

# THE RISE OF TRANSPORTATION NETWORK COMPANIES: WHERE DO WE GO FROM HERE?

*Presentation To The Economic Development And Finance Committee  
February 27, 2015*

# Overview

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- Introduction
- Transportation Network Companies
- Demand-Based Rates
- Regulatory Structure
- Economic Parity
- Questions

# Introduction

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- ▣ The Economic Development and Finance Committee requested answers to the following:
  - What are transportation network companies (TNCs)?
  - How do TNCs operate?
  - What is “surge pricing”?
  - Is there economic parity between TNCs and City regulated taxicabs?

# Transportation Network Companies (TNCs)

- California Public Utilities Commission (CPUC) definition:
  - ▣ A company or organization that provides transportation services using an online-enabled platform to connect passengers with drivers who use their personal vehicles. (*CPUC Decision 13-09-045*).
  
- CPUC asserted regulatory authority over TNCs since TNCs are considered pre-arranged travel.

Also known as...

summon

shuddle



lyft



UBER



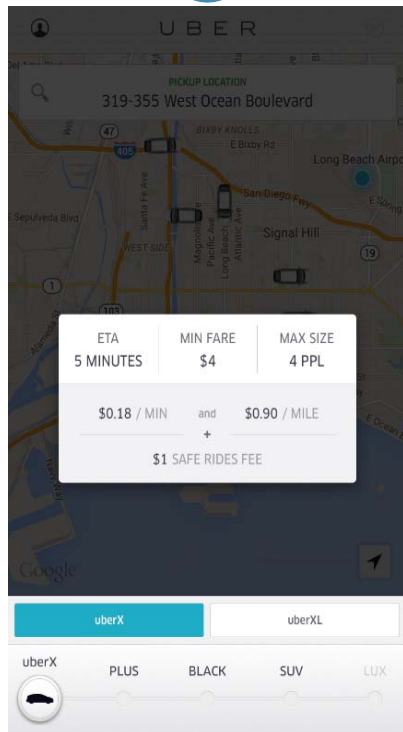
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# TNCs (continued)

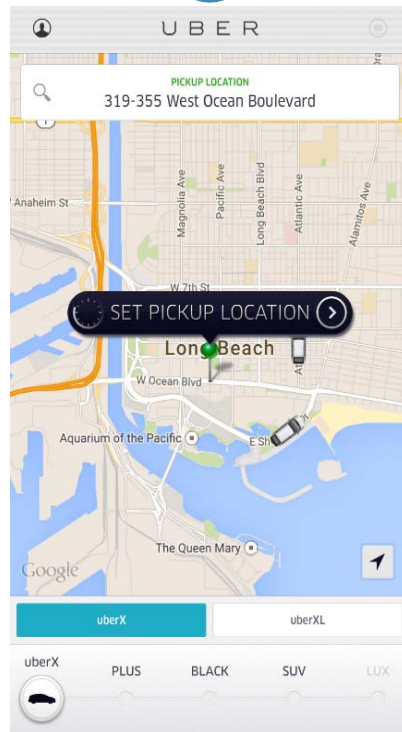
- TNCs are required to:
  - ▣ **Report** - Submit annual reports including information related to operations, driver training, ADA accessibility, and hours and miles logged by drivers.
  - ▣ **Check** — Screen driving records, inspect vehicles on a 19-point inspection, perform a criminal background check. TNCs rely on private companies to search public information. No requirement for Live Scan (fingerprinting).
  - ▣ **Insure** — Provide commercial insurance coverage when a TNC driver begins searching for a passenger, carries a passenger, and until a passenger exits the vehicle.

# TNCs (continued)

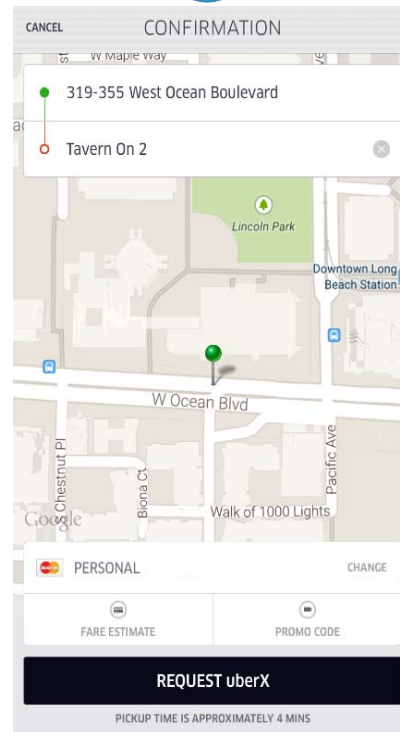
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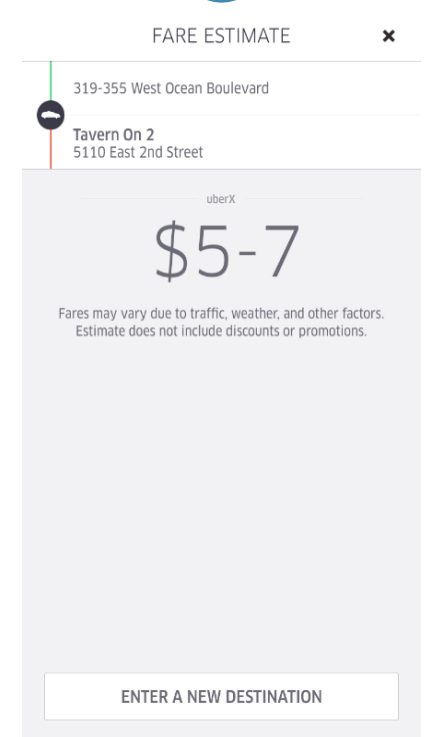
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# TNC's Demand-Based Rates

- **Free Market:** Demand-based rates track real-time data of supply of vehicles and demand by passengers.
- **Incentives:** Increasing the rates serves two goals:
  - ▣ Reduce demand: Passengers who choose to wait or use alternative transportation will reduce demand.
  - ▣ Increase supply: Increased rate for drivers serves as an incentive to increase supply of drivers into the system.
- **Communication:** Clear articulation of policy and knowledge of fare ahead of time has made surge pricing palatable.





# Regulatory Structure

## California Public Utility Commission

- Authority to regulate TNCs.
- Background checks
- Driver training
- Commercial insurance
- Annual vehicle inspections
- ADA plan
- Trade dress

## Local Governments

- Authority to regulate taxicabs licensed by the city
- Background checks with fingerprinting and Live Scan
- Number and types of vehicles
- Fare rates
- Commercial insurance
- ADA accessibility

# Economic Parity

*Definition: Equality in purchasing power, prices, and/or wages.*

## California Public Utilities Commission

- Fewer regulations:
  - ▣ Demand-based pricing
  - ▣ Partial commercial insurance
  - ▣ Background checks
  - ▣ Vehicle standards
  - ▣ Flexible fleet size
- Restricted pick-ups
  - ▣ Airport
  - ▣ Street flags
- Mostly part-time workers

## Local Government

- More regulations:
  - ▣ Set pricing
  - ▣ Continuous commercial insurance
  - ▣ LiveScan
  - ▣ Green fleet
  - ▣ ADA accessibility
  - ▣ Fixed fleet size
- Ability to pick-up passengers with little restriction
- Exclusive license
- Mostly full-time workers.

## Economic Parity (continued)

- **Ease-of-Pay:** TNC apps save the credit card on file or are linked to PayPal, allowing a passenger to pay quickly and without cash.
- **Perceived Convenience:** Ability to request vehicle through an app without going through a dispatcher.
- **Perceived Reliability:** Ability to track vehicle on GPS and to see when a vehicle will arrive, and to get to the destination.
- **Lower Fares:** Affordability compared to taxicabs.

# Economic Parity (continued)

	UberX	Lyft	LB Yellow Cab
<b>Base Fare</b>	\$0.00	\$0.80	\$2.85 (includes first 1/9 <sup>th</sup> of a mile and/or 30 seconds)
<b>Per Mile Rate</b>	\$0.90	\$1.10	\$2.70
<b>Per Minute Wait Fee</b>	\$0.18	\$0.21	\$0.49
<b>“Safety” Fee</b> (funds driver background and motor vehicle checks)	\$1.00	\$1.50	\$0.00
<b>Minimum Fare</b>	\$4.00	\$4.00	\$2.85 (for cash) \$10.00 (for credit card)
<b>City Hall to Bay Shore Library</b> (with 5 minutes wait)	\$5.68	\$7.97	\$16.34
<b>Number of Vehicles</b>	Fluctuates to meet demand		Fixed

Questions?