

Transportation Network Services Industry: Public Need in British Columbia

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Introduction

The legislative basis for decision making on the provision of Transportation Network Services (TNSs), which are often called ride hailing or rideshare services, is provided by the *Passenger Transportation Amendment Act* (Act). Section 28 of the Act states that the Passenger Transportation Board (Board) may approve an application after considering whether:

- (a) there is a public need for the service the applicant proposes to provide;
- (b) the applicant is a fit and proper person to provide the service and is capable of providing the service;
- (c) the application, if approved, would promote sound economic conditions in the passenger transportation business in the province.

This document is an overview of the public need for TNS services in the province. The second and third considerations above will be addressed separately.

Recent Reviews of Public Need for TNSs

A significant amount of work, including consultations with the public, with industry and the business community, and input from experts has been invested in exploring the need for TNSs in the province. In the past year and a half, this includes:

- A Select Standing Committee on Crown Corporations (SSCCC) inquiry into and recommendations on ride sharing, which concluded in a report entitled *Transportation Network Companies in British Columbia*, February 2018. In the process of developing this report, the Committee held three days of public hearings and heard 26 presentations. In addition, 12 written submissions and cross-jurisdictional information were considered. The Committee Members concluded that TNSs should be permitted to operate in the province within a provincial regulatory regime;

- A report entitled *Modernizing Taxi Regulation*, by Hara Associates, June 2018. Dr. Dan Hara consulted with the taxi industry (associations, drivers and some licensees), local governments and First Nations, police forces, consumer and business interest groups, transit operators, airport and port authorities and provincial government agencies;
- Debates on and the passage of the *Passenger Transportation Amendment Act*, fall 2018. This Act puts in place the legislative framework for ride hailing. The debates demonstrate that ride hailing is supported by all three parties in the Legislative Assembly, although there are differences in how they would implement ride hailing;
- A second SSCCC inquiry into TNSs, concluding in a report entitled *Transportation Network Services: Boundaries, Supply, Fares, and Drivers' Licences*, March 2019. The Committee held two days of hearing and heard from 15 expert witnesses. They received 47 written submissions and reviewed a number of reports from other jurisdictions; and
- Extensive media coverage on the need for TNSs.

These initiatives demonstrate that there is a public need and desire for ride hailing in the province.

Do Taxis Meet the Public Need for Vehicle-for-hire Service?

1. Service Availability

In his report on *Modernizing Taxi Regulations*, Dr. Dan Hara summarized his findings on the taxi industry as follows:

“At the heart of consumer and business concerns over BC taxi service is supply. Non-industry stakeholders stated clearly that they want more and better vehicle-for-hire service. Smaller communities and First Nations want their communities better served, especially where present service is spotty or non-existent. Large urban communities experience shortages during peak hours, especially on week-end nights or during special events. Shortages in urban areas are also evidenced by the development of private markets to exchange or lease scarce operating taxi licences for significant sums of money ...” (pg. i)

Service availability is most commonly measured by wait times during peak periods¹. Typically, there is an oversupply of taxis at non-peak periods and a shortage at peak periods. Within the last year in Vancouver, numerous media reports have chronicled lengthy wait times at bar closures on weekend nights, at the Vancouver International Airport, after special events, and when cruise ships arrive. These corroborate Dr. Hara's findings of inadequate supply of vehicles-for-hire at peak periods.

While the Board has undertaken some measures to address the undersupply of taxis, such as licensing part-time peak period taxis in Vancouver, the shortage of taxis persists at peak periods. Demand fluctuates significantly over the week and by time periods. For example, Dr. Garland Chow² found that peak demand in Vancouver's Downtown Entertainment District on Saturday and Sunday evenings between 2 and 3 am is about six times greater than demand for any hour between 10 pm and 1 am on weekends. As stated by Hara Associates, "A fixed number of taxis is arbitrary. More taxis are needed on Friday night than at 10 am on weekdays. The fixed number is usually somewhere in between." (pg.2)

In summary, there is compelling evidence that taxi service cannot meet peak period public need for vehicles-for-hire.

2. Service Quality

There is limited, objective information on the quality of service provided by taxis in BC. Given the high volume of taxi trips, the number of complaints filed with Consumer Protection BC is quite low. Of the 239 complaints received by Consumer Protection BC in the past eight months, about 90% related to service in the Greater Vancouver Regional District. The most common complaints were:

- Driver behavior and unsafe stopping (40%);
- Trip refusal (33%);
- Wait times, taxi not arrived (11%); and
- Rates - rates not per meter, meter not used, excessive deposits, extra charges (11%).

The study done by Dr. Garland Chow referenced above provides the most reliable, albeit dated, information on trip refusals in Vancouver at weekend peak periods. Dr. Chow

¹ The Board intends to move to performance-based decision making but at this time it has no hard data to inform its decision making. The Ministry of Transportation and Infrastructure is in process of establishing a data warehouse which will enable the Board to review and assess performance indicators reflecting public need and economic conditions in the industry, monitor the impacts of Board decisions, and make adjustments to decisions over time.

² Peak Demand and Supply of Taxis in Vancouver's Downtown Entertainment District Final Report; Dr. Garland Chow. February 2012.

undertook a survey of recent taxi users after the introduction of temporary operating permits for an additional 65 taxis for peak weekend periods to serve the Vancouver Downtown Entertainment District. Of those patrons questioned by taxi drivers about their destination prior to boarding, 17% of patrons were refused boarding by taxis. The main reason for the trip refusal was that the destination was not what the driver wanted.

Service refusal by taxi drivers is a concern that receives media attention and provides an indication of the need for improved service.

3. Choice

Consumers in the province have a choice of taxis or limousines if they want a vehicle-for-hire. Typically, consumers want choice. TNS service is viewed by many consumers as a highly differentiated service from taxis. Evidence of the strong demand for TNSs is demonstrated consistently in other jurisdictions.

Illegal ride sharing does exist in Metro Vancouver at present. Although there are enforcement activities, the violation fines have not been sufficient to stop the service provision and the demand for it.

BC's choice of vehicles-for-hire is limited compared to that in other jurisdictions, primarily due to the lack of ride hailing services. The ongoing operation of illegal ride hailing in Metro Vancouver, despite efforts of enforcement staff to curtail this, supports the view that consumers desire greater choice in vehicles-for-hire.

4. Price

Taxis provide a service at rates that do not vary as demand for the service increases or falls. There are consumers who would be willing to pay more for better service in peak periods. Other consumers would use vehicle-for-hire service more often if lower prices were offered for off-peak periods.

There is currently no opportunity for consumers to make choices based on price.

Does the TNS Business Model Address These Issues?

1. Service Availability

The TNS business model is significantly different from the business model used by taxis, resulting in different responses to market conditions. The TNS model relies on a large number of drivers with vehicles to supply the service, a large number of consumers to purchase the service, the interaction of supply and demand to set fares, and excellent information flows among the parties provided through the use of an app.

At off peak periods, fares for TNS rides drop as demand drops. As fares drop, some drivers will stop providing services as it is not worth their while. For some users of the service, the reduced fares will increase their use of the service.

The major concern about taxi service availability centers on the provision of vehicle-for-hire services at peak periods. At peak periods, TNS drivers' behaviors changes as they respond to increased fares that reflect additional public need for the service. This entices additional drivers to enter the market, increasing the supply of TNS service. Through the use of apps, both parties—the driver and the passenger—agree to the fare prior to the service being provided.

The TNS business model responds to service availability issues seen with the taxi industry by increasing the supply of vehicles-for-hire in peak periods and reducing supply in off-peak periods.

2. Service Quality

The TNS business model offers consumer a direct role in ensuring service quality. TNS drivers are rated by their customers for each trip and, with some companies, drivers are required to maintain a certain rating level to remain on the platform. Passenger ratings of each trip will influence driving behavior, which is the major complaint against taxi drivers.

Ratings of passengers are done by drivers and some ride hailing companies have started to ban passengers with low ratings.

Trip refusals are expected to be low as TNSs respond to market conditions. With a large number of drivers, and with prices set by market conditions, trip refusals by drivers because an out-of-the-way destination is likely low.

3. Choice

In his review of the results of TNS introduction in other jurisdictions, Dr. Hara found that over time there was a large increase in use of taxi and TNS trips combined. The overall demand for vehicles-for-hire expanded as consumers reacted to the increase in supply, the choice in type of service, and increased reliability of supply.

The introduction of TNS service provides additional choice for consumers. As Dr. Hara notes, in many other jurisdictions the use of TNSs has surpassed the use of taxis.

4. Price

TNS prices reflect market conditions. At peak times, price increases, while in off-peak times, price falls. The apps provide fare information prior to a customer and driver embarking on a fare, indicating that the cost of the trip is acceptable to both parties.

Conclusion

The extensive consultations and outreach to stakeholders that formed the basis for the two SSCCC reports and the Hara report, as well as the legislative debates on the *Passenger Transportation Amendment Act* and extensive media reports, demonstrate that there has been significant exploration of the public need for TNSs. These investigations support the public need for TNS services. As shown in the discussion above, the TNS business model addresses some of the public need shortcomings associated with taxis.