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# *Economic Impacts of NYC Congestion Pricing & Taxi Fare Increase*

## *Congestion Pricing/CBD Tolling Program History*

In April 2019, New York State enacted legislation requiring the Metropolitan Transportation Authority (“MTA”) Triborough Bridge and Tunnel Authority (“TBTA”) to design, develop, build, and run the Central Business District (“CBD”) Tolling Program. The TBTA operates the bridges and tunnels that connect the five boroughs of New York City. The CBD Tolling Program will charge most vehicles a variable rate for entering Manhattan below 61st Street.<sup>1</sup> The Program is projected to bring in \$1 billion per year to the MTA in tolls, which will allow the MTA to unlock \$15 billion in debt financing to fund its current five-year capital plan. At this point, the CBD tolling is not expected to begin until at least late 2023.

The exact toll rates have yet to be determined. On August 10, 2022, the MTA released the long-awaited Environmental Assessment (“EA”) of the CBD Tolling Program. The comprehensive report includes seven different tolling scenarios, with toll rates ranging from \$9 to \$23 during peak periods, \$7 to \$17 in off-peak, and \$5 to \$12 overnight. The state law requires the tolling plan to include credits, discounts, and/or exemptions for taxi and for-hire vehicle (“FHV”) trips that are subject to an existing congestion surcharge that applies to trips below 96th Street in Manhattan. Out of the seven scenarios, only two scenarios would exempt taxis from the toll, and none would exempt for-hire vehicles (“FHV”). A few scenarios would cap the number of times per day that taxis and/or FHV would have to pay the toll. FHV would only be “whacked” three times per day under the scenarios exempting taxis. Under two other scenarios, taxis and FHV would both be capped at once per day. The seven scenarios are below:

<b>Scenario</b>	<b>Taxi</b>	<b>FHV</b>
A	No cap, \$5–9/trip	No cap, \$5–9/trip
B	1x day, \$5–10/trip	1x day, \$5–10/trip
C	Exempt	3x day, \$7–14/trip
D	No cap, \$10–19/trip	No cap, \$10–19/trip
E	Exempt	3x day, \$12–23/trip
F	1x day, \$12–23/trip	1x day, \$12–23/trip
G	No cap, \$7–12/trip	No cap, \$7–12/trip

Based on my ballpark estimate, under these scenarios, the annual toll revenue from taxis and FHV would likely fall between \$166 million and \$467 million. It is a considerable range, but the average would be approximately \$280 million. This amount is close to the congestion surcharge revenue collected in 2021.

The official 30-day public comment period on the EA commenced August 10, 2022, and closed September 23, 2022 (the original deadline was extended for 2 weeks from the original date of September 9, 2022). Public hearings held in late August have generated a tremendous amount of publicity – and clear divisions – among New York’s elected officials, commercial industries, advocacy groups, and the public. So far, there are many outside the taxi, limousine, and rideshare industry who have spoken out against the proposed CBD toll pricing schemes and are advocating for an exemption for taxis and/or FHV, including

NY State Senator Liz Krueger, Manhattan Borough President Mark Levine, and the New York League of Conservation Voters. Others have raised concerns about the impact that it will have on drivers, including NYC Council Speaker Adrienne Adams, NYC Councilmember Selvena Brooks-Powers (who is the Chair of the Transportation & Infrastructure Committee), and the New York Urban League.

## *Congestion Pricing - Procedural Status*

The EA is part of the environmental review process required by the National Environmental Policy Act (“NEPA”).<sup>1</sup> NEPA is a federal law that requires agencies to identify and evaluate impacts of major federal actions significantly affecting the quality of the human environment. The CBD Tolling Program is subject to NEPA because of the involvement of the U.S. Department of Transportation Federal Highway Administration (“FHWA”) in the approval of the final plan.

An EA is a document that briefly provides evidence or analysis on which the agency determines whether to prepare an environmental impact statement (“EIS”).<sup>2</sup> If, based on the EA, the FHWA determines that the CBD Tolling Program could have a significant impact on the environment, then it must prepare an EIS, which is a lengthy process that could take years. However, if the FHWA makes a finding of no significant impact (“FONSI”), then the environmental review process terminates. An agency’s decision not to prepare an EIS carries considerable risk because it may be challenged in court. If the court decides that an EIS must be prepared, then the agency will have expended considerable time and resources on the litigation only to find that it is required to prepare an EIS.

Once either the FONSI or final EIS is issued, only then may the MTA proceed to the next stage of implementing congestion pricing. Next up would be for the Traffic Mobility Review Board (“TMRB”) to hold hearings and recommend toll rates to the TBTA, which will make the final decision on what the rates will be. The TMRB is not bound to the seven scenarios in the EA and may come up with something completely different.

Several elected officials and organizations have already submitted written comments asking the MTA to exempt taxis and/or for-hire vehicles from the congestion toll because these trips are already subject to the congestion surcharge that applies to trips below 96th Street in Manhattan. NY State Senator Liz Krueger and NYC Councilmember Selvena Brooks-Powers along with the Association for a Better New York (ABNY), New York League of Conservation Voters, and the Regional Plan Association (RPA) all submitted formal comments to the MTA citing the congestion surcharge as a reason for exempting taxis and FHV’s from the toll. At the very least, the taxes currently paid to the MTA must be accounted for in any future congestion pricing plans.

## *Impacts of Congestion Pricing on FHV’s & Taxi Fare Increase*

On September 6, 2022, the NYC Taxi and Limousine Commission (“TLC”) published proposed amendments to increase the rates of fare and surcharges for taxicabs and street hail liveries (“SHL”), to create a new LaGuardia Airport surcharge, and to increase the John F. Kennedy Airport flat fare and surcharge for Newark Airport, as set forth below:

<b>Fare Breakdown</b>	<b>Existing Amount</b>	<b>Proposed Amount</b>	<b>% Increase</b>
Initial charge	\$2.50	\$3.00	20%
Additional unit charge	\$0.50	\$0.70	40%

<sup>1</sup> 42 U.S.C. §§ 4321 *et seq.*

<sup>2</sup> 40 C.F.R. § 1508.9(1).

(per 1/5 mi. or per 1 min.)			
Rush hour surcharge	\$1.00	\$2.50	150%
Overnight surcharge	\$0.50	\$1.00	100%
Improvement Surcharge	\$0.30	\$1.00	233%
JFK flat rate	\$52.00	\$65.00	25%
JFK rush hour surcharge	\$4.50	\$5.00	11%
EWR surcharge	\$17.50	\$20.00	14%
LGA surcharge (new)	n/a	\$5.00	n/a

The TLC will hold a public hearing on the proposed rules on October 6, 2022, at 10:00 a.m. via Zoom. For information on how to participate in the public hearing, visit the TLC website at: [www1.nyc.gov/site/tlc/about/proposed-rules-pilot-programs.page](http://www1.nyc.gov/site/tlc/about/proposed-rules-pilot-programs.page).

In the notice about the taxi fare increase, the TLC posits that the increases will raise the average fare by 23 percent. Based on the latest data available, the average taxi fare is roughly \$18.83.<sup>3</sup> A fare increase of 23 percent means the new fare would be \$23.16. Add to this a congestion toll rate of \$19, and the final fare would be \$42.16, which, compared to the existing fare of \$18.83, is roughly 124% higher!

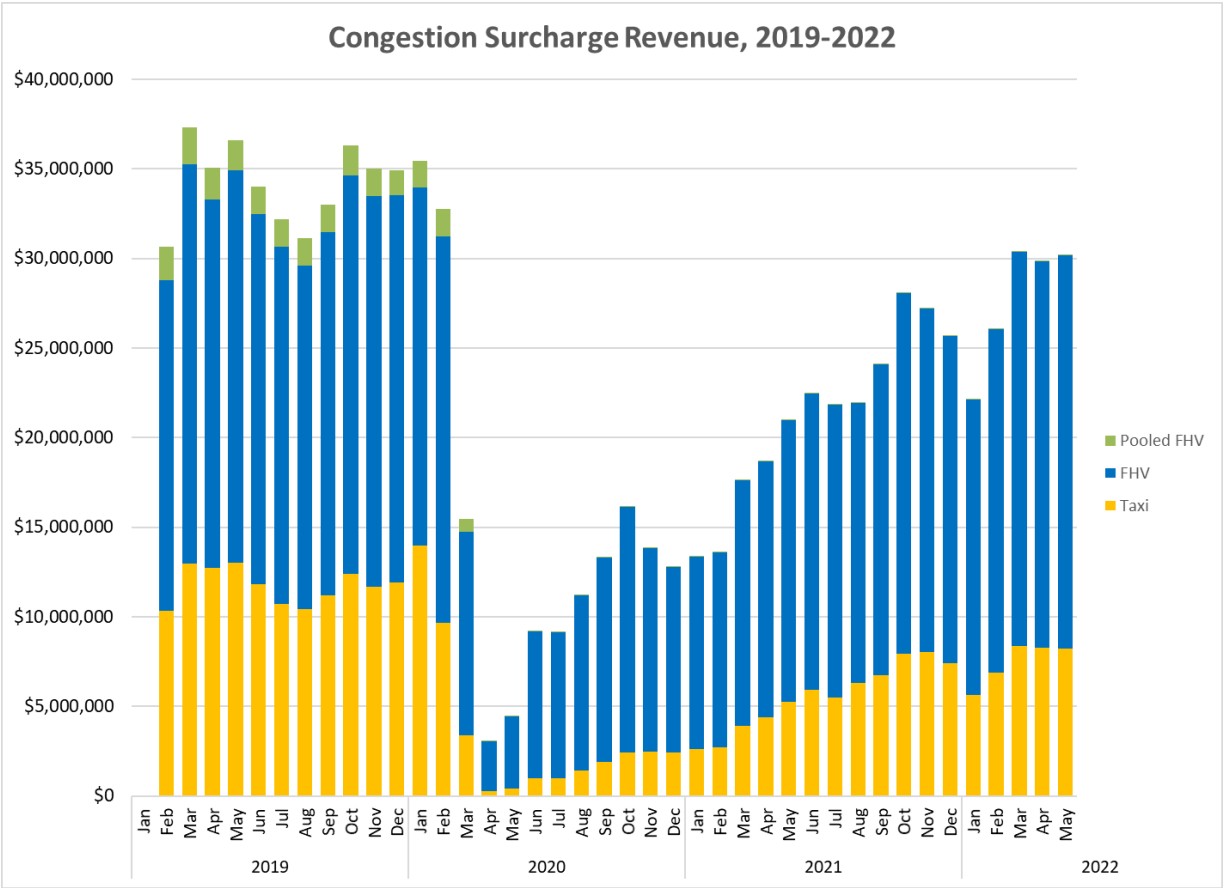
How will this increased fare affect ridership? The amount by which demand for trips changes in response to a price change, otherwise known as price elasticity, is approximated to be -0.3 for Manhattan core (south of 96th Street) and -1.2 for non-core (above 96th Street Manhattan and other boroughs).<sup>4</sup> What this means is that a 1% increase in fares reduces passenger demand by 0.3% in Manhattan core and 1.2% elsewhere. It goes without saying that the impact in the outer borough would be more pronounced. Using the second elasticity coefficient above (-1.2), a fare hike of 124% could potentially lead to over 50% decline in trips.<sup>5</sup>

Since February 2019, the MTA has collected revenue from taxi and FHV trips below 96<sup>th</sup> Street in Manhattan. The congestion surcharge is \$2.50 for taxis, \$2.75 for FHV trips, and \$0.75 per passenger in a pooled ride. Since its implementation, revenue has exceeded \$947 million, and, based on my projection, is expected to reach more than \$1.1 billion by the end of 2022.

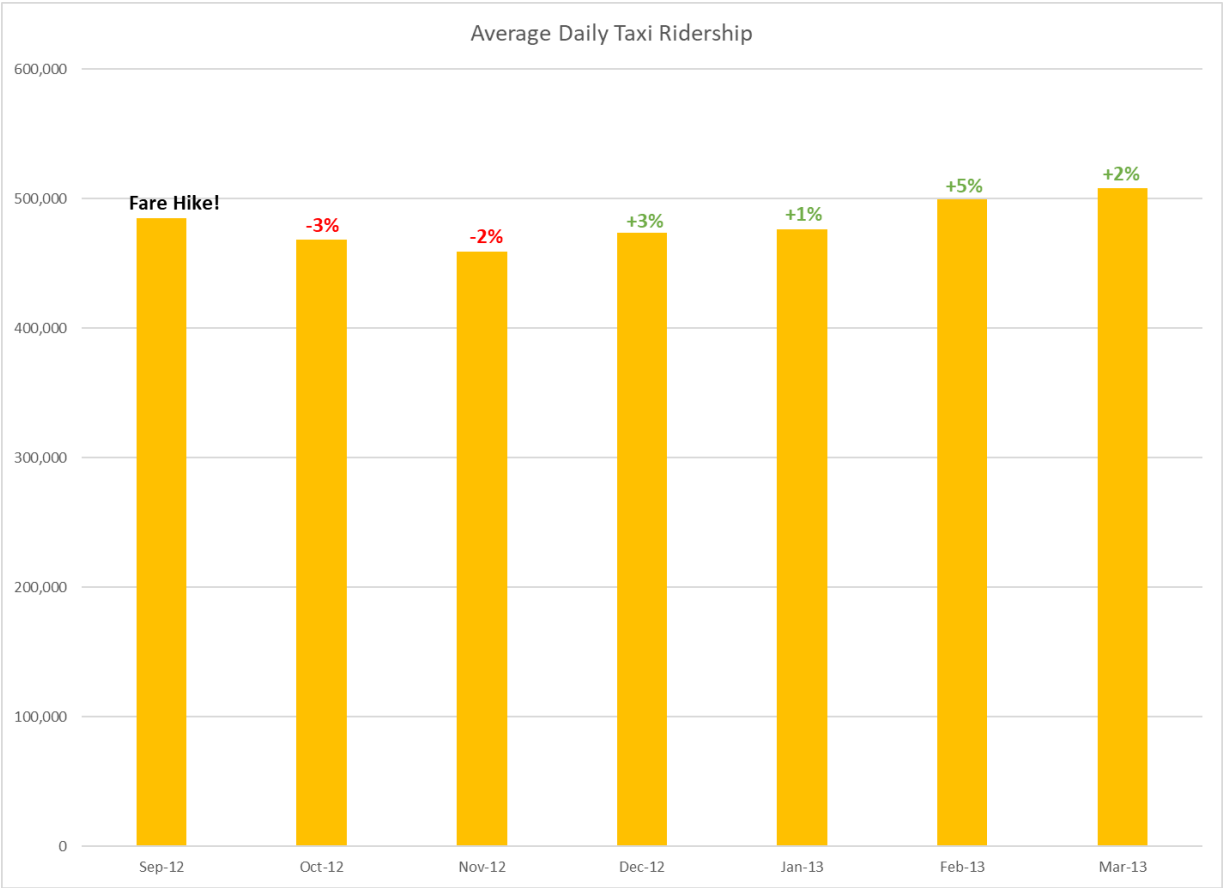
<sup>3</sup> This is calculated by dividing the average daily farebox (\$1,921,789) by the average daily trips (102,052) in July 2022.

<sup>4</sup> See Appendix A of [FHV Study](#)

<sup>5</sup> For large changes in price, we usually assume that elasticity is even across the demand curve. Following this assumption, you find  $\text{new\_trips}/\text{old\_trips} = (\text{new\_price}/\text{old\_price})^e$ . So in this case,  $\text{new\_trips} = \text{old\_trips} * 2^{-1.2} = 0.44$ , or a 56% decline in trips.



This is the first time in a decade that the TLC has raised these rates. The last fare hike was on September 4, 2012. In the ensuing two months after its implementation, ridership dampened a tiny bit.



The past being prologue, any steep jump in the cost of a taxi will shock riders and likely lead to decreased ridership at least in the short term. However, this is the first time the taxi industry may face a “double hit” of a fare increase plus the imposition of CBD tolls. Since 2019, taxi and FHV passengers have paid a congestion surcharge to the MTA for trips in Manhattan below 96th Street. As a result, the MTA has generated nearly \$1 billion in revenue. Riders and drivers should not shoulder the responsibility of paying a double fee.

*Are There Too Many Surcharges?*

Taxi trips are already subject to numerous surcharges and fees that go into various pockets, as set forth below.<sup>6</sup>

Type	Current Amount	Recipient
Improvement Surcharge	\$0.30	TLC
Congestion Surcharge	\$2.50	MTA
MTA State Surcharge	\$0.50	MTA
Airport Access Fee	\$1.25	PANYNJ
Rush Hour Surcharge	\$1.00	Driver
Overnight Surcharge	\$0.50	Driver
Newark Airport Surcharge	\$17.50	Driver

<sup>6</sup> <https://www1.nyc.gov/site/tlc/passengers/taxi-fare.page>

While some of these charges listed above are received by the driver, four of the surcharges are not. The MTA is already collecting between \$0.50 and \$3.00 from the Congestion Surcharge and MTA State Surcharge. Moreover, the agency is benefiting from the Improvement Surcharge, which goes to the TLC's Taxi Improvement Fund ("TIF") to help pay for accessibility upgrades to vehicles and incentives for drivers to increase the number of wheelchair accessible taxis on the road. According to a 2021 TLC report to the City Council, the TIF surcharges have collected more than \$170 million since 2015.<sup>7</sup>

These accessible vehicles subsidized by the TIF are used to service the MTA's Access-A-Ride paratransit program, which relies heavily on taxicabs to help the MTA meet its accessibility obligations under the Americans with Disabilities Act ("ADA"). The MTA may be the appropriate entity to be shouldering the costs for these vehicles, and given the \$1 billion in congestion surcharges collected so far, it might be better to tap into those existing surcharges rather than to create new ones. The MTA should consider just paying into the TIF - instead of taxi riders - for the equivalent funding that TLC needs. The CBD tolling program revenues collected currently could be funneled in part to the MTA's paratransit program to subsidize accessible FHV and taxicab rides with one uniform on-demand smartphone app for everyone with disabilities. Maybe it is time the e-hail taxi pilot program is made permanent, and that the underutilized Wheelchair Accessible Vehicles ("WAVs") are put to more efficient and widespread use.

The rush hour and overnight surcharges should also be reviewed. While these surcharges may have once served a purpose of getting more taxis on the road to meet passenger demand,<sup>8</sup> this may no longer be an issue. These are now just additional fees on top of other fees that may cumulatively reduce demand just as the taxi industry is trying to recover from the devastating commercial impact of the pandemic. It is advisable to incorporate any such fees into the overall rate of fare, and possibly retire them moving forward; and/or possibly lower or eliminate any nighttime taxi congestion pricing surcharges to spike both supply and demand during off peak hours. A comprehensive review of T-PEP data should analyze whether these fees are even working anymore. The policy objectives are also now at odds – with the taxi peak hour surcharge trying to incentivize taxis to stay on the road and not undergo rush hour shift changes to serve passengers – while congestion pricing seeks to penalize trips during rush hour.

### *The Timing Could Be Catastrophic to the Taxi & FHV Industry!*

As outlined above, the economic impacts from more CBD tolls will be unprecedented! A fare increase coupled with added surcharges – plus a CBD tolling surcharge – is a recipe for disaster. The economic impact could potentially be catastrophic to the industry, especially the taxi industry, which is showing signs of a rebound for the first time in many years (with slowly rising medallion prices, coupled with a medallion bailout and many pro-taxi policies and laws – that includes an anti-congestion FHV cap on vehicles).

The MTA recognizes that adding unlimited fees of up to \$19 per trip will likely lead to massive job loss in the industry. The mitigation measures floated in the EA are ill-informed. Waiving the \$70 fee required to apply to become a bus driver, coupled with training and job placement with the MTA as bus drivers, may provide jobs for a few drivers, but not the tens of thousands of drivers who currently work as taxi and FHV drivers. There is no support in MTA's mitigation plan to employ these drivers with paratransit work, either.

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<sup>7</sup> [https://www1.nyc.gov/assets/tlc/downloads/pdf/tif\\_report\\_2021.pdf](https://www1.nyc.gov/assets/tlc/downloads/pdf/tif_report_2021.pdf)

<sup>8</sup> <https://a856-cityrecord.nyc.gov/RequestDetail/20150918102>

With no financial assistance from the MTA to pay for the costs of wheelchair accessible vehicles, how are drivers supposed to foot the bill when their revenue source has been slashed? The reality is that drivers of accessible vehicles rely on CBD work. This potential mass exodus from the taxi and FHV industry will further harm riders with disabilities who, due to an inaccessible mass transit system, are already left with few options other than taxis and FHVs to get anywhere in the city.

In its EA, the MTA makes no mention of many relevant factors impacting the taxi and for-hire industry, including inflation, an expected recession, and a severe driver shortage. Just as the industry is starting to recover, a double tax may significantly impact taxi and for hire vehicle supply. In that event, stranded passengers may not be drawn to mass transit because of poor service and ever-increasing crime. Riders may travel less, continue to work-from-home, or even resort to using or buying personal motor vehicles.

Furthermore, the EA makes no mention of the impact of efficiencies created and congestion mitigation as a result of the Uber-taxi partnership. Uber customers in New York City are now able to hail taxis on the Uber platform for about the same price as UberX rides. Through partnerships with taxi-hailing companies Curb and Arro, Uber is increasing the availability of vehicles on its app while giving taxicab drivers more business through its large pool of customers. Here, the industry has acted responsibly by using existing vehicles at capacity to reduce the time vehicles drive without passengers. The Uber-taxi partnership alone is enough, in my view, to justify exempting taxis and FHVs from additional congestion charges.

The many reasons cited above demonstrate that now is NOT the time to add more surcharges to taxi and for-hire rides, and the MTA should listen to the comments and concerns being raised. The primary reason the MTA is moving forward is revenue related, and not policy based. There are too many flaws and issues with the various proposals, and the MTA should focus on personal motor vehicles solely, like it promised it would do several years ago stating that it was “just starting first” with taxis and FHVs. The reality has become that taxis and FHVs are tolled “first, middle and last” – proving true the adage that once a toll is created, it never disappears – it just continues to get raised over time. I pray for a reversal of the trend and a more thoughtful approach to the mobility ecosystem – not an “us against them” attitude. Taxis and FHVs are part of the solution to the congestion problem, and they have been paying much more than their fair share. So, just leave them alone, MTA!!!