

STUDY OF PRIVATE PROPERTY TOWING FEES

*Rates for Private Property Towing in
Texas with Justification*

Revised May 27, 2010

MORNINGSIDE
R E S E A R C H A N D
C O N S U L T I N G, I N C

www.morningsideresearch.com

STUDY OF PRIVATE PROPERTY TOWING FEES

Rates for Private Property Towing in Texas with Justification

Revised May 27, 2010

Prepared for

Texas Department of Licensing and Regulation
920 Colorado
Austin, Texas 78701

Prepared by

Morningside Research and Consulting, Inc.
P.O. Box 4173
Austin, Texas 78765
Phone 512 302 4413 • Fax 512 302 4416
www.morningsideresearch.com

Table of Contents

| | | | | |
|------|--|----|---------------------------------------|----|
| I. | Executive Summary..... | 1 | Houston Rate Study..... | 26 |
| | Overview..... | 1 | San Antonio Rate Study | 28 |
| | Recommended Rates | 1 | VII. Focus Groups and Industry | |
| | Analysis of Towing Charges and Fee | | Comments | 30 |
| | Schedules | 2 | Towing Company Focus Groups | 30 |
| | Texas Municipal Rate Studies | 3 | Written Comments from Towing | |
| | Focus Groups and Industry Comments.... | 3 | Companies..... | 35 |
| II. | Project Overview | 4 | Interviews with Property Owner | |
| | Purpose | 4 | Representatives | 37 |
| | Methodology | 5 | Appendix A: Texas Zone Map | 38 |
| III. | Recommended Rates for Private | | Appendix B: Cost Analysis..... | 39 |
| | Property Towing in Texas..... | 8 | Appendix C: Non-Metropolitan | |
| | Introduction | 8 | Counties by Zone | 40 |
| | Recommended Rates for Private | | Appendix D: Property Owner | |
| | Property Towing..... | 8 | Representative Interviews | 42 |
| | Rate Comparison..... | 9 | Appendix E: 2008 Review of | |
| | Discussion and Justification of Rate | | Municipal Rate Studies | 44 |
| | Calculations | 9 | Appendix F: Rate Study Interviews ... | 49 |
| IV. | Towing Tickets | 13 | Appendix G: Focus Group Guide..... | 51 |
| | Light-Duty Towing Tickets | 13 | | |
| | Heavy-Duty Towing Tickets..... | 16 | | |
| V. | Fee Schedules | 19 | | |
| | Light-Duty Fee Schedules | 19 | | |
| | Heavy-Duty Fee Schedules..... | 22 | | |
| VI. | Summary of Texas Municipal | | | |
| | Rates Studies | 25 | | |
| | Cities That Have Conducted Rate | | | |
| | Studies..... | 25 | | |
| | Beaumont Rate Study..... | 25 | | |

I. Executive Summary

Overview

In 2009, the 81st Texas Legislature passed HB 2571 (Regular Session 2009) which amends the Occupations Code to add Section 2308.0575 requiring the Texas Commission of Licensing and Regulation to establish the maximum fees that may be charged in connection with a private property tow. Those rates must be set by the weight of the vehicle being towed and may be structured as flat or hourly rates and by geographic region.

The Commission is further required to contract for a study that examines towing fee studies conducted by municipalities in Texas and analyzes the cost of towing services by company, the consumer price index, the geographic area, and individual cost components.

In order to determine the recommendations for a statewide fee for private property towing, the following information was analyzed:

- Financial data from towing companies
- Company fee schedules
- Towing tickets for private property tows
- Information from focus groups with towing companies
- Interviews with towing associations and other stakeholders
- Municipal towing rate studies
- Written comments from towing companies

The data derived from financial data submitted by towing companies and the towing tickets collected from towing companies were used to determine the recommended rates. Fee schedules were determined not to be a reliable source of fee data.

Recommended Rates

The table on the following page shows the recommended flat rates for private property towing for each zone (region) shown in the table on the following page. These rates are all inclusive; the only other charge recommended for private property towing is a drop fee of \$50 for light- and medium-duty tows and \$100 for heavy-duty tows.

A weighted formula based on the average fee on towing tickets and the rate determined by the cost analysis was developed. Regional and rural adjustments are made to the weighted rate. Chapter II discusses the methodology used to determine the recommended rates.

An annual inflation adjustment is described in the cost analysis prepared for this report and should be used to adjust each rate in the table of recommended rates each year in which a new cost analysis is not conducted.

| Recommended Towing Fees by Zone | | | | | | |
|---------------------------------|------------|------------------|-------------|-------------------|------------|------------------|
| Zone | Light Duty | Light Duty Rural | Medium Duty | Medium Duty Rural | Heavy Duty | Heavy Duty Rural |
| Zone 1 - South Texas | \$130 | \$142 | \$149 | \$163 | \$458 | \$499 |
| Zone 2 - West Texas | \$128 | \$140 | \$146 | \$159 | \$448 | \$488 |
| Zone 3 - Panhandle | \$125 | \$136 | \$143 | \$156 | \$438 | \$477 |
| Zone 4 - North Texas | \$135 | \$147 | \$155 | \$169 | \$475 | \$517 |
| Zone 5 - Southeast Texas | \$134 | \$146 | \$154 | \$168 | \$471 | \$513 |

Analysis of Towing Charges and Fee Schedules

Cost Analysis

Financial information provided by towing companies was analyzed to identify the costs per private property tow based on actual revenue and expenditures. The cost analysis considers both the direct and indirect costs associated with private property tows and an allowance for profit margin.

The statewide rate determined by the cost analysis is based on 2008 financial data. Applying an inflation adjustment to this rate results in a current rate of \$148.76. Appendix B details the full cost analysis.

Towing Tickets

A total of 382 towing tickets from 68 companies were reviewed. The towing charges on the towing tickets were separated from other charges for analysis. The average light-duty towing charge across all of the towing tickets reviewed is \$122.30. The average light-duty charges by geographic region and metropolitan area are also calculated and shown in Chapter IV.

In addition to a towing charge, about one-third of light-duty towing tickets reviewed contain other charges that add an average of \$43 to the towing tickets on which they are included.

Towing charges and other charges for heavy-duty tows are also analyzed by region and metropolitan area and shown in Chapter IV.

Fee Schedules

A total of 156 non-consent fee schedules from 90 towing companies were reviewed. While the charges found on the fee schedules are shown in Chapter V, they are not necessarily representative of actual fees charged and were not used to determine the recommended rates for towing.

Texas Municipal Rate Studies

As of January 2010, six cities are known to have conducted rate studies in order to set maximum rates for non-consent tows: Austin, Beaumont, Dallas, Fort Worth, Houston, and San Antonio.

Each municipal rate study used varying methodologies to set a maximum rate for non-consent tows. Interviews were conducted with staff in each municipality to verify the methodologies that were used in the rate studies and to determine the level of satisfaction the municipalities had when deciding on a methodology, which sources of data to use, how the data were collected, and the degree to which towing companies were involved in the rate study. A summary of the information provided is shown in Chapter VI.

Focus Groups and Industry Comments

In order to gather information about the costs of operating a private property towing business and issues surrounding private property towing, two focus groups were conducted with towing companies, written comments were solicited from towing companies, and private property managers and owners were interviewed.

The focus groups and written comments provided towing companies with the opportunity to discuss the cost components and other issues that must be considered during the rate-setting process. A summary of their comments is included in Chapter VII.

Interviews with property owner representatives indicate that property owners are generally satisfied with their towing agreements and do not identify significant issues related to towing.

II. Project Overview

Purpose

The Texas Department of Licensing and Regulation (TDLR) is the occupational regulatory agency in Texas. With the passage of the Texas Towing Act in 2007, TDLR became responsible for regulating the towing industry in Texas. In 2009, the 81st Texas Legislature passed HB 2571 (Regular Session 2009) to amend the Occupations Code to add Section 2308.0575 to require the Texas Commission of Licensing and Regulation to establish:

- (1) the fees that may be charged in connection with a private property tow;
- (2) the maximum amount that may be charged for fees, other than tow fees, that may be assessed by a towing company in connection with a private property tow; and
- (3) a maximum amount that may be charged for the following private property tows:
 - (A) standard light-duty tows of motor vehicles with a gross weight rating of 10,000 pounds or less;
 - (B) medium-duty tows of motor vehicles with a gross weight rating of more than 10,000 pounds, but less than 25,000 pounds; and
 - (C) heavy-duty tows of motor vehicles with a gross weight rating that exceeds 25,000 pounds”

In addition, the Commission “may structure the maximum amounts that may be charged for private property tows based on hourly or flat fees or by geographic location”

In order to adopt rules that set the rates, the Commission is required to contract for a study that:

- (1) examines towing fee studies conducted by municipalities in this state; and
- (2) analyzes the cost of towing services by company, the consumer price index, the geographic area, and individual cost components.

TDLR contracted with Morningside Research and Consulting to conduct the study to recommend maximum fees for private property tows. Travis Wolff performed a cost analysis of the financial data provided by towing companies.

There are approximately 3,950 towing companies licensed by TDLR throughout the state, of which just over 2,100 have a license that allows them to conduct private property tows. Data were requested from the 2,100 companies licensed to conduct private property tows.

Methodology

In order to determine the recommendations for a statewide fee for private property towing, the following information was analyzed:

- Financial data from towing companies
- Company fee schedules
- Towing tickets for private property tows
- Information from focus groups with towing companies
- Interviews with towing associations and other stakeholders
- Municipal towing rate studies
- Written comments from towing companies

Financial data. Financial information was requested from towing companies in order to analyze the actual expenditures reported compared to the number of tows completed in a year for the cost analysis. The analysis identifies the actual costs per private property tow based on towing company expenditures and includes the direct and indirect costs associated with private property tows and an allowance for profit margin.

In December 2009, TDLR sent a letter to all licensed towing companies in Texas requesting the submission of financial information for a cost analysis. Only towing companies that conduct private property tows were asked to respond. A reminder letter was mailed two weeks after the first letter. Towing companies were asked to submit their financial information by January 15, 2010 but data submitted up until February 12, 2010 were included in the cost analysis. More than 60 towing companies responded to the request for financial data.

The documents requested include the following:

1. 2008 tax return with all detailed schedules attached (if the company operates as a sole proprietorship, it was asked to submit schedule C of the 2008 tax return)
2. 2008 depreciation schedules used to prepare the tax return
3. Current company fee schedule
4. Summary of 2008 tows (private property versus other)
5. Number of drivers
6. Number of trucks operating
7. Number of employees
8. Percentage of payroll wages and payroll taxes related to drivers

TravisWolff, the CPA firm that conducted a rate study for the City of Dallas in 1999, conducted the cost analysis for this study.

Towing tickets. In order to analyze actual fees charged by towing companies, 173 towing companies were randomly selected from the TDLR database. TDLR compliance staff attempted to collecting 10 towing tickets from each of the selected towing companies, but found that 105 did not perform private property towing. A total of 382 towing tickets were collected by TDLR

from 68 towing companies from November 2009 through February 2010.

Each towing ticket was reviewed and all of the components of the private property towing fees listed were cataloged in a database and then analyzed.

In order to gather more information about heavy-duty private property towing, 100 companies known to conduct heavy-duty tows were contacted by mail and phone in March 2010 to request that they submit up to 10 towing tickets for heavy-duty private property tows. Eight companies responded and submitted a total of 55 towing tickets.

Fee schedules. In order to provide an indication of what towing companies have set as their maximum rates for private property towing, fee schedules posted with TDLR were reviewed for 90 towing companies that were randomly selected from the TDLR database. The random sample matched the size and geographic diversity of all towing companies in Texas.

Each fee schedule was reviewed and all of the components of the private property towing fees listed were cataloged in a database and then analyzed.

Rate studies. The cities of Austin, Beaumont, Dallas, Fort Worth, and Houston have conducted towing rate studies in the last 10 years. Different methodologies were used in each study. The authors of those studies were interviewed to verify the methodologies that were used in the rate studies and to determine the level of satisfaction the municipalities had when deciding on a methodology, which sources of data to use, how the data were collected, and the degree to which towing companies were involved in the rate study.

Towing company focus groups. Two focus groups were conducted at the TDLR North Campus: one from noon to 1:30 p.m. on Monday, February 1, 2010, and another at the same time on Friday, February 5, 2010. Lunch was provided. Representatives from eight towing companies attended the February 1 focus group and four attended on February 5.

The focus groups were open only to towing companies who received an invitation to attend. Invitations were sent to 200 randomly-selected towing companies. The goal of the focus groups was to gather information from towing companies and gain insight about issues related to private property towing.

Written comments from towing companies. In January 2010, all licensed towing companies were invited to submit written responses to questions by email about issues related to private property towing. A second email reminder was sent in February 2010. Towing companies were asked to submit their feedback by midnight on February 15.

Towing companies were asked to respond to the following questions:

1. What are the challenges you face in pricing private property tows?
2. What are the major cost drivers for private property tows?
3. What should be considered when setting a statewide private property towing rate?

Written responses from 27 towing companies were received.

Interviews with property owner representatives. In January and February 2010, property owner representatives in Dallas, El Paso, Houston, and San Antonio were contacted to gather input on issues related to private property towing. A total of 29 organizations or individuals were contacted of which 14 were interviewed.

III. Recommended Rates for Private Property Towing in Texas

Introduction

In order to formulate appropriate maximum rates for private property towing in Texas, the following sources of information were used:

- Company fee schedules
- Private property towing tickets
- Focus groups with towing companies
- Financial data showing revenue and expenses
- Written comments from towing companies
- Municipal towing rate studies
- Interviews with towing associations and other stakeholders

The data derived from financial data submitted by towing companies and the towing tickets collected from towing companies were used to set the rates shown below. Fee schedules were determined not to be a reliable source of fee data.

Recommended Rates for Private Property Towing

Based on the analysis, statewide fees by vehicle weight were calculated and are shown on the table to the right. These rates are used to determine the recommended flat rates for private property towing for each zone (region) shown in the table below.

| Statewide Calculated Private Property Towing Rates | |
|--|-----------------|
| Weight | Calculated Rate |
| Light Duty | \$131.03 |
| Medium Duty | \$150.00 |
| Heavy Duty | \$461.21 |

These rates are all inclusive; the only other charge recommended for private property towing is a drop fee of \$50 for light- and medium-duty tows and \$100 for heavy-duty tows.

Appendix A contains a map showing the counties in each zone in the table. All rate calculations below are rounded up to the nearest whole number.

| Recommended Towing Fees by Zone | | | | | | |
|---------------------------------|------------|------------------|-------------|-------------------|------------|------------------|
| Zone | Light Duty | Light Duty Rural | Medium Duty | Medium Duty Rural | Heavy Duty | Heavy Duty Rural |
| Zone 1 - South Texas | \$130 | \$142 | \$149 | \$163 | \$458 | \$499 |
| Zone 2 - West Texas | \$128 | \$140 | \$146 | \$159 | \$448 | \$488 |
| Zone 3 - Panhandle | \$125 | \$136 | \$143 | \$156 | \$438 | \$477 |
| Zone 4 - North Texas | \$135 | \$147 | \$155 | \$169 | \$475 | \$517 |
| Zone 5 - Southeast Texas | \$134 | \$146 | \$154 | \$168 | \$471 | \$513 |

Rate Comparison

The table below compares the recommended rates to current municipal towing rates. The table does not show all regulated rates in Texas, only regulated rates in selected cities in each zone.

| Comparison of Recommendations to Current Regulated Municipal Towing Rates | | | | | | |
|---|-------------------------------------|-------------|---------------------------------------|-----------------------------------|-------------|------------|
| Municipality | Current Regulated Non-Consent Rate* | | | Recommended Private Property Rate | | |
| | Light Duty | Medium Duty | Heavy Duty | Light Duty | Medium Duty | Heavy Duty |
| Austin | \$150 | \$400 | \$800 | \$130 | \$149 | \$458 |
| Beaumont | \$165 | n/a | n/a | \$134 | \$154 | \$471 |
| Dallas | \$121 | \$191 | \$445 | \$135 | \$155 | \$475 |
| El Paso | \$70 | \$350 | \$350 | \$128 | \$146 | \$448 |
| Fort Worth | \$135 (\$202.50) | n/a | \$216 per hour (\$270 per hour) | \$135 | \$155 | \$475 |
| Houston | \$140 | n/a | \$212.50 per hour (2-hour minimum) | \$134 | \$154 | \$471 |
| Lubbock | \$75 (\$112.50) | n/a | n/a | \$125 | \$143 | \$438 |
| San Antonio | \$120 (\$180) | \$240 | \$450 (\$562.50) | \$130 | \$149 | \$458 |

* The regulated non-consent rates shown above are for all non-consent tows, including private property, except in Fort Worth, Lubbock, and San Antonio, where the maximum rates for private property tows are shown in parentheses. 'N/A' indicates that there is no fee regulation.

The current regulated rates shown first for Fort Worth, Lubbock, and San Antonio only apply to tows initiated by the police department. Chapter 2308 Section 2308.204 of the Texas Occupations Code states that towing companies in political subdivisions that do not regulate private property towing rates may charge rates for private property tows that “do not exceed 150 percent of the rates that the towing company would have been authorized to charge for a non-consent tow made at the request of a peace officer of the political subdivision in which the private property is located.” For heavy-duty tows, the statute allows companies to charge 125 percent of the regulated police rate. Based on this rule, towing companies in Fort Worth, Lubbock, and San Antonio are currently authorized to charge up to \$202.50, \$112.50, and \$180 for light-duty private property tows, respectively. Towing companies in Fort Worth and San Antonio are authorized to charge \$270 per hour and \$562.50 for heavy-duty private property tows, respectively.

Discussion and Justification of Rate Calculations

Weighted Rate

The cost analysis resulted in a 2010 rate of \$148.76 (see Appendix B for the full cost analysis). The towing ticket analysis resulted in a 2010 rate of \$122.30 (see Chapter IV for the towing ticket analysis). A valid statewide sample size was obtained for both analyses. These two separate analyses resulted in rates that are fairly close in magnitude. In order to determine what the relative weights of each methodology should be, the following advantages and disadvantages were considered:

| Methodology Comparison | | |
|------------------------|--|---|
| | Advantages | Disadvantages |
| Towing Tickets | <ul style="list-style-type: none"> Represent actual amounts charged Private property tows clearly isolated | <ul style="list-style-type: none"> Other charges inflate the final charge beyond the average for just the towing fee |
| Cost Analysis | <ul style="list-style-type: none"> Considers all expenses for towing | <ul style="list-style-type: none"> Includes revenue and expenses for all non-consent tows |

To strike a balance between the average towing fee charged and the fee determined by the cost analysis, the final recommended statewide towing fee is based on the following weighted formula:

$$\begin{aligned}
 & (\text{statewide average fee on towing tickets } \$122.30) \times 67\% \\
 & (\text{statewide rate determined by cost analysis } \$148.76) \times 33\% \\
 & = \$131.03
 \end{aligned}$$

The two-thirds weight for towing tickets is derived from the fact that two-thirds of towing tickets do not contain other charges and those tickets are the best source for determining the actual cost of a private property tow. The other charges shown on towing tickets (listed on pages 14 and 16 of this report) are not reflective of the actual costs for any of the additional expenses related to private property tows.

For the additional one-third of the rate, the cost analysis is a more reliable source of information for capturing all of the other expenses that may be needed in order to perform private property tows.

Weight Distinctions

The weight distinctions used for the recommended towing rates are based on the weight of the vehicle being towed and are based on the following:

Light-duty tows: gross weight rating of 10,000 pounds or less

Medium-duty tows: gross weight rating of more than 10,000 pounds but less than 25,000 pounds

Heavy-duty tows: gross weight rating that exceeds 25,000 pounds

Medium-Duty Towing Rates

Neither the towing tickets nor the cost analysis provided information about the cost for medium-duty private property tows. A previous study identified 13 local political subdivisions with a regulated rate for medium-duty towing. While the average for those 13 local jurisdictions is \$222.15, the median rate for all 13 is \$150 and nine of the jurisdictions have rates of \$200 or less. The average rate of those nine local jurisdictions is \$149.44. Based on this information, a statewide average rate of \$150 is used to determine the regional and rural rates for medium-duty tows.

Heavy-Duty Towing Rates

Based on contacts with towing companies, only about 10 percent of all towing companies that perform private property towing conduct heavy-duty private property tows. An analysis of 55 towing tickets submitted by 8 towing companies indicates that the average fee for a heavy-duty private property tow is \$461.21.

Hourly Versus Flat Rates

The rates listed on towing tickets appear to be flat rates rather than hourly charges and flat rates are more common in existing local regulations. Flat rates are recommended for private property tows. While price-per-pound was mentioned during a focus group conducted for this report, that methodology for determining a towing fee is not widely used or supported. It is not recommended as a methodology for establishing private property towing fees.

Regional Adjustments

The cost analysis included in Appendix B adjusts the statewide average private property towing rate by the variance between the statewide average cost of living index and the index for each region. The adjustments shown in the table to the right are used to adjust the statewide average private property towing rate to each zone.

| Regional Adjustment | |
|--------------------------|---------------------------|
| Zone | Cost of Living Adjustment |
| Zone 1 - South Texas | -0.8% |
| Zone 2 - West Texas | -2.9% |
| Zone 3 - Panhandle | -5.1% |
| Zone 4 - North Texas | 2.9% |
| Zone 5 - Southeast Texas | 2.1% |

Rural Adjustment

The recommended adjustment for the fee for a private property tow in a rural area is based on the longer distances that are traveled in rural areas to initiate a private property tow and to take the vehicle to a vehicle storage facility. The following formula is used for the adjustment:

$$(35\% \text{ of the towing rate} \times 1.25\%) + (65\% \text{ of the towing rate})$$

The cost analysis determined that 35 percent of all towing expenses are related to fuel, truck depreciation, repairs, and maintenance. This is the portion of the rate that is most affected by the increased distances traveled in rural areas. This portion of the rate is increased by 25 percent and added to the remaining 65 percent of the rate to get the rural adjustment by zone.

The recommended rural rates are only applicable to private property tows that originate in counties that are non-metropolitan counties as defined by the U.S. Office of

| Metro Area Definitions | |
|------------------------|--|
| Metro Area | Definition |
| Metropolitan | A county containing a core urban area with a population of 50,000 or more. |
| Micropolitan | A county containing a core urban area with a population of at least 10,000 but less than 50,000. |
| Non-metropolitan | A county containing a core urban area with a population of less than 10,000. |

Management and Budget. Non-metropolitan counties are those containing an urban core with a population of less than 10,000. See Appendix C for a list of the 133 non-metropolitan counties in Texas by zone.

Future Rate Adjustments

The annual inflation adjustment described in the cost analysis included in Appendix B should be used to adjust each rate in the table of recommended rates each year in which a new cost analysis is not conducted.

IV. Towing Tickets

Staff from the Texas Department of Licensing and Regulation (TDLR) collected private property towing tickets from randomly selected towing companies. Additional letters were sent to heavy-duty towing companies requesting heavy-duty private property towing tickets.

Light-Duty Towing Tickets

A total of 173 towing companies were randomly selected from the Department of Licensing and Regulation (TDLR) database. The sample was selected to match the size and geographic diversity of all of the licensed towing companies in the TDLR database. Of these companies, 105 indicated that they did not perform private property tows. Based on this information, approximately 40 percent of towing companies that have a license allowing them to engage in private property towing actually conduct private property tows.

For the companies that do perform private property tows, TDLR staff selected private property towing tickets within a specified data range, with a goal of selecting 10 tickets from each company. A total of 382 towing tickets from 68 companies were reviewed.

Light-Duty Towing Charges

The towing charges on the towing tickets were separated from other charges for analysis. The tables below show the geographic and metro area breakdown of the 68 towing companies from which towing tickets for private property tows were obtained. The average towing fee excludes other charges on the towing tickets divided by the total number of towing tickets.

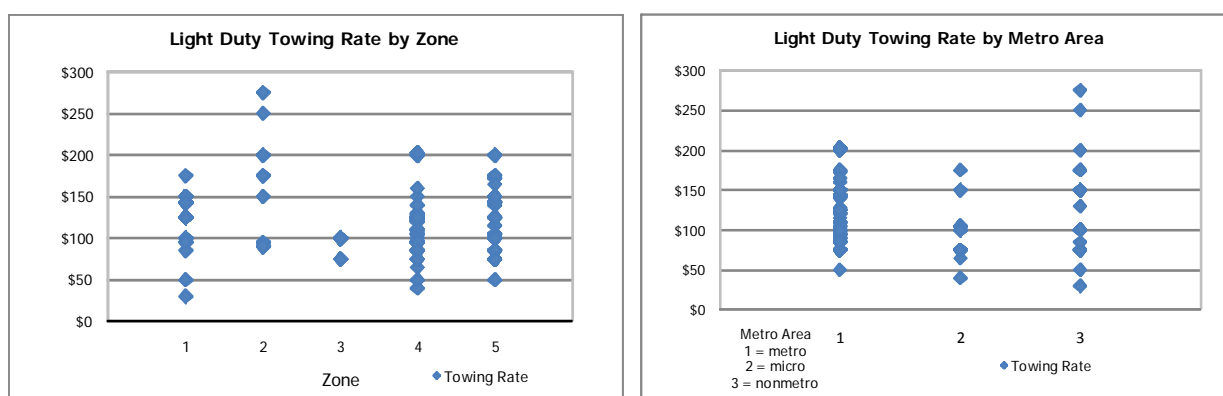
Averages by zone. On average, towing companies in the Panhandle and in North Texas charge less for a tow than the statewide average towing charge. Southeast Texas, South Texas, and West Texas have average fees above the statewide average. West Texas has the highest average towing fee with an average of \$143 per tow. The Panhandle has the least expensive average rate at \$92 per tow.

| Light-Duty Towing Ticket Averages by Zone | | | |
|---|---------------------|---------------------------------------|----------------------------|
| Zone | # of Towing Tickets | Companies Represented by Ticket Count | 2009 Towing Ticket Average |
| Statewide | 382 | 68 | \$122.30 |
| Zone 1 - South Texas | 60 | 15 | \$131.47 |
| Zone 2 - West Texas | 19 | 2 | \$142.78 |
| Zone 3 - Panhandle | 18 | 4 | \$91.67 |
| Zone 4 - North Texas | 107 | 19 | \$117.67 |
| Zone 5 - Southeast Texas | 178 | 28 | \$123.12 |

Averages by metro area. The micropolitan areas have the lowest towing fee at \$93, which is \$30 less than the statewide average. The non-metropolitan areas charge an average of \$123 per tow.

| Light-Duty Towing Ticket Averages by Metro Area | | | |
|---|---------------------|---------------------------------------|----------------------------|
| Zone | # of Towing Tickets | Companies Represented by Ticket Count | 2009 Towing Ticket Average |
| Statewide | 382 | 68 | \$122.30 |
| Metropolitan | 321 | 54 | \$124.82 |
| Micropolitan | 28 | 6 | \$93.04 |
| Non-Metropolitan | 33 | 8 | \$123.48 |

Distribution of rates. The graphs below show the distribution of towing rates on towing tickets by zone and metro area.



Other Charges on Light-Duty Towing Tickets

In addition to the towing fee on each of the 382 tickets that were collected, 110 tickets, or 29 percent, contain 159 other charges. The towing fee on tickets with extra charges is almost identical to the towing fee on tickets without other charges; the average towing fee (excluding other charges) for the 272 light-duty towing tickets that do not include other charges is \$122.24, while the average towing fee for the 110 tickets that do include other charges is \$122.41.

The table on the following page lists the other charges that appear on towing tickets, the frequency of occurrence for each charge, and the average and range of rates. The average charge in addition to the towing fee is \$43.

The 159 additional, non-towing charges from the towing tickets fall into 25 categories. Of these 25 categories, 10 appear only once among all 382 towing tickets. Mileage and fuel are the two charges found most often in the towing tickets collected, although the average charge for mileage is \$54 whereas the average fuel charge is \$17. Charges for labor and mileage have the largest ranges: labor charges range from \$25 to \$270 and mileage charges range from \$5.50 to \$216.

| Other Charges on Light-Duty Towing Tickets | | | | | |
|--|-------|--------------------------------|----------------|----------|----------|
| Other Charges | Count | Percent of Total Other Charges | Average Charge | Min | Max |
| Mileage | 32 | 20% | \$53.53 | \$5.50 | \$216.00 |
| Fuel | 28 | 18% | \$17.14 | \$3.00 | \$35.00 |
| Unclear Charges | 20 | 13% | \$23.00 | \$20.00 | \$40.00 |
| Labor | 14 | 9% | \$86.93 | \$25.00 | \$270.00 |
| Winch / Dolly / Rollback | 11 | 7% | \$41.82 | \$35.00 | \$65.00 |
| City / Government Fee | 12 | 8% | \$10.00 | \$10.00 | \$10.00 |
| Loader / Wheel Lift | 6 | 4% | \$25.00 | \$25.00 | \$25.00 |
| No Keys | 8 | 5% | \$39.27 | \$25.00 | \$65.00 |
| DMV | 5 | 3% | \$20.00 | \$20.00 | \$20.00 |
| Hook Up | 3 | 2% | \$40.00 | \$25.00 | \$50.00 |
| Call-Out Fee | 2 | 1% | \$450.00 | \$450.00 | \$450.00 |
| Linkage | 2 | 1% | \$50.00 | \$50.00 | \$50.00 |
| Tariff Miles | 2 | 1% | \$34.00 | \$20.00 | \$48.00 |
| Abandon Fee | 2 | 1% | \$10.00 | \$10.00 | \$10.00 |
| Weather | 2 | 1% | \$108.00 | \$108.00 | \$108.00 |
| Drop Drive Line | 1 | 1% | \$125.00 | \$125.00 | \$125.00 |
| Preserve | 1 | 1% | \$15.00 | \$15.00 | \$15.00 |
| W-Time | 1 | 1% | \$50.00 | \$50.00 | \$50.00 |
| Transfer | 1 | 1% | \$45.00 | \$45.00 | \$45.00 |
| Tarp | 1 | 1% | \$20.00 | \$20.00 | \$20.00 |
| Second Tow | 1 | 1% | \$45.00 | \$45.00 | \$45.00 |
| Working Time: Recovery | 1 | 1% | \$25.00 | \$25.00 | \$25.00 |
| Certification Fee | 1 | 1% | \$50.00 | \$50.00 | \$50.00 |
| Admin | 1 | 1% | \$50.00 | \$50.00 | \$50.00 |
| Tire Change | 1 | 1% | \$35.00 | \$35.00 | \$35.00 |
| Total | 159 | | | | |
| Average | | | \$43.38 | \$51.66 | \$76.88 |

The most expensive charge is a \$450 call-out fee; two towing tickets from the same company include this charge. In 20 instances, the charge on the towing ticket is unclear; these charges range from \$20 to \$40. Two tickets have a \$108 weather charge.

Heavy-Duty Towing Tickets

Only two of the towing tickets collected by TDLR contained a charge for a heavy-duty tow. In order to gather more information about heavy-duty tows, a list of 100 towing companies believed to conduct heavy-duty private property tows was compiled. These companies were asked to provide 10 heavy-duty private property towing tickets. Eight companies provided 55 heavy-duty towing tickets. As with the light-duty towing tickets, the towing fees were separated from other charges for analysis.

Heavy-Duty Towing Charges

The tables below show the geographic and metro area breakdown of the eight towing companies that provided heavy-duty private property towing tickets. The towing ticket average does not include other charges and was calculated using the towing fee listed on the towing ticket divided by the total number of towing tickets.

Averages by zone. On average, the towing companies provided between 5 and 10 tickets. One company provided one ticket. Tickets from Southeast Texas account for 56 percent of the 55 tickets received from all five zones. Forty-two percent of the tickets are from North Texas.

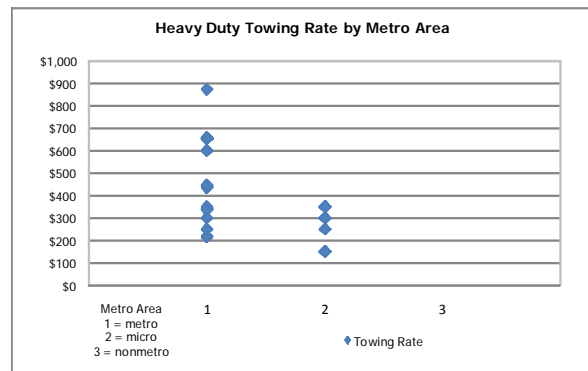
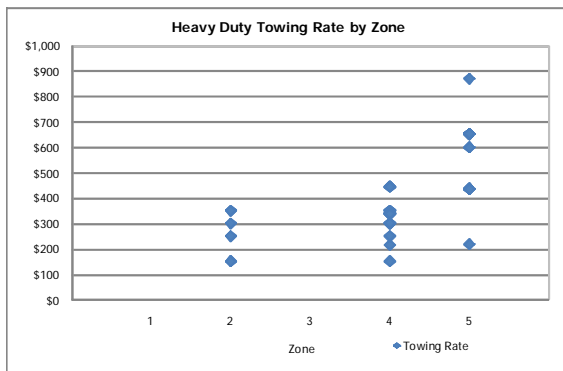
The company in West Texas provided one ticket with a towing charge that is less than the statewide average. The North Texas average is also less than the statewide average. Only Southeast Texas has an average that is higher than the statewide average.

| Heavy-Duty Tow Ticket Averages by Zone | | | |
|--|------------------|---------------------------------------|----------------------------|
| Zone | # of Tow Tickets | Companies Represented by Ticket Count | 2009 Towing Ticket Average |
| Statewide | 55 | 8 | \$461.21 |
| Zone 1 - South Texas | 0 | 0 | N/A |
| Zone 2 - West Texas | 1 | 1 | \$300.00 |
| Zone 3 - Panhandle | 0 | 0 | N/A |
| Zone 4 - North Texas | 23 | 4 | \$310.80 |
| Zone 5 - Southeast Texas | 31 | 3 | \$573.16 |

Averages by metro area. Seven of the eight towing companies are located in a metropolitan area and one is located in a micropolitan area. No rural towing companies responded to the request to provide towing tickets. The average towing fee in a micropolitan area is less than the statewide average. The average metropolitan fee is more than the statewide average. Ninety percent of the towing tickets are from the seven towing companies in metropolitan areas that responded.

| Heavy-Duty Tow Ticket Averages by Metro Area | | | |
|--|------------------|---------------------------------------|----------------------------|
| Zone | # of Tow Tickets | Companies Represented by Ticket Count | 2009 Towing Ticket Average |
| Statewide | 55 | 8 | \$461.21 |
| Metropolitan | 49 | 7 | \$482.41 |
| Micropolitan | 6 | 1 | \$291.67 |
| Non-Metropolitan | 0 | 0 | N/A |

Distribution of rates. The graphs below shows the distribution of towing rates on towing tickets by zone and metro area.



Other Charges on Heavy-Duty Towing Tickets

Of the 55 towing tickets received, 18 (31 percent) contain 27 charges in addition to the towing fee.

The average heavy-duty towing fee for the 41 towing tickets without other charges is \$472 while the average heavy-duty towing fee for the 18 towing tickets with other charges is \$350. The average charge for an additional fee is \$97.

| Other Charges on Heavy-Duty Towing Tickets | | | | | |
|--|-------|--------------------------------|----------------|----------|----------|
| Other Charges | Count | Percent of Total Other Charges | Average Charge | Min | Max |
| City Fee | 8 | 30% | \$10.00 | \$10.00 | \$10.00 |
| Fuel | 7 | 26% | \$20.14 | \$4.00 | \$35.00 |
| Mileage | 6 | 22% | \$135.83 | \$15.00 | \$300.00 |
| Working Time | 2 | 7% | \$400.00 | \$400.00 | \$400.00 |
| Wait Time | 1 | 4% | \$180.00 | \$180.00 | \$180.00 |
| Road Hazard | 1 | 4% | \$50.00 | \$50.00 | \$50.00 |
| Labor | 1 | 4% | \$560.00 | \$560.00 | \$560.00 |
| Payout | 1 | 4% | \$0.06 | \$0.06 | \$0.06 |
| Total | 27 | | | | |
| Average | | | \$97.26 | \$152.38 | \$191.88 |

City fees account for 30 percent of the other charges. As with light-duty towing tickets, fuel and mileage fees are among the most frequent additional charges and the range for mileage charges is fairly wide; heavy-duty mileage fees range from \$15 to \$300. Fuel has a much smaller range; the minimum charge is \$4 and the maximum is \$35.

Four fees occur only once each among the 18 tickets reviewed with other charges; these include wait time, road hazard, labor, and payout. Fees for labor and working time are the most expensive at \$560 and \$400, respectively. It is unclear if these charges are for similar services.

V. Fee Schedules

Non-consent fee schedules posted with the Texas Department of Licensing and Regulation (TDLR) for 90 randomly selected towing companies were reviewed for an indication of what towing companies have set as their maximum rates for private property tows. A total of 156 fee schedules were reviewed as some companies have multiple fee schedules for different types of tows and for various jurisdictions.

Light-Duty Fee Schedules

Of the fee schedules reviewed, 101 include rates for light-duty non-consent tows, of which 30 (from 17 towing companies) also include specific private property rates. These 101 schedules are maintained by 46 towing companies. Fee schedules that do not identify a weight class for the fees listed are not included in the analysis because they may include fees for medium-duty or heavy-duty towing.

Fee Schedules for Light-Duty Towing Fees

The tables below show the geographic and metro area detail for the 46 towing companies that have light-duty non-consent and light-duty private property fee schedules posted with TDLR. The average non-consent rates listed in the tables are calculated by taking the sum of the non-consent rates divided by the total number of non-consent fee schedules. The average private property rates listed are determined using the fee schedules that include rates identified specifically as private property rates. If a fee schedule does not specifically identify private property maximum rates, the maximum rates for all non-consent tows apply to private property tows.

The analysis below only includes maximum rates for the towing fees, not the other charges that may be charged in addition to the towing fee, which are discussed later.

Averages by zone. The statewide average rate for light-duty non-consent tows is \$159 and for light-duty private property tows is \$176.

| Light-Duty Fee Schedules Averages by Zone | | | | | | |
|---|--------------------------------|--------------------------------|-------------------------------------|--------------------------------|---------------------------|--------------------------------|
| Zone | # of Non-Consent Fee Schedules | Companies Represented by Count | # of Private Property Fee Schedules | Companies Represented by Count | Non-Consent Rate Averages | Private Property Rate Averages |
| Statewide | 101 | 46 | 30 | 17 | \$159.16 | \$175.54 |
| Zone 1 - South Texas | 21 | 13 | 8 | 3 | \$125.89 | \$131.75 |
| Zone 2 - West Texas | 1 | 1 | 0 | 0 | \$100.00 | N/A |
| Zone 3 - Panhandle | 5 | 3 | 2 | 1 | \$126.67 | \$375.00 |
| Zone 4 - North Texas | 37 | 12 | 1 | 1 | \$139.24 | \$85.00 |
| Zone 5 - Southeast Texas | 37 | 17 | 19 | 12 | \$206.29 | \$177.75 |

Southeast Texas is the only zone that has an average non-consent maximum rate that is greater than the statewide average. Both Southeast Texas and the Panhandle have an average private property maximum rate that is greater than the state private property average.

The differences between private property towing rates and non-consent towing rates vary by region. The average private property maximum rates statewide as well as for South Texas and the Panhandle are higher than the average non-consent maximum rate. The average maximum rates for private property tows in North Texas and Southeast Texas are lower than the average maximum rates for non-consent tows in those regions.

Averages by metro area. In the metropolitan areas, the average private property and non-consent maximum rates are very similar to the statewide averages. For the statewide and metropolitan and micropolitan rates, the average private property rates are higher than the average non-consent rates.

| Light-Duty Fee Schedules Averages by Metro Area | | | | | | |
|---|--------------------------------|--------------------------------|-------------------------------------|--------------------------------|---------------------------|--------------------------------|
| Zone | # of Non-Consent Fee Schedules | Companies Represented by Count | # of Private Property Fee Schedules | Companies Represented by Count | Non-Consent Rate Averages | Private Property Rate Averages |
| Statewide | 101 | 46 | 30 | 17 | \$159.16 | \$175.54 |
| Metropolitan | 88 | 35 | 27 | 15 | \$163.55 | \$164.12 |
| Micropolitan | 8 | 6 | 3 | 2 | \$135.00 | \$278.33 |
| Non-Metropolitan | 5 | 5 | 0 | 0 | \$121.00 | N/A |

Fee Schedules for Other Light-Duty Charges

The table on the following page lists the additional charges, the frequency of occurrences, and the average and range of rates. Some of these fees are hourly rates, while others are flat fees or fees per distance. Many of these other charges do not apply to private property tows and many do not apply to light-duty tows.

Fees for winches, dollies, and rollbacks appear in the fee schedules most frequently, followed by labor and mileage fees. Some fee schedules include a specific fee for each type of equipment and some include one fee for all additional equipment.

| Other Charges on Light-Duty Fee Schedules | | | | | |
|---|-------|------------------------|----------------|----------------|----------------|
| Other Charges | Count | Percent of Total Count | Average Charge | Minimum Charge | Maximum Charge |
| Winch / Dolly / Rollback | 62 | 15% | \$164.68 | \$1.00 | \$1,000.00 |
| Mileage | 50 | 12% | \$2.96 | \$1.00 | \$7.00 |
| Additional Vehicle | 33 | 8% | \$191.21 | \$20.00 | \$1,000.00 |
| Drop Drive Line | 28 | 7% | \$70.87 | \$25.00 | \$143.50 |
| Labor | 27 | 7% | \$93.80 | \$15.00 | \$300.00 |
| Wait Time | 27 | 7% | \$90.19 | \$25.00 | \$200.00 |
| Clean-Up | 20 | 5% | \$128.25 | \$25.00 | \$700.00 |
| Unlock | 16 | 4% | \$64.69 | \$25.00 | \$120.00 |
| Work Time | 15 | 4% | \$112.00 | \$35.00 | \$200.00 |
| Off Road | 14 | 3% | \$166.68 | \$1.00 | \$575.00 |
| Additional Equipment | 13 | 3% | \$101.15 | \$25.00 | \$250.00 |
| Roll Over | 13 | 3% | \$167.31 | \$50.00 | \$375.00 |
| Double Tow | 13 | 3% | \$170.31 | \$125.00 | \$225.00 |
| Hook Up | 11 | 3% | \$55.00 | \$25.00 | \$250.00 |
| Fuel | 10 | 2% | \$36.93 | \$5.00 | \$75.00 |
| Tire Change | 9 | 2% | \$61.11 | \$40.00 | \$75.00 |
| Water Recovery | 7 | 2% | \$882.14 | \$250.00 | \$4,000.00 |
| Recovery | 4 | 1% | \$225.00 | \$125.00 | \$400.00 |
| Transfer | 4 | 1% | \$225.00 | \$150.00 | \$375.00 |
| Pull Out Fee | 4 | 1% | \$117.50 | \$45.00 | \$200.00 |
| Jump Start | 4 | 1% | \$67.50 | \$45.00 | \$75.00 |
| Stand By | 3 | 1% | \$100.00 | \$100.00 | \$100.00 |
| After Hours and Holidays | 3 | 1% | \$36.67 | \$20.00 | \$45.00 |
| Snatch Blocks | 2 | 0% | \$62.50 | \$50.00 | \$75.00 |
| Air Bags | 2 | 0% | \$9,380.00 | \$1,250.00 | \$17,510.00 |
| Call-Out Fee | 2 | 0% | \$137.50 | \$75.00 | \$200.00 |
| Diver for Recovery | 2 | 0% | \$500.00 | \$500.00 | \$500.00 |
| Skid Steer | 2 | 0% | \$200.00 | \$200.00 | \$200.00 |
| Landall Call-Out | 2 | 0% | \$625.00 | \$500.00 | \$750.00 |
| Assist Towing | 2 | 0% | \$100.00 | \$100.00 | \$100.00 |
| Weather | 1 | 0% | \$1,000.00 | \$1,000.00 | \$1,000.00 |
| Certification Fee | 1 | 0% | \$50.00 | \$50.00 | \$50.00 |
| Ditch Job | 1 | 0% | \$375.00 | \$375.00 | \$375.00 |
| Absorbent | 1 | 0% | \$25.00 | \$25.00 | \$25.00 |
| City Fee | 1 | 0% | \$10.00 | \$10.00 | \$10.00 |
| License Dive Team | 1 | 0% | \$750.00 | \$750.00 | \$750.00 |
| Total | 410 | | | | |
| Average | | | \$459.61 | \$168.42 | \$895.43 |

Heavy-Duty Fee Schedules

Of the 156 fee schedules reviewed, 55 include rates for heavy-duty non-consent tows, of which 6 from 2 towing companies also include specific heavy-duty private property rates. These 55 schedules are maintained by 24 towing companies.

Fee Schedules for Heavy-Duty Towing Fees

The tables below show the geographic and metro area breakdown for the 24 towing companies that have heavy-duty non-consent and heavy-duty private property fee schedules posted with TDLR.

The average non-consent rates listed in the tables are calculated by taking the sum of the non-consent rates divided by the total number of non-consent fee schedules. The average private property rates listed only are determined using the fee schedules that include specific private property rates. If a fee schedule does not specifically identify private property maximum rates, the maximum rates for all non-consent tows applies to private property tows.

The analysis below only includes maximum rates for the towing fee, not additional charges that may be included on the towing ticket. Other charges are discussed later.

Averages by zone. Of the 24 total towing companies with heavy-duty fee schedules, approximately 58 percent are located in Zone 4 in North Texas. West Texas has the smallest representation with one towing company with one non-consent fee schedule. South Texas has 83 percent of the heavy-duty private property fee schedules. There are no heavy-duty fee schedules for the Texas Panhandle. Only towing companies in South Texas and Southeast Texas have heavy-duty private property fee schedules.

| Heavy-Duty Fee Schedules Averages by Zone | | | | | | |
|---|--------------------------------|--------------------------------|-------------------------------------|--------------------------------|---------------------------|--------------------------------|
| Zone | # of Non-Consent Fee Schedules | Companies Represented by Count | # of Private Property Fee Schedules | Companies Represented by Count | Non-Consent Rate Averages | Private Property Rate Averages |
| Statewide | 55 | 24 | 6 | 2 | \$462.42 | \$526.67 |
| Zone 1 - South Texas | 13 | 8 | 5 | 1 | \$456.88 | \$527.00 |
| Zone 2 - West Texas | 1 | 1 | 0 | 0 | \$400.00 | N/A |
| Zone 3 - Panhandle | 0 | 0 | 0 | 0 | N/A | N/A |
| Zone 4 - North Texas | 32 | 8 | 0 | 0 | \$431.91 | N/A |
| Zone 5 - Southeast Texas | 9 | 7 | 1 | 1 | \$617.40 | \$525.00 |

The statewide average rate for heavy-duty non-consent tows is \$462 and for heavy-duty private property is \$527. Southeast Texas is the only zone that has an average non-consent maximum rate that is greater than the statewide average. The average rates for the two areas with heavy-duty private property fee schedules are very similar.

Averages by metro area. Of the towing companies with heavy-duty non-consent fee schedules, 75 percent are from a metropolitan area and account 89 percent of the fee schedules. Towing companies in micropolitan areas and non-metropolitan areas each make up 13 percent of the companies and 5 percent of the non-consent fee schedules.

Of the six private property fee schedules, all of them are posted by towing companies in a metropolitan area. None of the towing companies sampled in micropolitan or non-metropolitan areas have private property fee schedules posted; in these areas, the non-consent fee schedules govern the maximum rates for private property tows.

The average posted private property rates statewide and in the metropolitan areas are higher than the posted non-consent rates. Micropolitan areas have the lowest posted non-consent rates.

| Heavy-Duty Fee Schedules Averages by Metro Area | | | | | | |
|---|--------------------------------|--------------------------------|-------------------------------------|--------------------------------|---------------------------|--------------------------------|
| Zone | # of Non-Consent Fee Schedules | Companies Represented by Count | # of Private Property Fee Schedules | Companies Represented by Count | Non-Consent Rate Averages | Private Property Rate Averages |
| Statewide | 55 | 24 | 6 | 2 | \$462.42 | \$526.67 |
| Metropolitan | 49 | 18 | 6 | 2 | \$475.50 | \$526.67 |
| Micropolitan | 3 | 3 | 0 | 0 | \$341.67 | N/A |
| Non-Metropolitan | 3 | 3 | 0 | 0 | \$400.00 | N/A |

Fee Schedules for Other Heavy-Duty Charges

The table for other charges for heavy-duty tows contains a list of charges, the frequency of occurrences, and the average and range of rates. Some of these fees are hourly rates, while others are flat fees or fees per distance. Many of these other charges do not apply to private property tows.

| Other Charges on Heavy-Duty Fee Schedules | | | | | |
|---|-------|------------------------|----------------|----------------|----------------|
| Other Charges | Count | Percent of Total Count | Average Charge | Minimum Charge | Maximum Charge |
| Additional Vehicle | 41 | 18% | \$286.95 | \$35.00 | \$1,000.00 |
| Labor | 22 | 10% | \$123.25 | \$45.00 | \$375.00 |
| Mileage | 20 | 9% | \$3.68 | \$1.00 | \$7.00 |
| Additional Equipment | 20 | 9% | \$79.00 | \$20.00 | \$200.00 |
| Winch / Dolly / Rollback | 19 | 8% | \$249.11 | \$3.00 | \$1,500.00 |
| Remove Drive Line | 13 | 6% | \$146.62 | \$31.00 | \$500.00 |
| Fuel | 11 | 5% | \$47.04 | \$9.25 | \$75.00 |
| Wait Time | 10 | 4% | \$204.50 | \$75.00 | \$500.00 |
| Air Bag | 9 | 4% | \$1,188.44 | \$150.00 | \$3,500.00 |
| Work Time | 9 | 4% | \$327.78 | \$75.00 | \$850.00 |
| Hook Up | 7 | 3% | \$132.14 | \$75.00 | \$250.00 |
| Clean-Up | 7 | 3% | \$198.75 | \$95.00 | \$500.00 |
| Lockout | 6 | 3% | \$76.67 | \$60.00 | \$95.00 |
| Over Turn / Roll Over | 4 | 2% | \$231.25 | \$100.00 | \$375.00 |
| Skid Steer | 3 | 1% | \$154.00 | \$62.00 | \$200.00 |
| Landall Call-Out | 2 | 1% | \$625.00 | \$500.00 | \$750.00 |
| Snatch Blocks | 2 | 1% | \$62.50 | \$50.00 | \$75.00 |
| Tire Change | 2 | 1% | \$55.00 | \$50.00 | \$60.00 |
| Transfer | 2 | 1% | \$562.50 | \$375.00 | \$750.00 |
| Recovery | 1 | 0% | \$250.00 | \$250.00 | \$250.00 |
| Cage Brakes | 1 | 0% | \$30.00 | \$30.00 | \$30.00 |
| Call-Out | 1 | 0% | \$200.00 | \$200.00 | \$200.00 |
| Cancellation Fee | 1 | 0% | \$375.00 | \$375.00 | \$375.00 |
| City Fee | 1 | 0% | \$50.00 | \$50.00 | \$50.00 |
| Ditch Job | 1 | 0% | \$375.00 | \$375.00 | \$375.00 |
| Incidental Management Fees | 1 | 0% | \$400.00 | \$400.00 | \$400.00 |
| Jumpstart | 1 | 0% | \$45.00 | \$45.00 | \$45.00 |
| License Dive Team | 1 | 0% | \$750.00 | \$750.00 | \$750.00 |
| Light Plant | 1 | 0% | \$50.00 | \$50.00 | \$50.00 |
| Motorcycles | 1 | 0% | \$125.00 | \$125.00 | \$125.00 |
| Nights | 1 | 0% | \$45.00 | \$45.00 | \$45.00 |
| Over Seawall | 1 | 0% | \$250.00 | \$250.00 | \$250.00 |
| Re-Delivery Fee | 1 | 0% | \$400.00 | \$400.00 | \$400.00 |
| Water Stuck | 1 | 0% | \$250.00 | \$250.00 | \$250.00 |
| Roll Off Box | 1 | 0% | \$37.00 | \$37.00 | \$37.00 |
| Vacuum | 1 | 0% | \$93.00 | \$93.00 | \$93.00 |
| Service Call | 1 | 0% | \$75.00 | \$75.00 | \$75.00 |
| Total | 227 | | | | |
| Average | | | \$231.19 | \$151.66 | \$415.19 |

VI. Summary of Texas Municipal Rate Studies

Cities That Have Conducted Rate Studies

As of January 2010, six cities are known to have conducted rate studies in order to set maximum rates for non-consent tows: Austin, Beaumont, Dallas, Fort Worth, Houston, and San Antonio.

In 2008, as part of a review of the regulation of non-consent towing fees in Texas, the non-consent rate studies conducted by four municipalities (Austin, Dallas, Fort Worth, and Houston) were reviewed and summarized. Appendix E contains the results of the review from the original 2008 report to the Texas Department of Licensing and Regulation (TDLR) titled “Study of Non-Consent Towing Fees.” Since the 2008 report was published, Beaumont and San Antonio have conducted rate studies.

Individuals knowledgeable of the non-consent towing rate studies were contacted beginning in November 2009 to learn more about how the rate studies were conducted. Appendix F lists the individuals contacted in each city. New information about the rate studies conducted in Beaumont, Houston, and San Antonio are discussed below.

In Austin, Dallas, and Fort Worth, no additional information was obtained about the rate studies described in Appendix E. In Austin and Dallas, no one who was involved in the rate study is still employed by either city. Although Appendix E states that Fort Worth would be conducting another rate study in 2008, the 2007 study is the most recent and the city does not have plans to conduct another study.

Each municipal rate study used varying methodologies to set a maximum rate for non-consent tows. Interviews were conducted with staff in each municipality to verify the methodologies that were used in the rate studies and to determine the level of satisfaction the municipalities had when deciding on a methodology, which sources of data to use, how the data were collected, and the degree to which towing companies were involved in the rate study.

The table shows regulated non-consent towing rates for the cities known to have conducted a rate study.

| Current Municipal Towing Rates | |
|--------------------------------|-----------------------------------|
| Municipality | Regulated Non-Consent Towing Rate |
| Austin | \$150 |
| Beaumont | \$165 |
| Dallas | \$121 |
| Fort Worth | \$135 |
| Houston | \$140 |
| San Antonio | \$120 |

Beaumont Rate Study

The City of Beaumont completed a rate study in December of 2009. According to a representative of the City of Beaumont, the study is based on a survey of fees sent out to towing

companies in the Beaumont area, an analysis of fee schedules pulled from the TDLR Web site, and a review of other Texas city ordinances. The goal of the study was to set a rate at the high end of current regulated rates in other Texas cities in order to be able to prohibit additional surcharges. Previously, Beaumont had a maximum non-consent towing rate of \$85.

Methodology

Comparison to Texas cities. Towing fees from seven other cities (Abilene, Baytown, Houston, Orange, Port Arthur, Tyler, and Waco) were compared to towing fees in Beaumont. The Beaumont non-consent towing rate of \$85 was found to be lower than all but one other city, Orange, Texas, which also had a non-consent towing rate of \$85.

Review of fee schedules. Company fee schedules posted to the TDLR Web site were also analyzed. The fee schedules for companies located in Abilene, Baytown, Houston, Orange, Port Arthur, Tyler, and Waco were compared to the towing ordinances in those cities to determine the level of compliance.

Results

Based mainly on the review of other Texas city ordinances, the City of Beaumont set the rate for all light-duty non-consent tows at \$165. The city ordinance specifically states that towing surcharges and fuel adjustment fees are not allowed. The ordinance does however allow for a drop fee of \$60 to release a vehicle after it has been hooked up to a towing truck.

Houston Rate Study

The most recent rate study conducted by the City of Houston was completed in December of 2008. The 2008 study was done pursuant to the city ordinance requirement that towing rates be reviewed during calendar years ending with the digits three or eight to determine whether a rate adjustment is necessary. A previous rate study was done in 2003 (and is summarized in Appendix E).

The Administration and Regulatory Affairs (ARA) Department of the Regulatory Services Division at the City of Houston is required by city code to conduct the towing rate studies. An ARA representative detailed the obstacles to conducting the towing rate study as well as alternate strategies used to complete the study.

Methodology

Cost of service analysis. To conduct a cost of service analysis, a survey was sent to Houston area towing companies asking for financial data and vehicle operating data. Fewer than five percent of those surveyed provided data. According to the ARA representative, even the data that were received were highly varied and could not be relied upon with confidence. The representative stated that all of the other municipalities with which Houston communicated

about the rate study had similar difficulties getting data from towing companies.

In order to encourage towing companies to submit data, towing associations were contacted. Although the City of Houston was unable to obtain sufficient data from towing companies, even with encouragement from towing associations, the associations proved to be a valuable resource in verifying data submitted by towing companies. In particular, the ARA worked with the Towing and Recovery Association of America. The ARA representative stressed the importance of working with towing associations.

Surveys were sent to 151 Houston area towing companies requesting “verified financial data and vehicle operating data.” While the cost of service analysis suggested a rate increase of 15 percent for standard non-consent tows, the response rate was deemed too low to provide reliable data.

The ARA representative also stressed the importance of not relying on a single data source when conducting a towing rate study. Since the financial data provided by towing companies was insufficient, the ARA examined the consumer price index, contacted other Texas cities to get information on previous rate studies and regulated rates, contacted businesses that enter into contracts with towing companies to gather information on contracted rates, and contacted wrecker vehicle dealers, insurance companies, and wrecker repair facilities to gather individual cost component information.

Consumer price index analysis. The change in several consumer price indices from 2003 to 2008 were examined. Based on the CPI analysis alone, an increase of approximately six percent could have been recommended.

Texas cities survey and analysis. Towing fees from ten other cities (Austin, Beaumont, Corpus Christi, Dallas, Fort Worth, El Paso, Galveston, San Antonio, Pasadena, and Victoria) were compared to towing fees in Houston. The Houston non-consent towing rate of \$143.50 was found to be comparable to the Austin and Fort Worth rates of \$150 and \$135, respectively.

Contract and consent towing rate survey and analysis. Surveys were sent to Houston area businesses that enter into contracts for towing services such as auto dealers, roadside assistance providers, and insurance companies. Surveys were also sent to Houston area towing companies requesting consent towing rates. These surveys also had a very low response rate and towing rates quoted tended to be approximations only. Based on limited data, the survey found that the current City of Houston rates are higher than contracted rates, but within the range of consent towing rates charged by survey respondents.

Cost component analysis. A survey of wrecker dealerships, repair facilities, and insurance companies found that key cost components such as fuel, maintenance, depreciation, and insurance costs had not increased substantially since 2003 and did not warrant an increase in non-consent towing rates.

Results

Based on the primary method of analysis, the cost of service analysis, an increase in non-consent towing rates would have been recommended.

However, using a combination of five methods of analysis, the study found that the rate of \$143.50 for standard non-consent tows determined by the 2003 rate study should remain in effect. Ultimately, no increase or decrease in towing rates was supported by the data at that time. The study mentioned that a possible contributing factor to such a low response from towing companies rate may be an overall perception among the industry that no rate adjustment is necessary.

The Houston towing ordinance requires an annual adjustment to the maximum non-consent towing rate based on the consumer price index. In 2009, due to a decrease in selected consumer price indices, the towing rate was adjusted to \$140.

San Antonio Rate Study

The City of San Antonio completed a rate study in 2008 based on a detailed cost analysis and a comparison with other Texas cities and cities in other states to determine rates for non-consent tows initiated by the police department. For the cost analysis, several consumer price indices as well as financial data from towing companies were examined. The rates determined by the study reflect increases in certain consumer price indices and falls near the median of rates in peer cities that were examined.

Although the rates were not adopted by the City of San Antonio, the methodology used to conduct the 2008 rate study is detailed below.

Methodology

Consumer price index analysis. Changes in selected consumer prices indices from 2002 to 2008 were examined in order to estimate the change in the cost of operating a towing business. Selected indices include fuel, vehicle maintenance, advertising, and medical care. The new rate in San Antonio most closely reflects the 40 percent increase in the transportation consumer price index.

Cost of service analysis. Operating costs for towing companies were compared to the consumer price index. Each operating cost was then assigned a weighted average based on the percentage of total operating costs and the change in selected consumer price indices from 2002-2008. When summed together, the increase in average operating cost was determined to be 48 percent.

Comparison to other cities. The proposed San Antonio rate, based on the cost analysis, was then compared to eight other Texas cities (Arlington, Austin, Corpus Christi, Dallas, El Paso,

Fort Worth, Houston, and San Marcos) and eight national cities. The rate study also examined whether the other cities allowed additional charges.

Results

The City of San Antonio did not adopt the rates determined by the rate analysis. However, the regulated rates for non-consent tows initiated by the police department were raised to \$120 for light-duty tows, \$240 for medium-duty tows, and \$450 for heavy-duty tows. These rates were determined by a competitive bidding process and apply only to non-consent tows initiated by the police department.

VII. Focus Groups and Industry Comments

In order to gather information about the costs of operating a private property towing business and issues surrounding private property towing, Morningside Research and Consulting facilitated two focus groups with towing companies, solicited written comments from towing companies, and interviewed private property managers and owners. The focus groups and written comments provided towing companies with the opportunity to discuss the cost components and other issues that must be considered in the rate-setting process.

Towing Company Focus Groups

Morningside Research and Consulting conducted two focus groups at the Texas Department of Licensing and Regulation (TDLR) North Campus: one from noon to 1:30 p.m. on Monday, February 1, 2010, and another at the same time on Friday, February 5, 2010. Representatives from eight towing companies attended the February 1 focus group and four attended on February 5.

Of the more than 2,000 towing company records received from TDLR, Morningside Research and Consulting extended invitations to 200 randomly-selected towing companies. The sample was selected to ensure geographic diversity. Initially, 50 invitations were sent on January 5; another 50 were sent on January 13; and a final 100 were sent January 21.

The focus group guide is shown in Appendix G.

Involvement in Private Property Towing

The 12 towing company representatives who attended the two focus groups say that 5 to 100 percent of their tows are private property tows; urban towing companies generally conduct more private property tows than their rural counterparts. Most of the focus group attendees are the owner of their respective companies. Most believe it is important to diversify their business and conduct a variety of types of tows, including consent, non-consent, incident management, and private property tows. Rural towing companies specifically state that they must conduct all types of tows, including private property tows, in order to have a sustainable income.

Most of the towing companies also believe that private property tows are profitable, more so than other types of tows, and that private property tows are generally simpler and less involved than incident management tows. Others say that private property tows are a “necessary evil” and that they do it because some of their other customers request the services. Another owner believes that towing abandoned vehicles from private property is a public service.

Some of the attendees are in the towing industry because they took over the family business or

because their family has been in the industry for many years and they chose to stay in the field. Some believe private property towing is the best opportunity for new companies to get started in the towing business.

Contracts

Towing companies in rural areas state that most agreements between towing companies and property owners are verbal and the relationship is such that a private property owner or manager contacts the towing company directly to request a tow. Towing companies in urban areas have formal, written contracts; two say they are required by City of Austin ordinance to maintain formal contracts with all of their private property clients. They understand that Austin may mandate for a two-year renewal requirement due to the high turnover rate among private property management companies. All focus group attendees agree that having a formal contract protects the towing company.

The focus group attendees that have written contracts include the following standard components in their agreements:

- Breakdown of laws, rules, and regulations
- Signage agreement (property owner to provide, for sale or loan, posting requirements, cost, what happens if a sign is stolen)
- Reasons for towing (sticker, special parking spots)
- Covered times (24-hour towing, only between 8:00 a.m. and 5:00 p.m.)
- Authorization (one company explicitly authorizes the driver to act as an agent when on the property while others assume that this is the case)
- Notification
- Patrol versus non-patrol agreement
- Terms of the contract
- “Automatic” renewal unless cancelled (the cancellation policy may be outlined)
- Any additional conditions

No attendee has an agreement or contract that specifies price.

Rate Determination and Cost Components

Urban towing companies are more likely to have their fees regulated than their rural counterparts. Regulated rates in Austin are \$150, in Dallas \$95, in San Antonio \$120, and in Houston \$140. Opinions vary about regulation; some towing companies want additional regulation to make the industry more professional, and others are adamantly opposed to any regulation.

In the absence of regulation, towing companies establish rates to cover their costs for insurance, fuel, labor, vehicles, equipment, and other expenses. Towing companies say that fuel, payroll, vehicles, equipment, and other mandatory expenses, such as licenses and permits, are very important to consider when establishing a rate, while signage and other incidental expenses are

less important. They estimate that the cost for a private property tow is typically 30 percent more than the law enforcement rate due to additional paperwork involved as well as to the extra risk associated with dangerous situations and angry customers.

Payroll. Approximately 25 to 30 percent of the towing charge for every tow goes to the driver. Since drivers make a moderate income, they often patrol to perform additional tows. Although not directly related to a private property tow, towing companies need dispatchers for 24-hour service and at least two staff members at all times at their storage facilities for safety reasons. Other administrative staff are responsible for handling the required certified notification. Towing companies also incur expenses for drug testing and for training associated with the high staff turnover. Other payroll expenses include benefits, workers compensation, and taxes. However, most of the towing companies indicate that they do not provide benefits to their employees.

Towing companies admit that it is difficult to find good drivers and to foster a team work environment because drivers are often alone in the field. This combined with the high probability of being in a dangerous situation contribute to the high staff turnover rate, which results in expenses associated with hiring and training new employees.

Vehicles and equipment. Purchasing a new vehicle is expensive and the maintenance and depreciation for vehicles are significant expenses. Other equipment usually represents 15 to 20 percent of overall operating costs. In addition to the equipment used exclusively for a hookup, such as winches, cables, chains, towing lights, skates, straps, dollies, and jacks, towing companies often also purchase and maintain on-board GPS systems, cameras, audio-visual equipment, and credit card machines.

Other expenses. Other expenses include obtaining and renewing applicable licenses and permits. Private property tows are frequently disputed and towing companies report significant attorney fees and court costs. While not a large expense, towing companies may purchase and update a Web site in order to stay competitive.

Although not directly related to a private property tow, towing companies may maintain and secure offices and storage facilities. These expenses include property taxes, insurance, surveillance, lighting, utilities, security, and rent. Towing companies in metropolitan areas say that their rent is very expensive and that they keep moving further and further away from downtown because of space and zoning.

Returned and Abandoned Vehicles

Towing companies say that to ensure private property owners' satisfaction with their service, towing companies return 13 to 15 percent of towed vehicles due to disputes. Of these returned vehicles, approximately half are towed back to the property and half are picked up by the owner at the storage facility with no charge.

Additionally, auctioning off or disposing of abandoned vehicles can be expensive and is time-

consuming. Up to 40 percent of vehicles in rural areas are never retrieved. Urban towing companies also report a significant number of unclaimed vehicles. Returned and abandoned vehicles result in lost revenue for towing companies.

Marketing

To solicit business agreements with private property owners and managers, large towing companies in Dallas, Austin, San Antonio have dedicated sales staff who solicit private property contracts. Other towing companies give bonuses to drivers if they sign a new deal. All of the towing companies in the focus groups agree that securing new business comes from establishing personal relationships. These relationships may be the result of membership in an association, historical relationships with property managers, client referrals, or cold calling.

Some strategies towing companies use to solicit contracts include emphasizing that they use newer vehicles and equipment than their competitors and that their towing rates are competitive. Often apartment managers and owners want the lower rate even though they do not pay the cost of the tow. They are concerned because unhappy tenants affect their image and ultimately their business. Towing companies also acknowledge that educating property owners and managers on towing and signage laws has become a problem; they believe this is a new burden for towing companies since TDLR began regulating towing.

Incentives

Focus group attendees say that incentives from towing companies to private property owners and managers are widespread; others say that there are a lot of unsubstantiated rumors. Incentives are defined as “something of value” and towing companies cited the following examples:

- Striping – for free or at a reduced price
- Signage
- “No tow” authorization in tow-away zones for property managers and owners and their friends and family
- Gift cards
- Free consent towing for property managers and owners
- Kickbacks per car towed
- Trips

Signage. Signage proved to be a serious concern of the towing companies attending the focus groups, and arrangements for providing and posting signage on private property varies among the towing companies. Two towing companies sell signs to property owners either at cost or with a 40 percent markup. Other towing companies loan signs to property owners. One company requires the private property owner to pay for a replacement sign should something happen to it; often other competitors will steal the signs.

All towing companies believe that they need to be involved or included when posting signs to

ensure adherence to the law; otherwise they cannot tow. Towing companies want to be involved in signage to ensure that information is correct, the format meets statutory requirements, and that the sign is posted properly. Property owners are not often concerned about signage rules, but a towing company may be fined if a vehicle is towed from a lot without proper signage. The focus group attendees want TDLR to clarify signage rules and regulations.

Definition of value and benefit. The focus group attendees do not have a common understanding of the definition of “item of value.” They believe TDLR should add resources for enforcement of violators or loosen the requirements related to “value and benefit”. Two towing companies said that they have reported illegal activity to TDLR but that nothing had happened. Others agree that it is extremely difficult to enforce the “no financial involvement” rule. One towing company is frustrated that in many other industries, owners are allowed to buy lunch, give gifts, and offer discounts to clients as a marketing strategy in order to establish and maintain working relationships.

Challenges

The towing companies believe that conducting private property tows can be very dangerous. Towing companies told stories of their drivers being verbally and physically assaulted. They expect disputes from customers. One towing company argues that all towing is dangerous and views incident management tows as having a greater risk than private property tows because of the likelihood of accidents involving traffic on roads and highways.

Heavy-Duty Towing

One heavy-duty towing company uses price per pound to calculate the cost of heavy-duty tows based on the weight of the vehicle being towed. No other companies in the focus groups use this method; it is more common to use a flat rate or an hourly rate. All towing companies that do heavy-duty towing are concerned about how a statewide rate can be determined.

Rural Issues

Rural towing companies are less likely to have fees regulated and generally conduct fewer private property tows than their urban counterparts. Towing companies are concerned about “rogue towers,” who tow long distances to take a vehicle to a storage facility many miles away. As a result, some towing companies want clear rules that limit the distance that a driver may travel and prohibit mileage charges. But rural towing companies say that they need to legitimately charge mileage because the geographic area they cover may be extremely large.

Written Comments from Towing Companies

In February 2010, towing companies were invited to submit written responses to questions by email about issues related to private property towing. The following questions were asked:

- What are the challenges you face in pricing private property tows?
- What are the major cost drivers for private property tows?
- What should be considered when setting a statewide private property towing rate?

Challenges for Pricing Private Property Tows

According to the input from towing companies, determining a price for private property tows can be complicated by the location and condition of the vehicle, a low volume of private property tows in rural areas, and conflicts with vehicle owners.

Location and condition of vehicle. Although some private property tows are relatively straightforward tows from parking lots, others are more difficult due to locations such as dirt roads, fields, and ditches. The condition of the vehicle is also a factor. Some vehicles abandoned on private property are not in drivable condition (flat tires, no tires, other damage) and can be difficult to tow. Other factors include “gone on arrival”, special equipment to prevent damage, and length of time at the scene. Towing companies also mention weather, time of day, and the size of the towing truck as factors that affect the cost of a private property tow.

Low volume in rural areas. Towing companies in rural areas indicate that determining a price for private property tows is difficult due to low volume. Also, due to low volume, rural towing companies must sometimes travel long distances to tow a vehicle off of private property.

Conflict with vehicle owners. In both rural and urban areas, towing companies face conflicts with vehicle owners. Several towing companies feel that conflicts at the scene as well as damage claims by vehicle owners after the tow are challenging factors.

Differing opinions on legislation. Towing companies express different opinions regarding the posting of towing signs on private property. While Texas statute states that there can be no financial involvement between towing companies and private property owners, there is some confusion over whether this applies to signs. Some towing companies consider signs an expense that impacts the price of a private property tow.

Major Cost Drivers

Cost drivers for private property tows listed in the written comments from towing companies include the following:

- Payroll
- Abandoned vehicles (16 percent of all tows according to one company)

- Equipment
- Fuel
- Insurance for towing trucks
- Training employees
- Property (rent, mortgage)
- Taxes (property taxes, payroll taxes)
- Retaining customers/contracts
- Employee benefits
- Licensing and regulation costs
- Drug testing
- Court costs resulting from disputes

Considerations for Setting a Statewide Rate

Rural and urban differences. Some towing companies feel that setting a single statewide maximum rate for private property towing is not appropriate due to the vast differences between rural and urban areas. The cost of property, insurance, and labor rates are higher in urban areas while road infrastructure (towing from dirt roads and fields, for example), extremely remote locations (ranches, mountains, and backwoods, for example), and travelling greater distances to perform tows make private property towing in rural areas more time consuming and more expensive. One towing company suggests setting a tiered rate based on number of tows performed to offset the difference in the volume of private property tows between rural and urban areas.

In addition to differences between rural and urban areas, towing companies also mention regional differences between urban areas. Labor rates and other costs, for example, vary among the urban areas of the state.

Rate adjustment. Several towing companies recommend an annual adjustment to the rate based on the cost of living, fuel, or insurance prices.

Impact of a statewide rate. In addition to the location of the towing company, company size may affect rates for private property tows. Towing companies express concern that a maximum rate set for a small company may not be sufficient to allow a larger company with more overhead to make a profit. If the maximum rate is set too low, some towing companies will go out of business; if the rate is set too high, it may encourage too many individuals to start private property towing businesses.

Other considerations. Several towing companies suggest prohibiting other charges and allowing only the towing charge. Some suggest limiting other charges to mileage and labor time. Other recommendations include setting a higher standard for towing truck maintenance and safety equipment and modeling rates after existing law enforcement rates.

Interviews with Property Owner Representatives

In January and February 2010, property owner representatives in Dallas, El Paso, Houston, and San Antonio were contacted to get input on issues related to private property towing. A total of 29 organizations or individuals were contacted of which 14 were interviewed. Appendix D contains the list of interviews and the organizations contacted. Overall, the representatives contacted indicate that property owners are generally satisfied with their towing agreements and did not identify significant issues related to towing.

Contracts for Private Property Towing

The property owner representatives contacted provided little information regarding contracts or agreements between towing companies and property owners for private property towing. Those that have seen a contract say that it is a typical contract in that it protects both the towing company and the property owner and management. None of the representatives contacted are knowledgeable about whether the contracts or agreements specify a towing rate and none are aware of a template or standard private property towing contract.

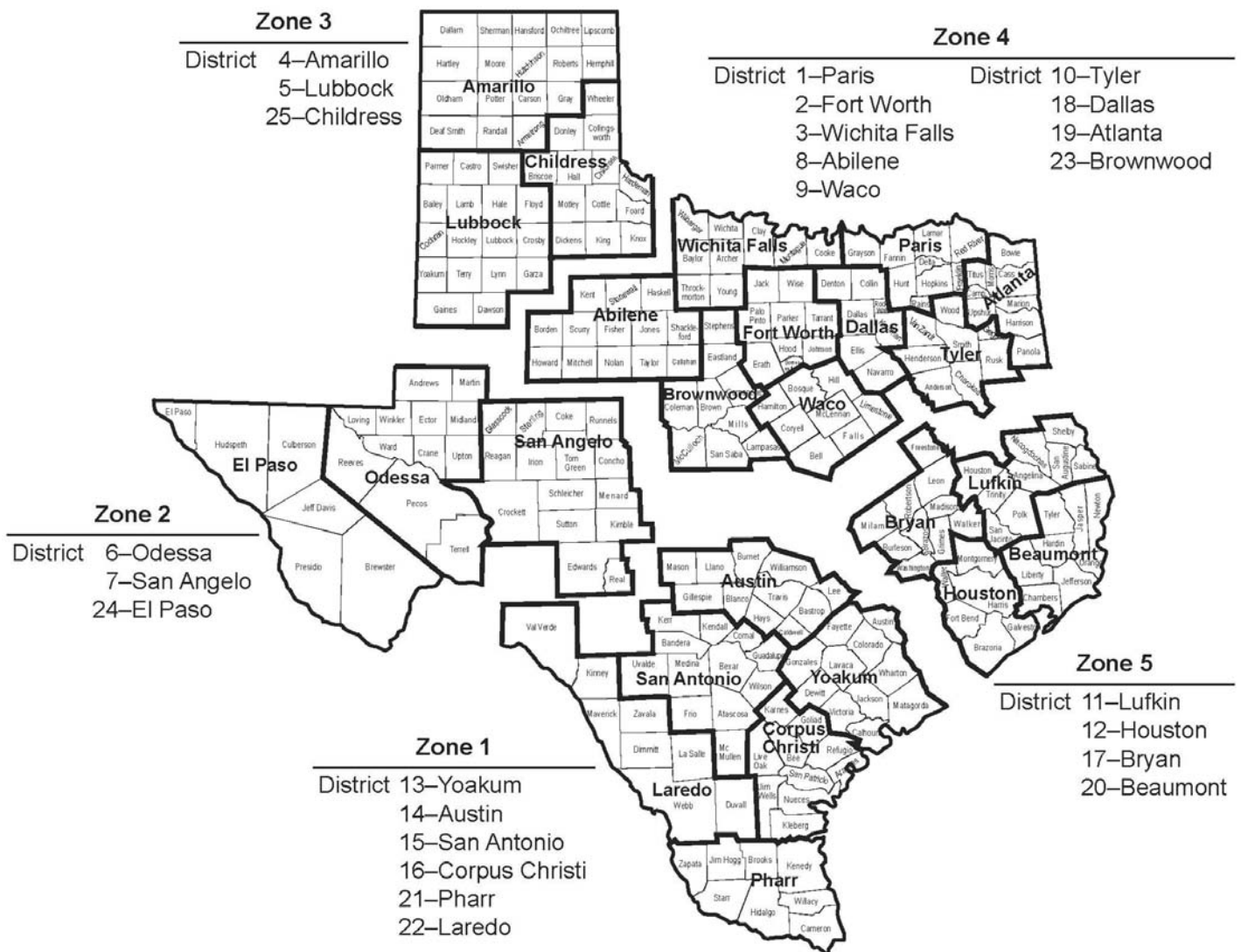
Confusion over Signage

According to the representatives contacted, property owners are unclear about the laws regarding the posting of towing signs on private property. While some are aware that posting signs is the responsibility of the property owner, others indicate that towing companies typically post signs because they are more knowledgeable of specific sign requirements. Some towing companies charge property owners for signs.

One property owner representative believes that property owners are required by law to notify vehicle owners that their vehicle has been towed but says that most are unclear on when and how to do so.

Incentives for Property Owners

Although focus group discussions with towing companies indicate that some towing companies provide incentives to property owners for being allowed to perform private property tows, most of the representatives of property owners contacted do not hear about incentives being offered. One representative had heard about kickbacks from a towing company to a privately owned downtown business, but the issue was never investigated.

Appendix A: Texas Zone Map
Page 38

Appendix B: Cost Analysis

TravisWolff, the CPA firm that conducted a rate study for the City of Dallas in 1999, conducted the cost analysis for this study. The blended, statewide rate determined by the cost analysis (\$141.39) is based on 2008 financial data. In order to determine the 2009 cost, the annual adjustment described on page 8 of Appendix B was applied, resulting in the rate of \$148.76 used in determining the statewide rate as discussed beginning on Chapter III, page 8 of the full report.

March 26, 2010

Shari Holland
Morningside Research and Consulting, Inc.
P.O. Box 4173
Austin, Texas 78765

Re: Tow cost analysis report in support of Contract No. 452-9-1164 between Morningside Research and Consulting, Inc. and the Texas Department of Licensing and Regulation

Dear Ms. Holland:

We are pleased to provide you with our analysis and final report pertaining to the Consulting Agreement dated November 1, 2009 to perform a private property tow cost analysis for the Texas Department of Licensing and Regulation.

The purpose of our analysis was to complete the following objectives:

- Determine the actual cost (direct and indirect) of a private property tow of vehicles classified as light duty (a manufacturer's GVWR (gross vehicle weight rating) of not more than 10,000 lbs);
- Determine the actual cost of a private property tow of vehicles classified as medium duty (a manufacturer's GVWR of 10,001 but not more than 26,000 lbs);
- Determine the actual cost of a private property tow of vehicles classified as heavy duty (a manufacturer's GVWR over 26,001 lbs); and
- Determine a reasonable profit margin to be applied to represent a just and reasonable price per private property tow.

To perform the analysis, information was requested from 2,110 tow truck operators licensed in Texas. Approximately forty percent (40%) of these tow operators perform private property tows and therefore were considered in this study. Out of the 2,110 tow truck operators that were contacted, we received sixty-six (66) responses, with forty-two (42) responses containing enough data (upon initial submission or with follow-up contact) for us to perform the analysis contained in this report. The forty-two responses received represented a statistically significant sample size for the purposes of our analysis. The information that we reviewed included the following:

- Federal income tax returns for the year ended December 31, 2008.
- Depreciation schedules for the year ended December 31, 2008.
- Company fee schedules.
- Summary of tows performed during the year ended December 31, 2008.
- Information on company personnel, equipment and payroll expenses.

Ms. Shari Holland

March 19, 2010

Page 2

Our information request list was more extensive than the above list however we did not receive all of the data we requested. We believe that the information we did receive allowed us to effectively complete our analysis. In addition, the financial information obtained from the tow companies was unaudited. We have not audited or reviewed the information and accordingly, do not express an opinion or any other form of assurance on this information.

Based on our analysis of the information available, using a direct cost methodology, we determined that the blended (based on information for both light and heavy duty tow truck operators) direct cost per private property tow is \$128.67 for the state of Texas.

We were unable to obtain a statistically significant sample size to accurately calculate a private property tow for medium to heavy duty vehicles. However, we were able to analyze the limited amount of data we did receive for private property tows of vehicles over 10,001 pounds. This analysis is detailed below.

After we determined the cost of a tow, we analyzed the price at which the tow companies can earn a reasonable return and profit. To accomplish this, we completed an analysis of average industry profitability margins as well as reviewed the profit margins of the tow companies in the survey.

We also analyzed tow costs based on geographic region of the tow operator as well as the population size of the area serviced by the tow operator. Specific details of this analysis are described below.

Based on our calculations we determined that a reasonable profit margin for tow companies included in this study to be 9.0%. Using the reasonable profit margin percentages, the price charged by the tow companies to earn a reasonable return and profit is \$141.39. Specific details of this analysis are included below.

BLENDED TOW COST ANALYSIS

Direct Costs

We selected the direct costing methodology in determining the blended cost of a private property tow. The total blended cost of a private property tow includes the direct labor used to perform the tow and the direct support expenditures necessary to the towing function. For the purposes of this report, “blended” refers to the direct costs, as described below, for all tows including light, medium and heavy duty consent and non-consent tows. In our analysis, the direct costs of a private property tow include:

- Labor – Driver’s salaries, related payroll taxes and contract towing labor.
- Vehicles – Vehicle repair and maintenance, fuel, truck lease, truck insurance, tools, and truck depreciation.
- Uniforms – Companies provide drivers with uniforms to allow for easy identification in an effort to avoid confusion and mistaken identity in the field. Therefore, costs to provide and maintain uniforms are direct costs.
- Credit Card Fees – By law, tow truck operators are required to accept two forms of payment for vehicles held as a result of a tow. One of these forms of payment is usually a credit card. Fees the companies pay for the use of credit cards are direct costs.
- Cameras – For liability protection and to minimize the costs of lawsuits the companies provide drivers with cameras. The driver will take a picture of the car before the tow to document its location and condition. Therefore film and camera costs are a direct cost.
- Radio & GPS – For safety and ability to communicate with and locate trucks, the companies invest in two-way radios and GPS tracking devices. Therefore, radio and GPS costs are a direct cost.
- Non-driver Salaries – To perform a tow, a dispatcher is required to take the call and communicate with the driver. Once the tow is completed, additional paper work and information must be processed. This additional labor is required for each tow. Therefore, non-driver salaries and related payroll taxes are a direct cost.

As part of our analysis, we decided to exclude certain expenses that we did not believe were part of the direct cost of performing a private property tow. These expenses included owner’s compensation, health insurance and other employee benefits, rent, interest, utilities and telephone expense.

The direct costs described above are incurred on every tow performed, including tows involving the vehicle owner’s consent. The average blended direct cost per tow was calculated for each company based on total number of tows performed in 2008. Our survey reflects that the average blended cost was \$128.67 per tow.

We noted that the expense structure used in our analysis is consistent with the industry cost structure as indicated by *IBISWorld* (see *IBISWorld.com*). The *IBISWorld Industry Report* for NAICS 488410, Motor Vehicle Towing (published October of 2009), comprised of establishments primarily engaged in towing light or heavy motor vehicles, indicates that the major expenses of the tow truck operators consists of 40.1% in labor and 34.1% in fuel, truck depreciation, repairs and maintenance. This expense structure is consistent with the tow truck operators surveyed in our analysis with an average expense structure of 47.6% in labor and 35.2% in fuel, truck depreciation, repairs and maintenance.

Effect of Employee Benefits

During the survey, we received responses from nine tow operators (21.4%) that offer some level of employee benefits. The average amount spent on employee benefits was \$15,821 by these nine companies in 2008 for an average cost per tow for employee benefits of \$4.89. This amount is not included in the blended rate used for this analysis.

MEDIUM & HEAVY DUTY TOW COSTS

As part of our engagement, we were also asked to perform an analysis on the cost of medium and heavy duty tows. However, we only received seventeen responses (out of the forty-two usable responses) from companies claiming to perform medium to heavy duty tows. This response rate did not give us a statistically valid sample size and as a result, the actual cost for medium to heavy duty tows could not be determined. However, even without a reliable sample, we were able to perform a comparative analysis on the cost per private property tow for companies performing medium and heavy duty tows. The tables below indicate the difference between the blended costs per private property tow and private property tows performed for the light duty vehicles and heavy to medium duty vehicles.

Blended vs. Heavy & Medium Duty Private Property Tows

| | Blended Cost | Light Duty | Heavy & Medium Duty |
|---------------------|-----------------|------------|---------------------------|
| Direct Cost per Tow | \$ 128.67 | \$ 125.06 | \$ 129.72 |

RURAL VS. URBAN TOW COSTS

As part of our engagement, we were asked to determine the different costs per tow between companies operating in rural and urban business environments. The reporting tow truck operators were separated into groups based upon the company's mailing address zip code. These groups were classified as Metropolitan, Micropolitan and Nonmetropolitan. For the purposes of this report, we used the U.S. Office of Management and Budget's definition of Metropolitan and Micropolitan. The U.S. Office of Management and Budget defines a "metro area" as containing a core urban area with a population of 50,000 or more, and a "micro area" as containing an urban core with a population of at least 10,000 (but less than 50,000). Each Metro or Micro area consists of one or more counties and includes the counties containing the core urban area, as well as any adjacent counties that have a high degree of social and economic integration (as measured by commuting to work) with the urban core.

During the course of the study, we were able to obtain information from thirty-five Metropolitan companies, four Micropolitan companies and three Nonmetropolitan companies. A response rate of thirty-five Metropolitan companies represents a statistically valid sample, however the response rates for Micropolitan and Nonmetropolitan companies did not provide a reliable sample size to determine an average cost per tow. We were able to analyze the available data and perform a comparative analysis for Metropolitan, Micropolitan and Nonmetropolitan companies, as detailed in the table below.

Rural vs. Urban Private Property Tow Costs

| | | <u>Blended</u> | | <u>Metropolitan</u> | | <u>Micropolitan</u> | | <u>Nonmetropolitan</u> |
|---------------------|----|----------------|----|---------------------|----|---------------------|----|------------------------|
| Direct Cost per Tow | \$ | 128.67 | \$ | 126.62 | \$ | 149.69 | \$ | 193.72 |

Utilizing the cost per private property tow of \$128.67 calculated earlier in our report, we calculated an applicable adjustment to establish a cost per private property tow based on the tow operator's location. The calculation for the adjustment to the private property tow rate based on location of the operators is shown in the table below.

| <u>Location</u> | <u>Blended</u> | <u>Location</u> | <u>Indicated</u> |
|-----------------|----------------|-----------------|-------------------|
| | <u>Cost</u> | <u>Cost</u> | <u>Adjustment</u> |
| Metropolitan | \$ 128.67 | \$ 126.62 | -1.6% |
| Micropolitan | \$ 128.67 | \$ 149.69 | 16.3% |
| Nonmetropolitan | \$ 128.67 | \$ 193.72 | 50.6% |

REASONABLE PROFIT CALCULATION

In determining a reasonable profit margin for the tow companies, we considered the industry wide profit margin as well as the profit margins exhibited by the operators in the survey.

Integra

To analyze the towing industry profit margin, we reviewed the *Integra Five Year Industry Report* for NAICS 488410, Motor Vehicle Towing (see Integrainfo.com). For the year 2008, companies in the Motor Vehicle Towing industry realized an operating profit margin of 2.4%.

In the cost analysis performed above, we did not include owner's compensation as well as rent expense as a direct cost of a tow. Owner's compensation was excluded as this is a discretionary expense. We excluded rent expense for two reasons. First, rent expense is not a direct cost related to the performance of a tow. Several of the companies participating in the study did not operate out of a central office location and as a result did not report rent expense. Second, during our analysis of the information obtained, we were unable to determine if the financial statements received were solely for the towing activities performed or included the towing and storage of vehicles. The financial statements of a company reporting the combination of towing and storage will overestimate the rent expenses related the towing operations. The removal of rent from the cost analysis allows for a more consistent comparison for each company. However, an adjustment to allow for owner's compensation and rent expense can be made to the profit margin. According to *Integra*, the average owner's compensation and rent expense for the Motor Vehicle Towing industry was 1.8% and 2.2% of revenue, respectively. Including an adjustment for owner's compensation and rent expense, the profit margin according to *Integra* is 6.4%. To allow a 6.4% profit margin, the reasonable blended private property tow rate is \$134.46 ($128.67 / \{1 - .064\}$).

IBISWorld

Additionally, the *IBISWorld Industry Report* (cited on page 4) for the tow truck operators industry segment indicates that the standard profit margin for the industry was 9.0%. The application of a 9.0% profit margin to a cost per tow of \$128.67 establishes a private property tow rate of \$141.39 ($128.67 / \{1 - .09\}$).

Surveyed Tow Truck Operators

We were also able to calculate an average profit margin from the financial information submitted by the tow operators for this study. We reviewed this data as a cross check to the analysis above. In order to calculate an average profit margin from the available data, we removed discretionary expenses such as officer's compensation and miscellaneous expenses. With the removal of these discretionary expenses, the average profit margin for the tow truck operators surveyed was approximately 9.1%. The application of a 9.1% profit margin to a cost per tow of \$128.67 establishes a private property tow rate of \$141.55 ($128.67 / \{1 - .091\}$).

Conclusion

Considering the range of profit margins indicated by industry data and the surveyed operators, we chose a profit margin of 9.0% as a reasonable and just profit margin to be applied to the blended cost per private property tow. A profit margin of 9.0% would yield a rate of \$141.39 ($128.67 / \{1 - .09\}$) per private property tow.

TOW RATES PER ZONE

Our analysis included information from tow companies throughout the state of Texas and the resulting rate reflects an average rate for the entire state. As part of the study, we were unable to obtain enough financial information to produce a reliable sample size for each specific zone of the state. For the purposes of our analysis, we used the zone designations indicated in the *Study of Non-Consent Towing Fees* published in December 2008. In order to calculate a tow rate that can be assignable to each region, we compared the average cost of living index for Texas (based on the U.S. cost of living index of 100) to the average of the major metropolitan areas in each region (Bureau of Labor Statistics). We were able to calculate a tow rate adjustment per region based upon the percentage difference between the Texas and metropolitan cost of living indices. The table below details our analysis and the applicable rates per region.

| Zone | Texas Cost of Living Index | Zonal Cost of Living Index | Zonal Adjustment | Blended Tow Rate | Index Adjusted Tow Rate |
|---------------------|-------------------------------|-------------------------------|---------------------|---------------------|-------------------------------|
| 1 - South Texas | 92.7 | 92.0 | -0.8% | \$ 141.39 | \$ 140.28 |
| 2 - West Texas | 92.7 | 90.0 | -2.9% | \$ 141.39 | \$ 137.23 |
| 3 - Panhandle | 92.7 | 88.0 | -5.1% | \$ 141.39 | \$ 134.18 |
| 4 - North Texas | 92.7 | 95.4 | 2.9% | \$ 141.39 | \$ 145.51 |
| 5 - Southeast Texas | 92.7 | 94.7 | 2.1% | \$ 141.39 | \$ 144.35 |

ANNUAL INFLATION ADJUSTMENT

We understand that this study will not be performed on a yearly basis. The data that we utilized in our analysis is for the year end 2008 and should be used for 2009 and thereafter. If an inflation adjustment is needed that can be applied to the initial blended private property tow rate calculation derived in this report we propose the formula described below. In order to devise a formula to calculate the annual inflation adjustment, we analyzed the expense structure of towing companies and noted that the major expenses for the towing operators surveyed included 47.6% of total expenses spent on labor and 35.2% of total expenses spent on fuel, truck depreciation, repairs and maintenance. Any annual inflation adjustment should consider, or heavily weight, these major expense categories. Our proposed annual inflation adjustment formula is illustrated below:

$$\left\{ \begin{array}{c} \% \Delta \text{ in CPI-W} \\ X \\ 48\% \end{array} \right\} + \left\{ \begin{array}{c} \% \Delta \text{ in IRS mileage rate} \\ X \\ 35\% \end{array} \right\} + \left\{ \begin{array}{c} \% \Delta \text{ in CPI-U} \\ X \\ 17\% \end{array} \right\}$$

For the use of this formula, CPI-W is the Consumer Price Index for Urban Wage Earners and Clerical Workers, which is the index used by the U.S. Social Security Administration for the monthly cost of living adjustment to social security benefits. For December 2008, the U.S city average of CPI-W for all categories, located on table 6 of the U.S. Bureau of Labor Statistics CPI Detailed Report-December 2008, was 204.813 and for December 2009 the CPI-W was 211.703. Thus, the percentage change in the CPI-W from 2008 to 2009 was 3.4% ($\{211.703 - 204.813\} / 204.813$).

The IRS mileage rate for business reimbursement for automobile mileage was \$0.505 and \$0.55 for 2008 and 2009, respectively. The IRS mileage rate factors in the cost of fuel and other automotive expense related considerations. The percentage change in the IRS mileage rate was 8.9% ($\{.55 - .505\} / .505$).

CPI-U is the CPI for All Urban Consumers. For December 2008, the U.S city average of CPI-U for all categories, located on table 1 of the U.S. Bureau of Labor Statistics CPI Detailed Report-December 2008, was 210.228 and for December 2009 the CPI-U was 215.949. Thus, the percentage change in the CPI-U index was 2.7% ($\{215.949 - 210.228\} / 210.228$).

An example of the annual inflation adjustment calculation using the data for 2008 and 2009 is as follows:

| | | | |
|-------------------|------------------------|-------------------|---------|
| CPI-W | IRS mileage | CPI-U | |
| <u>adjustment</u> | <u>rate adjustment</u> | <u>adjustment</u> | |
| (3.4%*48%) | + (8.9%*35%) | + (2.7%*17%) | = 5.20% |

Thus, the blended tow rate of \$141.39 for 2009, derived on page 7, would be increased by 5.2% for 2010 for inflation using this analysis.

Ms. Shari Holland

March 19, 2010

Page 9

SUMMARY & CONCLUSION

Based on our analysis of the information available, using a direct cost methodology, we determined that the blended cost per private property tow is \$128.67 for tow companies operating in Texas. The application of a 9.0% profit margin indicates a blended private property tow rate of \$141.39.

The analysis in our report without the required responses for a statistically reliable sample size was performed upon request and is for information purposes only. Based on this analysis, the average cost per private property tow performed on a light duty vehicle is \$125.06 and for medium to heavy duty vehicles is \$129.72. The average cost per private property tow based on operator's location is \$126.62, \$149.69 and \$193.72 for Metropolitan, Micropolitan and Nonmetropolitan areas, respectively. Adjustments for tow rates in the different geographic "zones" within Texas were calculated on page 7.

The "Annual Inflation Adjustment" formula shown on page 8 can be used to annually inflation adjust the rates derived in this report until further studies are performed.

We appreciate the opportunity to assist you. If you have any questions, please do not hesitate to call us at 972-590-5213.

Very truly yours;

TRAVIS, WOLFF & COMPANY, L.L.P.

A handwritten signature in black ink, appearing to read 'William A. Barnard', is written over the company name.

William A. Barnard, CPA/ABV/CFF, ASA, CBA, JD

Appendix C: Non-Metropolitan Counties by Zone

Non-metropolitan counties are defined by the U.S. Office of Management and Budget as counties containing an urban core with a population of less than 10,000. Below are the 133 non-metropolitan counties in Texas by zone.

Zone 1

| | | |
|-----------|----------|----------|
| Blanco | Gonzales | Mason |
| Brooks | Jackson | McMullen |
| Burnet | Jim Hogg | Refugio |
| Colorado | Karnes | Zapata |
| Dewitt | Kinney | Zavala |
| Dimmit | La Salle | |
| Duval | Lavaca | |
| Fayette | Lee | |
| Frio | Live Oak | |
| Gillespie | Llano | |

Zone 2

| | | |
|------------|------------|----------|
| Brewster | Kimble | Sterling |
| Coke | Loving | Sutton |
| Concho | Martin | Terrell |
| Crane | Menard | Upton |
| Crockett | Pecos | Ward |
| Culberson | Presidio | Winkler |
| Edwards | Reagan | |
| Glasscock | Real | |
| Hudspeth | Runnels | |
| Jeff Davis | Schleicher | |

Zone 3

| | | | |
|---------------|----------|-----------|---------|
| Bailey | Floyd | Knox | Terry |
| Briscoe | Foard | Lamb | Wheeler |
| Castro | Gaines | Lipscomb | Yoakum |
| Childress | Garza | Lynn | |
| Cochran | Hall | Motley | |
| Collingsworth | Hansford | Ochiltree | |
| Cottle | Hardeman | Oldham | |
| Dallam | Hartley | Parmer | |
| Dickens | Hemphill | Sherman | |
| Donley | King | Swisher | |

Zone 4

| | | | |
|----------|-----------|-------------|--------------|
| Baylor | Fisher | Mills | Stonewall |
| Borden | Franklin | Mitchell | Throckmorton |
| Bosque | Hamilton | Montague | Van Zandt |
| Camp | Haskell | Morris | Wood |
| Cass | Hill | Panola | Young |
| Coleman | Jack | Rains | |
| Comanche | Kent | Red River | |
| Eastland | Limestone | San Saba | |
| Falls | Marion | Shackelford | |
| Fannin | McCulloch | Stephens | |

Zone 5

| | |
|-----------|---------------|
| Freestone | San Augustine |
| Grimes | Shelby |
| Houston | Trinity |
| Jasper | Tyler |
| Leon | |
| Madison | |
| Milam | |
| Newton | |
| Polk | |
| Sabine | |

Appendix D: Property Owner Representative Interviews

Interviews

Annino, Barry. President, Deep Ellum Foundation (Dallas). Telephone interview. January 25, 2010.

Breitinger, Mike. Executive Director, El Paso Downtown Management District and Central Business Association. Telephone interview. January 25, 2010.

Brooks, Baine. President, Greater Dallas Restaurant Association. Telephone interview. February 19, 2010.

Carlton, Kathy. Director of Government Affairs, Apartment Association of Greater Dallas. Telephone interview. January 28, 2010.

Giarritta, Sunny. Regional Property Supervisor, National Farm Workers Service Center (San Antonio). Telephone interview. February 19, 2010.

Hunt, Nancy. Executive Director, Paseo del Rio Association (San Antonio). Telephone interview. January 15, 2010.

Jolly, Jamee. Executive Director, Greater Dallas Restaurant Association. Telephone interview. January 14, 2010.

Korte, Joan. President, Downtown Residents Association (San Antonio). Telephone interview. January 15, 2010.

Persch, Tom. Chairman, West End Association (Dallas). Telephone interview. January 27, 2010.

Spencer, Linda. Registrar, The Dallas/Fort Worth Retail Executives Association. Telephone interview. January 27, 2010.

Teas, Andy. Vice President of Public Affairs, Houston Apartment Association. Telephone interview. January 18, 2010.

Van Ness, Laura. Director of Business Development Program, Central Houston, Inc. Telephone interview. January 25, 2010.

Williams, Joe. Vice President Regulatory and Member Services, Texas Retailers Association (Houston). Telephone interview. February 2, 2010.

Wood, Jim. Director of Planning, Transportation, and Development, DowntownDallas. Telephone interview. January 12, 2010.

Organizations Contacted But Not Interviewed

Chavez Properties (Dallas). Contacted January 25 and February 19, 2010.

Dallas Business Association. Contacted January 12, January 15, and January 27, 2010.

Houston Heights Association. Contacted January 20 and January 25, 2010.

Downtown Alliance (San Antonio). Contacted January 15, January 27, and January 29, 2010.

El Paso Apartment Association. Contacted January 15, January 19, January 25, and January 29, 2010.

Greater Houston Retailers Cooperative Association, Inc. Contacted January 20 and January 25, 2010.

Greater Houston Restaurant Association. Contacted January 20 and January 25, 2010.

Hotel Association of North Texas (Dallas). Contacted January 12, January 20, and February 19, 2010.

Houston Downtown Management District. Contacted January 20 and January 25, 2010.

Law Office of Jonathan E. Bruce (Houston). Contacted January 25 and February 2, 2010.

Lincoln Property Management (Dallas). Contacted February 18 and February 22, 2010.

San Antonio Apartment Association. Contacted January 15, January 27, and January 29, 2010.

San Antonio Hotel and Lodging Association. Contacted January 15 and January 27, 2010.

San Antonio Restaurant Association. Contacted January 15 and January 25, 2010.

Small Business Development Center (El Paso). Contacted January 15 and January 27, 2010.

Appendix E: 2008 Review of Municipal Rate Studies

The following information was originally included in a 2008 report to the Texas Department of Licensing and Regulation titled “Study of Non-Consent Towing Fees.”

Rate Study Summaries

The following studies were conducted to determine the cost for providing non-consent towing services. Two of the studies looked at financial data from towing companies to determine cost. The other two studies looked at financial data from towing companies as well as data from other cities in Texas and peer cities across the nation.

None of the studies summarized below reflect the current regulated towing rates in their respective cities. The City of Fort Worth is in the process of completing a new rate study. We were not able to get any additional information on more current rate studies from any of the other cities.

Fort Worth

Overview

The Fort Worth rate study was completed in February of 2007. Data from 2005-2006 were used. Another study is currently underway. The 2007 study was done in response to a request for an 11 percent increase in towing fees by towing companies contracted by the police department.

Methodology

Costs. Based on the unaudited financials of police-contracted towing companies, average profit margins per vehicle tow were determined. Three categories of tows were given, but no definitions for these categories were provided. The profit margins for each are listed below.

- Heavy-duty Tows: \$22.73 (11 percent of fee)
- Standard Tows: \$15.92 (12 percent of fee)
- Car Carrier Tows: \$20.35 (15 percent of fee)

To determine the cost of providing non-consent towing, the following expenditures per tow were used:

- Salary-Drivers (calculated at \$40.63 for a standard tow)
- Fringes-Drivers (defined as 40 percent of salary)
- Vehicle Maintenance (calculated at \$8.77 per tow)

- Fuel (calculated at \$2.45 per gallon with a 4 gallon average)
- Vehicle depreciation (calculated at \$15.19 for a standard towing truck)
- Administrative expenses (defined as 50 percent of salary and fringe benefits)

Based on information supplied by towing companies, these expense categories were summed to get the following costs per tow:

- Car Carrier: \$114.65
- Standard: \$40.63
- Heavy-duty tows: \$193.27

Towing fees from eight other cities were compared to towing fees in Fort Worth; four of the cities are larger and four are smaller than Fort Worth.

Results

The study found that the 11 percent increase that was requested was not satisfactorily supported by the data.

Dallas

Overview

The Dallas rate study was completed in 1999; 1998 data were used. Unlike the Fort Worth study, the Dallas study was done to determine an appropriate rate for non-consent tows and not to justify a rate increase.

Methodology

Costs. Data were collected from 1998 unaudited financials for an unspecified number of towing companies. A “full-absorption” cost methodology was used. Tows were divided into these categories:

- Gross vehicle weight rating of not more than 10,000 lbs
- Gross vehicle weight rating of 10,001 lbs but not more than 26,000 lbs
- Gross vehicle weight rating of 26,000 lbs or more

Consent tows are used for the latter two categories because none of the towing companies that participated in the study did any non-consent towing of vehicles with a gross vehicle weight rating greater than 10,000 lbs.

Direct costs are defined as direct labor in connection with the product and the direct support expenditures. These costs are listed as:

- Driver's salaries, payroll taxes, contract towing, vehicle repair, fuel, truck lease, truck insurance, tools, and truck depreciation
- Film costs are a direct cost. For liability protection and to minimize the cost of lawsuits, the companies provide drivers with cameras.
- Companies invest in two-way radios. Safety and ability to communicate with trucks, since they operate twenty-four hours a day seven days a week, is critical. Therefore, radio costs are a direct cost.
- Sign costs are a direct cost. If a towing company accepts an apartment complex or personal property on its patrol route, the company is required to post signs under Dallas City Code.
- Sales people needed to market non-consent towing services. Therefore, sales costs are a direct cost.
- Interest expense recorded in the companies is directly related to the trucks. Therefore, interest costs are a direct cost.

Allocated costs are defined as costs which are not business line specific. These costs are listed as:

- Non-driver salary and related payroll taxes allocated to a tow based on the number of employees who perform tasks.
- Facility costs are allocated to a tow based on the square footage of the property used for a tow.
- Other costs are allocated based on percentage of manpower or percentage of revenue.

All of these costs are then weighted by company size (number of trucks) and averaged.

Reasonable profit. Once costs are determined, a weighted average cost of capital (WACC) analysis was done to determine the price at which towing companies could make a reasonable profit. WACC is a calculation of the following factors:

- Percentage of equity capital in capital structure
- Percentage of debt capital in capital structure
- Cost of debt
- Cost of common equity capital

The cost of common equity capital is what rate of return an investor would require to invest in a towing company. A risk factor model, based on Ibbotson Associate's *Stocks, Bonds, Bills and Inflation: 1991 Yearbook* was used to estimate the cost of common equity capital.

Results

A weighted average of all direct and allocated costs were summed and divided by the total number of tows to determine an average cost per tow of a vehicle with a GVWR < 10,000 lbs. This cost (\$95.76) was then multiplied by the WACC (1.1728) to determine a suggested price per tow (\$112.30).

No recommendations for medium- or heavy-duty non-consent towing rates were made. The

actual cost for performing a non-consent tow for vehicles with a GVWR > 10,000 lbs could not be determined. Instead, heavy-duty consent towing rates from companies in the Dallas area were examined. The average price of a consent tow in the Dallas area at the time was \$96.25. The following three reasons were given as to why this amount was not a good estimate for making a recommendation:

- Consent towing has lower vehicle cost.
- Consent towing has a lower return rate.
- Consent towing does not supply signs or sticker costs or labor costs related to posting and maintaining signs and stickers.

Houston

Overview

The Houston rate study was done in 2004 at the request of towing companies to justify a rate increase for non-consent towing. The City of Houston regulates non-consent towing fees for “standard” and “heavy-duty” tows. The previous rate study in Houston was done in 1997. The 2004 study examined the increase in cost of providing non-consent tows since 1997.

Methodology

Costs. To determine an appropriate rate increase, the following analyses were done:

- Review of wrecker industry financial data
- Comparison of industry data to independent sources on towing costs
- Survey of rates charged in other major Texas cities
- Survey of rates charged in surrounding area
- Survey of peer cities across the United States
- Comparison of consumer price indices

Eight different consumer price indices were used:

- All items
- Transportation
- Transportation services
- Vehicle insurance
- Vehicle maintenance and repairs
- Motor vehicle maintenance and servicing
- Services less medical care services
- Gasoline (all types)

Results

A rate increase for light-duty non-consent tows of 38.5 percent (from \$83 to \$115) was recommended based on the average percent increase of the eight consumer price indices and the average towing rates in other Texas cities, the surrounding area, and peer cities across the United States.

A rate increase for heavy-duty towing of 27 percent (from \$138 per hour to \$175 per hour) was recommended based on the same methodology.

Austin

Overview

The City of Austin provided a rate study that was completed in 2001. The rates shown below do not reflect the current rates listed in the City of Austin Vehicle Towing Services ordinance.

Methodology

The City considered the Consumer Price Index, the Cost of Living Index, and both current and historical fee increases in the City of Austin, other major Texas cities, nearby cities, and other major cities in the nation.

Results

The following recommendations were made:

- Standard tow: Increase from \$65 to \$85
- Tow for vehicles in excess of 10,000 pounds: Increase from \$300 to \$393
- Use of a dolly: \$35
- Additional fee for use of a flat bed in a standard tow during rush hour: \$35
- Winching: \$35
- Storage: \$15 per day
- Impoundment fee: \$10
- Exceptional Labor: \$35 per hour

Currently, the regulated rates for the City of Austin are \$150 for light-duty tows, \$400 for medium-duty tows, and \$800 for heavy-duty tows. The City of Austin did not provide a rate study that supports these rates.

Appendix F: Rate Study Interviews

The following individuals were contacted for the review of Texas municipal rate studies.

Austin

Cummings, Robert. APD Wrecker Division. Contacted November 18, 2009. Result: Mr. Cummings said he would look around for someone that would be knowledgeable. Two follow-up attempts were made, but there was no further reply.

Fealy, Jim. Chief of Police, High Point, North Carolina Police Department (former APD officer listed as contact on 2001 rate study). Contacted November 19, 2009. Result: Mr. Fealy reported that he was not directly involved in the 2001 rate study and had no additional information to provide.

Fernandez, Rolando. Assistant City Manager. Contacted November 16, 2009. Result: Referred to Don Field, Austin Police Department (APD).

Field, Don. Open Records Coordinator, APD. Left message November 16, 2009. No reply.

Beaumont

Thompson, Jim. Director, Parks and Recreation Department, City of Beaumont. Contacted January 21, 2010. Result: Mr. Thompson provided detailed information about the Beaumont rate study which is detailed in Chapter VI this report.

Dallas

Titlow, Gary. Manager, Transportation Regulation Division, City of Dallas. Contacted November 18, 2009. Result: Mr. Titlow stated that there is no one employed by the City of Dallas who was involved in the 1999 rate study.

Fort Worth

Chandler, Jerry. Administrative Services Bureau, Contract Compliance, City of Fort Worth. Contacted November 17, 2009. Result: Referred to Terry Holderman, who Mr. Chandler thought may have been involved in the study.

Holderman, Terry. Assistant City Auditor, City of Fort Worth. Contacted November 17, 2009. Result: Referred to the rate study completed as the only source of information. No additional information was available.

Houston

Marton, Janet. Senior Assistant County Attorney, Harris County. Contacted November 18, 2009. Result: Referred to Tina Paez, Regulatory Services Division, City of Houston.

Paez, Tina. Deputy Director, Regulatory Services Division, City of Houston. Left message November 19, 2009. No reply.

Talley, Alisa. Senior Staff Analyst, Regulatory Services Division, City of Houston. Contacted November 20, 2009. Result: Ms. Talley provided detailed information about the most recent Houston rate study which is detailed in Chapter VI of this report. Ms. Talley also provided contacts at the City of Beaumont and the City of San Antonio who were involved in rate studies done in those cities.

San Antonio

Harris, Morris. Rate Analyst, Finance Department, City of San Antonio. Contacted December 29, 2009 and May 25, 2010. Result: Information about the San Antonio rate study was provided via a formal open records request and is detailed in Chapter VI of this report. The current regulated rates were also provided.

Appendix G: Focus Group Guide

1. What types of arrangements (contracts, verbal agreements, etc.) do you have with property owners?
 - Do the agreements specify price?
 - What are other standard components of the agreements?
2. How do you solicit/market agreements with property owners?
3. How do you decide what to charge for a private property tow (cost components)?
4. What are the cost components that most directly impact the cost of doing private property tows?
5. Please indicate whether the following are very important, somewhat important, or of minimal importance in how much it costs you to conduct a private property tow?
 - Signage
 - Fuel
 - Labor
 - Equipment (specify types)
 - Vehicle (purchase, depreciation, maintenance)
 - Anything else?
6. Are private property towing rates regulated in your area? If so, who regulates the rates and what are those rates?
7. How widespread are incentives to property owners/managers by towing companies? How can this be addressed?
8. What are typical arrangements for providing signage for a private parking lot?
9. How are private property tows (costs/execution) different than other non-consent tows?
10. What are the challenges you face in conducting private property tows?
11. Approximately what percentage of your revenue comes from private property tows?
12. Why do you do private property tows (some towing companies choose not to)?