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NON-CONSENT TOWING COST STUDY IN UTAH

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Utah Department of Transportation
Motor Carrier Division and Research Division

In Cooperation with
Utah Towing Associations

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16. Abstract <p>This study was conducted on behalf of the UDOT Motor Carrier Division at the request of the towing industry in Utah to evaluate the <u>maximum allowable</u> rates for “Non-Consent Towing”. The objectives were to: 1-Evaluate the Current “Maximum” Pricing Levels for Non-Consent Towing, 2-Recommend indexes to allow for future changes in costs, and 3-Identify other price factors that may have an influence on costs to the towing industry.</p> <p>A cost analysis was used to calculate the expenses that the towing companies incur during typical towing operations. The data used was obtained through surveys, interviews, and literature. The total costs for each of the fee categories (tow fee, the administrative fee, and the storage yard fee) were calculated. Analyses were also conducted for the business models: full-time towing companies, mixed-business companies, and part-time towing.</p> <p><u>Findings include:</u></p> <ol style="list-style-type: none"> 1. The estimated rates for all fees categories were below the current maximum allowable rates. 2. These current maximum allowable could be adjusted based on the calculated cost to towing companies. 3. Three cost of living indexes are appropriate for use in adjusting for the Tow Fee: <i>Light Truck Driver Salary, the Tow Truck Index, and Overhead</i>. Two similar indexes were found for use in adjusting for the Administrative Fee: <i>Office Clerk Salary, and the Office Space Index</i>. All indexes are generated by the Bureau of Labor Statistics. 4. Implementation of uniform rules and policies could reduce costs to the towing companies in Utah. 5. Objective criteria should be used to select companies onto rotation lists (capabilities and past performance), and others to evaluate their performance on the rotations (on-going performance measures). 6. Non-consent towing is a crucial part of roadway safety and congestion management. Disabled vehicles must be removed from highway traveled lanes in a timely and safe manner. Required response time regulations are appropriate on most highways. 			
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Disclaimer

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Executive Summary

PURPOSE OF STUDY

This study was conducted on behalf of the Utah Department of Transportation, Motor Carrier Division at the request of the towing industry in Utah to evaluate the **maximum allowable** rates for “Non-Consent Towing.”

Vehicles may be towed without the consent of the owner using two towing types:

- **Non-Consent – Police Generated: related to accidents, impounds, nuisance, etc.**
- **Non-Consent – Private Property Impound (PPI): improper parking at business or private locations**

The study does not include a review of “Consent Towing” which occurs as a purchase of services between the vehicle owner and the towing company. **The objectives of this study are to:**

- 1- **Evaluate the Current “Maximum” Pricing Levels** established by Utah State Regulations R-909 for Non-Consent Towing listed in Table 1 to ensure that vehicle owners are charged a fair and reasonable fee when non-consent towing is ordered. A recommendation is expected as to whether the current maximum rates need to be changed for each of the price categories listed.

Table 1- Current “Maximum” Tow Fees				
Vehicle Type	Tow Price	Fuel Surcharge	Admin	Storage
Light <10,000 lbs	\$145/hr \$145 Flat - PPI	Adjustment over \$3.00/gal	\$30 Max	\$40/day police (\$45 inside) \$25/day PPI
Medium 10-26,000 lbs	\$240/hr	Adjustment over \$3.00/gal	\$30 Max	\$60/day police (\$85 inside) \$25/day PPI
Heavy >26,000 lbs	\$300/hr	Adjustment over \$3.00/gal	\$30 Max	\$60/day police (\$85 inside) \$25/day PPI

- 2- **Recommend Price Indexes** that would improve the ability to implement price increases or decreases with future changes in the cost of doing business.
- 3- **Identify Other Price Factors** that currently are not being utilized, which may have an influence on towing prices or costs to the towing industry.

METHODOLOGY

To ensure an unbiased perspective, UDOT chose to use private consultants to conduct this study. A detailed work plan was developed and the following elements were included in the methodology:

- **Use of an Independent Consulting Firm to ensure confidentiality**
- **Literature Search (review of laws, past research, procurement RFP's, tow records)**
- **On-Line Survey Distributed to Towing Companies**
- **Interviews with Towing Companies and Agencies to Obtain Detailed Data**
- **Review Cost Data Using Two Methods:**
 - **Cost Analysis Estimate - Based on gathered data**
 - **Business Model Cost Analysis (Full Time, Mixed, and Part Time Scenarios)**
- **Report on Findings and Recommendations**

COST ANALYSIS and ESTIMATE

A cost analysis was performed to calculate and summarize a “baseline comparison” of the expenses that a typical towing company would likely incur during towing operations. This approach uses the data obtained through the surveys, interviews, and literature to develop a “Cost Estimate” for Light Duty Towing which is the most prevalent of towing categories. The total costs for each of the fee categories (tow fee, the administrative fee, and the storage yard fee) were calculated. The results of this Cost Estimate Analysis are shown **Table 2**. The individual and total expenses for these fees were all found to be below the current maximum allowable rates. More detail on the data input used in the analysis is provided throughout the Final Report.

BUSINESS MODEL COST ESTIMATES

The research quickly showed that the cost estimates for towing depend on the business model being used by the company. In response, an interactive business model spreadsheet was also developed to consider the costs for different scenarios. In addition to the baseline Cost Estimate, the calculation of expenses were determined to represent the most common business models including:

- Full Time Towing Business (assuming 120 tows per month)
- Mixed Business with Towing (assuming 90 tows per month)
- Part Time Towing Business (assuming 60 tows per month)

For all three of these business models, the costs to the towing companies were calculated. None of the business models evaluated showed costs in excess of the current tow, administrative, and storage yard rates. The results of these estimates are shown in **Table 3**. Towing expenses are the lowest for a “Mixed Business Model” in comparison to the Part Time or Full Time Business Scenarios. This is because some of the costs are absorbed by the other business activities. The Part Time towing model resulted in lower costs for the office space and labor benefit expenses, but is offset by other increases in expenses due to a reduced number of tows in a part time operation. The conclusions and recommendations are shown in **Table 4**, for the fee structure based on the results of both analysis methods.

INFLATION INDEXES

As costs to the towing industry increase, indexes can be used to compensate and make adjustments to the towing fees. These indexes should be independent and reliable for use by decision-makers.

The Bureau of Labor Statistics is recommended for the majority of the indexes used for this purpose in Utah. The most appropriate indexes identified for this purpose are shown in **Table 5**.

Table 2 - COST ESTIMATE - Light Duty							
A. Business Management				Tow Cost	Admin Cost	Yard Cost	
1. Management Costs:		\$10,625	per month	\$5.11	\$5.11	\$5.11	
2. Administrative Costs:		\$150	per month	\$0.87	\$0.87	\$0.87	
	Credit card	\$4.30	per tow	\$2.90	\$0.60	\$0.80	
3. Business Licenses:		\$900	per year	\$0.43			
4. Employee Costs:	Tow	35%	per tow	\$50.75			
	Admin	\$19.50	per hour	\$4.88	\$4.88	\$9.75	
5. Profit:	Cost is added after total						
6. Taxes:	Cost is included in other overhead						
7. Loss Costs:	Dropped Tows	\$145	1% of tows	\$1.45			
	Credit Dispute	\$145	1% of tows	\$1.45			
	Freight Disp	\$145	1% of tows	\$1.45			
8. Advertising:		\$50	per month	\$0.29			
9. Signs:		\$2,000	per year	\$0.96			
10. Insurance:		\$7,200	per year	\$3.46			
11. Rotation/Dispatch Fees:							
B. Office Expenses				Tow Cost	Admin Cost	Yard Cost	
1. Office Space Rent:		\$850	per month	\$4.90			
2. Office Furniture:		\$50	per month	\$0.29			
3. Office Equipment:		\$50	per month	\$0.29			
4. Computers/Internet Services:		\$180	per month	\$1.04			
5. Access to IVS & TLRS:		\$95	per year		\$2.05		
6. Required Notification Letters:		\$8.00	per tow		\$8.00		
7. Utilities:		\$400	per month	\$2.31			
8. Office Supplies:		\$50	per month	\$0.29			
9. Cell Phones:	3 people	\$150	per month	\$0.87			
C. Employee Expenses:				Tow Cost	Admin Cost	Yard Cost	
1. Background Checks: Fees + 4 hrs.		\$403	per year	\$1.12			
2. MVR Checks:		\$100	per year	\$0.28			
3. Medical Cards:		\$150	per year	\$0.42			
4. Certificates: Fees + 4 hrs.		\$278	per year	\$0.77			
5. Drug and Alcohol Tests:		\$200	per year	\$0.56			
D. Vehicle Expenses:		45	miles/tow	Tow Cost	Admin Cost	Yard Cost	
1. Trucks Costs:		\$0.172	per mile	\$7.74			
2. Fuel:		\$0.38	per mile	\$16.88			
3. Registration and Inspection:		\$200	per year	\$0.10			
4. Insurance:		\$175	per month	\$1.01			
5. Maintenance Items:		\$0.158	per mile	\$7.11			
6. Required Tow Equipment:		\$100	per month	\$0.58			
E. Storage Yard Expenses:				Tow Cost	Admin Cost	Yard Cost	
1. Yard lease fees:	2.0 cars/day	\$750	per month			\$12.33	
2. Yard Insurance:		\$100	per month			\$0.58	
Sub-Total Fees:				\$120.52	\$21.49	\$29.43	
Profit:		12.50%		\$15.07	\$2.69	\$3.68	
Total Fees plus Profit:				\$135.59	\$24.18	\$33.11	

Table 3- <u>Business Model Cost Estimates</u>			
Business Type	Tow Fee Expenses	Administrative Fee	Storage Yard Fee
<i>Full Time Towing</i>	\$139.07	\$23.17	\$35.62
<i>Mixed Business Towing</i>	\$130.26	\$23.17	\$27.44
<i>Part Time Towing</i>	\$139.51	\$18.95	\$32.70

Table 4- <u>Conclusions and Recommendations Based on the Cost Analysis Tools</u>
<p><u>Conclusion-</u> In general it was found that all of the cost estimates are below the current maximum allowed rates, but varied for different business models and the number of tows provided. This applies to Light Duty, Medium Duty, and Heavy Duty Non-Consent Tows.</p> <p><u>Conclusion-</u> The estimated “Administrative Fees” were found to be lower than the current Maximum allowable rate of \$30.</p> <p><u>Conclusion-</u> The maximum storage yard fee of \$40 (\$25 for PPI) for the Light Duty, \$60 for Medium Duty, and \$60for Heavy Duty tows, is adequate to cover the costs to the towing companies.</p> <p><u>Recommendations-</u> Increases in the Light Duty, Medium Duty, and Heavy Duty Towing Fees, Administrative Fee, and Storage Fee are <u>not</u> recommended at this time.</p>

Table 5- <u>Conclusions and Recommendations for Inflation Indexes</u>
<p><u>Conclusion-</u> Three indexes are appropriate for use in adjusting for the <u>Tow Fee</u>:</p> <ul style="list-style-type: none"> • <i>Light Truck Driver Salary in Utah</i> - Bureau of Labor Statistics • <i>Tow Truck Index-National</i> - Bureau of Labor Statistics • <i>Overhead Items</i> - Consumer Price Index (CPI) <p><u>Conclusion-</u> Two indexes were found for use in adjusting for the <u>Administrative Fee</u>:</p> <ul style="list-style-type: none"> • <i>Office Clerk Salary in Utah</i> - Bureau of Labor Statistics • <i>Office Space Index-National</i> - Bureau of Labor Statistics <p><u>Conclusion-</u> One index was found for use in adjusting for the <u>Storage Yard Fee</u>:</p> <ul style="list-style-type: none"> • <i>Commercial Property Values in Utah</i> <p><u>Recommendations-</u> Decision-makers should employ these indexes when adjusting the maximum tow related fees for inflation using available Bureau of Labor Statistics data and local property values.</p>

VALUE ADDED INFORMATION FROM SURVEY AND INTERVIEWS

In addition to the cost data obtained from the survey and interviews, a great deal of valued-added information was acquired that could be used to make the towing industry more efficient and effective. Appropriate comments and suggestions were obtained from both the private and public sectors, which could be adopted by all stakeholders without a great deal of expense.

Tow Fee Increases

The interviews were very useful to validate and compliment the cost analysis results. A slight majority of tow companies (57%) expressed that they are making an adequate profit within the current fee structure, and oppose a rate increase. They believe that fee increases only result in more companies pursuing non-consent towing and competing for a limited workload. Economic experts confirm this as a common “Relationship between Supply, Demand and Price”, and agree this relationship could be occurring in some parts of Utah.

Uniformity Issues Influencing Cost

One consideration to making industry price adjustments is to first look at opportunities to reduce costs. Because the public has little say in the pricing of a non-consent tow, governmental agencies and towing companies have a responsibility to manage the financial burden on the public and industry before increasing fees. Some regulations and policies utilized by governmental agencies were found to be unnecessarily burdensome to the towing companies which increase overall costs.

For example, the rules used in Requests for Proposal (RFPs) are frequently changed. In addition, companies can be placed on probation based on a single violation rather than a pattern of substandard performance.

Several opportunities were expressed by the towing industry which could reduce costs though uniformity and objectivity, including the following:

- *Background checks and other certifications accepted by all rotations (central database).*
- *Background checks due at same time of year (common schedule).*
- *Medical certificates could be accepted once by all entities (central database).*
- *Vehicle and equipment inspections could be accepted universally (central database).*
- *Similar criteria preferred for acceptance onto rotations.*
- *Limit number of companies on rotation based on objective (rather than arbitrary) criteria.*
- *Uniform performance standards to evaluate companies on rotations.*
- *Fewer storage yards could be used to achieve coverage (overlapping boundaries).*
- *Consideration of zones within County boundaries to enhance response times.*

Many of these concerns could be implemented using available resources such as Legislative bodies, local government associations, and towing associations.

Time Restrictions Related to Response and Towing

Some agencies are imposing a strict one-hour charge for a tow. Many towing companies expressed that this is arbitrary, and agency policies and officer actions are costly when a tow must exceed the one-hour limit. This has created a significant and persistent adversarial relationship between Utah’s towing companies and governmental agencies.

Many of the law enforcement personnel perceive there is significant abuse by the towing companies. In contrast, many of the towing companies sense there is inflexibility in how towing rules are enforced. Feedback from the interviews contains opinions on both sides that the criteria used to select companies are inappropriate, the rules are inconsistently enforced, and perceived favoritism exists in the rotations. Law enforcement personnel reported that they have observed abuse of time charges and expressed frustration over response times which affect congestion and safety.

Improvements can be made if local entities and the towing industry work together to promote regulations that are as objective and measurable as possible. The use of third party facilitators along with industry and local governmental associations would be beneficial.

Enhanced RFP Processes for Local Governments

Frequent changes in procurement rules should be avoided because they can adversely affect a company's long-term business decisions such as capital investments on trucks, land, and employee training. A two-tier approach to selection and performance could be used, helping officers to provide objective enforcement of the towing rules. Companies abusing the criteria could be more effectively and appropriately disciplined. Possible criteria for the two-tier procurement and enforcement approach are:

Criteria for acceptance onto rotations

- Price + Qualifications
- Equipment Capabilities
- Yard near jurisdiction
- Pass background checks
- Past performance
- Years in Business

Performance standards to stay on rotations

- Response time (average)
- Tow time (average)
- Turn-down rate (per month)
- Safety compliance
- Officer complaints (per month)
- Public complaints (per month)

Table 6 summarizes the conclusions and recommendations based on the surveys and interviews.

Table 6- <u>Conclusions and Recommendations – Value Added Information</u>
<p><u>Conclusion-</u> Tow company owners and managers indicate that 57% of companies in Utah expressed that they are making an adequate profit in their towing businesses under the current rate structure. Many towing companies oppose a rate increase stating that increases only result in more new companies starting up in areas with too many companies for the current workload. Other companies indicated that a tow fee increase is needed to compensate for expenses.</p> <p><u>Conclusion-</u> Costs could be reduced by adopting more uniform rules, providing consistency among local government entities.</p> <p><u>Conclusion-</u> The criteria used to select and remove towing companies from the rotation should utilize more objective and less arbitrary standards. A two-tier approach would accomplish this with different sets of criteria for acceptance and removal.</p> <p><u>Recommendation-</u> Organizations such as legislative bodies, local government associations, and towing industry associations could be used to help facilitate uniformity initiatives and ongoing communication efforts. A third party facilitator could help to reduce conflicts within the industry.</p>

Introduction and Purpose

Vehicles may be towed without consent in the state of Utah through one of two towing types: police-generated and private property impounds. By Utah Code (R-909) the Utah Department of Transportation (UDOT), Motor Carrier Division is responsible to recommend maximum towing rates for the towing industry to perform this service. Some of the current rates have not been updated for a number of years.

In response, this study was initiated by UDOT in cooperation with the Utah towing industry to review the current allowable “non-consent” towing rates. All reasonable costs to dispatched towing companies were analyzed in the cost estimates. Data gathered in the study was used to evaluate the current rates, with recommendations if changes are needed. In addition, the study has provided a method to implement a perpetual rate structure linked to appropriate cost indexes which are readily available.

The study objectives are as follows:

- 1- This study will calculate and recommend appropriate per-hour charge rates for police generated and private-property impound services. The primary outcome of the study is a statewide rate by vehicle class.***
- 2- A method will be developed to provide a solution for a perpetual rate structure linked to an appropriate index. This index will allow for adjustment to appropriate rates over time.***
- 3- Identify additional factors that that influence costs, and provide recommendations.***

Research Approach

The study was structured to compile input and information from towing companies, towing associations, local government officials, professionals from state entities, federal guidelines, law enforcement officers from various jurisdictions, and other stakeholders.

A series of surveys, interviews, and literature search queries were undertaken to obtain the needed information. Additional details of the research approach are included in **Appendix A**.

Information and Data Sources

To understand the various aspects of this issue, information was gathered from a number of sources and types. These include data such as state and federal level rules and regulations, local government requirements, tow company operating procedures and business models, and industry cost of living compensation methods.

To ensure that the objectives of the study were achieved as planned, independent sources of information were used in the study as follows:

- Tow company information obtained through a statewide survey.
- Interviews with tow companies to gather information related to their operations.
- Local government input to obtain the operations and issues related to communities.
- State agencies that are impacted and/or have obligations to regulate non-consent towing.
- Federal rules governing towing and trucking operations.
- Economic indicators that affect increases in cost over time.
- Reports and other information related to small business operations and costs.

A great deal of information was acquired through these sources during the study. The towing industry produced valuable input through meetings held with industry association representatives, numerous law enforcement agency personnel, and state entity staff.

A very wide range in business models exist within the towing industry in Utah. This aspect of the study greatly complicates the nature of expenses, outlays, and incomes that the companies encounter when conducting business in the industry. A few of these business models are:

- Towing both non-consent and consent
- Towing as a part-time business
- Towing combined with auto repair shops
- Towing combined with other businesses (roadside repair, snowplowing, rental property, etc.)
- Towing types and sizes (variations of Light, Medium and Heavy tows requiring unique equipment)
- Tow Volume (variations in the number of tows and breakeven quantity)

These factors must be taken into consideration when analyzing the information and estimating costs and expenses of towing operations. Conclusions and recommendations from the study must be representative of the various business types, sizes, and geographic locations.

Details and Assumptions used for Cost Estimates (Tables 2 and 3)

The following descriptions represent observations and assumptions derived from the surveys, interviews and searches of economic data. The total expenses calculated in Table 2 are based on these costs. This information was used to determine the operating costs, reimbursements, and profit for the towing companies in Utah.

A. BUSINESS MANAGEMENT

1. **MANAGEMENT COSTS:** This item includes the cost of labor to manage the business, including setting business strategies and operational management of the equipment, labor, budgets and other resources.

Value(s): **Business Manager = \$85,000/year (without benefits)**
Times: Tow = 5 min., Admin = 5 min, Storage = 5 min.

Findings: The research shows a wide variety in the need and extent for a formal business management position. In particular, the management costs depend on specific business models and strategies of the companies providing towing services.

- The use of a dedicated business manager was more prevalent for larger companies (total revenues above \$500,000) than smaller companies.
- Companies who provided “mixed services” (such as towing and auto repair), showed a larger need and use for a dedicated business management position.
- The survey and interviews show that for smaller companies (revenues less than \$500,000) the management of the business was performed by the owner who was also a tow operator.
- The survey shows that 72% of responding firms were smaller businesses with revenues less than \$250,000, fewer than 4 employees, and less than 3 towing vehicles, without a dedicated manager. In contrast 28% are larger companies with a dedicated manager. For either scenario, time was allotted for management in the cost estimate.
- The interviews indicated that cost for a “business management” position varied with the business with a maximum of \$85,000/yr.

Sources of Information:

- Survey Data
- Interviews
- U.S Bureau of Labor Statistics
- Utah Department of Work Force Services

Assumptions:

- Use \$85,000 per year (before benefits)
- 1 Full Time Equivalent = 2080 hours per year
- Position is Part-Time, and/or shared with other duties, or business services.
- Assume 5 minutes tow, 5 minutes admin, 5 minutes storage per tow hour.

2. **ADMINISTRATIVE COSTS:**

This item includes costs related to professional administrative services such as accounting, legal assistance, payroll and human resource tasks. It also includes the cost applied to process credit card transactions. The clerical operational costs are included in other categories.

Value(s): **\$150/month = \$0.86/tow-hour**
 Credit Card Merchant Fee 2% of Transaction

Findings:

- Administrative costs tend to be used intermittently (as needed) and are not tracked well within the towing industry.
- For the majority of the towing companies professional administrative services are provided by outside firms.
- It was also found that credit card fees are charged on the tow bill to the towing company at a rate of 1.8 to 2.3% of the price charged.

Sources: Costs values are based primarily on information provided by the towing companies through the survey and follow up interviews.

Assumptions: For the cost analysis, we are assuming the following:

- Work is provided by outside firms on an “as-needed” basis.
- Cost for a 1 hour Tow = \$150 x 12 months/2080 hours = \$0.86/tow-hour
- Credit Card Merchant Fees = 2% of Towing Fees.

3. **BUSINESS LICENSES:**

This item includes costs related to the business licenses which are required by State and Local governmental agencies to conduct business.

Value(s): **\$900 per year = \$0.43/tow-hour**

Findings:

- Licensing costs are required by the State of Utah for a general business license, and each additional city or agency may also require a business license with a common cost of \$150 or less.
- Some city agencies require a business license prior to applying for a towing rotation, which does not guarantee that the license cost will be offset by work.

Sources: Costs values are based primarily on information provided by the towing companies through the survey and follow up calls and searches of city web-sites.

Assumptions:

- The average cost of a business license is \$150 per agency.
- A total of 6 licenses is assumed, 1 with the state of Utah, and 5 with local agencies to pursue non-consent towing contracts totaling \$900 per year.
- It is assumed that the cost of business licenses is distributed equally over the standard 2080 hours in a work year, to generate a cost per tow-hour of \$0.43/hour.

4. **a. EMPLOYEE COSTS – Tow Truck Operator:** This item includes the costs of the direct labor of the Tow Operator used to perform the towing related services. Specifically it includes the cost of the Tow Operator.

Value(s): Tow Operator - 35% Commission of \$145 = \$50.75/hour

Findings:

- **Compensation Methods:** The research shows that the compensation for Tow Operators varies with the specific business model. In general, smaller towing companies tend to pay tow operators using commissions, whereas larger and mixed business companies tend to pay tow operators using an hourly wage.
- **Commission Based Rates:** The surveys and interviews show that approximately 75% of the tow companies in Utah compensate tow operators using a commission basis. These rates range from 25%-40%, with 35% as the most common and median rate. Using the current tow fee of \$145, this translates to \$50.75/hour in compensation for the tow operator. The \$50.75 rate is all inclusive, and additional compensation is not generally provided for benefits, shift work, on-call, and overtime work.
- **Hourly Based Rates:** Research of the U.S Bureau of Labor Statistics (BLS) shows the “direct labor” rate (without benefits) for a Heavy Duty Truck Driver (job classification #53-3032) in Utah as \$20.77/hour. This translates to \$31.13/hour with benefits (50% of direct labor).
- **Comparisons:** A search of the Utah Department of Workforce Services was conducted, showing several Tow Truck Driver Employment Openings with rates similar to the national Labor Statistics. The ads show a range of \$16.64-\$24.84, with an average of \$21.11 per hour. In addition, a search was performed of the State of Utah for a Transportation Technician 3 (Snow Plow Operator), showing an average rate of \$20.21 per hour.
- **Additional On-Call Compensation:** A search of UDOT Policies show additional “On-Call” compensation allowances for similar positions (Maintenance and Plow Operators) as 1 hour of compensation for every 12 hours of being on Call. For a \$20.77 base rate, this equates to approximately \$1.75 per hour.
- **Additional Overtime Compensation:** Typical employment policies allow for additional compensation for factors such as overtime, holiday, and shift work. The standard for most industries is 50% of the base labor rate. For an hourly rate of \$20.77 this equates to \$10.39 per hour.
- **Maximum Hourly Rate:** Using an “hourly rate method”, the “Maximum Rate” of a tow truck operator would be \$44.02 per hour. This is calculated using: \$20.77 (direct labor) + \$10.75 (benefits) + \$1.75 (on-call) + \$10.75 (overtime/shift) = \$44.02/hour. Using a Commission Method, the Maximum Rate = \$50.75/hr.

Sources:

- Surveys & Interviews
- Utah Depart. of Human Resource Mgt.: <https://online.dhrm.utah.gov/jobdesc>
- U.S. Department of Labor Statistics: <http://www.bls.gov>
- Utah Department of Workforce Services: <http://jobs.utah.gov>

Assumptions:

- A 35% Commission Rate (\$50.75/hour) is recommended for cost estimating purposes because it offers the most conservative (highest) cost value. In addition, it is the most appropriate method because the majority (75%) of tow companies in Utah use this method.
- A 35% Commission Rate (\$50.75/hour) is primarily used for part-time and as-needed tow operators, and includes additional consideration for part time work, self-paid benefits, on-call/shift work, and holiday work.
- An hourly wage rate is most commonly used to compensate a tow operators where they are full time employees. Typically this is used for business scenarios where towing revenues are in excess of \$500,000 per year, or where towing is a portion of other services such as auto repair. If an alternate hourly rate (full time employee) is used for cost evaluations, a \$20.77 (before benefits) is recommended. The U.S. Bureau of Labor Statistics is used for this value and is similar to local (Utah) employment advertisements and government job descriptions/rates.
- When using an hourly rate cost evaluation, additional compensation for benefits should be considered using a rate of is \$10.38/hour (50% of \$20.77/hour).
- When using an hourly rate cost evaluation, additional compensation for “On- Call” work should be considered using a rate of 1 hour of pay for every 12 hour shift being on call. This equates to \$1.75 (1/12th of \$20.77).
- When using an hourly rate cost evaluation, additional compensation for holiday or overtime work should be considered using a rate of \$10.38 (50% of \$20.77/hour).
- An average tow hour includes 60 minutes of pay for the tow operator (20 minutes to arrive, 20 minutes to load, and 20 minutes to return).
- A rate of 2080 hours in a work year is used for calculation purposes.

4. b. EMPLOYEE COSTS – Clerical Office Worker:

This item includes the costs of the direct labor used to perform the Office Clerical Work related to the towing services.

Value(s): \$13.00/hour – clerical (\$19.50/hr. with benefits)

Findings:

- The surveys and interviews show that office clerical help is typically paid on an hourly basis, ranging from \$10-\$16 per hour with \$13.00/hour as a typical rate before benefits (\$19.50% with benefits).
- A review of the U.S. Bureau of Labor Statistics (BLS) shows the rate for an Office Clerk (job # 43-9061) in Utah as \$12.98 per hour before benefits.
- A review of the local (Utah) employment advertisements show similar rates for an office clerk to those listed with the BLS. In addition, a review of the State of Utah Division of Human Resource Management shows the rate for a government employed Office Clerk 3 as ranging from \$10.13-\$16.07 with an average of \$13.10/hour.

Sources:

- Surveys & Interviews
- U.S. Department of Labor Statistics: <http://www.bls.gov>
- Utah Department of Workforce Services: <https://online.dhrm.utah.gov/jobdesc>

Assumptions:

- Use \$13.00 per hour as the Direct Labor Rate for an Office Clerk, before benefits.
- The cost for benefits is 50% of direct labor. For an Office Clerk position this equates to an additional \$6.50/hour or a total of \$19.50/hour with benefits.
- It is assumed that a standard 1 hour tow requires the Office Clerk to spend 15 minutes assisting the dispatch, 15 minutes entering data (admin), and 30 minutes coordinating vehicle storage (per vehicle storage day).
- U.S. Department Labor Statistics are the most reliable data values were used to verify and confirm data obtained through interviews and surveys.
- There are 2080 hours in a standard work year, and that tow is charged per hour.

5. **PROFIT:** This item includes the cost of expected profit that must be included in the rates charged for towing services. Businesses make significant financial investments with inherent risks. Without a profit incentive, they would simply invest their money elsewhere.

Value(s): 12.5% of Gross Revenues as a gross profit margin.

Findings:

- National research data searches show that expected profit margins vary greatly by industry. A rate of 12.5% is a reasonable profit goal for the trucking (towing) industry.
- The survey shows approximately 57% of the towing companies as stating they feel they are making a “fair profit”, and 43% were not. With a large number of towing companies, this appears to reflect a normal distribution of companies, including those who are doing well, and those who are simply trying to cover wages and expenses.

Sources:

- New York University (NYU) Study, based on S&P, Bloomberg, Fed data.
- Study Survey and Interviews.

Assumptions:

- Profit is a necessary incentive to compensate for investment and risk.
- Use 12.5% as a “reasonable profit goal” for trucking industries.
- Profit should be applied to Tow, Administrative, and Storage Fees.
- Profit should not be applied to the Fuel Surcharge Fee.

6. **TAXES:** This item includes costs of taxes which are expenses and part of running the business and include Payroll Taxes such as Social Security, Medicare, State Unemployment (SUTA), and Federal Unemployment (FUTA) taxes. This items does NOT include general Income Taxes which are the responsibility of the employee or owner. Real Estate and Property Taxes are covered in other categories.

Value(s): * Costs are included in labor benefits.

Findings:

- Costs for Social Security, FUTA, SUTA taxes are approximately 8-9% to the employer and are included in the benefits portion of the labor costs.

Sources:

- Surveys and Interviews.
- IRS and Utah State Tax Commission.

Assumptions:

- Employee Related Taxes are included in Labor Cost Category.
- Property Tax costs are included in Lease Categories.
- Workers Compensation is an Insurance Cost covered in Employee Benefits.

7. **LOSS COSTS:** This item includes the costs of anticipated losses which must be recuperated in the business revenues. Towing companies can incur losses in a number of ways. The most common of these losses are dropped rotation calls, the costs to dispose of abandoned freight (waste), and disputed credit card charges.

Value(s): 1% of \$145.00 tow fee per loss type = 3 x \$1.45 = \$4.35 per tow

Findings:

- Towing Companies anticipate dropped call losses where they incur costs to respond to a call, only to be told their services are no longer needed.
- Towing companies anticipate losses from the need to dispose of abandoned waste and cargo.
- Towing companies anticipate some customers will try to avoid paying a bill by challenging the transaction with their credit card company. In many cases it is cheaper to accept the loss than spend more time defending it.

Sources:

- Surveys and Interviews

Assumptions:

- Dropped Call Loss = 1% of \$145 tow fee = \$1.45/tow-hour.
- Unreimbursed Disposal Costs = 1% of \$145 tow fee = \$1.45/tow-hour.
- Contested Credit Payment = 1% of \$145 tow fee = \$1.45/tow-hour.

8. **ADVERTISING:** This item is to cover costs associated with the advertising of the towing company and non-consent towing services. This item does not include signing which is considered in another category.

Value(s): \$50.00 per month

Findings:

- Non Consent towing typically is generated by police agencies or in response to private property complaints. As a result, advertising directly targeted to non-consent towing is minimal. However, advertising costs are needed to promote the business and how to contact them.
- The most common forms of advertising for towing companies are web pages.

Sources:

- Surveys and Interviews.

Assumptions:

- \$50 per month to develop and maintain company web-pages.

9. **SIGNS:** This item includes the cost associated with signing which is often required by state and local government regulations. Most companies provide their signing based on these rules.

Value(s): \$2,000.00 per year

Findings:

- Signing of tow and storage prices is required by most government agencies.
- Signing of company names and phone numbers is require by most agencies.
- Signing for private property towing is often required by business owners in exchange for the choice of the tow company.
- Signing is often required for vehicles participating in vehicle service clubs.

Sources:

- Surveys and Interviews

Assumptions:

- \$2,000 per year to develop and maintain company signing.

10. **INSURANCE:** There are a number of insurance policies that towing companies must obtain to reduce risks and meet the requirements of governmental agencies. Some policy types are required by law, and others are added to insure against catastrophic losses. This category includes the cost of general liability insurance which is typically a minimum of \$1M per occurrence and \$2M aggregate. It does not include insurance for commercial auto, tow-carriers (hook), and storage which are included in other categories.

Value(s): \$7,200.00 per year – General Liability Insurance

Findings:

- General liability insurance varies depending on several business risk factors such as the type of services, years in business, revenues, number of employees, and past claims.
- The coverage requirements often change for each governmental agency, with a \$1M per occurrence and \$2M aggregate as the most common.
- Prices for a pure towing company range from \$6,000 to \$8,000 per year.

Sources:

- Surveys and Interviews

Assumptions:

- \$7,200 per year as an average cost for a small – pure towing business.
- Workers Compensation Insurance is covered as part of employee labor benefits.

- 11. ROTATION, DISPATCH, and ANSWERING FEES:** The item addresses cost associated with direct costs that the towing company must pay to be on a rotation, dispatch fees and after hours answering fees.

Value(s): \$0-15.00 per call

Findings:

- Most dispatch services are provided by the local police agencies with the exception of Weber and Tooele Counties, who with the approval of the towing association uses a 3rd party dispatch service (up to \$15/call).
- Fees are occasionally required as part of the application to be on a rotation program. However, we have included these costs in the business licensing category.
- Some companies use a 3rd party answering service for after hour calls. However, we found this to be the exception, in large part due to police agencies bypassing towing companies who do not promptly answer calls.

Sources:

- Surveys and Interviews

Assumptions:

- The \$30 Administrative Fee is the best category to reimburse costs for Rotational, Dispatch, and Answering Fees.
- The cost for any Dispatch Fees should be agreed to by the sponsoring agency and should be part of the \$30 maximum Administrative Fee.
- If the dispatch services are provided by the agency, towing companies should not charge a Dispatch Fee.
- If a 3rd party Dispatch Service is used, the towing company should NOT also charge for a cost to manage the dispatch services.
- We did not find any towing companies who use 3rd party answering services. This cost is assumed to be \$0.

B. OFFICE EXPENSES

1. **OFFICE SPACE RENT:** This items includes costs for towing companies to provide office space. It does not include the cost of storage facilities.

Value(s): \$850 per month lease

Findings:

- Towing companies pay for office space as either a long term purchase or as a lease. For the cost evaluation, the lease option is recommended as it gives the best data.
- The survey shows that 58% of towing companies lease their office space in comparison to 42% who own their office space.
- In general, it was found that smaller companies (revenues less than \$250,000 per year) were more likely to lease office space than larger companies, or those with mixed business services (such as auto repair).
- For companies who owned their office space, it was difficult to determine the actual cost value attributed to towing. This is due to factors such as the office costs being offset by other business services, or the office being used as a long term investment.
- Many of the smaller companies (less than \$100,000 in annual revenues) were found to be providing office space out their homes, meeting clients at the storage yards when needed, and reducing their office expenses.
- The majority of towing companies dispatch trucks from the location of the driver's home, not a central office. This helps to efficiently distribute trucks to more locations than dispatching from a single location. As a result, agency requirements for an office within the jurisdiction to improve "response time" is not a reasonable criteria for the selection of a towing company.
- It was found that Non-Consent tows often require the vehicle owner, insurance agency or police agency to meet with the towing company to coordinate payments and the retrieval of the vehicle, personal items, or evidence. As a result, agency requirements for an office are reasonable based on customer service.
- Many of the governmental agencies have requirements for office space to be located within limits which can dramatically increase costs if towing for several agencies. It is strongly recommended for agencies to consider office requirements based on proximity (distance) to a jurisdiction rather than within defined boundaries.
- The decision and cost to purchase office space is a long term decision to towing companies. The interviews identified frustration by the towing companies due to agencies frequently changing requirements that affect long term purchase decisions.

- The interviews identified concerns from the towing companies that agencies allow for office space within city limits, but do not allow for vehicle storage. This creates the potential for higher costs to towing companies rather than combining their office and storage at the same location.
- It was found that office space costs can vary dramatically between urban and rural areas.
- The surveys and interviews show the range of office leases are between \$700-\$1000/month. This was confirmed with calls to local real estate companies.

Sources:

- Surveys and Interviews.
- Searches of local Real Estate Listings.
- Bureau of Labor Statistics.

Assumptions:

- \$850 per month Lease (not purchase)
- Required Space: 800-1000 square foot
- Yard Space not included.

2. **OFFICE FURNITURE:** The item includes the costs for general office furniture. It does not include costs for computers, printers, and office supplies which are covered in other categories.

Value(s): **\$50 per month**

Findings:

- Towing companies do not require any out of the ordinary or specialty furniture. Common furniture may include items such as desks, filing cabinets, waiting room chairs, reception desk and conference room tables. However, it was observed that the majority of towing companies had minimal furniture needs consisting of desks and workstations.
- It is common for towing companies to spend between \$500-\$1000 per year to purchase and/or maintain office furniture.

Sources:

- Surveys and Interviews

Assumptions:

- \$50 per month

3. **OFFICE EQUIPMENT:** This item includes the costs for common office equipment used in the day to day operations of a towing business. Examples would be copy machines, scanners, etc. The cost of related items such as copy paper and toner are included with office supply costs.

Value(s): \$50 per month

Findings:

- The equipment needs for most towing offices is very limited, with the most common item being a printer/copy machine, and scanner/fax machine.
- The majority of towing companies purchase small business size copiers that cost less than \$600, rather than leasing larger multi-function copiers.

Sources:

- Surveys and Interviews.

Assumptions:

- \$600 per year for a new small business copier and fax for \$50/month.

4. **COMPUTER and INTERNET SERVICES:** This item covers costs for computer and internet services.

Value(s): \$180 per month

Findings:

- The majority of towing companies are small businesses with 1-2 computers in their offices. A typical cost for a computer is \$600 each with an anticipated functional life of 4 years or an average cost of \$25 per month.
- Towing companies expressed that the need to purchase common computer software to help run their business. The two most common are Microsoft Office (\$200 purchase), and QuickBooks (\$250 purchase). Each of these have an expected functional life of 3 years or \$12.50 per month.
- Towing companies occasionally expressed a need to store receipts, photos and other data on a cloud based format which has a typical cost of \$15 per month.
- Towing companies need internet service in the office, and the majority of companies purchase their internet service as part of a bundle which includes a phone, internet, and basic TV services (lobby) at an average cost of \$125 per month.

Sources:

- Surveys, Interviews, Web Searches

Assumptions:

- \$25.00 per month – computer equipment depreciation.
- \$27.50 per month – software leasing or purchase.
- \$125.00 per month – internet service (bundle).

5. **ACCESS to STATE WEB SITES (IVS, TLRS):** This item refers to costs required to access state and local databases. It does not include the cost of labor to enter the data.

Value(s): \$0.05/tow (Annual Fee) + \$2.00/Search Fee = \$2.05/tow

Findings:

- The State of Utah provides access to a secure website that allows companies to search data from a wide variety of databases including, vehicle registration, ownership, tax records, business records and other information. Collectively, the State of Utah allows access as needed for an annual fee of \$95.
- The State of Utah requires the vehicle information for all non-consent tows to be entered into statewide database known as the Impound Vehicle Search or IVS. The IVS database is used to assist vehicle owners and law enforcement in communicating the status towed vehicles, and the potential confusion of thinking towed vehicles as being stolen.
- The State of Utah also requires towing companies to enter and/or retrieve information with the State Tax Commission using the "Title, Liens and Registration Search – TLRS". This search is required for all non-consent tows to ensure that the correct owner of the vehicle is contacted. The cost for this service is \$2.00/search.

Sources:

- Surveys and Interviews.
- <http://dmv.utah.gov/impounded-vehicles>
- <https://secure.utah.gov/ivs-client/index.html>

Assumptions:

- \$95.00 Annual Fee/2080 hours to Access Utah Databases (IVS, TLRS) = \$0.05/hour
- \$2.00/search for Title, Lien and Registration Search (TLRS)

6. **REQUIRED NOTIFICATION LETTERS:** This item refers to the cost for towing companies to send out registered letters and notifications for vehicles that have been impounded.

Value(s): \$8.00 per tow

Findings:

- The U.S. Postal Service charges \$6.48 for a certified letter with a return receipt.
- The State of Utah requires towing companies to notify vehicle owners after a certain amount of time, before selling a vehicle, or other situations.

Sources:

- Surveys and Interviews.
- Websites: <http://www.certifiedmaillabels.com/usps-postal-rates>

Assumptions:

- Certified Letter (\$6.48) charged to the Administrative Fee.
- Regular postage: 3 @\$.049
- Use \$8.00 as value.
- Additional Letters are charged to that day's storage, and are included in the storage yard fee.

7. **UTILITIES:** The item refers to the utility costs for the business office space, including electrical power, water, sewer, natural gas, and waste disposal.

Value(s): \$400 per month

Findings:

- The majority of towing companies are small businesses with office space less than 1000 sq. ft. for the towing portion of the business. Many of these are leases where the tenant pays the utilities.
- The survey and interviews identified the average cost for all utilities to be \$400 per month for a dedicated office scenario.
- For a part time business scenario, the utility costs are shared with personal use and reduced cost to the towing business.

Sources:

- Surveys and Interviews.

Assumptions:

- \$400/month utility costs for a full time towing with dedicated office.

8. **OFFICE SUPPLIES:** The item refers to the costs for offices supplies copy, toner, pens, pencils and other consumable items.

Value(s): \$50 per month

Findings:

- The surveys and interviews identified towing companies as spending approximately \$500-\$600 per year in office supplies.
- Several web searches such as the GSA show the average cost of office supplies as \$200 per year per employee. Most of the towing companies have 2-3 employees.

Sources:

- Surveys and Interviews
- Web Searches

Assumptions:

- \$50 per month office supplies.

9. **CELL PHONES:** This item refers to the cost for cell phones.

Value(s): \$150 per month

Findings: :

- The surveys and interviews identified towing companies as spending approximately \$50/person per month on cell phone service.

Sources:

- Surveys and Interviews
- Web Searches

Assumptions:

- \$50 per person per month.
- 3 employees (driver, manager, clerical).

C. EMPLOYEE EXPENSES:

1. **BACKGROUND CHECKS:** This item refers to the costs to obtain background checks which are required by the governmental agencies.

Value(s): \$403.00 per year (each tow operator)

Findings:

- The surveys and interviews identified towing companies as spending approximately \$50/person to obtain a background check for tow operators. On average, they must obtain these background checks for 4 agencies at a total cost of \$200/year.
- The surveys and interviews identified that towing operators must spend at least 1 hour for each clearance. Assuming 4 background checks at \$50.75 this equates to \$203.00 in labor cost for background checks.

Sources:

- Surveys and Interviews.
- Web Searches.

Assumptions:

- \$50 per background check x 4 agencies = \$200
- 4 hours of labor at \$50.75 per hour = \$203.

2. **MVR CHECKS:** This item refers to the cost to obtain Motor Vehicle Records.

Value(s): \$100 per year

Findings:

- The surveys and interviews identified towing companies as spending approximately \$100 per year.

Sources:

- Surveys and Interviews.

Assumptions:

- \$100 per year.

3. **MEDICAL CARDS:** This item refers to the cost for tow operators to obtain medical cards, which are a basic requirement of the towing industry.

Value(s): \$150 per year

Findings:

- The surveys and interviews identified towing companies as spending approximately \$75/person per year on medical cards.

Sources:

- Surveys and Interviews.

Assumptions:

- \$75 per person per year.
- 2 tow drivers.

4. **CERTIFICATES:** This item refers to the cost for tow operators to obtain required certifications such as those required by UDOT.

Value(s): \$278.00 per year

Findings:

- The surveys and interviews identified towing companies as spending approximately \$75 per year on direct certification costs.

Sources:

- Surveys and Interviews

Assumptions:

- \$75 per year.
- 4 hour labor @ \$50.75/hr = \$203.00

5. **DRUG and ALCOHOL TESTS:** This item refers to the cost for tow operators to obtain and maintain drug and alcohol testing.

Value(s): \$200 per year

Findings:

- The surveys and interviews identified towing companies as spending approximately \$100/person per year on drug and alcohol testing.

Sources:

- Surveys and Interviews

Assumptions:

- \$100 per person per year.
- 2 Tow Operators.

D. VEHICLE EXPENSES

1a. TRUCK COSTS (LIGHT DUTY): This item refers to the cost for a Light Duty Tow Truck, including the depreciation of the purchase over time and cost of financing. It does NOT include the cost to maintain the equipment, which is covered in another category.

Value(s): **Depreciation: \$0.123/mile**
 Financing: \$0.049/mile

Findings:

- A wide variety of equipment management models exist for towing companies. These range for purchasing new equipment that is under warranty (minimizing repair costs), to purchasing used trucks, with lower capital costs but higher repair costs.
- A typical “Light Duty” towing truck is a Ford F-650 chassis, modified to add a flatbed. The typical cost for a new F-650 truck is \$100,000 (\$80,000 + \$20,000 in modifications).
- The typical depreciation of a new truck is \$40,000 over years 1-3 (\$100k to \$60K), and an additional \$40,000 over years 4-8 (\$60k to \$20K).
- For a cost evaluation, the cost of a used (3 year old) flatbed truck (Ford F-650) is used at \$60,000 purchase price, with a salvage value of \$20,000 after 5 years, or a depreciation of \$40,000 over a 5 year period. This translates to \$8,000 per year, or \$667 per month.
- The survey shows that a maximum tow mileage is 45 miles per tow-hour (40 direct + 5 OH miles).
- A typical full-time towing company provides at least 120 tows per month (all types) as a breakeven point for the equipment.
- The Average Depreciation = $(\$667/\text{month}) / (120 \text{ tows} \times 45 \text{ miles}) = \$0.123/\text{mi}$.
- The typical cost of financing is 8% per year. With an average financed balance of \$40,000, resulting in an average cost of \$3,200 per year or \$267/month. Using an average of 45 miles per tow, and 120 tows per month, this equals \$0.0494/mile for financing costs.

Sources:

- Surveys and Interviews.
- Internal Revenue Service.
- Utah Tow Truck Dealerships.

Assumptions:

- Depreciation: \$0.123/mile using 5 year IRS term.
- Financing: \$0.049/mile.
- 45 miles per tow (40 + 5 overhead).

1b. TRUCK COSTS (MEDIUM DUTY): This item refers to the cost for a “Medium Duty” Tow Truck, including the depreciation of the purchase over time and cost of financing. It does NOT include the cost to maintain the equipment, which is covered in another category.

Value(s): **Depreciation: \$0.247/mile**
 Financing: \$0.099/mile

Findings:

- A wide variety of equipment management models exist for towing companies. These range for purchasing new equipment that is under warranty (minimizing repair costs), to purchasing used trucks, with lower capital costs but higher repair costs.
- A typical “Medium Duty” towing truck is a Ford F-750 chassis, modified to add a flatbed. The typical cost for a new F-750 truck is \$125,000 (\$100,000 + \$25,000 in modifications).
- The typical depreciation of a new truck is 40% over years 1-3 (\$125k to \$75K), and an additional 40% over years 4-8 (\$75k to \$25K) based on purchase prices.
- For a cost evaluation, the cost of a used (3 year old) flatbed truck (Ford F-750) is used at \$75,000 purchase price, with a salvage value of \$25,000 after 5 years, or a depreciation of \$50,000 over a 5 year period. This translates to \$10,000 per year, or \$833 per month.
- The survey shows that a maximum tow mileage is 45 miles per tow-hour (40 direct + 5 OH miles).
- A typical towing company must provide at least 12 tows per month as a breakeven point to offset the cost of the Medium Duty Tow Equipment.
- The Average Depreciation = (\$833/month).
- The typical cost of financing is 8% per year. With an average financed balance of \$50,000, resulting in an average cost of \$4,000 per year or \$333/month.

Sources:

- Surveys and Interviews.
- Internal Revenue Service.
- Utah Tow Truck Dealerships.

Assumptions:

- Depreciation: \$833 per month.
- Financing: \$333 per month.

1c. TRUCK COSTS (HEAVY DUTY): This item refers to the cost for a Heavy Duty Tow Truck, including the depreciation of the purchase over time and cost of financing. It does NOT include the cost to maintain the equipment, which is covered in another category.

Value(s): **Depreciation: \$51.33 per tow hour**
 Financing: \$19.10 per tow hour

Findings:

- A wide variety of equipment management models exist for towing companies. These range for purchasing new equipment that is under warranty (minimizing repair costs), to purchasing used trucks, with lower capital costs but higher repair costs.
- A typical “Heavy Duty” towing truck is a Kenworth chassis, modified to tow a larger vehicle over 26,000 pounds. The typical cost for a new Kenworth is \$275,000.
- The typical depreciation of a new truck is 40% over years 1-3 (\$275k to \$165K), and an additional 40% over years 4-8 (\$165k to \$55K).
- For a cost evaluation, the cost of a New Heavy Duty Truck (Kenworth) is used with a \$275,000 purchase price, and a depreciation life of 60 months, and a salvage value of \$121,000 or an average depreciation of \$2,567/month. The Average Depreciation depends on the number of tow per month. The estimate assumed 50 tow hours per month = $(\$2,567/\text{month}) / (50 \text{ tow hours per month}) = \$51.33 \text{ per tow-hour}$.
- The survey shows 45 miles per tow as a common value, with several hours required per tow. As a result, Heavy tow rates are best calculated using tow-hours not mileage.
- The cost per heavy tow ranges significantly with the number of tow-hours performed due to “economies of scale”. Interviews with large towing companies with this type of equipment indicate they provide 30-75 Heavy Duty tows per month with 50 tow hours as a typical amount. A value of 30 heavy tow-hours per month was determined to be an approximate breakeven point.
- The typical cost of financing is 8% per year. With an average financed balance of \$137,500 resulting in an average cost of \$11,500 per year or \$955/month. Using an average of 50 tow-hours per month, this equals \$19.10 per tow hour.

Sources: The following sources of information were used:

- Surveys and Interviews.
- Internal Revenue Service.
- Utah Tow Truck Dealerships.

Assumptions:

- Depreciation: $\$2,567 / 50 \text{ tow-hours} = \$51.33 \text{ per tow hour}$.
- Financing: $\$955 / \text{month} / 50 \text{ tow hours} = \$19.10 \text{ per tow-hour}$

2. FUEL: This item includes the base fuel costs for the tow, which is the first \$3.00 per gallon. Fuel prices in excess of 3.00/gal are compensated using a “fuel surcharge” to allow of short term changes in fuel prices.

Value(s): **\$0.38 per mile (prior to surcharge)**

Findings: Research, survey, interviews found the following:

- The average tow truck gets 8 miles to a gallon of gas.
- At the base \$3.00/gallon this equates to \$.38/mile
- The surveys and interviews did not identify any companies or agencies expressing problems with the current fuel surcharge system.

Sources:

- Surveys and Interviews

Assumptions:

- \$0.38/mile on the base \$3.00/gallon fuel costs
- An average tow is 45 miles (35 direct + 10 overhead)
- At 45 miles per tow this equates to \$16.88 per tow.

3. REGISTRATION and INSPECTION: This item refers to the costs associated with the registration and inspection of towing vehicles.

Value(s): **\$200 - Light, \$300 – Medium, \$400 – Heavy per year**

Findings:

- The surveys and interviews identified towing companies as spending approximately \$200/vehicle per year on vehicle registration and inspection.

Sources:

- Surveys and Interviews

Assumptions:

- \$100 per person per year
- 2 Tow Operators.
- Assume 1.5 times for medium and 2.0 times for heavy.

4, INSURANCE: This item refers to the cost to provide automotive insurance to the tow truck.

Value(s): **\$175 Light, \$225 Medium, \$400 Heavy per month**

Findings:

- The surveys and interviews identified towing companies as spending approximately \$2,100/year per truck on automotive insurance.
- Insurance rates are proportionate to value for Medium and Heavy Duty.

Sources:

- Surveys and Interviews.

Assumptions:

- \$2,100 per truck per year.
- Cost evaluation is based on a single truck operation.

5. MAINTENANCE ITEMS: This item refers to the cost to repair and maintain tow vehicles. It includes preventive maintenance, minor and repairs.

Value(s): **\$0.158/mi. Light, \$0.20/mi. Medium, \$0.31/mi. Heavy, with 45 miles/tow**

Findings: Research, survey, interviews found the following:

- A typical tow truck has 6 tires with an average cost of \$300 each or \$1,800/set with an expected life of 36,000 miles. This equates to a cost for tires as \$0.050/mile.
- A typical preventive maintenance cost \$100 including oil and filter changes, with an anticipated frequency of 4,000 miles. This equates to a cost of \$0.025/mile.
- Minor repairs include items such as hydraulics, brakes, alignments, belts, batteries, alternators, water pumps, etc. A typical cost is for \$1,000 per year with an anticipated 36,000 miles per year. This equates to a cost of \$0.028/mile.
- Major repairs include repairs such as an engine or transmission replacement. A typical cost is \$11,000 (\$6,000 for an engine and \$5,000 for a transmission) with an expected life of 200,000 miles. This equates to a cost of \$0.055/mile
- The total cost of the above items = \$0.158/mile using: \$0.050 (tires) + \$0.025 (preventive) + \$0.028 (minor) + \$0.055 (major).

Sources:

- Surveys and Interviews
- Web searches
- Interviews with Tow Truck Sales and Supply.

Assumptions:

- \$0.158/mile for Light Duty maintenance costs.
- 45 miles per tow.
- Maintenance costs are proportionate to the equipment value for Medium and Heavy duty trucks, or \$0.20/mile Medium and \$0.31/mile for Heavy Duty.

6. **REQUIRED TOW TRUCK EQUIPMENT:** This item refers to the miscellaneous equipment that is required on a tow truck to meet minimum state inspections and federal guidelines. This includes items such as tie downs, brooms, chains, uniforms, etc.

Value(s): \$100 per month or \$0.47/hour

Findings:

- The surveys and interviews identified towing companies as spending approximately \$80 per month on miscellaneous equipment.

Sources:

- Surveys and Interviews.

Assumptions:

- \$100 per month.
- Hourly Rate = \$100/172 hours = \$0.47/hour.
- Equipment is double for a Heavy Duty.

E. STORAGE YARD EXPENSES

1. **YARD LEASE FEES:** This item refers to the cost to lease a Storage Yard.

Value(s): \$750 per month lease

Findings: Our research, survey, interviews found the following:

- The most practical way to estimate the cost of a storage yard is using a lease option instead of a purchased property analysis. With a lease analysis, the cost of maintaining a yard is included in the lease.
- Leasing is the most common approach used by towing companies in Utah to meet local rotational requirements and minimizing investment costs. Most lease agreements include the cost of fencing, security, and yard maintenance as part of the monthly charge.
- A typical lease is \$600-\$900 per month with \$750 as an average.

Sources:

- Surveys and Interviews
- Real Estate Searches.

Assumptions:

- \$750 per month in lease fees which includes yard maintenance.

2. **STORAGE YARD INSURANCE:** This items refers to the cost to provide Storage Yard Insurance which is required by the Utah State Tax Commission and local agencies.

Value(s): \$100.00 per month (\$3.33/day)

Findings:

- Towing companies spend approximately \$100 per month to insure their storage yards.

Sources:

- Web searches
- Surveys
- Interviews

Assumptions:

- \$100 per month or \$3.33 per day.
- Average of 2 light vehicles stored per day.
- Storage space requirements = 2 stalls for Heavy Duty.

Business Model Cost Analysis

The expenses incurred by towing companies depend significantly upon the business model used by the owner. In addition to the Cost Analysis and Estimate, an interactive business model spreadsheet was utilized to consider the costs for different business scenarios. A primary goal of this spreadsheet is to ensure that the results and assumptions are reasonable for various business types, and that they do not artificially favor or restrict one business type over another.

As a result, the interactive cost analysis spreadsheet generated towing related expenses for various business models including:

- Full Time Towing Business
- Mixed Business with Towing
- Part Time Towing Business

Variations in assumptions for the three business models are shown in Table 7.

Table 7 – Business Model Scenario Results with Assumptions			
	Full Time Towing	Mixed Business	Part Time Towing
Mgt. Labor	\$85,000	\$85,000	\$60,000
Tow Estimate	\$139.07	\$130.26	\$139.51
Admin Costs	\$23.17	\$23.17	\$18.95
Storage Estimate	\$35.62	\$27.44	\$32.70
Tows per Month	120	90	60
Office Costs	\$850/mo	40% - \$340/mo	25% - \$215/mo
Benefit Costs	100%	40%	0%
Utility Costs	\$400/mo	40% - \$160/mo	25% - \$100/mo
Signing	\$2,000/yr	40% - \$800/yr	25% - \$500/yr
Internet & Phone	\$125/mo.	\$40% - \$50/mo.	\$75/mo.

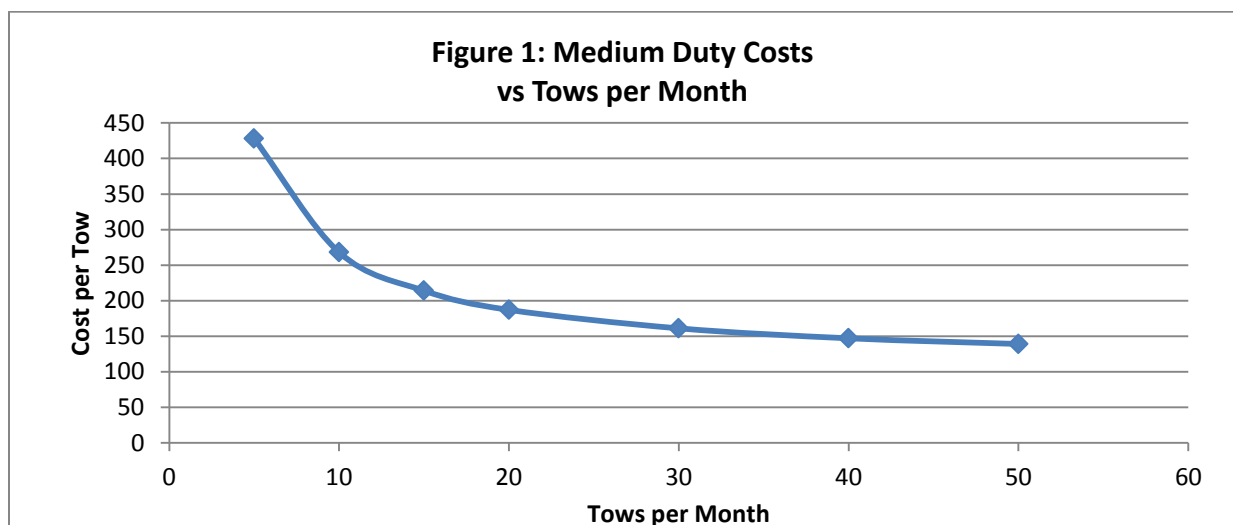
Medium and Heavy Duty Towing Cost Analysis

Towing Medium and Heavy vehicles requires a significantly larger investment in towing equipment. For Light Duty, the most common tow truck is a Ford F-650, for Medium Duty a Ford F-750, and Heavy Duty a Kenworth. The heavier duty tow vehicles are considerably more expensive to purchase and maintain than the standard tow trucks. Typical tow vehicle costs are shown in [Table 8](#). The regulations in R-909 compensate for these higher investment costs by allowing \$240 per hour for Medium Duty tows, and \$300 per hour for Heavy Duty tows.

Table 8- Light, Medium and Heavy Duty Assumptions				
	Light Duty	Medium Duty	Heavy Duty	
Maximum Tow Fee- one hour	\$145	\$240	\$300	
Tows per Month-Average	120	Variable	Variable	
Break-Even Tows per Month	105	12	30	
Tow Vehicle	F-650	F-750	Kenworth	
Tow Vehicle Cost- new	\$100,000	\$125,000	\$275,000	
Tow Vehicle Cost- used (3years old)	\$60,000	\$75,000	\$165,000	

Medium Duty Towing

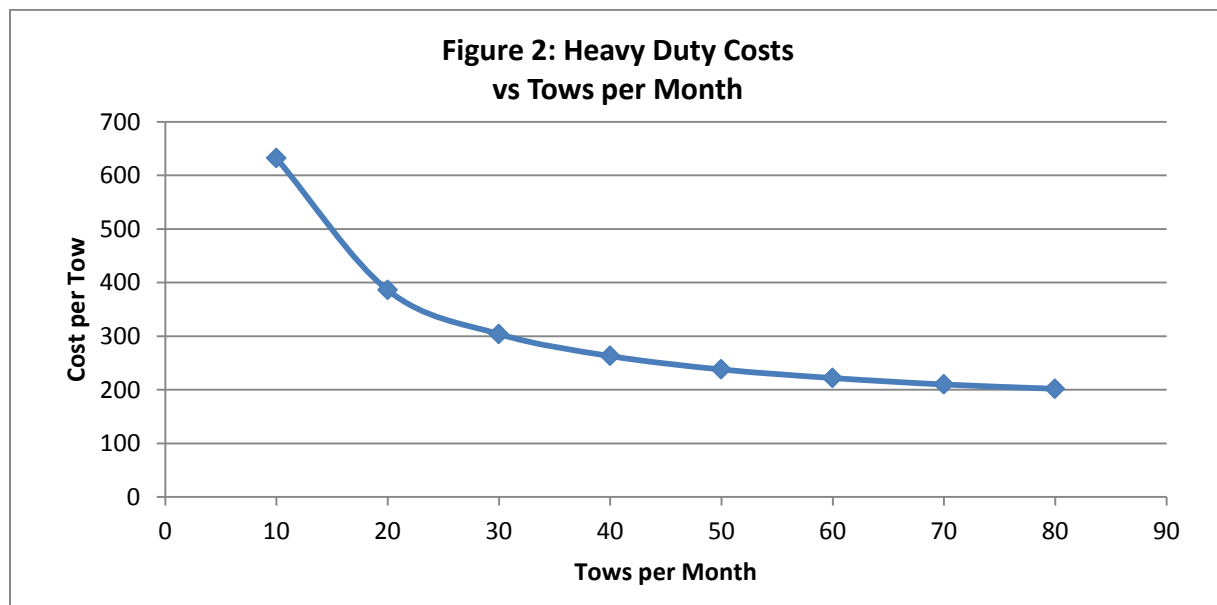
Towing Medium Duty vehicles appears to be overestimated somewhat when considering the maximum fee of \$240 and the relatively moderate expenses related to the towing of these vehicles. The expenses to operate the tow vehicle are about 15 to 25% higher than light duty, but the maximum fee is about 65% higher. The break-even point is only about 12 tows per month as seen in [Figure 1](#).



Heavy Duty Towing

With costs very high to purchase and maintain Heavy Duty tow vehicles, a tow company must take care to utilize the vehicle enough times per month to justify these costs. Just to break even on a Heavy Duty towing operation, the company must cover expenses including depreciation, interest, preventive maintenance, tires, and major repairs. Figure 2 shows the estimated cost per tow vs the number of tows per month for a Heavy Duty tow vehicle. If the number of tows is low the company will lose money on the operation. The curve crosses the \$300 point at about 30 tows per month indicating a breakeven point. If the company can exceed this level, the income from Heavy Duty towing would be profitable.

Most companies that participate in Heavy Duty towing in Utah were observed to perform more than 50 heavy vehicles per month. The majority of these tows are consent tows. Companies that invest in the heavy duty tow vehicles have contracts with companies to move their trucks and other equipment.



Statewide Survey Results

The study target was to release a survey to every company operating towing services in Utah. Roughly 500 towing companies are listed in the UDOT database. However, an initial screening showed that many of these companies are longer in business, had missing or incorrect contact information, or were a single company using multiple names.

After the initial screening, the survey was sent by email to approximately 150 companies in Utah. This generated 43 responses and a response rate over 30%, which is adequate to provide a representative sample and quality data.

The survey was designed using multiple choice and open ended questions, to gather both measurable data and informal feedback from the towing companies. The questions provided strong data relating to costs in addition to demographic characteristics such as the companies size, location, and services. This allowed for a comparison (cross analysis) of cost data with other characteristics of the company.

The following figures illustrate the results of some of the more relevant data obtained from the survey:

Figure 3 – Business Type:

Approximately half (49%) of the companies that responded indicate that they only provide towing as a business service as shown in [Figure 3](#). The remaining 51% of the companies are mixed business companies that perform auto repair, vehicle storage, auto sales, or sell new and used parts in addition to towing services.

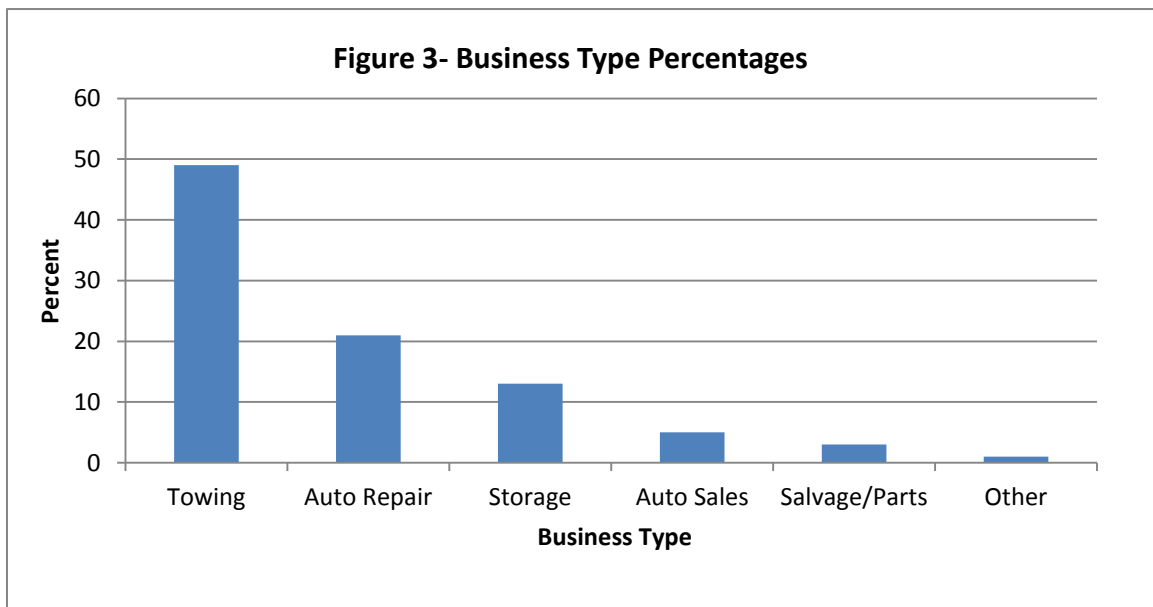


Figure 4 - Revenues:

A wide range of incomes exists among Utah's towing companies as seen in [Figure 4](#). A significant number (13%) of companies are small earning less than \$20,000 per year, and 20% earn more than \$500,000 annually. The most common company size is in the \$100,000 to \$250,000 range. This figure shows that 45% of companies earn less than \$100k per year.

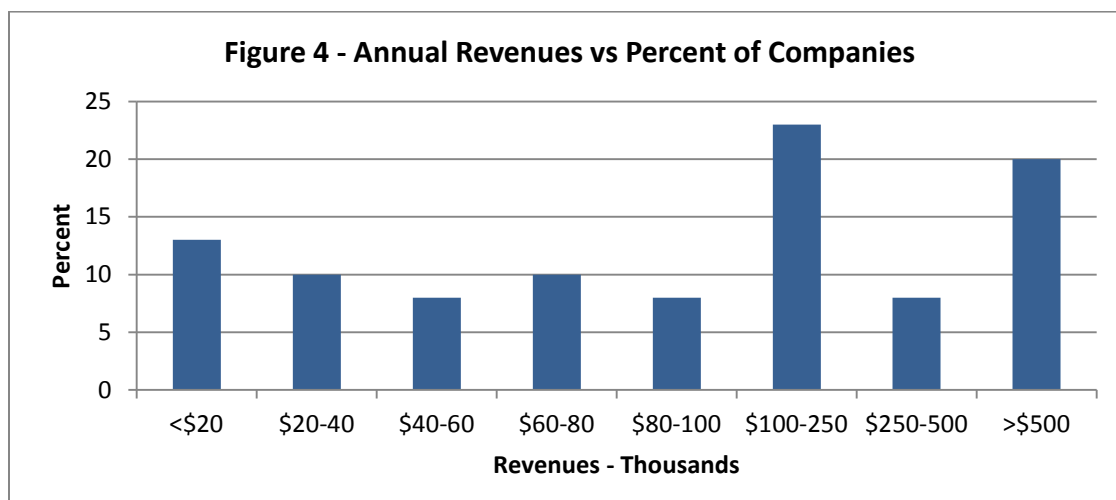


Figure 5 - Revenues for Non-Consent:

The income levels from non-consent towing only are shown in [Figure 5](#). More than a third (36%) of the companies reported an income less than \$20,000, and another 20% of towing companies have incomes between \$20,000 and \$40,000. These statistics indicate that the non-consent towing revenues are quite spread out among the tow companies. The survey shows that 56% of companies make less than \$40,000 on non-consent towing which supports other findings that the supply of towing companies far exceeds demand. This reduces the number of tows available to each company which increases their unit cost per tow.

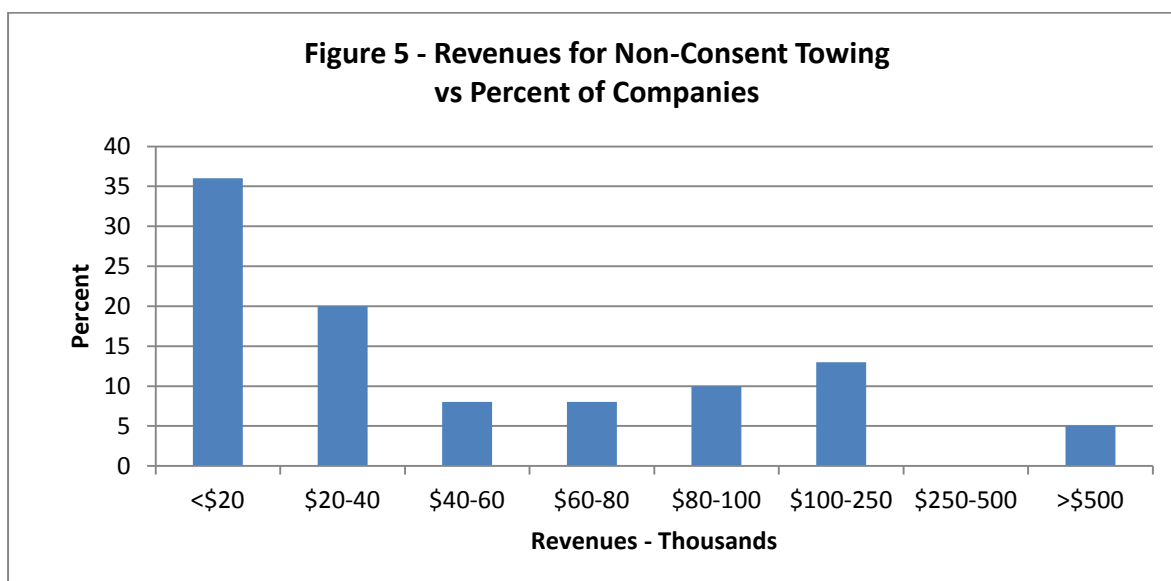


Figure 6 - Profit:

The percentage that towing companies earn in profit is illustrated in [Figure 6](#). About half of the companies (51%) reported that they earn less than 10% profit. 31% of the companies earn between 11 and 20%, and the remaining 18% earn more than 20% profit.

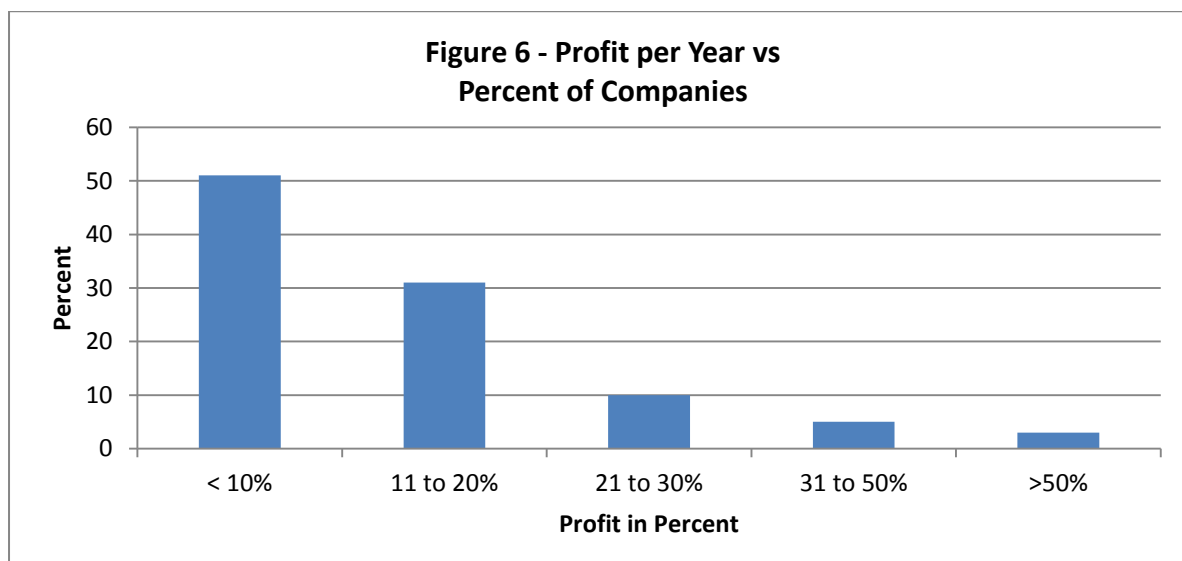


Figure 7 - Total Employees:

The number of employees in the towing companies is shown in [Figure 7](#). Most companies performing towing operations (more than 80%) are small to medium size companies with fewer than 10 employees. The most common number of employees is the small company with 1 or 2 workers, and the medium size companies with 5 to 10 people.

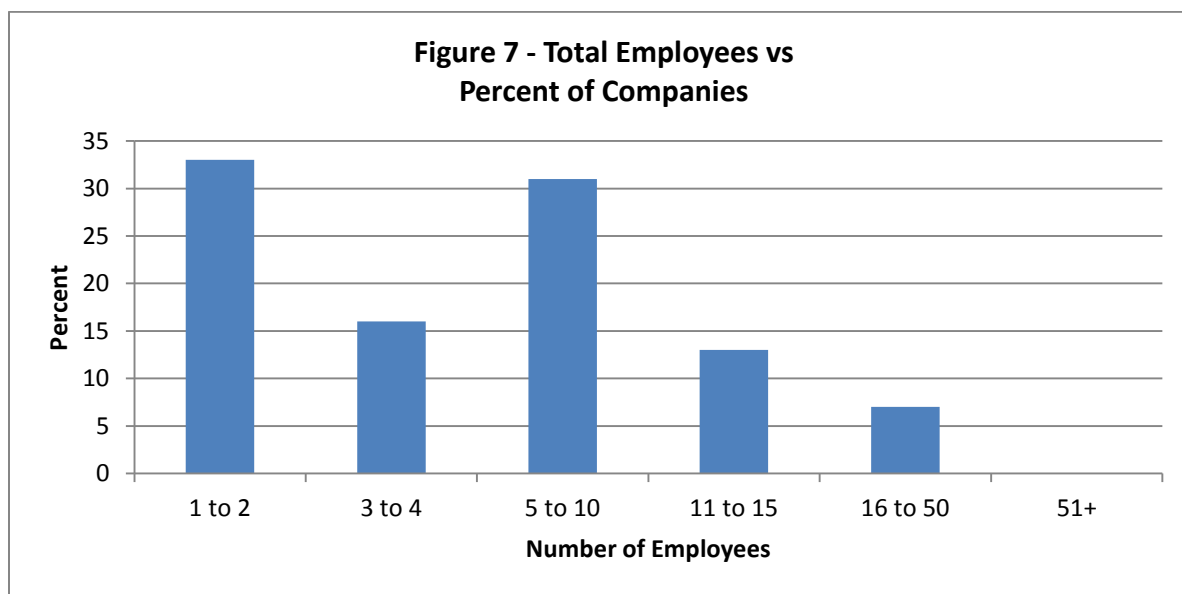


Figure 8 - Truck Drivers:

The figure below illustrates the percent of companies with various truck driver workforce levels. The survey indicates that 53% of tow companies have only one or two drivers, 20% had three or four drivers, and 16% had 5 to 10 drivers. Some larger companies are represented with 4% of companies with 11 to 15 tow truck drivers and 7% with 16 to 50 drivers.

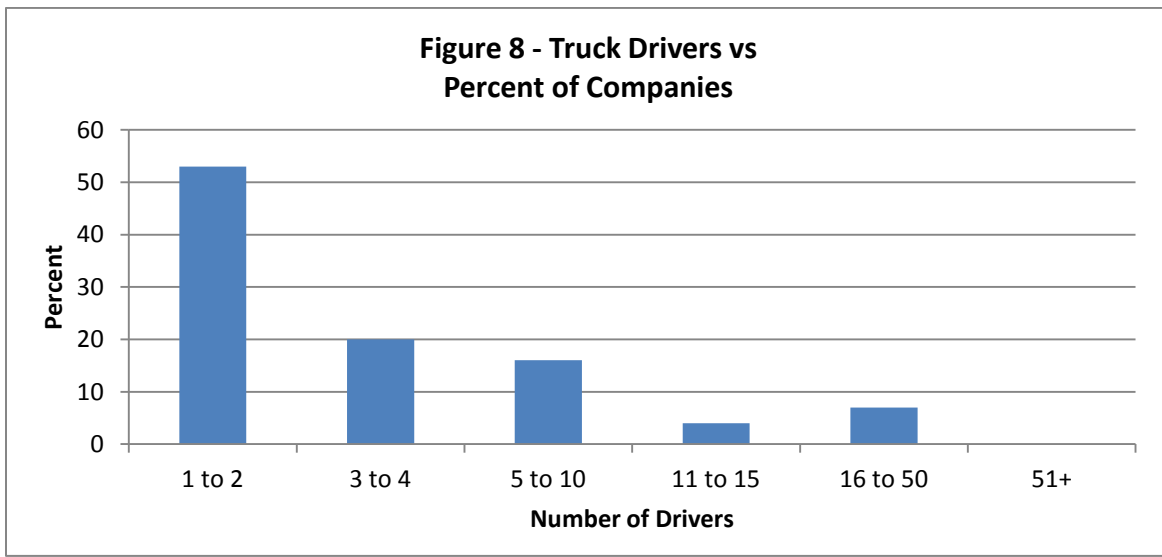


Figure 9 - Driver Employment Type:

The survey results indicate that about half (49%) of the tow drivers are full time employees, and 29% are part time employees. Mixed employment indicates that some drivers (22%) are cross-trained within the other business types (auto mechanics, sales, etc). Also some drivers receive a full time wage in addition to a part time percentage when towing.

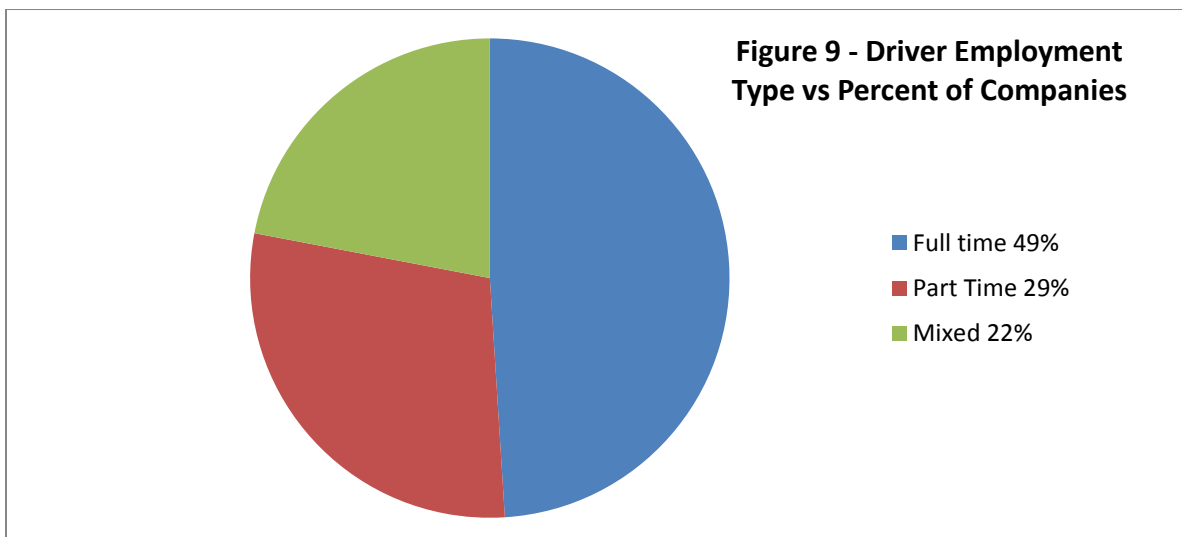


Figure 10 - Driver Compensation:

Most drivers (78%) are paid based on a percentage of the tow as shown in [Figure 10](#). Some drivers (13%) are paid an hourly wage to be on call and are compensated between towing operations. Other drivers (9%) are paid a flat rate per tow.

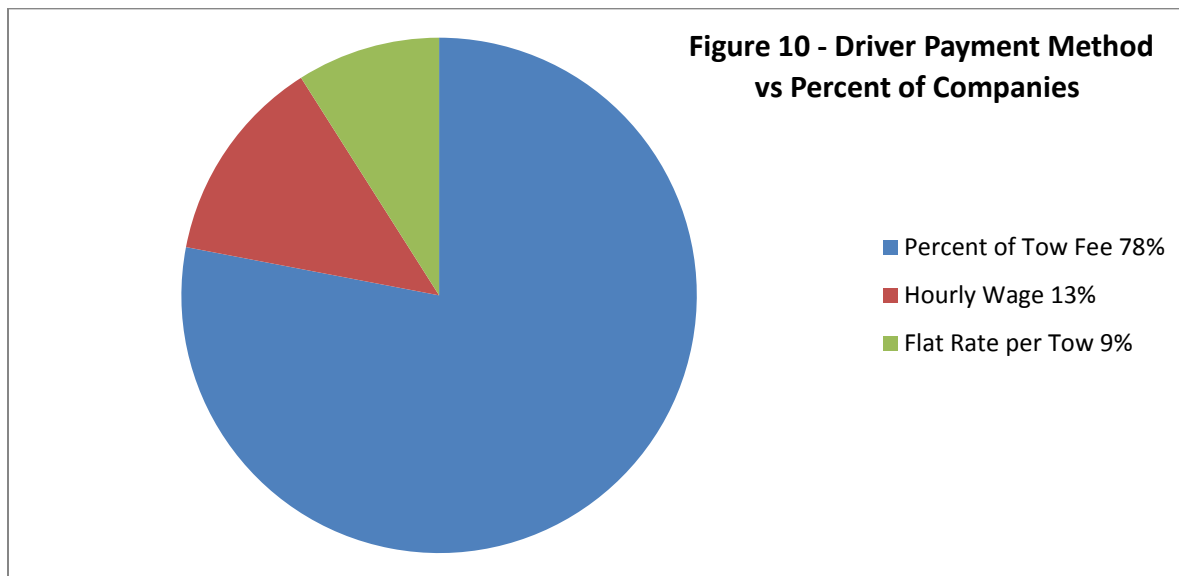


Figure 11 - Driver Commission:

The percent paid to tow drivers shown in [Figure 11](#) is quite variable with significant percentages ranging from 20% to more than 45%. This reflects the varying experience of the drivers, the various types of vehicles that they are trained to operate, and the variety of vehicles that they are sent to retrieve.

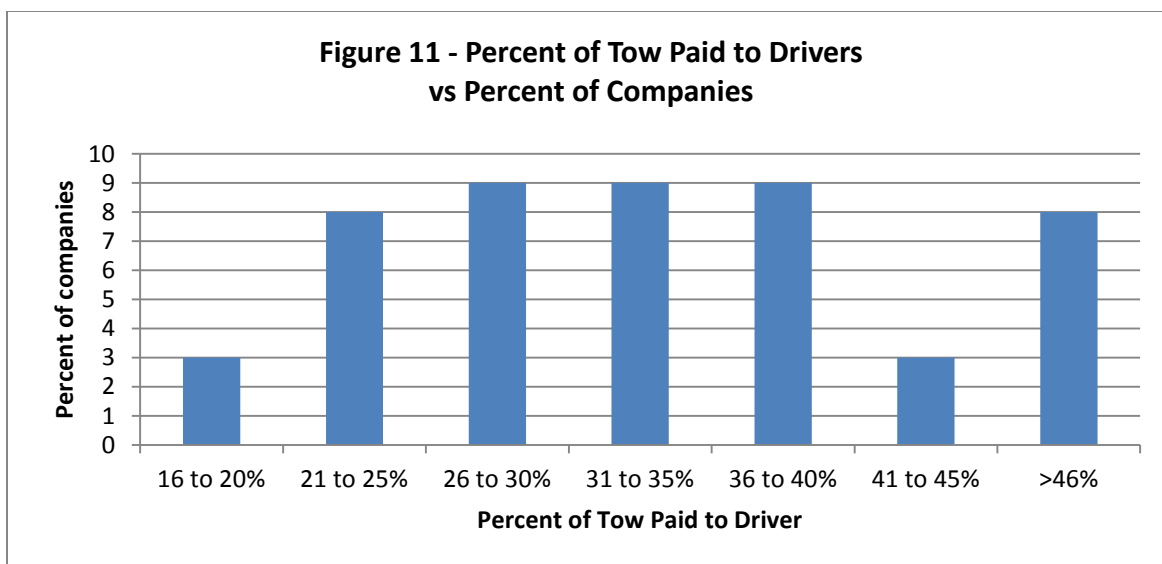


Figure 12 - Tow Times:

Tow companies responding to the survey reported that 49% of the tows were completed in 30 to 60 minutes, 38% were completed in 60 to 90 minutes, and 11% took 90 to 120 minutes to complete as shown in Figure 12.

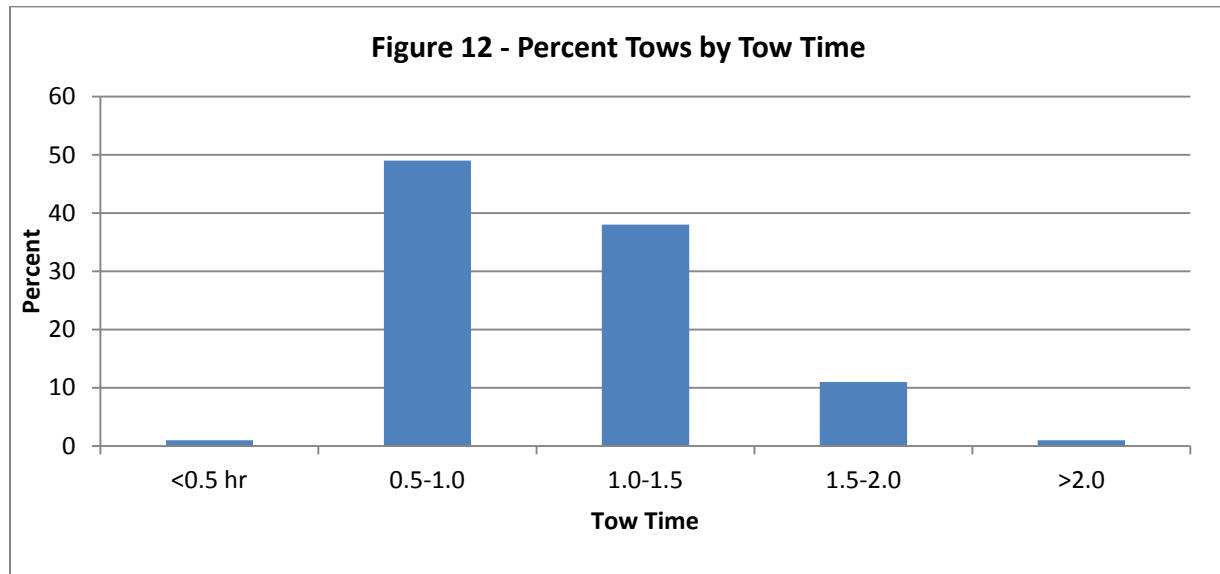


Figure 13 - Office Type:

This figure shows the office types that are utilized by the tow companies in Utah. 56% of the offices are combined with a storage yard, and 12% operate from a home office. 12% of the companies own their office and 9% rent an office space.

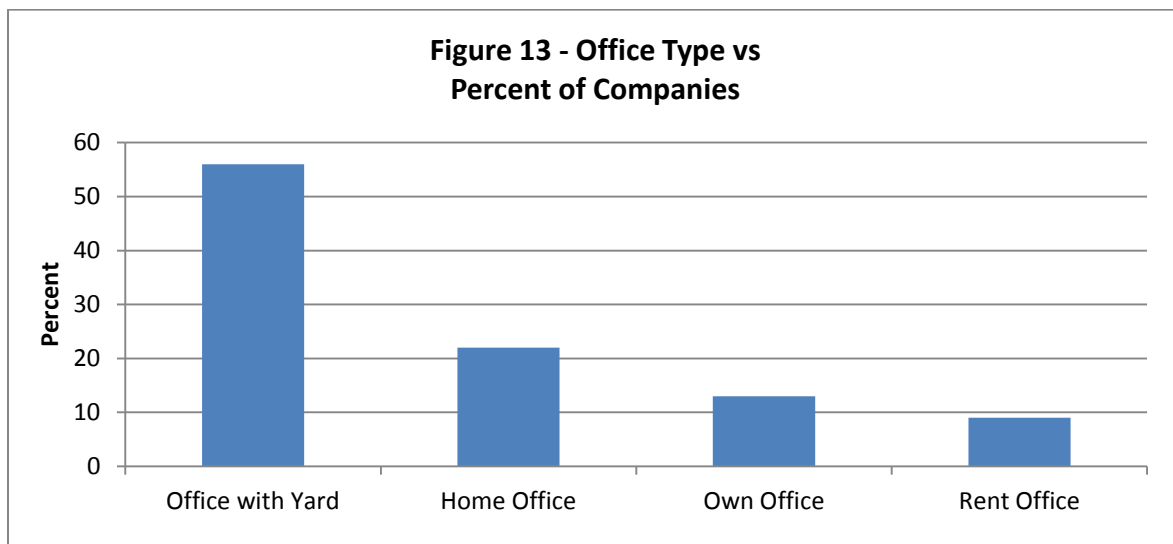


Figure 14 - Office Clerk:

Office workers employed by tow companies receive a fairly standard wage compared to other office workers in the state and nationwide as illustrated in [Figure 14](#). Most fall in the \$11 to \$15 range (49%). A fair amount of these workers (32%) receive an hourly wage of \$16 to \$20.

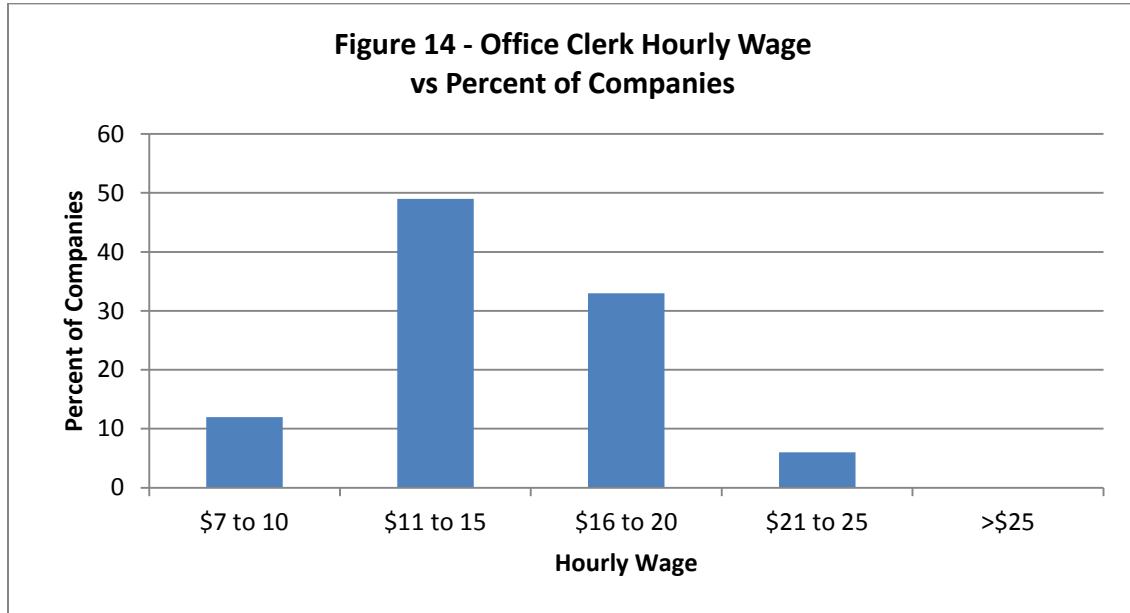


Figure 15 - Yard Locations:

The number of storage yards that tow companies are utilizing varies significantly from 4% with no yards, to 7% with more than four yards as seen in [Figure 15](#). About one-third (37%) only have one yard, 24% have two yards, 15% have three yards, and 13% utilize four locations. This is closely representative of the number of rotations that they are on.

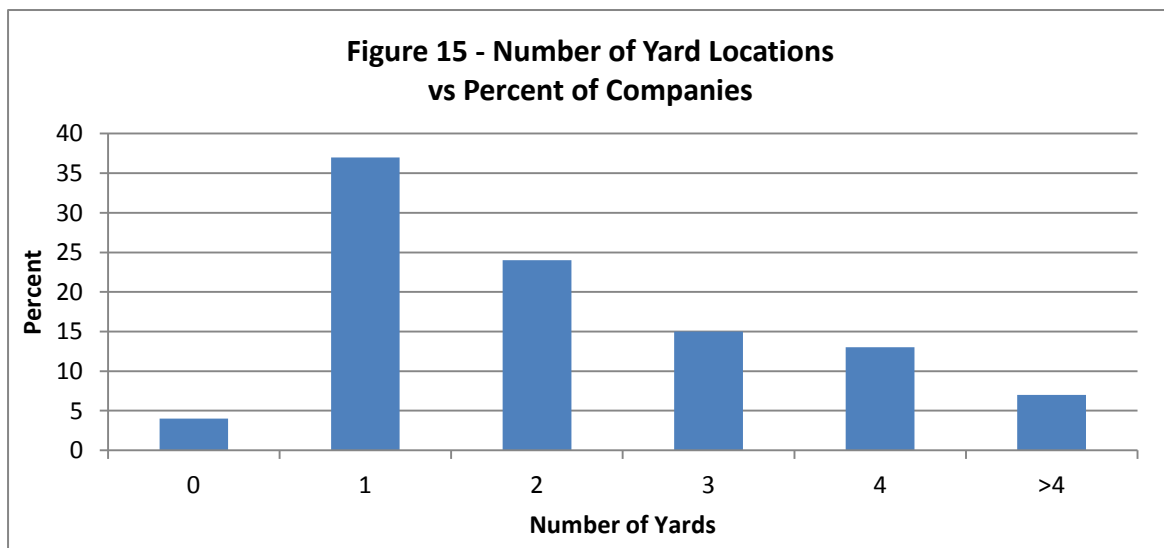


Table 9 - Employee Benefits:

The percent of towing companies that provide benefits for their employees is listed in Table 9. The benefits paid vary widely for the benefit types listed. The number of companies paying overtime, leave pay and holiday pay are significant, while very few companies have health and retirement programs.

Table 9 - Benefits Paid	
Benefit Type	Percent of Companies
Overtime Paid	55%
Leave Paid	49%
Holidays Paid	40%
Health Care Paid	18%
401k/Retirement Program	16%

Tow Company Interviews

The survey provided an opportunity for towing companies to contribute feedback on concerns and opportunities for improvement. In addition to the survey, formal interviews were conducted with 21 companies operating non-consent towing services in Utah. Time was reserved for informal input and comments on the issue. These interviews ranged from 90 minutes to 3 hours. A great deal of useful information was accumulated during these sessions.

The following comments reflect the opinions expressed during the interviews, and some may conflict with each other or other data, but are recorded because they offer additional insight from the perspective of the towing workers:

Towing Industry Comments regarding General Concerns

- Rotations should use performance criteria: response time, completion time, turn-down rate, and complaints instead of prescriptive rules.
- Past RFPs have worked but have been dropped. Officials keep changing the rules, and it gets very expensive to modify the company.
- Police agencies should be given help with the expertise needed to manage these programs. They often lack business experience and an understanding of what is required to be successful. Local governments should assign the management of the RFPs to business experts and have the police only do the enforcement.
- Many police agencies manage tows from the officer perspective with an “authoritative, intimidation approach.” There is a better way to resolve issues than with threats.
- Some competitors tow to alternate yards to increase gate to gate tow time.
- Some business models are conflicting. Regulations may help one business and hurt another.
- In Salt Lake County there could be improved communication between the police agencies (at least 9 exist - Unified, UHP, Murray, Cottonwood Heights, West Jordan, South Jordan, Herriman, Bluffdale, and UTA).
- Having a centralized dispatch between agencies such as using the UDOT Traffic Operations Center may be an opportunity for improvement.
- Letting a company stay at the top of the list after turning down a tow rotation should be considered. Don’t penalize honesty.
- Some companies feel they are following the rules while others don’t. Need uniform enforcement or drop the rules to prevent rewarding bad companies.
- Most towing companies are profitable under the current fee structure.
- There are too many tow companies in many parts of the state for the number of tows available. In these areas some tow companies struggle due to the lack of work and higher costs of doing business. Some agencies have over 80 companies on dispatch rotations.
- Many companies oppose a fee increase. This would only attract more companies making the problem worse.
- Some companies feel competitors charge for more time than the actual time of the tow to compensate for low profit or to make a quick profit.

- Having fewer companies on a rotation results in better performance due to known incomes and resources at the ready.
- Law enforcement personnel are not trained in how to work with the private sector. Local agencies should assign workers that understand business, and can better write rules and regulations that both the law enforcement and tow companies can live with.
- Local agencies that reduce the number of companies on their rotation increase the income levels of those companies by reducing the competition in those jurisdictions.
- Turnover is significant in the tow business. This is due to low pay, long hours and dangerous conditions.
- Tow equipment quickly becomes worn, old and obsolete. Tow trucks and other required equipment is very expensive and profit margins are not adequate to purchase new equipment.

Towing Industry Comments regarding Administrative Issues:

- Each agency that requires police-generated towing requires separate background checks. This is not needed and is costly to companies operating in more than one jurisdiction.
- Training new employees is time-consuming and expensive.
- Office equipment and supplies have increased in cost.

Towing Industry Comments regarding Fuel Surcharge:

- The fuel surcharge system is working well.
- A fuel table that is easier to understand would be an improvement.

Towing Industry Comments regarding Storage Yard Rules:

- Make zones overlap to provide coverage, but have fewer yards.
- Overlapping yard boundaries may be appropriate to end the two yard requirement.
- Tax commission limits number of yards. Not practical.
- Each city and agency has different requirements for location of yards. So for example they have 2 yards that are only 1 mile apart to satisfy both Murray City and UHP.
- A Common Zone Map for all Salt Lake County Agencies would be helpful, or measure ability to respond to call or drop vehicle without prescribing location of yard and office.
- Vehicles held for evidence should have a different fee structure.
- The state should improve the process for vehicle auctions. Current method will only compensate towing company to the amount they bid not the sale price.
- The auction system needs to change. State takes all of the profit and company loses money.
- Abandoned vehicles that are released for tax sales cost companies more than recovered through auction sales. Only about 7% of these vehicles are sold at auction. The remainder is sold to scrap yards at a loss.

Towing Industry Comments regarding Overcharging

Many of the Towing Companies expressed concerns regarding a general perception that some towing companies will attempt to charge higher fees for the non-consent towing services they provide giving a bad reputation to the entire industry. They commented further that police agencies often try to

“control” overcharges by limiting charges to one hour even if the tow takes longer. Towing companies expressed a need for a balanced approach that prevents companies from overcharging, but also allows additional charges when appropriate. Overcharging by towing companies, and inconsistent approval from police agencies are typically related to the following:

- Extended response times
- Excessive tow time entered into the tow ticket
- Vehicle towed to remote yard to extend tow time
- Entering the wrong fuel surcharge amount
- Delays in processing the IVS information
- Non-responsive to release vehicle from storage yard
- Excessive off-time release fees

Tow Industry Comments - Income vs. Number of Tows (one company’s example)

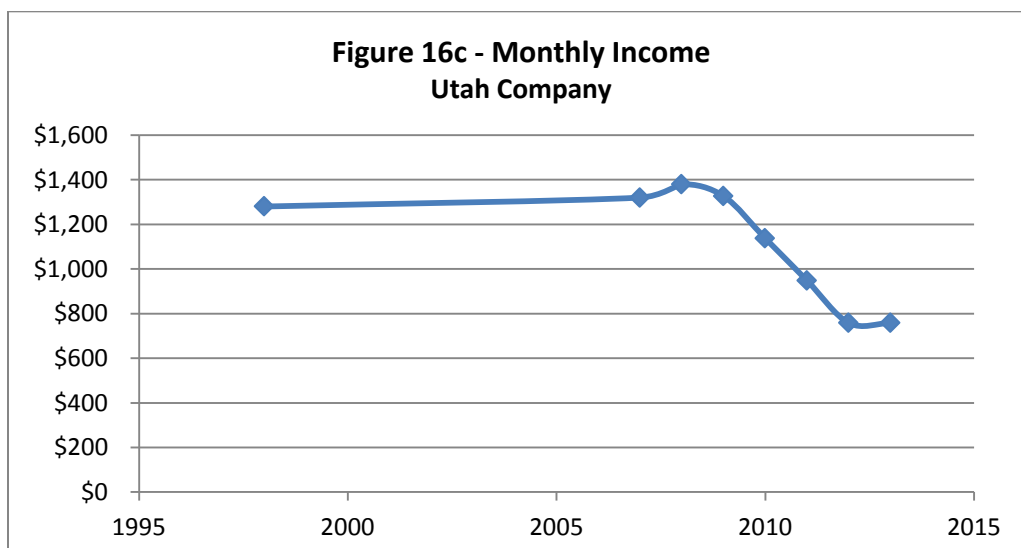
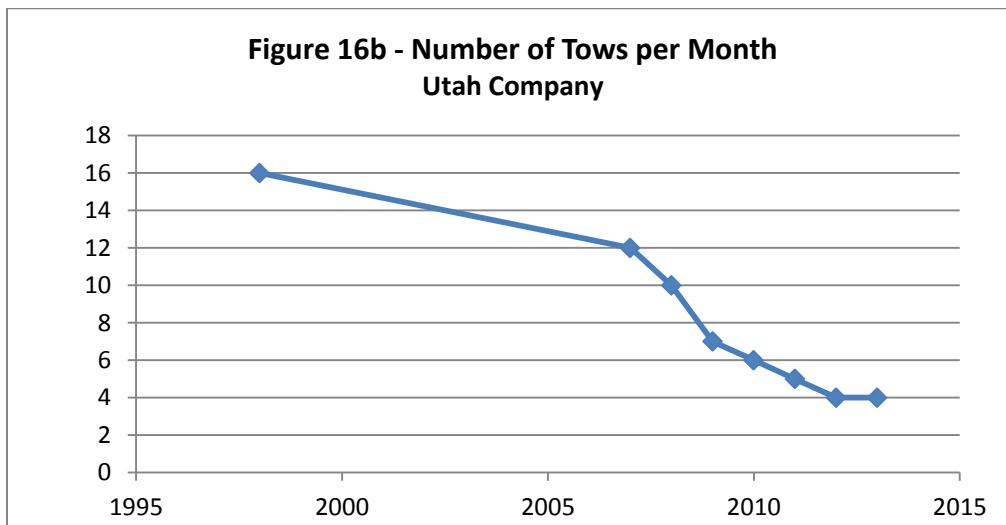
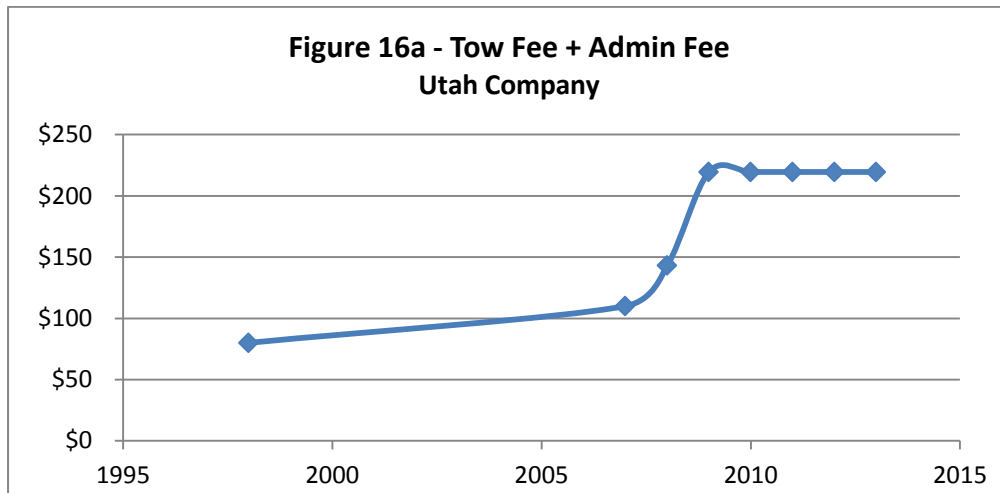
Many of the towing companies in Utah expressed that the number of towing companies is too high in some areas for the current demand for non-consent tows. As the number of companies has increased over time the income available to many companies has decreased. Due to the high cost to run a tow company this issue puts heavy pressure on the financial health of many tow companies relying on non-consent towing.

The information shown in **Table 10** below was provided by a company operating in Utah. The number of non-consent tows per month provided by the company has decreased from about 16 per month in the 90s to an average of about 4 in 2013. This is due to a high increase in the number of companies working in this part of the state. This general trend has been verified by economic experts that are knowledgeable about the “Relationship between Supply, Demand and Price.”

Table 10 - Utah Company Income Trend From Non-Consent Tows 1998 to 2013					
Year	Tows per Month	Tow Amount	Admin Fee	Tow + Admin Fee	Monthly Income
1998	16	\$80	0	\$80	\$1,280
2007	12	\$110	0	\$110	\$1,320
2008	10	\$138	\$5	\$143	\$1,380
2009	7	\$189.50	\$30	\$219.50	\$1,327
2010	6	\$189.50	\$30	\$219.50	\$1,137
2011	5	\$189.50	\$30	\$219.50	\$948.00
2012	4	\$189.50	\$30	\$219.50	\$758.00
2013	4	\$189.50	\$30	\$219.50	\$758.00

One hour tow

Even though the tow plus administrative fee has risen from \$80 to \$219.50 over this time period, the monthly income for the company peaked at \$1,380 in 2008. The significant increase in fees has not resulted in increases in company income (Figures 16a, 16b, and 16c). In fact the income has dropped by more than 50% over the five years since the peak.



Economics – Relationship between Supply, Demand and Price

Typical macro-economic theory states that as the supply or demand of a service changes, prices will also change in response. However, when the price is “set” by governmental agencies, this basic rule no longer works. The result is detrimental to the agencies, towing companies and public.

As an example, an increase in price does not necessarily relate to increased profits for towing companies. Surprisingly, approximately 57% of the towing companies interviewed expressed concerns with an increase in the allowable price (without other limitations) because it would attract additional companies and further dilute their market share (number of tows each company gets from police rotation contracts).

A simple solution and recommendation to overcome this would be to have towing companies submit a cost (bid) as one of several evaluation factors. Local government agencies should use this approach as part of their RFP processes.

Private Property Impounds (PPIs)

Rules set by local governments in Utah must follow the Private Property Impound (PPI) guidelines established in Utah Administrative Code R-909-19-12. The rules allow for non-police generate impound of vehicles that are parked illegally on private property. These rules regulate towing programs that provide a balance of protecting the property rights of businesses with those of the vehicle owner.

Many jurisdictions around the country have implemented towing programs that promote public safety and convenience by requiring that towing companies who provide private property towing must be on an approved contract list with the local governmental agency. These programs require that towing companies are prescreened to perform PPIs, and review their performance over time.

In addition, many local government agencies require that the property owner to initiate the tow call, rather than allowing towing companies to directly initiate the tow. This is to reduce the occurrence of predatory towing.

Regulations related to PPIs are the most controversial issues related to non-consent towing. Problems occur when the public is not aware of restrictions in certain parking lots and street locations. Also many complaints have been submitted relative to the fees that are charged for non-police generated tows. Complaints related to PPIs are as follows:

- The owner may think their vehicle has been stolen, wasting police time.
- The vehicle owner does not have a say in the cost which is often higher than consent towing.
- The process wastes time and causes inconvenience to the vehicle owner.
- The towing may damage the vehicle.

Actions by federal, state and local governments can reduce the problems associated with PPIs. A report to congress on the “Review of Federal and State Laws Regarding Vehicle Towing”, has addressed proposed rules to better regulate PPIs (1). Federal law allows for state and local governments to regulate towing of vehicles that may be creating problems with “safety” when parked illegally. Some questions have been raised that towing for safety reasons has been stretched in some areas, and improved rules are needed.

Recommendations relating to Private Property Impounds

The following steps are recommended for consideration to reduce problems with PPIs:

State Regulations

- Prequalify tow companies for PPIs through local governments.
- Improve enforcement of rules with penalty process with probation and/or elimination of towing companies who violate the rules.
- Change the PPI tow fee from a flat fee to an hourly fee with a one-hour maximum, and actual time charged for tows less than an hour. This will reduce the cost of the towing if the drop location is nearby. It could also reduce the aggressive towing practice of quickly towing multiple vehicles in a short period of time for the full fee.
- Change procedures to require tow times entered on the tow ticket.

- Require that the vehicle must be parked for one full hour before being towed unless it is blocking an entrance or parked in a fire lane.
- Increase the penalties imposed on predatory towing companies including the owner of the lot where the abuse is reported.

Local Government Regulations

- Local officials can pass ordinances placing a lower maximum charge allowed by PPIs.
- Require better signing at these locations. The public is more likely to avoid parking in well signed areas.
- Install physical barriers (chains, gates, etc) for vacant lots.
- Limit the towing distance allowed to the storage yard.
- Require a request from the business owner for each tow ordered at the location.
- Publish on-line where PPI towing has occurred to create transparency with the public, and provide knowledge of problem locations.
- Explore “ticketing” options before towing.

Predatory Towing

When PPI towing is initiated directly by the towing company as a way to generate revenues instead of in response to a problem identified by the property owner, it is considered as predatory. This practice has been a problem in many locations for many years. Most towing companies do not condone predatory towing and will not participate in the practice.

Federal Rules

Most of the federal guidelines that impact Utah towing company operations are safety related. The Federal Motor Carrier Safety Administration (FMCSA) and other federal agencies have issued rules that are typically adopted within state administrative rules.

The FMCSA has recently released a report to congress "Review of Federal and State Laws Regarding Vehicle Towing". This report was mandated by congress under the last Highway Reauthorization bill (SAFETEA-LU). The study includes a summary of federal law related to towing, a review of the laws and regulations of nine states, includes the views of numerous stakeholders, and makes recommendations related to towing issues.

New legislation was outlined that would delegate states authority to regulate police ordered and trespass towing. Consumer protection guidelines were recommended for implementation through trade associations, such as a Code of Conduct for non-consent towing.

State Agency Issues

Many of the rules governing the towing industry in Utah are mandated at the state level. The UDOT Motor Carrier Division drafted Utah Administrative Rule R-909-19 that describes the safety, allowable fees, and other tow related rules. There are aspects of the non-consent towing processes that directly impact state entities and their ability to deliver the services that they are required to provide. Some of these issues are described below.

Incident Management Teams

UDOT's Incident Management Teams (IMT) are trained to work with Highway Patrol officers at accident scenes, come to the aid of stranded motorists and remove dangerous debris from the freeways. IMT workers spend most of the day looking for people who need help on our highway system. Studies nationwide on IMTs indicate that between \$5 and \$25 is returned for every dollar spent on the IMT Programs (2).

Some of the towing companies expressed frustration with the UDOT IMT program because they feel it reduces their business revenues. In contrast, IMT personnel feel that when an accident or disabled vehicle results in an unsafe condition or a significant increase in congestion, steps must be taken to eliminate the problem by removing the vehicle as quickly as possible. On the urban freeway system the IMT has implemented a program to tow a disabled vehicle from the roadway to the next safe haven. This is usually a parking lot near the next freeway exit. The vehicle can then be towed as needed from this location. Three of the IMT vehicles along the Wasatch Front have been equipped with tow hooks to facilitate this program.

To be effective this program requires quick response times, safe operations by all parties involved, and services provided at a reasonable cost. Studies have shown that millions of dollars are wasted every year by congestion on our highways. Much of this congestion is a result of crashes and other disabled vehicles. Every minute of delay can further clog a highway system and adversely impact more of the traveling public. Also secondary crashes occur due to the congestion, causing the impact of the incident

to get worse. It is crucial to dispatch tow equipment that is near the incident, and it must be capable of removing the vehicle in a safe and timely manner.

Utah Highway Patrol (UHP)

Response to crashes on state highways requires exceptional coordination and action by various parties. Tending to injured motorists and the removal vehicles from the traveled lanes, must be done safely and efficiently. Towing companies play a key role in achieving this goal and must comply with all rules established by the UHP to ensure team effectiveness.

Officers responding to crashes and disabled vehicles have set a goal to reduce secondary crashes and congestion by decreasing the response time and clear time as much as possible. Studies have shown that for every minute that passes after a crash, the chances for a secondary crash are increased by 2.8% (3). This indicates that for a 20 minute response time the chances for a secondary incident increases by 56%.

Traffic Operations Center (TOC)

The Traffic Operations Center (TOC) is a tool used to manage and monitor traffic conditions, with authority to minimize congestion and enhance safety on Utah's highway system. This includes traffic control systems, highway design aspects, roadway cameras, and incident management.

Engineers at the TOC were interviewed to obtain information on how the Center could aid in better towing operations. Currently they use the cameras as an early notice of accidents on the highway system. This information is passed on to the law enforcement agencies, identifying the location, lanes impacted, and an indication of severity. TOC managers are committed to aiding and improving response times and removal procedures in any way possible.

Local Government Information

Local Law Enforcement Regulations and Guidelines

Law enforcement agencies need a quick, efficient, and professional response from tow companies answering police-generated calls. Clearing disabled or abandoned vehicles from highways and streets is crucial in preventing unsafe conditions for the traveling public. This is the number one priority for these agencies, and most local government regulations are aimed at this goal.

Non-consent tow rates and regulations should be carefully established to be reasonable to the public, while allowing the tow companies to make an acceptable profit. Most local agencies strive toward this balance when establishing the towing companies on their rotation lists. Some law enforcement personnel complain that some companies intentionally extend the tow time to allow them to charge for longer times. Some local agencies have lower maximum rates for light vehicle towing than the \$145 maximum set by state rules. A few have rates of \$120 as a maximum rate. The cost analyses in this report indicate that most companies on these rotations can make a profit if the numbers of tow calls they receive are high enough.

Regulations used by local law enforcement agencies are also aimed at improving or streamlining their operations. Some of these rules, however, appear to be unnecessary and can result in a financial burden to towing companies.

For example, some local governments have initiated rules to limit the number of towing companies to improve the efficiency within the jurisdiction. However, eliminating companies that meet the basic guidelines in a jurisdiction from inclusion in the towing rotation appears to be subjective. Reasonable criteria should be used to reduce the number of companies to a manageable number rather than selecting a number and then modifying the criteria to obtain a list of companies. This is unfair to companies that meet the minimum criteria but are eliminated based on a minor issue or an arbitrary issue not related to reasonable criteria.

Various local governments provided information for the study. This information proved to be useful in determining how managing a relationship with the towing industry affects manpower needs and tow related program costs to the agencies.

Many of the local government agencies participating in the study emphasized that local rules and regulations are needed to protect their residents from excessive charges when a non-consent tow is necessary. Tow companies that are dispatched from a significant distance away tend to charge a higher fee to the vehicle owner than more local tow companies. This is due to the longer response time and to the longer tow distance to a storage yard. Often a typical one-hour tow becomes a one-and-a-half hour tow, resulting in higher fees. For this reason local governments have placed requirements on the companies eligible for dispatch to reduce these higher fees. Some require tow companies to store the vehicle in a yard closer to the city limits to keep the tow fees lower.

FBI and BCI Background Checks

Many local law enforcement agencies and local governments use background checks to screen tow companies for approval in their jurisdiction. These checks are basically redundant with the background checks performed by other local jurisdictions. Tow companies have complained about the cost and inconvenience to participate in these assessments numerous times.

Background checks should be required by only one agency to reduce redundancy and improve efficiency. The UDOT Motor Carrier Division could be the central contact entity for this requirement. This would eliminate the need for local law enforcement and governments to conduct the FBI and BCI background checks directly. A secured web site should be considered where approved personnel could quickly receive verification that a company has passed these background checks. If an agency feels that they have special circumstances that necessitate different background check criteria, they should discuss the reasons with the UDOT Motor Carrier Division so that it can be considered in creating uniformity among local agencies.

Storage Yard Requirements

Most local entities require the towing companies to maintain a storage yard within or near the jurisdiction boundaries. This is very expensive for the towing companies since these yards are typically leased for hundreds of dollars per month.

Many towing companies operating in the urban areas use common storage yards to save costs. Local governments should aid in this practice as much as possible by tailoring their regulations to accommodate multi-company use at yards.

Uniformity Goals

The regulations and policies utilized by governmental agencies are sometimes unnecessarily burdensome to the towing companies. The rules used in RFPs are changed often and companies are placed on probation based on a single offense rather than a pattern of abuse.

Certainly costs could be reduced if more uniformity were programmed into these rules. Uniformity issues identified include:

- *Background checks and other certifications accepted by all rotations (central database)*
- *Background checks due at same time of year (common schedule).*
- *Utah medical certificates could be accepted once by all entities (central database).*
- *Vehicle and equipment inspections could be accepted universally (central database).*
- *Similar criteria preferred for acceptance onto rotations.*
- *Limit number of companies on rotation based on objective criteria.*
- *Uniform performance standards to evaluate companies on rotations.*
- *Fewer storage yards could be used to achieve coverage (overlapping boundaries).*
- *Consideration of zones within county boundaries to enhance response times.*

Two-Tier Rotation Criteria

Many companies would like to see the local government entities change the way they select companies for their rotations. An effective way to manage rotation companies and rules would be to implement a two-tier set of criteria. The first set of criteria would be to determine which companies are accepted onto the rotation, and the second set of criteria would be performance criteria to determine who should stay on the rotation over time.

Typical two-tier criteria are listed below:

Criteria for acceptance onto rotations

- Price + Qualifications
- Equipment Capabilities
- Yard near jurisdiction
- Pass background checks
- Past performance
- Years in Business

Performance standards to stay on rotations

- Response time (average)
- Tow time (average)
- Turn-down rate (per month)
- Safety compliance
- Officer complaints (per month)
- Public complaints (per month)

The performance standards should be values that can be easily and accurately tracked. A company would be placed on probation based on a pattern of poor performance rather than one or two incidents that may be an exception.

Inflation Indexes

The costs to the towing industry change over time and the fees should be adjusted for fluctuations in expenses. The largest of these factors are labor, equipment, and fuel. A consensus among all stakeholders within the towing industry indicates that the fuel surcharge system is adequate to handle increases and decreases in fuel prices.

Indexes are recommended for use to make adjustments to labor, equipment, and property costs:

Tow Fee:

- Labor for truck operators
- Tow truck costs
- Overhead- Consumer Price Index

Administration Fee:

- Labor for office workers
- Office lease costs

Storage Yard Fees:

- Real estate values

Truck Operator Labor Index

Over time it is believed that the base tow fee will need to be modified to stay current with changing costs. An increase in these fees over time would better support trained tow truck operators and adequate tow vehicles, while allowing for a reasonable profit to keep well-operated tow companies viable. An index utilizing a combination of “Light Truck Driver” (53-3033) labor increases, “Tow Truck” (WPU14130293) costs, and the CPI was found to be appropriate (Tables 11a and 11b). It is recommended that the Bureau of Labor Statistics (BLS) be used as a source to calculate these indexes. Appendix B provides instructions on how to use the Bureau of Labor Statistics Indexes.

Table 11a– Truck Driver Salaries in Utah (x\$1,000)

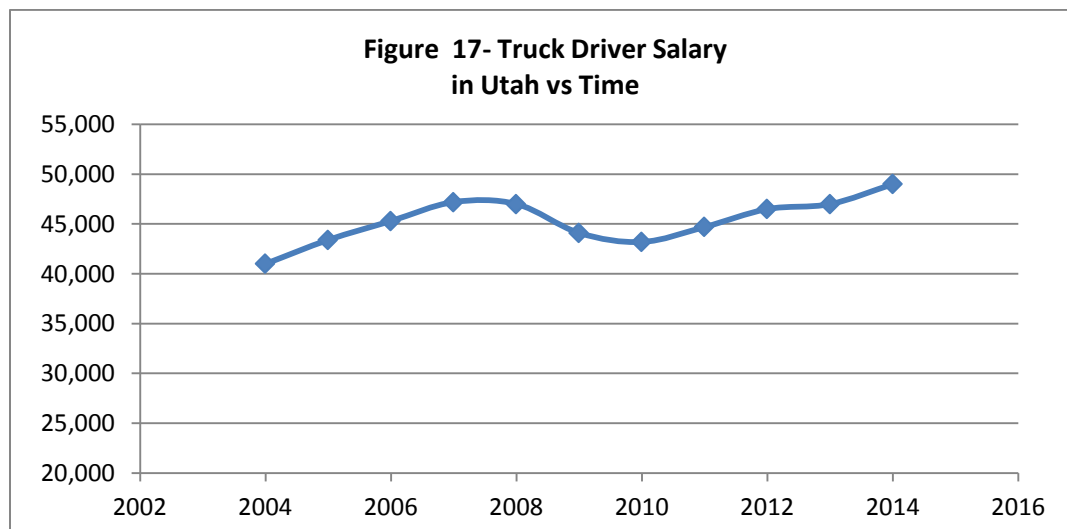
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2004	40.5	40.5	40.5	40.6	40.7	40.9	40.9	41.0	41.1	41.5	41.7	42.0	41.0
2005	41.6	42.1	42.4	43.0	43.1	43.2	43.5	43.6	43.9	44.3	44.6	45.2	43.4
2006	44.3	44.6	44.7	44.8	44.7	45.0	45.1	45.6	45.9	45.7	46.1	47.0	45.3
2007	45.9	46.1	46.5	46.3	46.5	46.8	46.9	47.3	47.8	48.1	48.5	49.2	47.2
2008	46.8	46.9	46.9	47.1	47.0	46.9	46.9	47.1	47.1	47.0	47.0	47.1	47.0
2009	45.9	45.3	44.8	44.2	44.1	43.7	43.7	43.4	43.4	43.2	43.3	43.7	44.1
2010	42.3	42.4	42.5	42.5	42.5	42.9	43.1	43.5	43.7	43.9	44.4	45.2	43.2
2011	44.0	43.9	43.9	44.3	44.3	44.7	44.6	44.9	45.1	44.9	45.4	46.3	44.7
2012	45.4	45.3	45.6	46.2	46.5	46.8	46.1	46.4	46.9	46.9	47.3	48.1	46.5
2013	47.1	47.0	46.8	46.0	46.2	46.4	46.9	47.0	46.9	47.0	47.8	48.5	47.0
2014	48.2	48.3	48.5	48.3	49.0	49.1	49.4	49.9	50.0(P)				

P : Preliminary

Table 11b– Truck Driver Salaries Increases in Utah (%)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2004	2.0	2.3	2.5	2.8	2.5	3.3	2.5	2.0	2.5	2.5	3.2	3.7	2.8
2005	2.7	4.0	4.7	5.9	5.9	5.6	6.4	6.3	6.8	6.7	7.0	7.6	5.9
2006	6.5	5.9	5.4	4.2	3.7	4.2	3.7	4.6	4.6	3.2	3.4	4.0	4.4
2007	3.6	3.4	4.0	3.3	4.0	4.0	4.0	3.7	4.1	5.3	5.2	4.7	4.2
2008	2.0	1.7	0.9	1.7	1.1	0.2	0.0	-0.4	-1.5	-2.3	-3.1	-4.3	-0.4
2009	-1.9	-3.4	-4.5	-6.2	-6.2	-6.8	-6.8	-7.9	-7.9	-8.1	-7.9	-7.2	-6.2
2010	-7.8	-6.4	-5.1	-3.8	-3.6	-1.8	-1.4	0.2	0.7	1.6	2.5	3.4	-2.0
2011	4.0	3.5	3.3	4.2	4.2	4.2	3.5	3.2	3.2	2.3	2.3	2.4	3.5
2012	3.2	3.2	3.9	4.3	5.0	4.7	3.4	3.3	4.0	4.5	4.2	3.9	4.0
2013	3.7	3.8	2.6	-0.4	-0.6	-0.9	1.7	1.3	0.0	0.2	1.1	0.8	1.1
2014	2.3	2.8	3.6	5.0	6.1	5.8	5.3	6.2	6.6(P)				

Figure 17 shows the change in truck driver salaries from 2009 to the present. The information reflects an annual change of about 3.2% from 2010 to 2014. From this information the most recent one-year increase is estimated at 4.3%.



Note: The 2014 value of 49,000 is estimated based on 9 months of data.

Tow Truck Index

The Bureau of Labor Statistics tracks and publishes information in the form of a Producer Price Index for the type of trucks used in the towing business. [Table 12a](#) below contains the index set showing changes over time for these vehicles. [Table 12b](#) shows the percent change for each twelve-month period.

An index using the “Tow Truck” (WPU14130293) costs was recommended by the BLS and found to be appropriate.

**Table 12a -Tow Trucks & Equipment on Purchased
Chassis Including Lifting**

**Producer Price Index – Bureau of Labor Statistics
-Index-**

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2008												100.0	
2009	99.6	99.4	98.3	96.5	97.0	97.1	97.8	97.8	97.8	95.9	95.9	96.0	97.4
2010	97.0	97.1	97.1	97.3	97.4	97.3	97.8	97.6	97.8	97.8	98.0	98.2	97.5
2011	98.4	98.3	98.8	98.9	99.1	99.2	99.2	99.1	99.1	98.3	100.1	101.3	99.1
2012	101.1	101.1	101.1	101.5	101.4	103.4	103.4	103.9	103.9	103.3	102.4	102.6	102.4
2013	102.4	102.4	102.6	102.6	102.5	102.8	102.9	102.9	104.6	105.1	105.1	105.1	103.4
2014	105.4	106.1	105.8	105.5	105.5	106.3(P)	106.2(P)	106.9(P)	107.5(P)				

P : Preliminary. All indexes are subject to revision four months after original publication.

Table 12b -Tow Trucks & Equipment on Purchased Chassis Including Lifting

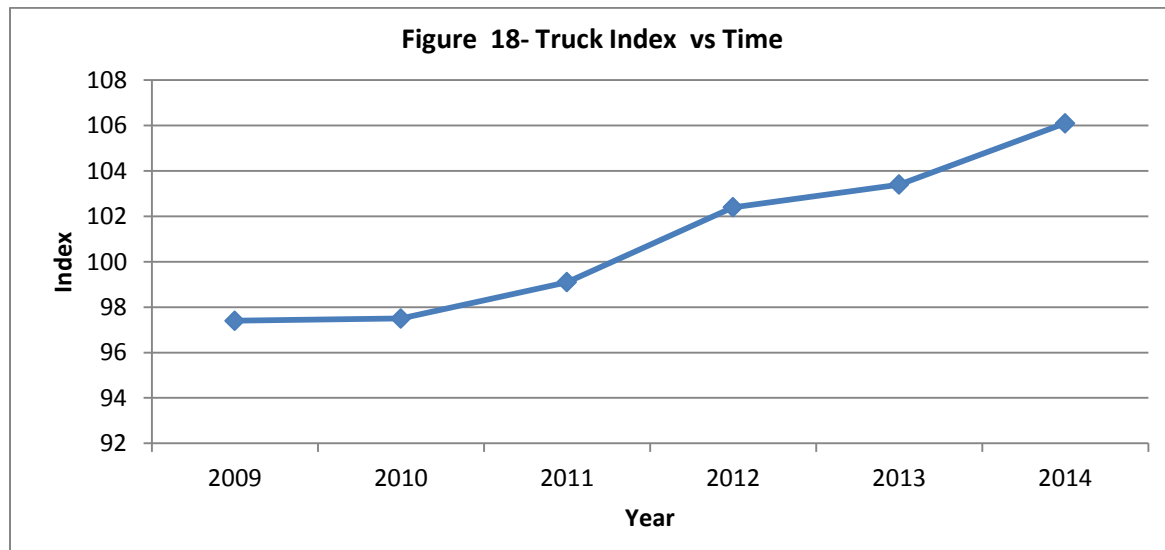
Producer Price Index – Bureau of Labor Statistics

-Percent Change-

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2009												-4.0	
2010	-2.6	-2.3	-1.2	0.8	0.4	0.2	0.0	-0.2	0.0	2.0	2.2	2.3	0.1
2011	1.4	1.2	1.8	1.6	1.7	2.0	1.4	1.5	1.3	0.5	2.1	3.2	1.6
2012	2.7	2.8	2.3	2.6	2.3	4.2	4.2	4.8	4.8	5.1	2.3	1.3	3.3
2013	1.3	1.3	1.5	1.1	1.1	-0.6	-0.5	-1.0	0.7	1.7	2.6	2.4	1.0
2014	2.9	3.6	3.1	2.8	2.9	3.4(P)	3.2(P)	3.9(P)	2.8(P)				

P : Preliminary. All indexes are subject to revision four months after original publication.

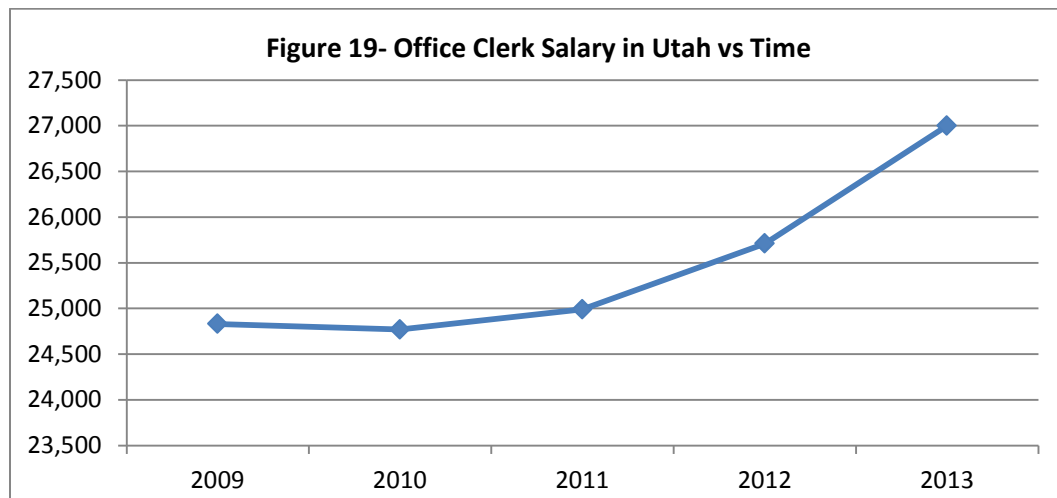
Figure 18 illustrates the change in this truck index from 2009 to the present. The information reflects a change of about 9% from 2009 to 2014. This change is similar to increases in new tow truck costs over this same time period. From this information the most recent one-year increase is estimated at 2.6%, and a three-year average is 2.3%.



Note: The 2014 value of 106.1 is estimated based on 9 months of data

Office Worker Index

Administrative costs will change over time and should be adjusted by using appropriate indexing methods. The index related to “Office Clerk” salaries (code 43-9061) was found to best represent the increase in administrative fees and should be used to make adjustments in the future. The information shown in [Figure 19](#) indicates that the clerk salary increased by 5.1% from 2012 to 2013, and by an average of 3.0% over the last three years.



Office Space Index

A portion of the administrative fee is related to office space costs. The Bureau of Labor statistics tracks these costs over time with a Producer Price Index called “Office Buildings, Gross Rents (code # 43110101)”. [Table 13a](#) and [13b](#) show these trends over time from 2009 through October 2014.

Table 13a - Office Space Rental Index

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2008												100.0	
2009	101.3	100.0	101.3	99.8	100.0	99.5	100.7	99.7	102.0	101.4	102.0	101.7	100.8
2010	101.2	101.3	101.2	100.8	101.9	101.6	101.7	101.7	101.5	101.3	101.5	101.4	101.4
2011	101.1	100.6	100.7	100.8	100.8	101.0	100.8	101.3	101.3	100.9	101.1	101.0	100.9
2012	101.4	101.4	101.5	101.7	101.8	101.7	101.8	101.8	101.9	102.0	102.0	102.1	101.8
2013	102.3	102.2	102.0	102.2	102.4	102.7	103.1	103.3	103.3	103.9	103.4	104.1	102.9
2014	103.2	103.5	104.4	104.2	104.0	104.1	104.9(P)	105.2(P)	104.8(P)	106.2(P)			

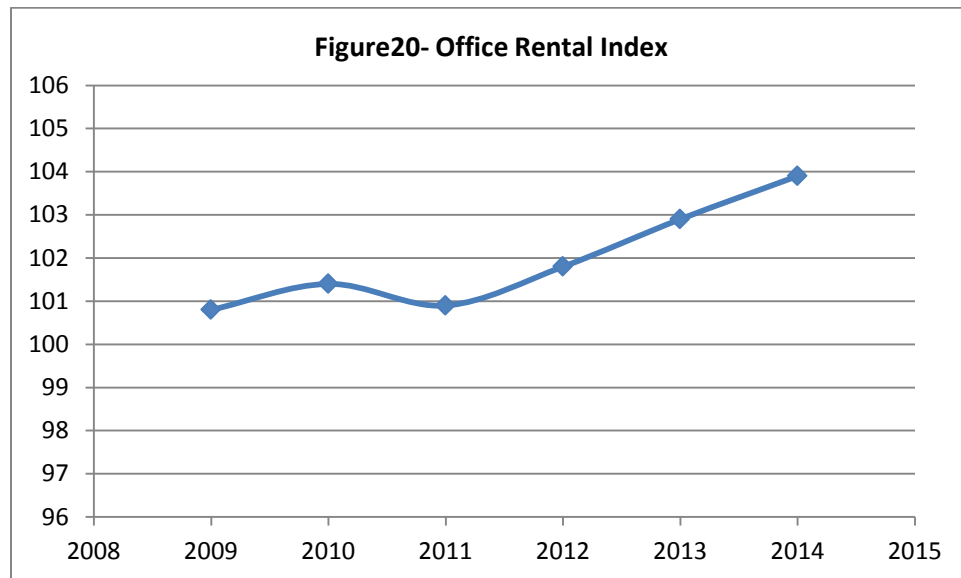
P : Preliminary. All indexes are subject to revision four months after original publication.

Table 13b - Office Space Rental (% change)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2009												1.7	
2010	-0.1	1.3	-0.1	1.0	1.9	2.1	1.0	2.0	-0.5	-0.1	-0.5	-0.3	0.6
2011	-0.1	-0.7	-0.5	0.0	-1.1	-0.6	-0.9	-0.4	-0.2	-0.4	-0.4	-0.4	-0.5
2012	0.3	0.8	0.8	0.9	1.0	0.7	1.0	0.5	0.6	1.1	0.9	1.1	0.9
2013	0.9	0.8	0.5	0.5	0.6	1.0	1.3	1.5	1.4	1.9	1.4	2.0	1.1
2014	0.9	1.3	2.4	2.0	1.6	1.4	1.7(P)	1.8(P)	1.5(P)	2.2(P)			

P : Preliminary. All indexes are subject to revision four months after original publication.

The trend in office space rental is shown in Figure 20. The rate of increase has been very constant over the last three years at about 1.0% per year.



Note- The 2014 value of 103.9 is a 9-month average

Storage Yard Fee Adjustments

The storage yard fee should be adjusted in the future using fluctuations in real estate values within the state. These values are tracked by banks and other financial institutions.

These property assessments vary significantly from one area of the state to the next. Obviously urban and rural property values are dissimilar, and land costs vary among cities based on land use and community plans.

Conclusions

1. Non-consent towing is crucial to the safety of the traveling public. Efficient and professional removal of disabled vehicles from the state's roadways is required to enable the safe and unrestricted movement of traffic. The financial viability of the towing industry is essential to achieve this objective.
2. Law enforcement personnel in Utah play a vital role in managing highway accident sites and other disabled vehicles. These vehicles must be removed from highway traveled lanes in a timely and safe manner. Required response time regulations are appropriate on most highways.
3. UDOT's Incident Management Team (IMT) provides a valuable service in reducing accident clean-up durations, aiding stranded motorists, improving overall safety, and assisting incidents with early warning services.
4. Non-consent towing issues in Utah are very complicated, controversial, divisive, and contentious. Disagreements not only are common between the governmental and private sectors, but also within the towing companies throughout the industry as well. This makes rule-making, resolutions, and implementation elusive and problematic.
5. Two cost analysis methods were used to evaluate the current non-consent fees used in Utah:
Cost Estimate Analysis- based on data gathered from a state-wide survey and interviews conducted with towing companies.
Business Model Cost Analysis- conducted using a combination of business related input and gathered data for a variety of business types.
6. The current maximum tow fee of \$145 for a Light Duty vehicle was found to be slightly higher than the estimated costs to perform the towing operations based on both analysis methods using the data gathered in this study.
7. The fees for towing Medium Duty and Heavy Duty vehicles are reasonable depending on the number of tows performed.
8. Surveys and interviews indicate that 57% of tow companies in Utah feel they are making an adequate profit in their towing businesses under the current rate structure. Many towing companies oppose a rate increase stating that increases only result in more new companies starting up in areas with too many companies for the current workload. Other towing company officials believe that the maximum fees should be increased due to increasing costs.
9. In the future it is believed that the tow fee will need to be increased to stay current with increasing costs. An average utilizing a combination of "Light Truck Driver" labor increases, "Tow Truck" costs, and the general Consumer Price Index was found to be appropriate. The Bureau of Labor Statistics (BLS) was found to be the best source to calculate these indexes.
10. The maximum administrative fee of \$30 was shown to be higher than the estimated value, with variability in the amount of time required to enter data and manage notifications.
11. As Administrative costs change over time, they should be adjusted by using appropriate indexing methods. The indexes related to "Office Clerk" salaries and the "Office Rental" were found to best represent the fluctuations in administrative fees and could be used to make adjustments in the future.

12. The current fuel surcharge has been shown to adequately reimburse tow companies for any changes in fuel and other operational costs when fuel prices are above \$3.00 per gallon.
13. Current storage yard costs vary significantly throughout the state. Some tow companies indicate that the storage yard fee compensates for losses from the other fee shortfalls. The maximum storage yard fee is adequate to cover the costs to the towing companies in most areas.
14. Tow companies frequently charge the “maximum allowable rate” for each category (towing, administrative, and storage), rather than actual costs. In contrast, many of the governmental agencies restrict time charges to no more than 1 hour. Combined, this creates an effect of a “flat fee.”
15. Background checks and other certifications are required by each governmental agency creating inefficiency and additional costs to the towing industry. Uniformity in rules and regulations governing the non-consent tow industry in Utah should be created and implemented where possible.

Recommendations

1. The current maximum rates for each fee category (tow, administrative, and storage) are adequate and changes are not recommended at this time.
2. Costs to the tow companies will likely increase over time and fee rates should be adjusted periodically to maintain a healthy towing industry in Utah.
3. Increases in the towing fee category should be tied to the average of the “Light Truck Driver” salary, the “Tow Truck” cost data, and the CPI from the BLS.
4. The administrative fee should be adjusted when needed based on the changes in the “Office Clerk” salary and the “Office Rental Index” using the BLS web site.
5. The storage yard fee should be adjusted in the future using fluctuations in real estate values within the state.
6. State and local representatives should take reasonable steps where possible to reduce costs. They should introduce uniformity and improve efficiency to the towing industry before increasing the approved fees. Governmental agencies should streamline background checks and other regulatory requirements into a centralized process and database to reduce redundancy and improve efficiency. Uniform rules should be considered for the aspects outlined in the report.
7. State and Local governmental agencies should take steps to improve the procurement process and RFP criteria for the selection of towing companies.
8. The use of local government associations, towing industry associations and third party facilitators is recommended to continuously review issues and improve communication between the stakeholders.

Implementation

1. Steps should be taken to implement regulations and policies to aid in uniformity and improved relationships within the towing industry and stakeholders. The most effective way to accomplish this is to directly distribute the concepts and strategies outlined in this study to the local governments in Utah. The Utah League of Cities and Towns, and the Local Technology Assistance Program (LTAP) Center at Utah State University are possible resources to assist with this effort. Concepts recommended for consideration by the local governments include:
 - A two-tier system for rotations by law enforcement agencies. General criteria to establish a company list is appropriate, but performance criteria are needed to keep companies in good standing on rotation lists. Penalties for a single infraction should be minimal. A pattern of abuse should be used to place companies on probation or dismissal from the rotation.
 - Include a cost aspect to the RFP guidelines to encourage competitive bidding and to reduce the problem in parts of the state where too many companies are competing for a limited number of non-consent tows.
 - Uniform guidelines and central databases to reduce the need for multiple background checks, medical certificates, and equipment inspections.
 - Modify storage yard rules to reduce the number of yards that a company must finance. Strict city and county boundaries for storage yards is too arbitrary when reasonable tow times and distances can be achieved with fewer yards.
 - Implement rules and policies to enhance PPI regulations and reduce predatory towing.
2. Implementation of the indexes described in this report is important to increase fees in the future for the towing industry based on the cost of living and cost of doing business.

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Appendix A

Project Work Plan

The objectives of the study will be met by completing the following tasks and action items:

TASK 1 – Meet with the three towing industry representatives in northern Utah to gain a better understanding of the issues related to this study. Review the current Utah code, administrative rules, and rate structure with Motor Carrier Division representatives. Examine any previous reports that have been produced on this topic, and any existing towing contracts that are available.

TASK 2 - Finalize the Detailed Work Plan with representatives from the Motor Carrier Division and Research Division. The study will focus on gathering and analyzing quantitative data, not qualitative.

TASK 3 - Select a representative sample of companies to be surveyed to obtain the needed information for the process. This should be based on sound statistical methods to determine the number of companies needed. The list will be submitted to Motor Carrier Division representatives for approval. This should be towing companies responding to both police generated and private property impounds. Sources of index information will be identified and processed for consideration. The companies selected will include those that have towing contracts with cities and counties.

The approach to sample size will begin with summarizing a list of all known towing companies in Utah. From this specific sample sizes will be determined for written surveys, interviews and/or observations.

TASK 4 – Agreement will be reached on a set of survey questions and strategies to present to the sample companies that will provide the data needed to develop the fee structure and rate index. This would include determining typical costs associated with towing operations. Consideration will be given to specific classifications of direct and overhead costs and for each vehicle classification.

The surveys will also address each company's perspective and feedback on having the perpetual rate structure tied to an appropriate index. Criteria will be established to allow observations of the company's operation that will be meaningful in the analysis. Follow-up questions will be developed to gather secondary information where the survey and observations are not sufficient. Survey questions will be included to gather information related to costs for companies that have contracts with cities and counties for non-consent towing.

TASK 5 – The consultant will acquire the required information from towing companies within Utah regarding typical direct and overhead costs to provide non-consent tow services. Initially, 2 to 4 select companies will be surveyed in person to determine if the survey questions are adequate. Based on the results of these initial interviews the survey will be modified as needed for use in the majority of the study. An additional 16 to 18 companies will then be interviewed to obtain the required information. Telephone calls will be made to pre-screen these companies.

A confidentiality agreement will be used prior to all surveys and interviews to prevent any information from being published with the companies' financials or identifications included.

Additional secondary data sources such as insurance companies and other outside agencies will be considered. The UDOT Incident Management staff will be interviewed to obtain their perspective on this issue. Also focus groups may be used to acquire feedback from various groups including the public and other interested parties.

A complete list of the business costs collected in the study is listed in Appendix A.

TASK 6 – Analysis of the data will be conducted in a manner that will identify the appropriate per-hour rates should be considered for use by UDOT. Each individual data variable gathered will be analyzed to reflect the average and outliers of the submitted values. Any sources of data that may lead to inaccuracies will be identified and investigated.

A review will be conducted of the available consumer-price indexes that are relevant to the Utah non-consent tow industry. The consultant will identify significant linkages between these relevant indexes and the costs researched in the surveys. The consultant will develop a preliminary recommendation for a perpetual rate structure that is linked to an appropriate index. A fuel surcharge will be handled under a separate rate structure. Any action items that may aid in the application of the new rates and indices will be presented.

TASK 7- The consultant will present a preliminary recommendation for an appropriate rate to be charged per hour for police generated and private-property impound services in Utah. The consultant will also develop a preliminary recommendation for a perpetual rate structure that is linked to an appropriate index. Any action items that may be needed to aid in the application of the new rates and indices will be presented. The consultant will offer alternatives to using a statewide rate where appropriate. This could be based on geographical locations, towing travel distances, and the availability of companies.

TASK 8 – The consultant will present the study findings and recommendations from Tasks 5, 6, and 7 to a group of representatives from the Motor Carrier Division and the non-consent tow industry. Feedback from the group will be compiled. Updated study recommendations based on the feedback received will be considered based on possible consensus of the members.

TASK 9 – A Final Report will be prepared for the study that documents the study process and summarizes the findings, analysis, and recommendations for the Motor Carrier Division. Included will be a recommended appropriate rate to be charged per hour for police generated and private-property impound services, along with a recommended solution for a perpetual rate structure linked to an appropriate index. Also explained will be methods for consideration to use geographical location as a factor in the rate structure.

TASK 10 – The consultant will participate as requested in actions needed to implement the new aspects of the program.

Appendix B

Consumer Price Index Instructions

How to Use the Consumer Price Index for Escalation (Bureau of Labor Statistics)

The Consumer Price Index (CPI) measures the average change in the prices paid for a market basket of goods and services. These items are purchased for consumption by the two groups covered by the index: All Urban Consumers (CPI-U) and Urban Wage Earners and Clerical Workers, (CPI-W).

Escalation agreements often use the CPI—the most widely used measure of price change—to adjust payments for changes in prices. The most frequently used escalation applications are in private sector collective bargaining agreements, rental contracts, insurance policies with automatic inflation protection, and alimony and child support payments. The following are general guidelines to consider when developing an escalation agreement using the CPI:

Define the base payment Define clearly the base payment (rent, wage rate, alimony, child support, or other value) that is subject to escalation.

Identify which CPI series will be used Identify precisely which CPI index series will be used to escalate the base payment. This should include the population coverage (CPI-U or CPI-W), area coverage (U.S. City Average, West Region, Chicago, etc.), series title (all items, rent of primary residence, etc.), and index base period (1982-84=100).

Specify reference period Specify a reference period from which changes in the CPI will be measured. This is usually a single month (the CPI does not correspond to a specific day or week of the month) or an annual average. There is about a two-week lag from the reference month to the date on which the index is released (that is, the CPI for May is released in mid-June). The CPI's for most metropolitan areas are not published as frequently as are the data for the U.S. City Average and the four regions. Indexes for the U.S. City Average, the four regions, three city-size classes, ten region-by-size classes, and three major metropolitan areas (Chicago, Los Angeles, and New York) are published monthly. Indexes for the remaining 23 published metropolitan areas are available only on a bimonthly or semiannual basis. Contact BLS for information on the frequency of publication for the 26 metropolitan areas.

State frequency of adjustment Adjustments are usually made at fixed intervals, such as quarterly, semiannually, or, most often, annually

Determine adjustment formula Determine the formula for the adjustment calculation. Usually the change in payments is directly proportional to the percent change in the CPI index between two specified periods. Consider whether to make an allowance for a “cap” that places an upper limit on the increase in wages, rents, etc., or a “floor” that promises a minimum increase regardless of the percent change (up or down) in the CPI.

Provide for revisions Provide a built-in method for handling situations that may arise because of major CPI revisions or changes in the CPI index base period. The Bureau always provides timely notification of upcoming revisions or changes in the index base.

The CPI and escalation: Some points to consider

The CPI and escalation: Some points to consider The CPI is calculated for two population groups: All Urban Consumers (CPI-U) and Urban Wage Earners and Clerical Workers (CPI-W). The CPI-U represents about 88 percent of the total U.S. population and is based on the expenditures of all families living in urban areas. The CPI-W is a subset of the CPI-U and is based on the expenditures of families living in

urban areas who meet additional requirements related to employment: more than one-half of the family's income is earned from clerical or hourly-wage occupations. The CPI-W represents about 29 percent of the total U.S. population. There can be small differences in movement of the two indexes over short periods of time because differences in the spending habits of the two population groups result in slightly different weighting. The long-term movements in the indexes are similar. CPI-U and CPI-W indexes are calculated using measurement of price changes of goods and services with the same specifications and from the same retail outlets. The CPI-W is used for escalation primarily in blue-collar cost-of-living adjustments (COLA's). Because the CPI-U population coverage is more comprehensive, it is used in most other escalation agreements. The 26 metropolitan areas for which BLS publishes separate index series are by-products of the U.S. City Average index. Metropolitan area indexes have a relatively small sample size and, therefore, are subject to substantially larger sampling errors. Metropolitan area and other subcomponents of the national indexes (regions, size-classes) often exhibit greater volatility than the national index. BLS recommends that users adopt the U.S. City Average CPI for use in escalator clauses. The U.S. City Average CPI's are published on a seasonally adjusted basis as well as on an unadjusted basis. The purpose of seasonal adjustment is to remove the estimated effect of price changes that normally occur at the same time and in about the same magnitude every year (e.g., price movements due to the change in weather patterns, holidays, model change-over, end-of-season sales, etc.). The primary use of seasonally adjusted data is for current economic analysis. In addition, the factors that are used to seasonally adjust the data are updated annually and seasonally adjusted data are subject to revision for up to 5 years after their original release. For these reasons, the use of seasonally adjusted data in escalation agreements is inappropriate. Escalation agreements using the CPI usually involve changing the base payment by the percent change in the level of the CPI between the reference period and a subsequent period. This is calculated by first determining the index point change between the two periods and then determining the percent change. The following example illustrates the computation of a percent change:

CPI for current period	232.945
Less CPI for previous period	229.815
Equals index point change	3.130
Divided by previous period CPI	229.815
Equals	0.0136
Result multiplied by 100	0.0136 x 100
Equals percent change	1.4%

The Bureau of Labor Statistics neither encourages nor discourages the use of price adjustment measures in contractual agreements. Also, while BLS can provide technical and statistical assistance to parties developing escalation agreements, we can neither develop specific wording for contracts nor mediate legal or interpretive disputes which might arise between the parties to the agreement.

For any additional information about the CPI, please call (202) 691-7000, or write to:

Bureau of Labor Statistics Office of Prices and Living Conditions 2 Massachusetts Avenue, NE., Room 3615 Washington, DC 20212-0001

Appendix C
Idaho Authorized Tow Company List

TITLE 49
CHAPTER 18

49-1807B. Idaho state police authorized tow list -- background checks. The Idaho state police shall establish and maintain an authorized tow list. To determine the suitability of applicants for inclusion on the Idaho state police authorized tow list, the Idaho state police shall require every applicant towing firm owner, driver and operator to provide information and fingerprints necessary to obtain criminal history information from the Idaho state police bureau of criminal identification and the federal bureau of investigation. The cost of taking and processing such fingerprints shall be the responsibility of the applicant. Pursuant to section [67-3008](#), Idaho Code, the Idaho state police shall submit a set of fingerprints obtained from the applicant and the required fees to the Idaho state police bureau of criminal identification for a criminal records check of state and national databases. The Idaho state police may receive criminal history information from the Idaho state police bureau of criminal identification and from the federal bureau of investigation for the purpose of evaluating the fitness of applicants for inclusion on the Idaho state police authorized tow list.