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Passenger Transportation Board
202 – 940 Blanshard Street
Victoria, British Columbia V8W 9T5

Re: Application 6988-19TNS, UBER Canada Inc. and 6990-19TNS, Lyft Canada Inc.

To Whom It May Concern:

I'm an economist and researcher at the Canadian Centre for Policy Alternatives. I've previously been asked to speak to legislative committees in BC regarding the ride-hailing industry and have published an analysis¹ on this issue. In my view, the introduction of ride-hailing multinationals like Uber and Lyft would not promote sound economic conditions in the sector, nor would it reasonably balance the satisfaction of necessarily competing public needs. Consequently, I urge you to reject these applications.

I'd like to give you an overview of my reasoning and evidence in reaching this conclusion, focusing on three main points. I will also append a longer piece of analysis for your review.

First, in the absence of any limits on fleet sizes or minimum-wage regulations, accepting these applications would fail to uphold decent economic conditions for drivers of passenger transportation vehicles. This reality can be seen clearly in other jurisdictions, and it is among the reasons that New York has introduced fleet size limits and a minimum wage² in this sector, and California has passed legislation³ requiring the recognition of ride-hailing drivers as employees. Wages in the industry are dismal⁴, which is consistent with what we would expect *a priori* from allowing unlimited vehicles into this market.

¹ <https://www.policynote.ca/whats-missing-from-the-uber-debate/>

² <https://www.wired.com/story/surprise-uber-and-lyft-dont-like-nycs-new-ride-hail-rules/>

³ <https://www.vox.com/2019/9/11/20850878/california-passes-ab5-bill-uber-lyft>

⁴ <https://www.epi.org/publication/uber-and-the-labor-market-uber-drivers-compensation-wages-and-the-scale-of-uber-and-the-gig-economy/>

There are legitimate and ongoing debates about the optimal suite of policies and regulations to address the economic conditions of drivers in the passenger transportation industry. However, in the absence of fleet size limits, employee status or minimum wage regulations for drivers, and lack of meaningful minimum fare regulations, the experience from other jurisdictions is clear: drivers will not enjoy sound economic conditions in terms of their levels of pay or benefits. While only some of these regulatory issues are within the purview of the PTB, you have the power to approve or reject applications relating to economic conditions. Approving these applications would harm the economic conditions of drivers.

A second concern relating to sound economic conditions is the track record of ride-hailing multinationals engaging in what appears to be predatory pricings. This includes the practice of operating at a loss to offer deep discounts in different markets. Reasonable observers conclude that the purpose of this practice is to establish a position of market dominance vis-à-vis potential competitors (and the network effects⁶ inherent to this industry then tend to further entrench dominant players). This strategy also appears to be buttressed by multimillion-dollar industry lobbying campaigns to promote a favourable regulatory environment, such as the threat⁷ of a \$90 million industry-funded campaign to overturn California's new legislation. While there are real problems with the status quo in the passenger transportation business in BC, allowing aggressive multinationals like Uber and Lyft into the British Columbia market would diminish rather than promote sound economic conditions in this sector.

Third, sound economic conditions in any sector should not include the imposition of costly externalities on others. Unfortunately, there is a clear body of evidence that the introduction of ride-hailing multinationals like Uber and Lyft does exactly this. Specifically, this industry adds substantially to the total vehicle miles travelled⁸ (VMT) in a given jurisdiction. Evidence suggests⁹ that ride-hailing has added 2.8 vehicle miles to roads “for each mile of personal driving removed” in the United States. In short, ride-hailing worsens the already-large economic and social costs of automobile transportation.

Externalities imposed by the industry (from the resulting increases in VMT) include the costs of increased traffic congestion, increases in deadly¹⁰ air pollution, higher greenhouse gas emissions, added noise pollution, additional traffic deaths¹¹ and injuries, and diminished public transit ridership¹². Even if the PTB determines that there is some public need for additional passenger transportation services, any benefit of meeting these

⁵ <https://www.reuters.com/article/us-uber-lawsuit/defunct-startup-sidecar-sues-uber-hell-bent-on-stifling-competition-idUSKBN10A1VI>

⁶ <https://www.nytimes.com/2014/06/14/upshot/ubers-real-challenge-leveraging-the-network-effect.html>

⁷ <https://www.nytimes.com/2019/08/29/technology/uber-lyft-ballot-initiative.html>

⁸ <https://www.theverge.com/2019/8/6/20756945/uber-lyft-tnc-vmt-traffic-congestion-study-fehr-peers>

⁹ https://www.washingtonpost.com/news/dr-gridlock/wp/2018/07/25/a-new-study-says-services-like-uberpool-are-making-traffic-worse/?utm_term=.065caca5c351

¹⁰ <http://news.mit.edu/2013/study-air-pollution-causes-200000-early-deaths-each-year-in-the-us-0829>

¹¹ <https://www.technologyreview.com/the-download/612346/uber-and-lyft-are-behind-a-sharp-rise-in-us-traffic-deaths/>

¹² <https://www.citylab.com/transportation/2019/01/uber-lyft-ride-hailing-impact-public-transit-ridership/581062/>

particular needs must be weighed against the corresponding harms to public needs and interests in the transportation sector and beyond.

Further analysis and evidence relating to each of these points can be found in the appended article.

Thank you for your consideration,

Alex Hemingway

Economist, Canadian Centre for Policy Alternatives – BC Office

Nov 26, 2018

What's missing from the Uber debate? Market power, congestion, pollution, and even deaths

By Alex Hemingway¹³, Economist at Canadian Centre for Policy Alternatives, BC Office

Analysis previously published at PolicyNote.ca¹⁴ and in the Vancouver Sun¹⁵

The BC government has introduced legislation expected to bring ride-hailing to the province late next year, though many questions remain about what the outcome will be in practice. A number of important policy details still need to be filled in by the Passenger Transportation Board and ICBC.

Meanwhile the debate on ride-hailing has largely been stuck, with the pro and con sides repeating the same familiar arguments. As a result, important aspects of the story are being overlooked, with major implications for urban congestion, air pollution, greenhouse gas emissions and traffic deaths.

BC has a chance to be truly innovative in designing its ride-hailing framework. This will require rejecting the false choice between a local taxi oligopoly and monopoly-seeking ride-hailing corporations, and recognizing there's another way forward that can help shape these services in the public interest.

In short, ride-hailing should be run on a non-profit basis, as a co-op or other non-profit model. Instead of the usual practice of taxi companies or multinationals like Uber extracting large fees from drivers, a non-profit model would allow this surplus to be shared by drivers and passengers alike. This approach can also help avoid the social costs imposed when floodgates are opened to expansionist firms like Uber.

The debate as it stands

Let's recap the ride-hailing debate as it stands. In favour of ride-hailing, proponents typically argue that it would bring faster and cheaper access to vehicle-for-hire transportation. The existing taxi oligopoly, with its total number of vehicles limited by regulation, has inadequately provided these services, especially at times of peak usage. App-based services like Uber would make more rides available, and also provide a more convenient way to book and pay for rides. Ride-hailing helps reduce drunk driving, it is claimed, and might even help some people ditch car ownership altogether.

Opponents argue, though, that bringing in companies like Uber would only create more precarious, unstable work and lower wages for drivers by flooding the market with vehicles-for-hire. Large multinationals like Uber typically extract¹⁶ about 25% of the fare revenue, and this money would flow out of the local community to Silicon Valley. Furthermore, ride-hailing raises safety concerns, as it tends to be much less regulated than traditional taxis, with less training and weaker driver screening and licensing requirements. Opponents can

¹³ <https://www.policynote.ca/author/alexhemingway/>

¹⁴ <https://www.policynote.ca/whats-missing-from-the-uber-debate/>

¹⁵ <https://vancouversun.com/opinion/op-ed/alex-hemingway-whats-missing-from-the-uber-debate-market-power-congestion-pollution-even-deaths>

¹⁶ <https://www.epi.org/publication/uber-and-the-labor-market-uber-drivers-compensation-wages-and-the-scale-of-uber-and-the-gig-economy/>

point to reports of sexual harassment and assault¹⁷ and discrimination¹⁸—though there are similar reports¹⁹ relating to traditional taxis.

These points are all important. But a few crucial issues have been missing from the debate.

The hidden costs of ride-hailing

Ride hailing has major impacts on a city's broader transportation system. A growing body of evidence²⁰ from the US shows that when companies like Uber and Lyft enter a market, they increase the total vehicle miles travelled. Ride-hailing has added²¹ 2.8 vehicle miles to the roads “for each mile of personal driving removed” in the US. The practice of “deadheading,” where drivers circle the streets waiting for their next passenger, also contributes to the increase in total vehicle miles travelled.

As a result, ride-hailing worsens the existing social costs of urban automobile transportation. Cities like Seattle, New York²² and San Francisco²³ are grappling with increased congestion linked to the expansion of Uber and Lyft. For example, in Seattle²⁴, back in 2012 taxis provided 5.2 million vehicle-for-hire trips, but the two ride-hailing giants were on pace to provide 31 million trips this year.

Added to the inconvenience and economic costs of traffic congestion, increasing vehicles miles travelled means more deadly air pollution²⁵ and higher greenhouse gas emissions. A new study²⁶ also suggests ride-hailing has caused a 2–3% increase in traffic deaths in the US, equivalent to 1,100 more deaths per year.

¹⁷ <https://www.cnn.com/2018/11/12/tech/uber-sexual-harassment-taxonomy-report/index.html>

¹⁸ <https://www.theatlantic.com/business/archive/2016/10/uber-lyft-and-the-false-promise-of-fair-rides/506000/>

¹⁹ <https://www.cbc.ca/radio/thecurrent/the-current-for-march-15-2017-1.4024740/woman-sexually-assaulted-in-a-cab-says-it-happens-more-than-we-think-1.4024805>

²⁰ <https://www.citylab.com/transportation/2017/10/the-ride-hailing-effect-more-cars-more-trips-more-miles/542592/>

²¹ https://www.washingtonpost.com/news/dr-gridlock/wp/2018/07/25/a-new-study-says-services-like-uberpool-are-making-traffic-worse/?utm_term=.065caca5c351

²² <https://www.citylab.com/transportation/2018/08/new-york-city-moves-to-cap-uber-and-lyft/566924/>

²³ <http://www.sfoxaminer.com/study-half-sfs-increase-traffic-congestion-due-uber-lyft/>

²⁴ <https://www.seattletimes.com/seattle-news/transportation/how-popular-are-uber-and-lyft-in-seattle-ridership-numbers-kept-secret-until-recently-give-us-a-clue/>

²⁵ <http://news.mit.edu/2013/study-air-pollution-causes-200000-early-deaths-each-year-in-the-us-0829>

²⁶ <https://www.technologyreview.com/the-download/612346/uber-and-lyft-are-behind-a-sharp-rise-in-us-traffic-deaths/>

Vehicle miles travelled increase with ride-hailing because users are often switching from other modes of travel like walking, cycling and public transit.²⁷ They also simply end up taking more trips²⁸ overall than they otherwise would.

The enormous social costs of urban automobile transportation can't be pinned on ride hailing alone. Driving one's own vehicle still accounts for the vast majority of cars on the road. But the explosion of ride-hailing is making these problems worse, not better.

Market power: Trading one oligopoly for another?

Another element missing from the debate is that ride-hailing tends to be dominated by one or two firms in a given market (even though the charge of "oligopoly" is usually reserved for the taxi industry). That's as expected and intended. As one Uber analyst and critic put it²⁹, the company's "modus operandi is to subsidize fares and flood streets with its cars to achieve a transportation monopoly."

The business models of big ride-hailing companies are premised³⁰ on establishing and profiting from a dominant market position. This is why venture capitalists have been willing to pour billions into Uber even while it has continued to operate at a loss³¹.

And it's not just ride-hailing companies. We're living in an era of huge winner-take-all digital platforms such as Facebook, Google, Amazon and others. These companies claim that users are only "one click away" from an alternative, but in reality, these dominant firms benefit from a powerful set of advantages³², including what economists call "network effects."

Network effects are features of certain markets wherein, the more users that participate in a given service, the greater the value of that service. This gives incumbent firms a major leg up and creates a tendency³³ towards one or two companies dominating the market.

Uber and Lyft passengers usually find it unattractive switch to alternative upstarts—if they are even aware of them—because almost all the drivers are on the one or two established apps in their market. In turn, drivers have little incentive to switch to smaller apps because almost all the customers are using Uber or Lyft. It's a self-reinforcing dynamic, like the one that helps keep Facebook dominant among social networks.³⁴

²⁷ While it's clear that vehicle miles travelled are increased by ride-hailing, there's a more nuanced debate about how ride-hailing affects public transit ridership. In the US, ride-hailing appears to hurt public transit particularly in places where transit systems are well-developed and have high ridership, but there is evidence they may increase transit ridership in places where public transit systems are poor to begin with.

²⁸ <http://www.schallerconsult.com/rideservices/automobility.htm>

²⁹ <https://www.nytimes.com/2018/03/26/opinion/leadership-uber-business-model.html>

³⁰ <https://www.nytimes.com/2014/06/14/upshot/ubers-real-challenge-leveraging-the-network-effect.html>

³¹ <https://www.theverge.com/2018/8/15/17693834/uber-revenue-loss-earnings-q2-2018>

³² <https://www.wired.co.uk/article/uber-london-lyft-alternative-cheaper-cost>

³³ <https://www.wsj.com/articles/the-antitrust-case-against-facebook-google-amazon-and-apple-1516121561>

³⁴ Suppose you're a Facebook user keen to switch away to an alternative like Ello or Diaspora. This tends to be unattractive in practice, because however well-designed the alternative might be, most of your friends or colleagues

Ride-hailing markets have shaped up in practice much as theory would suggest: highly concentrated. Uber and Lyft hold almost the entire market share³⁵ for ride-hailing in the US.³⁶

Wages and value extraction

Does this amount to an argument for preserving the *status quo* local taxi industry in BC? Not necessarily.

The existing taxi industry is oligopolistic and does not respond well to times of peak demand because of insufficient taxi licenses (to the benefit of owners of these scarce licences). While drivers are sometimes taxi license owners themselves, this is the exception rather than the rule, according to a recent report³⁷ commissioned for the BC Ministry of Transportation and Infrastructure.

The majority of BC taxi drivers don't own a taxi license and have to pay "lease fees" to the owners (by the shift, month or year). Typical fees paid by a driver for a 12-hour shift in Vancouver have been estimated³⁸ at \$120. After factoring in these and other costs, real driver wages in Vancouver would typically amount to \$12 per hour or less, according to an estimate³⁹ by analyst Benn Proctor in 2014. These estimates put wages in roughly the same range as recent estimates of Uber wages^{40,41}

Of course, the endgame for Uber and Lyft is to cut drivers out of the equation altogether, as their growing investments⁴² and partnerships⁴³ in self-driving car technology make clear.

Whether it's Uber extracting 25% of fares, or local taxi firms and licence owners extracting their own fees, drivers in both modes are getting the short end of the stick.

A different way forward: Non-profit, driver-owned ride-hailing

aren't using it. As a result, it's not very useful as a social network. And your friends and colleagues are unlikely to switch for the same reasons. Everyone tends to stay put on the entrenched service.

³⁵ <https://www.cnbc.com/2018/05/14/lyft-market-share-051418-bosa-sf.html>

³⁶ Dominance in the ride-hailing market seems to be tied to location, which makes sense given that it's a service firmly rooted in physical space. Uber lost the battle for ride-hailing in China to the firm Didi, which itself holds 87% of the Chinese market share. In places like Russia and India, Uber has merged or struck deals with competitors. The common pattern is extreme market concentration, but different dominant players may emerge in different locales.

³⁷ http://www.th.gov.bc.ca/rpt/Documents/20180718_Modernizing_Taxi_Regulation.pdf

³⁸ <https://vancouver.sun.com/opinion/op-ed/opinion-an-economics-lesson-on-ride-hailing-in-british-columbia>

³⁹ <http://summit.sfu.ca/item/14007>

⁴⁰ <https://globalnews.ca/news/4213667/uber-drivers-minimum-wage-gig-economy/>

⁴¹ Still, the introduction of ride hailing multinationals still seems likely cause at least some deterioration of wages or working conditions for drivers in BC relative to the status quo. It would be surprising if a flood of new drivers and available vehicles didn't have some effect on taxi drivers' wages and job security.

⁴² <https://www.theglobeandmail.com/business/international-business/article-toyota-to-invest-us500-million-in-uber-for-self-driving-cars/>

⁴³ <https://www.theglobeandmail.com/report-on-business/lyft-magna-join-forces-to-develop-autonomous-vehicles/article38287475/>

There is another way forward for ride-hailing. Industries that tend towards market concentration are good candidates for alternative models of ownership. Rather than being owned by for-profit multinational corporations or local taxi firms, vehicle-for-hire services in BC should be run on a non-profit basis: owned by their drivers (a co-op model), their communities, or both.

Instead of revenues being siphoned off to investors in taxi licences or corporations like Uber, drivers and passengers could share that surplus, putting it towards higher wages and cheaper fares.

Instead of subjecting our cities to expansionist ride-hailing corporations with deep⁴⁴–pocketed⁴⁵ lobbying⁴⁶ operations, a non-profit alternative would be easier to regulate and contain as part of a broader transportation strategy that emphasizes public transit and active mobility.

The idea of a non-profit alternative to ride-hailing is being discussed⁴⁷, planned⁴⁸ and attempted⁴⁹ in a range of jurisdictions across in North America and Europe. But these efforts face a key barrier: the aggressive, monopoly-seeking business models of the multinational ride-hailing giants.

The story of ride-hailing in Austin, Texas is telling. In 2016, the citizens of Austin voted to support new regulatory standards on the industry. Uber and Lyft didn't want to comply with these regulations, so they exited the Austin market⁵⁰. With the ride-hailing space now open, a community-minded group centred in the Austin tech sector decided to build a new ride-hailing service.

The app was created and the non-profit, RideAustin, was up and running within a matter of weeks, and it soon serviced over 50% of the Austin ride-hailing market⁵¹. Drivers appreciated being paid more⁵² and treated with dignity. Passengers were given the option to round up their fares to the nearest dollar, which raised hundreds of thousands of dollars for local charities in Austin.

Unfortunately, a year later, the Texas state government overturned the local regulations⁵³, and Uber and Lyft came roaring back into Austin. They used their deep pockets to entice drivers and riders back to their services

⁴⁴ <https://globalnews.ca/news/2675643/uber-and-taxi-industry-lobbying-data-for-the-city-of-toronto/>

⁴⁵ <https://techcrunch.com/2018/08/01/ride-share-companies-offered-new-york-100m-to-drop-proposed-regulations/>

⁴⁶ <https://www.bloomberg.com/news/articles/2018-04-20/uber-sets-lobbying-record-in-washington-after-leadership-changes>

⁴⁷ <https://www.yesmagazine.org/new-economy/the-platform-co-op-is-coming-for-uber-20180104>

⁴⁸ <https://neweconomics.org/2017/11/nef-welcomes-uber-court-defeat-calls-driver-control>

⁴⁹ <https://www.cbc.ca/news/canada/montreal/is-there-life-after-uber-what-montreal-could-learn-from-austin-texas-1.4308098>

⁵⁰ <https://money.cnn.com/2016/05/08/technology/uber-lyft-austin-vote-fingerprinting/index.html>

⁵¹ <https://austinstartups.com/what-we-learned-from-the-first-week-of-uber-lyft-returning-to-austin-5451a34889e7>

⁵² <https://www.austinchronicle.com/news/2018-03-16/rideaustin-hangs-on/>

⁵³ <https://www.texastribune.org/2017/05/25/uber-lyft-returning-austin-monday/>

with discounts⁵⁴, re-establishing their market power. RideAustin's market share dropped off rapidly⁵⁵ after the return of Uber and Lyft, though the service is still hanging on⁵⁶.

BC's chance to break the mould

The case of Austin illustrates two critical lessons for BC. First, a non-profit alternative to Uber and Lyft is very much achievable—RideAustin is the proof of concept. (This shouldn't really be surprising: the Uber app and service is well designed, but it's not rocket science.)

Second, large ride-hailing corporations have the resources and motivation to torpedo efforts to build community-oriented alternatives, if they are given the chance.

BC is uniquely positioned to break new ground on this file. Unlike almost any other jurisdiction, we haven't yet let the ride-hailing genie out of the bottle.

If BC is going to sidestep a false choice between a taxi oligopoly and a ride-hailing one, we have to get the regulations right. A viable non-profit alternative can be built, but only if we say no to the big multinational players. To this end, one simple approach would be for the provincial government to permit ride-hailing to operate in BC, but only on a non-profit or cooperative basis.

The new legislation

Where does the new BC ride-hailing legislation⁵⁷ leave us?

Unfortunately, there's no mention of alternative models of ownership in the government's recent announcements on ride-hailing. There is also no explicit discussion of wages⁵⁸ or working conditions.

Still, a lot remains to be decided, and the regulatory regime that emerges may well leave some breathing room for community-based alternatives—especially if the multinationals don't like it.

The government, over the objections of Uber and Lyft, has said that ride-hailing drivers will need to possess the same Class 4 driver's licenses as taxi drivers (though the BC Liberals have announced that they will propose an amendment to remove this requirement). In addition, ICBC has been tasked with designing an insurance product for ride-hailing, which won't be announced until next year. The ride-hailing industry has balked⁵⁹ at certain insurance models in the past.

Other key regulatory questions have been delegated to future decisions by the Passenger Transportation Board, including setting out the fare rate structures for taxis and ride-hailing and deciding whether there will be

⁵⁴ <https://austinstartups.com/what-we-learned-from-the-first-week-of-uber-lyft-returning-to-austin-5451a34889e7>

⁵⁵ <https://www.kxan.com/news/business/rideaustin-loses-a-third-of-riders-after-return-of-uber-and-lyft/994761445>

⁵⁶ <https://www.austinchronicle.com/news/2018-03-16/rideaustin-hangs-on/>

⁵⁷ <https://news.gov.bc.ca/releases/2018TRAN0194-002220>

⁵⁸ <https://theyee.ca/News/2018/11/19/Ride-Hailing-Exploitation/>

⁵⁹ <https://globalnews.ca/news/3957727/uber-threatens-to-avoid-winnipeg-because-of-mpi-regulations/>

caps on the supply of ride-hailing cars. New York⁶⁰ is moving towards caps to help contain the added congestion the industry has brought, and taxi and ride-hailing drivers in Chicago have recently united⁶¹ in asking for similar caps.

Each of these issues are relevant to the business model of companies like Uber and Lyft. Industry reaction to the announcements has been mixed, and Uber Canada's spokesperson mused that the legislation "raises another big question mark about the ability for ride-sharing to come to BC."

If Uber and Lyft decide they don't wish to comply with BC's regulatory framework (as they did in Austin in 2016), it's possible that they will indeed stay out of the market. This could create an opening for a community-based alternative to launch and take hold. If Uber and Lyft are allowed to throw their weight into the market, though, building a viable alternative will be next to impossible, if the experience of other jurisdictions is any indication.

Conclusion

In the bigger picture, urban transportation policy should focus on expanding high-quality, affordable public transit, as well as designing communities and infrastructure that support walking and cycling. But so long as taxis and ride-hailing are going to be part of the transportation mix, they should be accountable to the community so that their benefits can be shared and their social costs contained, while keeping money flowing in the local economy and not siphoned off to California.

Ride-hailing on a non-profit basis—owned by drivers or the community—is an innovative way to get this balance right. BC has the unique chance to sidestep the ills of both the *status quo* taxi industry and aggressive multinationals. We could help create a model for cities around the world, which are now grappling with the costs of this industry and finding it's not so easy to put the genie back in the bottle.

⁶⁰ <https://www.citylab.com/transportation/2018/08/new-york-city-moves-to-cap-uber-and-lyft/566924/>

⁶¹ <https://www.chicagotribune.com/business/ct-biz-chicago-taxi-ride-share-drivers-limit-20181030-story.html>