFICE OF THE DIRECTOR

ROSS C. "ROCKY" ANDERSON

MAYOR

## COUNCIL TRANSMITTAL

**TO:** Rocky Fluhart, Chief Administrative Officer  **Date:** February 24, 2006  
**FROM:** Louis Zunguze, Community Development Director   
**RE:** Request to amend Salt Lake City Code Section 5.72.455: *Maximum Rates*

**STAFF CONTACT:** Edna Drake, Business License Administrator, at 535-6473  
or edna.drake@slcgov.com

**RECOMMENDATION:** That the City Council hold a briefing and schedule a Public Hearing

**DOCUMENT TYPE:** Ordinance

**BUDGET IMPACT:** None

### DISCUSSION:

**Issue Origin:** Donald J. Winder, on behalf of Yellow Cab Drivers Association, Ute Cab Company, and City Cab Company requested a hearing for a temporary increase in the flag drop rate of taxicabs for the next six (6) months to allow adjustments in line with present high gas prices.

**Analysis:** Per Section 5.72.457 of the Salt Lake City Code, a Public Hearing was held on November 23, 2005, before Michael W. Crippen, Hearing Officer, pertaining to the petition filed by Yellow Cab Drivers Association, Inc. (Yellow Cab), Ute Cab Company (Ute Cab), and City Cab Company (City Cab) for a temporary increase in the flag drop rate. Attached is a copy of the "Findings of Fact, Conclusions, and Recommendation" signed by the hearing officer, Michael W. Crippen.

The Hearing Officer recommends:

1. The current flag drop rate of \$2.00 should be increased to \$2.50 for a period of six months. After the six (6) month time period the flag drop rate will return to the original rate of \$2.00.
2. One hundred percent (100%) of the increase in the flag drop rate should go to the taxicab drivers and none of it should go to the Cab Companies.



3. The question of benchmarking future increases in the flag drop rate to respond to changes in gasoline prices should be appropriately left to the City Council or Budget Office as a policy matter, rather than the Hearing Officer.

***Administration Recommendation:*** The Administration recommends that the City Council approve the increased taxicab flag drop rate based on the findings outlined in Hearing Officer Crippen's "Findings of Fact, Conclusions, and Recommendation."

#### **PUBLIC PROCESS:**

Pursuant to Section 5.72.457(D) of the Salt Lake City Code, the recommendations of the Hearing Officer are subject to acceptance, modification, or rejection by the City Council following a Public Hearing.

#### **RELEVANT ORDINANCES:**

Salt Lake City Code Salt Lake City Code Section 5.72.455: *Maximum Rates*

## **Table of Contents**

- Attachment A: Michael W. Crippen  
Findings of Fact, Conclusions and Recommendation**
- Attachment B: Section 5.72.455  
Maximum Taxicab Rates**

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Attorneys for Yellow Cab Drivers  
Association, Inc., City Cab Company  
and Ute Cab Company

BEFORE THE DESIGNEE OF THE  
MAYOR OF SALT LAKE CITY, UTAH

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IN RE: MATTER OF  
TEMPORARY TAXICAB  
FLAG DROP RATE INCREASE

**FINDINGS OF FACT,  
CONCLUSIONS AND  
RECOMMENDATION**

Hearing Officer: Michael W. Crippen

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Pursuant to Sections 5.72.457 and 5.72.455(A) of the Salt Lake City Code, a public hearing was held on November 23, 2005, before Michael W. Crippen, Hearing Officer, to determine whether the November 2, 2005 Renewed Petition for Temporary Taxicab Rate Increase filed by Yellow Cab Drivers Association, Inc. ("Yellow Cab"), Ute Cab Company ("Ute Cab"), and City Cab Company ("City Cab") (referred to herein collectively as the "Cab Companies") for a temporary increase in the flag drop rate should be forwarded as a recommendation to the City Council. Representatives of the Cab Companies were present at the hearing, testimony was introduced, exhibits ("Ex.")

were offered and received, and arguments were made to the Hearing Officer in support of the petition. Donald J. Winder, Attorney at Law, appeared on behalf of the Cab Companies. Melanie Reif, Assistant City Attorney, and Jim Benton, Business Licensing Enforcement, appeared on behalf of Salt Lake City.

Counsel for the Cab Companies and the City each provided procedural and statutory background information pertinent to this petition and the City Council's recent legislative action authorizing the procedure for this proceeding. Counsel for the Cab Companies clarified during the hearing that although their original petition requested a temporary increase of \$1.00 in the flag drop rate, they are now proposing the following recommendation given the recent recess in gas prices:

That a fifty-cent (\$.50) increase in the flag drop rate for the next six (6) months be implemented to allow a catch-up for the high gas prices over the last six (6) months. Implementing this change will include no prospective increase because gas prices have retreated.

The Cab Companies also suggested the following recommendation to address future fluctuations in gas prices:

That a sliding scale be implemented that would allow the flag drop rate to change based on the fluctuation of more than \$.50 in gas prices. Under this system, the flag drop rate will be adjusted on a monthly basis to account for the

fluctuations of more than \$.50, either upward or downward, in gas prices from a base price of \$2.00/gallon. This process, as proposed, would be implemented without additional hearings and would be initiated by the Cab Companies providing notice to the Business Licensing Administrator in advance of the rate change. Gas prices would be determined by those published by the American Automobile Association ("AAA").

With respect to the Cab Companies' proposal for a sliding scale, the City noted that as a practical matter a recommendation could be drafted to include a sliding scale but Section 5.72.455(A) of the Salt Lake City Code provides an alternative to that approach which, theoretically, would allow the rates to be set at an amount that would allow the Cab Companies or taxicab drivers to lower the rates on their own. Thus, hypothetically speaking, if the flag drop rate were raised to \$3.00 as requested in the Cab Companies' renewed petition, and if gas prices went to \$2.50 per gallon, then the Cab Companies or taxicab drivers could lower the rate on their own pursuant to Section 5.72.455 which states that owners or taxicab drivers may establish rates that are lower but not higher than those established by ordinance. The City noted that it was not making a recommendation but was simply noting this as an alternative that seemed more in keeping with Section 5.72.457 as presently drafted.



The Cab Companies offered testimony on their own behalf and also presented the testimony of their expert, Ted Tatos ("Mr. Tatos"). Yellow Cab testified that it is operating approximately 120 cabs per day; Ute Cab testified that it is operating about 60-68 cabs per day; and City Cab testified that it is operating approximately 45 cabs per day. They also testified that their drivers buy their own gas and that they do not provide gas to the drivers. Mr. Tatos testified that he was proposing adoption of the sliding scale. Mr. Tatos explained that a sliding scale could be based on gas prices or could be based on a per mile charge. Mr. Tatos testified that basing the sliding scale on gas prices was easier and less expensive than basing it on a per mile charge which would involve frequent changes to the taxicab meters. Mr. Tatos presented fifteen (15) trip sheets to support his proposal to adopt a sliding scale, but he later acknowledged that those sheets were not a representative sample and were only relied on by him as a statistical model.

The Hearing Officer, having considered the evidence, arguments and the Cab Companies' proposal, being fully advised in the premises and for good cause appearing, hereby issues the following Findings of Fact, Conclusions and Recommendation:

#### **FINDINGS OF FACT**

1. The Cab Companies filed a petition for temporary taxicab rate increase on or about September 20, 2005. Ex. 3.
2. The petition was rejected on the basis that the Salt Lake City Code only permitted one review of rates in a calendar year and the rates had previously been reviewed and increased during the 2005 calendar year.

3. The Salt Lake City Council, in order to respond to special circumstances justifying additional reviews of rates during a particular calendar year, amended the Salt Lake City Code Section 5.27.457 to permit additional reviews based upon the approval of either the City Council or the Mayor. This amendment was passed on November 1, 2005 and published on November 5, 2005.

4. Following the action of the City Council, the Cab Companies filed a renewed petition for temporary taxicab rate increase on or about November 2, 2005. This petition seeks a temporary \$1.00 increase in the current flag drop rate from \$2.00 to \$3.00. Ex. 4.

5. Pursuant to newly enacted subsection (E) of Section 4.72.457 of the Salt Lake City Code, the Mayor directed that this hearing be scheduled.

6. A notice of hearing in connection with the Cab Companies' renewed petition was mailed to the Cab Companies and duly published. Exs. 1 and 2.

7. The City previously increased taxicab rates in late May 2005. These rate increases included an increase in the flag drop rate from \$1.60 to \$2.00 and a per mile change from 1/16 mile to 1/18 mile. This increase reflects a twenty-five cent (\$.25) increase above the requested and recommended flag drop rate as set forth in the Cab Companies' January 10, 2005 petition and this hearing examiner's February 15, 2005 recommendation.

8. At the time the Hearing Officer previously recommended an increase in taxicab rates, the cost of regular gasoline was approximately \$2.00 per gallon. Ex. 5.

9. Gasoline prices peaked at \$2.90 per gallon in the fall of 2005. *Id.*
10. The taxicab industry depends heavily upon gasoline. *Id.*
11. As of the date of the hearing in this matter, gasoline prices have retreated to about \$1.96 per gallon.
12. Cab drivers for each of the Cab Companies pay for their own gasoline costs. Cab drivers are not compensated or reimbursed by the Cab Companies for gasoline costs. This means that the taxicab drivers had to absorb 100% of the increase in gas prices.
13. The Hearing Officer takes judicial notice of the testimony given by taxicab drivers at a hearing conducted in the matter of Eagle Limo & Cab, LLC and additional applications, which testimony established the reduced income being received by taxicab drivers due to inflation and the increased costs of operating a taxicab.
14. Although gasoline prices have now retreated, it is fair, reasonable and necessary to compensate the taxicab drivers for the loss they suffered during the recent period of increased gasoline costs. As set forth in Ex. 5, gas prices peaked at \$2.90 per gallon in the fall of 2005, increasing by nearly \$.75 per gallon from mid-summer, requiring the cab drivers to absorb this expense without any relief. Therefore, a temporary increase in the flag drop rate to compensate them retroactively is justified.
15. The Cab Companies agree that 100% of any temporary increase in the flag drop rate will be passed on to the taxicab drivers to help compensate them for the recent increase in gasoline prices.

16. Other jurisdictions, including but not limited to Seattle, Washington, Fairfax County, Virginia, Arlington, Virginia, Annapolis, Maryland, and Philadelphia, Pennsylvania, have responded to the sudden and unexpected increases in gasoline prices by implementing gasoline surcharges ranging from \$.50 to \$1.00. Some of these surcharges are based upon a sliding scale tied to gasoline prices. Ex. 5.

17. It is fair and reasonable for the flag drop rate to be increased by \$.50 for a period of six months to cover the gas price increase from at least August 2005 to November 2005 and maybe going back as far as April 2005, to be made effective upon the approval by the City Council.

18. The question of benchmarking future increases in the flag drop rate to respond to changes in gasoline prices is more appropriately left for decision by the City Council or Budget Office as a policy matter, rather than the Hearing Officer.

19. Section 5.72.455 supports the City's hypothetical that the rates could be raised to the maximum \$3.00 flag drop rate requested in the Cab Companies' renewed petition, which could then be lowered by the owners or drivers when gas prices fluctuate. However, as a practical matter, this route should not be put into practice for the reason that a \$3.00 ceiling may become the floor after a change is implemented.

## **CONCLUSIONS**

1. The Cab Companies' renewed petition for temporary rate increase was appropriately and timely filed.

2. The November 23, 2005, public hearing concerning the Cab Companies' petition was timely and properly noticed by Salt Lake City.

3. The flag drop rate, which is currently \$2.00, should be increased to \$2.50 for a period of six months, to compensate taxicab drivers for the recent period of increased gasoline prices.

4. One hundred percent (100%) of the increase in the flag drop rate should go to the taxicab drivers and none of it should go to the Cab Companies.

5. The foregoing temporary increase should become effective upon approval by the City Council.

### **RECOMMENDATION**

Based upon the foregoing Findings of Fact and Conclusions, this Hearing Officer does hereby RECOMMEND the following:


1. The current flag drop rate of \$2.00 should be increased to \$2.50 for a period of six months.

2. One hundred percent (100%) of the increase in the flag drop rate should go to the taxicab drivers and none of it should go to the Cab Companies.

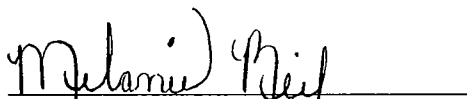
3. The question of benchmarking future increases in the flag drop rate to respond to changes in gasoline prices should be appropriately left for decision by the City Council or Budget Office as a policy matter, rather than the Hearing Officer.

4. Pursuant to Section 5.72.457(D) of the Salt Lake City Code, this recommendation is subject to the acceptance, modification, or rejection by the City Council.

Entered this 20<sup>th</sup> day of January, <sup>2006</sup>~~2005~~.

  
MICHAEL W. CRIPPEN  
Hearing Officer

Approved as to form:

  
MELANIE A. REIF  
Assistant City Attorney  
Salt Lake City Corporation

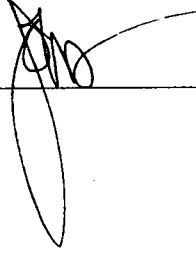
CERTIFICATE OF HAND-DELIVERY

I hereby certify that I caused a true and correct copy of the foregoing proposed FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER, to be sent via U.S. Mail, postage prepaid, on this 19<sup>th</sup> day of December, 2005, to the following:

Melanie A. Reif  
Assistant City Attorney  
Salt Lake City Corporation  
451 South State Street, #505A  
Salt Lake City, Utah 84111

Edna Drake  
Business License Supervisor  
Business & Licensing Division  
Salt Lake City Corporation  
451 South State Street, Rm 225  
Salt Lake City, UT 84111

Sam Guevara  
Mayor's Chief of Staff  
Salt Lake City Corporation  
451 South State Street, #306  
Salt Lake City, Utah 84111



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SALT LAKE CITY ORDINANCE  
No. \_\_\_\_\_ of 2006  
(Amending Maximum Taxicab Rates)

AN ORDINANCE AMENDING SECTION 5.72.455, *SALT LAKE CITY CODE*,  
PERTAINING TO MAXIMUM TAXICAB RATES.

Be it ordained by the City Council of Salt Lake City, Utah:

SECTION 1. That Section 5.72.455, *Salt Lake City Code*, pertaining to maximum taxicab rates be, and the same hereby is, amended to read as follows:

**5.72.455 Maximum Rates:**

A. Except as otherwise provided herein, an owner or driver of a taxicab may establish and charge mileage rates lower than, but shall not establish and charge any mileage rate for the use of a taxicab greater than, two and a half dollars (\$2.50) for flag drop and ten cents (\$0.10) for each one-eighteenth (1/18) mile or fraction thereof for a period of six (6) months starting on [date to be determined at time of Council consideration] and ending on [date to be determined at time of Council consideration], and thereafter the flag drop rate shall be adjusted to two dollars (\$2.00) and the per mile rate shall remain the same. An owner or driver of a taxicab may establish and charge a rate for waiting time lower than, but shall not establish any rate for waiting time greater than twenty two dollars (\$22.00) per hour.

B. The foregoing notwithstanding, an owner or driver of a taxicab who is charged a fee by the City to deliver a passenger or to pick up a passenger at the Salt Lake City International Airport may, in addition to the rates allowed by subsection A of this Section, or its successor, charge an additional sum in the exact amount of such fee to be used to pay such fee. Further, an owner or driver of a taxicab may charge a minimum airport rate of twelve dollars (\$12.00) for service from the Salt Lake City International Airport.



SECTION 2. This ordinance shall take effect immediately upon the date of its first publication.

Passed by the City Council of Salt Lake City, Utah this \_\_\_\_\_ day of \_\_\_\_\_, 2006.

\_\_\_\_\_  
CHAIRPERSON

ATTEST:

\_\_\_\_\_  
CHIEF DEPUTY CITY RECORDER

Transmitted to Mayor on \_\_\_\_\_.

Mayor's Action: \_\_\_\_\_ Approved. \_\_\_\_\_ Vetoed.

\_\_\_\_\_  
MAYOR

\_\_\_\_\_  
CHIEF DEPUTY CITY RECORDER

(SEAL)

Bill No. \_\_\_\_\_ of 2006.  
Published: \_\_\_\_\_.

APPROVED AS TO FORM  
Salt Lake City Attorney's Office  
Date February 8, 2006  
By Melanie Bell

SALT LAKE CITY DEPARTMENT OF AIRPORTS  
Airport Director Selection Committee 2005-2006  
Potential Members – Not Yet Contacted or Confirmed

**Keith S. Christensen**

**Airport Board Member**

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**Airport Board Member**

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**John H. Short, Ph.D.**

**Airport Board Member**

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**Rocky Fluhart**

Deputy Mayor

Salt Lake City

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Phone 535-5426

Contact: Robyn

E-mail: [rocky.fluhart@slcgov.com](mailto:rocky.fluhart@slcgov.com)**Deputy Mayor****Ted Wilson**

Address

Phone

**Former Mayor**

E-mail:

**Connie Leonardakis****Community****Curtis Brunson****Community**