

Cross Jurisdictional Scan – Limits on Transportation Network Service Fleet Size and Rates

Prepared for: The BC Passenger Transportation Board

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Introduction

Background

The Passenger Transportation Board (PT Board) has established a Work Plan 2019/20 to accompany the PT Board's new Strategic Plan outlining the activities that will be undertaken by the Board to achieve its priorities for the current fiscal year.

A priority area under Goal 2 of the Strategic Plan is for the PT Board to develop policies, rules and application requirements and forms for licensing Transportation Network Services (TNSs)¹. A specific project under that priority area is a jurisdictional scan of limits on TSN fleet size and rates.

Purpose of Report

This report provides an overview of the findings of the scan of other jurisdictions respecting TSN fleet size limits and rates.

The findings of the report are designed to inform the PT Board's deliberations in deciding, in the context of Goal 2 and Objective 3, whether to set

- 1) limits on TSN fleet size, and if so, how this is determined; and
- 2) rates for what TSNs can charge, and if so, the basis and rationale for such rates.

Strategic Plan Goal 2: There is a balance between the public need for diverse, reliable, commercial passenger directed vehicle service and sound economic conditions in the industry in BC

Strategic Plan Objectives:

1. Licensing application decisions are based on consideration of evidence on how the service will support meeting public needs for a diverse and reliable passenger transportation system in the province
2. Licensing application decisions are made based on consideration of evidence-based information on how the service will promote sound economic conditions in the commercial transportation system in BC
3. Decisions on fleet size, operating area boundaries and rates contribute to balancing public need and industry viability.

¹ TNS is the term used in British Columbia and as defined by law under the *Passenger Transportation Amendment Act*, 2018, for what is commonly referred to as ride-hailing. Many jurisdictions refer to it as Transportation Network Companies.

Summary of Jurisdictional Scan

Approach and Jurisdictions Reviewed

The cross-jurisdictional scan involved internet based research of the regulatory regimes for TNSs in 29 jurisdictions including:

- eleven Canadian jurisdictions (the provinces of Alberta, Saskatchewan, Manitoba and Québec and cities of Calgary, Edmonton, Ottawa, Regina, Saskatoon, Toronto and Winnipeg)
- Nine jurisdictions in the United States (states of California, Colorado, Massachusetts, and New York; and counties and cities of Honolulu Hawaii, New York City, Portland Oregon, San Francisco and San Francisco County, and Seattle and King County)
- International jurisdictions of London, UK; New Zealand and the Australian Capital Territory and all Australian states.

Follow up telephone interviews were held with officials from eight jurisdictions - Edmonton; Honolulu, Hawaii; New York City; Ottawa; San Francisco County; Saskatoon; Seattle and King County and Toronto - to probe deeper into their business model and whether they had considered limits on TNS fleet size and rates.

The Appendix to this report includes an overview of the findings of the scan of jurisdictions.

Findings of Jurisdictional Scan

Limits on Fleet Size

Only one jurisdiction, New York City, has imposed a cap or limit on the number of TSN vehicles. New York City Council passed a law effective August 2018 that established a moratorium for a 12-month period on new For Hire Vehicle (FHV)² licences while the Taxi and Limousine Commission (TLC) undertook a study of the industry. During this moratorium, the TLC could still grant licences for wheelchair accessible vehicles and for particular neighbourhoods that run low on vehicle for hire services.

The TLC released its report “Improving Efficiency and Managing Growth in New York’s For-Hire Vehicle Sector” on June 12, 2019³. The general finding of the report is that “while not the only cause, the explosive growth of FHV sector is an important factor in the traffic congestion in NYC”. First ever vehicle classification counts showed that FHVs currently make up nearly 30% of all traffic “confirming that reductions in FHV-related traffic could meaningfully impact overall traffic conditions”. Although New York State has passed a congestion surcharge (a central business district toll for all trips in Manhattan south of 96th Street – see Appendix), City specific policies addressing the operational efficiency of high-volume FHVs were considered necessary.

² FHV include TNCs (such as Uber and Lyft), limousines and private luxury cars

³ https://www1.nyc.gov/assets/tlc/downloads/pdf/fhv_congestion_study_report.pdf

The report recommended a combination policy of continued regulation of new FHV licences as well as a cap on cruising⁴. The stated goal of the recommended policy changes are to decrease traffic congestion and increase driver income by reducing the number of cars on the road.

The extension of the moratorium or “pause” on new FHV licenses for a further year, except for wheelchair accessible and electric vehicles, will be subject to a periodic review every six months of metrics including congestion in the Manhattan core, driver pay, service levels throughout the city, and renewal rates among existing FHV license holders. The cap on cruising is set at 31% of total driving time in the Manhattan core effective Monday to Friday from 6 am to 11 pm and Saturday and Sunday from 8 am to 11 pm and is applicable to the four high volume FHV services operating in NYC – Uber, Lyft, Via and Juno. The objective in mandating a cap on cruising is to increase operational efficiency and create accountability for oversupply and underutilization of drivers in the Manhattan core and reduce congestion from empty vehicles providing no passenger service.

In 2014, when Seattle was developing its regulatory framework to permit the operation of TNSs, it proposed a cap of 150 drivers/vehicles that could be active on an App at the same time. This proposal received strong opposition and was essentially impractical within the supply to meet demand model and was dropped.

Limits on Rates

Three of the jurisdictions reviewed – Edmonton, Saskatoon, and Toronto - have imposed minimum fare requirements ranging from \$3.50, \$3.75 to \$3.25 respectively. This is the same rate as the minimum rate that must be charged by taxi operators and is designed to ensure parity between the two.⁵

None of the jurisdictions reviewed impose maximum price limits on TNSs.

Dynamic pricing, including “surge” or “prime time” pricing⁶, is considered by jurisdictions as fundamental to the TNS model. An unrestricted fare regime in an open and transparent market allowing TNSs to set prices in response to demand can also support the

⁴ “Cruising” refers to the practice of empty cars driving or cruising around without passengers.

⁵ It is noted that the Select Standing Committee on Crown Corporations in its 2018 report concluded that a minimum per-trip price that is not less than the cost of public transit be set.

⁶ TNSs use variable pricing to encourage vehicle fleets to expand and contract to meet demand. When demand outpaces supply, TNSs will incentivize more drivers into the market and expand the fleet by “surging” fares; when demand subsides the fares are lowered to contract the fleet size. There is no evidence at this point demonstrating the efficacy of using surge pricing to “right-sizing” the TSN fleet at any given Time. This is one of the reasons comprehensive data collection and analysis is required.

development of innovative and flexible business models and services to meet a range of customer needs.⁷

Only one jurisdiction reviewed, Hawaii, indicated that a formal proposal had been put forward at one point to regulate the maximum price that could be charged by TNSs. This proposal, put forward by Honolulu City Council but not supported by the regulator, was in response to perceived price gouging of military personnel visiting the city while on military exercises. Initially passed in June 2018 by a 6 to 3 vote of the Council, it was subsequently vetoed by the Mayor.

Generally, jurisdictions require clear transparency to the client in how fares are set with the basis for calculating the fare clearly disclosed and agreed to before the trip is initiated.

Observations

It is generally recognized that TNSs can be a useful part of a multi-modal transportation system. Some jurisdictions see TNSs playing an important role in extending and improving the reach of existing public transport systems (“first – last mile” option), assisting passengers with more complex needs such as those with limited mobility (including passengers who use a cane, walker or other assistive devices) or who are carrying goods, and providing service where other forms of transport are unavailable.

At the same time, many jurisdictions are struggling with public policy questions related to TNS growth and its impact on traffic congestion, emission rates, public transit ridership and development of a “healthy multi-modal system” based on reducing vehicle use and promoting use of transit, biking and walking. Some jurisdictions also have concerns about the impact of TSN growth on the taxi industry and operators and on TNS driver income and employment standards.

Most jurisdictions interviewed do not, however, view limits on fleet size or price as the most effective route for addressing these issues.

The exception is NYC discussed above with its moratorium on FHV licences, combined with other policies, as a strategy for reducing congestion, as well as increasing driver income, by reducing the number of cars on the road. In contrast, the recently released report on the Toronto’s Vehicles for Hire Review submitted to Toronto City Council by Toronto’s Municipal and Licensing Standards branch found that “based on the information available, it is not possible to determine [if changes in travel times] are due to the introduction of PTC [Private Transportation Company] services in Toronto, or what these trends would have shown without the introduction of PTC services. Overall, the introduction of PTCs in Toronto has not conclusively increased travel times on downtown streets.”⁸

⁷ Some jurisdictions (such as Toronto, Calgary) permit taxi company brokers to set rates higher or lower than established taxi rates provided they operate through a platform, fares are pre-booked and the fee to be paid is accepted by the customer before the ride is initiated.

⁸ <https://www.toronto.ca/legdocs/mmis/2019/gl/bgrd/backgroundfile-134401.pdf>

Various policy alternatives and strategies for mitigating the impact of TNS growth under consideration or implemented in some jurisdictions include: per-trip fees; congestion pricing or surcharges; incentives to promote shared trips (i.e., lower per trip and congestion fees); and other innovations and initiatives to support integration across the transit system while meeting the diverse needs of users.

Several jurisdictions emphasized the importance of data collection and analysis - the need to understand the industry (trips per day; trip trends – peak periods and concentration; number of vehicles; vehicle miles travelled; geographic coverage) in order to regulate effectively and develop appropriate strategies for addressing broader public policy issues. The importance of comprehensive data collection and analysis over a period of time in order to make evidence-informed decisions in order to adopt effective policies is demonstrated through the recent NYC TLC report and Toronto’s Vehicle for Hire review that came to different conclusions in terms of the impact of TNCs on congestion in their jurisdiction.

One jurisdiction interviewed suggested that another important issue to address is the practice of licensed TNC vehicle drivers travelling significant distances from their residences to offer services in high demand regions. A way to mitigate this would be through the imposition of some form of distance travelled fee structure.

Some of those interviewed also pointed out the benefit of regulating and managing on a regional basis to ensure a holistic, consistent and coordinated approach.

One individual interviewed suggested that the best overall regulatory approach was:

- A licence fee for all regulated entities combined with a distance traveled fee structure set to cover the full costs of regulation and impact of the industry
- A per trip tax that varies in value depending on type of trip – solo, electric, shared, shared/electric – used to support grants to municipalities for transit innovations
- A congestion surcharge of a significant amount for all vehicles entering high concentration/ congestion areas to act as a deterrent for using vehicles in that area.

With respect to concerns about impact on the taxi industry and TNS driver income and working standards, only New York City has taken action in the area of driver income with its moratorium on VFH licences and its TLC Driver Pay Rules (see Appendix for further information on the Driver Pay Rules for High-Volume For-Hire Service drivers). Other jurisdictions noted that there is a perception that the introduction and growth of TNSs in their jurisdiction has had an impact on the taxi industry but that there is need for more monitoring, data collection and trend analysis to understand that impact.

It is noted that all Australian states have imposed a per-trip levy or percentage of fare fee to support the compensation of taxi operators adversely impacted by the introduction of the TNC industry. In New South Wales, Queensland and South Australia this fee is imposed on both taxi and ride-sharing passengers and in Victoria and Western Australia it is paid by “on demand” (TNC) booking services/companies.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.GL6.31>

Appendix – Overview – Jurisdictions Reviewed

Jurisdiction	Fleet Size	Rates/Fares	Other
Alberta (Provincial legislation includes authority for municipalities to set rules for operation of TNCs in their jurisdiction)	No provisions	No provisions	Special insurance product for ride share vehicles
Calgary, Alberta	No limits on numbers of vehicles	No limits on price No limits on surge pricing – up to customer to be aware of rate being charged before accepting a ride; website advises – “when app rates are high, street hail or call a taxi to benefit from a regulated rate”	Rides that are arranged through an app use unregulated rates - Taxi, limousine and Transportation Network Companies <u>that have an app approved by the City</u> can choose to charge any rate and change this rate based on consumer demand and market conditions (Rides that are street hailed or dispatched use a regulated rate as a maximum)
Edmonton, Alberta	No limits on numbers of vehicles	Minimum fare of \$3.50 per trip; this matches the minimum rate for taxi drivers; ensures taxi service not undercut by ride-hailing services offering free or very inexpensive rides, at least initially, to promote their service; and establishes a level playing field for TNC and Taxi Drivers No upper limit or cap on price	
Halifax, Nova Scotia	February 2019 report to Transportation Standing Committee on Halifax’s taxi industry recommended based on public survey that city should undertake an in-depth look at Transportation Network Companies and consider passing regulations to permit TNCs to operate in Halifax		
Manitoba (Provincial legislation includes	No provisions	No provisions	Special commercial auto insurance - Manitoba’s insurance framework requires

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authority for municipalities to set rules for operation of TNCs in their jurisdiction)			individual drivers to top up their insurance by a percentage that depends on what time they intend to drive for ride hailing services
Winnipeg Manitoba	No limits on numbers of vehicles	No limits on price	Reduced rates for taxis when allowed ridesharing
Ottawa, Ontario	No limits on numbers of vehicles	No limits on price Rides must be pre-arranged through an App at an agreed to price	PTCs cannot accept cash or pick up passengers via a street hail or at a taxi stand
Québec – proposed legislation	No limits on numbers of vehicles	No limits on price App-based services are to be required to inform customers of maximum potential fare and customer has to agree before the driver is informed of request	
Saskatchewan (Provincial legislation includes authority for municipalities to set rules for operation of TNCs in their jurisdiction)	No provisions	No provisions	Saskatchewan insurance framework imposes a per km rate when vehicle in service as a TNC vehicle - \$0.11 per kilo when a fare is on board; TNC companies required to report mileage on a monthly basis
Regina, Saskatchewan	No limits on numbers of vehicles	No limits on price (no minimum fares) TNCs must prior to initiation of trip provide the applicable rate charged for the trip including any variable or surge pricing and total cost	
Saskatoon, Saskatchewan	No limits on numbers of vehicles	Minimum fare of \$3.75 per trip – to driver to cover base costs; this matches the	TNCs charged a base licence cost and a \$0.20 fee for each trip to support

Jurisdiction	Fleet Size	Rates/Fares	Other
		minimum rate for taxi drivers providing some level of protection and a some leveling of the playing field for TNC and Taxi Drivers	administrative costs of regulation (based on costs of regulating taxis/licensing per vehicle) TNCs charged an additional \$0.07 levy per each trip to support accessible vehicle for hire service; Saskatoon is currently engaged in a public consultation process about ways to incentivize more accessible services and whether Taxis should also pay the accessibility levy
Toronto, Ontario	No limits on number of vehicles The Transportation Impact Study undertaken as part of the Review of Vehicle-for-Hire Bylaw examined how the introduction and growth of TNCs impacted traffic congestion and the transportation network. The study found that isolating the impact of TNCs from other factors was challenging – the review found that introduction of TNCs has not conclusively increased traffic congestion in Toronto city core	Minimum fare of \$3.25 per trip; matches minimum rate to be charged by taxi operators to ensure parity Must clearly communicate to each passenger the rate to be charged	Passenger Transportation Companies (PTCs) must remit a PTC trip fee to Municipal Licensing and Standards to cover cost of regulation Review of Vehicle-for-Hire Bylaw (July 2016) commenced in summer 2018; review topics include: accessibility; congestion management; economic impact. Report of Review of Vehicle-for-Hire Bylaw submitted to Council June 14, 2019 – two key recommendations: implement Accessibility Fund program and enhanced public safety including through increased experience requirements and training standards
California, USA (state-wide legislation for TNCs)	No limits on numbers of vehicles	No limits on price	

Jurisdiction	Fleet Size	Rates/Fares	Other
San Francisco, California	NA – regulatory authority does not believe that limit on # of vehicles would be effective in addressing issues with growth in TNCs	NA – regulatory authority view that congestion pricing needs to be significant to discourage clients from using service	
Colorado (state-wide legislation for TNCs)	No limits on numbers of vehicles	No limits on price Clear communication to client about how fares calculated and option to receive an estimated fee Specifically allows for surge pricing	
Honolulu, Hawaii	No limits on numbers of vehicles	No limits on price [June 2018 City Council bill to prohibit surge pricing and have regulator set a maximum rate was vetoed by Mayor; not supported by regulator]	
Massachusetts (state-wide legislation for TNCs)	No limits on numbers of vehicles	No limits on price Requirement for transparent pricing Law prohibits ride services from increasing rates during natural disasters	
New York State (state-wide law allowing city or counties to opt out of law allowing TNCs; exempts NYC)	No limits on numbers of vehicles	No limits on price Requirement for transparent pricing Law prohibits ride services from increasing rates during natural disasters	
New York City (Taxi and Limousine Commission regulates taxis and Vehicle for hire)	August 2018 imposed a moratorium on new for hire vehicle licences for 12 months while TLC undertook a study of the industry; at time of cap approx. 86,000 vehicle for hire licences in NYC impacted	No limits on price	Effective April 2019, new congestion surcharge (Tax Law Article 29-C) – taxis and for hire vehicles passing through

Jurisdiction	Fleet Size	Rates/Fares	Other
<p>(TNCs, limousines, and luxury cars)</p>	<p>[During moratorium licence holders may renew their licence and TLC may grant licences for wheelchair accessible vehicles and for particular neighbourhoods that run low on ride-hail vehicles]</p> <p>TLC report released June 12, 2019 made two recommendations: a cap on cruising and continued regulation of new FHV licences with an extension of the moratorium on new licenses for a further year</p>		<p>Manhattan (trips that take place south of 96th Street) must pay:</p> <ul style="list-style-type: none"> • for each app-hailed trip = <u>\$2.75</u> • for taxis = <u>\$2.50</u> • for a shared or carpool ride = <u>\$0.75</u> <p>TLC Driver Income Rules in effect April, 2019, establish minimum amount that High-Volume For-Hire Services must pay drivers for each trip</p> <p>The pay standard has three components which combine to provide drivers a minimum take-home pay for each trip after covering expenses: time, distance, and utilization:</p> <ul style="list-style-type: none"> ○ <i>time</i> component of the formula ensures drivers are compensated for all time spent on the road ○ <i>distance</i> component ensures all major expenses borne by drivers are covered ○ <i>utilization</i> component represents the share of time drivers spend with passengers and incentivizes companies to more efficiently utilize their driver pool <p>[https://www1.nyc.gov/assets/tlc/downloads/pdf/driver_income_rules_12_04_2018.pdf]</p> <p>The new Driver Pay Rules were challenged in court by Lyft; in May 1, 2019 the court</p>

Jurisdiction	Fleet Size	Rates/Fares	Other
			found against Lyft and the rules currently stand
Portland, Oregon (only state without state legislation for TNCs)	No limits on numbers of vehicles	No limits on price	Imposes a surcharge or tax on ride-hailing companies - 50 cents a ride
Seattle and King County, Washington State	No limits on numbers of vehicles	No limits on price Requirement for transparent pricing [In developing its TNS regulatory framework in 2014 Seattle considered the imposition of a cap on the number of drivers/vehicles that could be active on an app at the same time, with a limit of 150. This proposal was strongly opposed as impractical within the TNS business model and dropped]	TNCs must pay a fee of \$0.23 per-trip fee (for all trips originating outside the City of Seattle) and \$0.14 per-trip fee (for all trips originating in the City of Seattle). These fees are collected by the TNC and submitted quarterly. This fee covers the costs of enforcement and regulation of TNC licensing, vehicle endorsements and driver licensing. TNCs also pay a \$0.10 per-trip for a Wheelchair Accessible Services Fund.
London, UK	No limits on numbers of vehicles	No limits on price Operators must provide their customer with an accurate fare estimate before the journey starts (unless the fare has been pre-agreed).	
New Zealand	No limits on numbers of vehicles	No limits on price	
Australian Capital Authority, Australia	No limits on numbers of vehicles	No limits on price	Taxi rates and hire care rates reduced when ride-sharing legalized to enable them to compete with ride share operators
New South Wales, Aus	No limits on numbers of vehicles	No limits on price	Taxi rates and hire care rates reduced when ride-sharing legalized to enable

Jurisdiction	Fleet Size	Rates/Fares	Other
			<p>them to compete with ride share operators</p> <p>From December 2015, taxi and ridesharing passengers pay a \$1 levy per trip for five years to fund a \$250 million compensation fund for taxi licence holders</p>
Queensland, Aus	No limits on numbers of vehicles	No limits on price	From January 2018, a \$1 levy imposed on all taxi, minibus, private hire and ridesharing trips
South Australia, Aus	No limits on numbers of vehicles	No limits on price	In 2016, a \$1 metropolitan ride levy was introduced to fund the compensation of the taxi industry
Victoria, Aus	No limits on numbers of vehicles	<p>No limits on price</p> <p>Must provide fare information and a fare estimate for booked services</p>	Booking Service Providers must pay \$1 per trip industry levy
Western Australia, Aus	No limits on numbers of vehicles	<p>No limits on price</p> <p>Price must be agreed between hirer and driver or driver's booking service; must be agreed to before start of journey and must be recorded in writing or electronically via sms or email</p>	A Levy equal to 10% of every fare to a maximum of \$10 per trip is charged and collected directly from on-demand booking services to fund the buyback of the Perth metropolitan taxi plates (on demand passenger transport levy expected to be in place for four years)
Tasmania, Aus	No limits on numbers of vehicles	No limits on price	