Ride Sharing and Taxi Industry Report

Executive Summary:

Ride sharing uses technology to connect passengers with private drivers who provide transportation for a fee, usually using a Smartphone application and GIS technology. The entry of ridesharing companies, such as Uber, Lyft, Hailo or Blancride into any market has profound impacts on traditional ground transportation systems, especially taxis. Although there is currently no known large ride sharing service operating in Greater Sudbury, it is almost certain that these or similar companies will soon begin operations in Northern Ontario.

As directed by Council, this report describes the nature of ridesharing and summarizes the extensive research and consultation process that has been undertaken over the past few months. The report introduces the principles used to inform a proposed new vehicle for hire by-law which would level the playing field for both the taxi and ride sharing industries and describes the key features of that proposed by-law.

Background:

At the Council meeting of October 20, 2015, Council passed the following Motion:

CC2015-352 McIntosh/Lapierre: WHEREAS Uber, the smartphone application which connects riders with drivers using their phone’s GPS capabilities, operates in countries and cities all over the world and is constantly expanding its market;

AND WHEREAS Uber and other similar technology-based companies and ride sharing systems will expand their services into Greater Sudbury;

AND WHEREAS Uber is advertising for drivers in the Greater Sudbury area;

AND WHEREAS By-law 2014-115 of the City of Greater Sudbury presently licenses, regulates and governs taxi, limousine and shuttle transportation, but does not apply to the Uber ride service, and other similar technology-based companies, ride sharing systems, or their drivers;

AND WHEREAS the City of Greater Sudbury wishes to establish/create a taxi and ride share environment that is equitable, balances regulation and flexibility, and protects the existing industry while being open to innovation and service enhancement, especially in areas which are not well serviced;

THEREFORE BE IT RESOLVED that the City of Greater Sudbury direct staff from the Administrative Services Department, with input from Economic Development
and other departments as appropriate, to undertake a review of the implications of Uber and similar technology-based companies and ride share systems, including the interests of the public in the technology and impacts on the current taxicab and limousine industries, and to report these findings to City of Greater Sudbury Council in the first quarter of 2016 for discussion and deliberation with a long term goal of updating the Taxi By-law.

Ride Sharing Explained:

According to dictionary.com ridesharing / ride-sharing means:

- an act or instance of sharing rides or transportation, especially by commuters:
- or
- a car service with which a person can use a smartphone app to arrange a ride in a usually privately owned vehicle.

Uber as one of the most common examples of ridesharing systems and will be used as an example for the purposes of this report. In Uber, passengers who sign up to use the app provide a valid credit card and picture. Drivers must provide proof of insurance, a safety inspection certificate for the vehicle, and undergo both driving and criminal record checks before beginning to drive for the company.

To request a ride, the passenger enters their destination into the app, and is provided an estimate of the fare and information about available drivers in their area. When the ride is accepted, the passenger is provided an estimated time of arrival and can monitor the vehicle’s approach on screen. There is no exchange of cash as financial transactions are done electronically, including payment by the passenger and payment to the driver.

Both passengers and drivers must agree to adhere to the company’s Code of Conduct and are able to rate one another after each ride. Uber advises that they follow up with any negative comments and that consequences for non-compliance by either party may result in restricted use, or removal from the service for both drivers and passengers.

Sudbury’s Taxi Industry

The City of Greater Sudbury currently regulates Taxi’s by way of By-Law 2014-115: A By-law of the City of Greater Sudbury for the Licensing, Regulating and Governing of Taxi, Limousine, and Shuttle Transportation. The By-Law addresses a number of topics ranging from passenger and driver safety to vehicle condition and maintenance and taxi fares. The City of Greater Sudbury currently has 131 Taxis, 8 Limousines, 8 Shuttles and 4 Brokers, who pays an annual licence fee of $250.00 per vehicle. Unlike in large municipalities, there is not a high commercial resale value to a taxi licence plate in the
Greater Sudbury area. There are currently 311 licenced taxi drivers in the City, who pay an annual fee of $50.00 for their driver’s accreditation.

Current Taxi Tariff Rates in Greater Sudbury are comparable to those in other Northern Ontario Municipalities, as shown in the chart below and are adjusted annually based on the Taxi Cost Index, which factors in the CPI for items like fuel, insurance, repairs and maintenance and drivers wages.

<table>
<thead>
<tr>
<th>Municipality</th>
<th>Drop Rate</th>
<th>Distance Travelled per km</th>
<th>Wait Time per hour</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater Sudbury (Current)</td>
<td>3.75</td>
<td>2.50</td>
<td>40.75</td>
</tr>
<tr>
<td>North Bay</td>
<td>4.50</td>
<td>2.10</td>
<td>31.78</td>
</tr>
<tr>
<td>*Sault St. Marie</td>
<td>3.90 (min rate)</td>
<td>Min 1.20; Max 2.50</td>
<td>30.00</td>
</tr>
<tr>
<td>Timmins</td>
<td>4.50</td>
<td>2.00</td>
<td>40.00</td>
</tr>
<tr>
<td>Thunder Bay</td>
<td>4.15</td>
<td>2.50</td>
<td>45.00</td>
</tr>
</tbody>
</table>

*Both Drop Rates are regulated only for minimum amounts; Distance Rates must be within a minimum and maximum range and wait time is fixed.

**The Canadian Response to Ridesharing Companies**

Hardly a day goes by without media coverage of ride sharing activities. Across Canada municipalities and other levels of governments are consulting and considering how to implement the sharing economy. These consultations include how best to protect the traditional taxi and limousine industries while allowing for market forces to adjust to new service delivery models.

At the Provincial level, there are currently two private member’s bills before the legislature, one which proposes amendments to the Highway Traffic Act to protect passenger safety by granting enforcement powers to municipal law enforcement officers and the other introducing a self regulating licensing scheme for “Transportation Network Providers” which would include driver screening as well as safety and insurance standards.

The Federal Competition Bureau takes the position that regulators need to allow the forces of competition to shape the taxi industry, and that by creating level playing field consumers will benefit in terms of lower prices, higher quality of service, increased consumer convenience, and higher levels of innovation. Similarly, the Ontario Chamber of Commerce in their report on the sharing economy explains the challenges
such as consumer safety and security, regulatory design, insurance requirements; tax compliance; and the non-traditional work force can be overcome those so as to “be well positioned to harness . . . (the) economic potential” of new service models.

In the past few months, a number of municipalities have begun introducing by-laws to regulate ridesharing services and modify the regulatory environment for taxis. New by-laws may be referred to by a number of terms including ground transportation networks, transportation network companies, vehicles for hire, and/or commercial and private transportation networks. Common themes in these by-laws include:

- Both traditional taxi industry and ridesharing/auxiliary ride services must be licenced, usually via a brokerage
- Drivers must be licensed by municipality and require a police (usually vulnerable sector) check and driver’s abstract check
- Vehicles must pass annual safety inspection and carry appropriate insurance
- Only traditional taxi industry may use dispatch, street hail and taxi stands
- Both traditional and ridesharing industries may use smartphone based apps
- Various identification methodologies for rideshares are emerging, some require plate, some require approved decal, some do not require specific identification
- Common “drop rate” or “minimum rate” to enter all vehicles
- Allow market to set ride rates for smartphone based rides but maintain tariff for dispatched, street hails and taxi stand rides. In some instances tariff rate is used to establish a maximum ride cost.

Consultation Process

Staff has consulted with citizens; individual Councillors; taxi drivers, operators and brokers; internal departments including Legal Services, Economic Development and the Greater Sudbury Airport; and other stakeholders. A public open house was held on January 20, 2016 and two surveys were made available during the month of January. The Survey responses are attached to the electronic meeting record in Agendas Online.

The first survey was for citizens and was available online and at all library branches. 758 citizens responded to the survey. More than half the respondents were between the ages of 18 and 34 and most lived in the urban core. The public values convenience,
response time, cost and vehicle/driver safety as the most important factors when deciding what transportation method to use. While the vast majority of respondents use a personal vehicle to get around, one third of those who responded use some form of rideshare or carpool on both a daily or weekly basis and three-quarters use taxi services occasionally. Many respondents indicated that they have used ride sharing apps in other communities and most were very positive about those experiences. Most of those who have not yet used ride sharing express a willingness to do so if it was available.

“I use Uber on all my vacationing in larger Canadian centres as well as in other countries. It is my preferred way to travel.” - Ride Sharing Public Opinion Survey

“I have used Uber in Toronto and in South Africa. My experience in both has been great. It’s a fantastic alternative to drinking and driving.” - Ride Sharing Public Opinion Survey

“Uber may be a new model because it uses new technology, but it is a service that provides transportation to the public. Whatever is finally decided it should be one set of rules for the industry, taxi and Uber, a level playing field.” – Ride Sharing Public Opinion Survey

The second survey was specific to the taxi industry and paper copies were delivered to all registered taxi owners for distribution to their drivers. 45 taxi drivers completed the survey. The vast majority (91%) believe that ride sharing systems should be banned in Greater Sudbury. If the City goes ahead to permit ride sharing, that same strong majority want driver screening, licensing, fares and insurance to be regulated in the same manner for both systems. Further, the majority of industry respondents are opposed to decreases in current taxi fares and by a slim majority, favour the introduction of apps to pick up fares within the traditional taxi industry.

“The vast area of Sudbury and sparsely populated areas make it often a very difficult taxi situation as it presently exists. Uber will cripple the ability of existing drivers to support their families . . . many drivers have long served the City dutifully and should receive respect from Council/local government” – Licensed Taxi and Limousine Drivers’ Survey

“Taxi drivers do this for a living it is not just a job for extra money” - Licensed Taxi and Limousine Drivers’ Survey

“If they are paying the same as taxi drivers then fine let them come.” - Licensed Taxi and Limousine Drivers’ Survey
The public open house was well attended by the taxi industry, with members of the public and representatives of the Sudbury Chamber (which supports the position set out by the Ontario Chamber of as described in this report) in attendance. Feedback received at the open house mirrored the survey responses and the event provided opportunities for more conversations about potential models and how regulation might work.

While Taxi Owners and Brokers would not welcome the introduction of ridesharing services, they did provide suggestions to staff as to how the industry could be regulated to allow the taxi industry to be more competitive with ride sharing transportation systems as follows:

- Permit new technologies in taxi meters – those sealed by a password vs. those sealed by a physical wire;
- Allow taxis to be taken off the road in non-peak periods without affecting ownership or licensing;
- Permit variable tariff rates based on supply and demand similar to application based models for ride share
- License and regulate ride sharing companies requiring them to undergo the same background screening, insurance and safety regulations for vehicles and inspection requirements, as the taxi industry.

Staff participated in a teleconference consultation with representatives from Uber and has received numerous documents from the firm, describing how the business operates and how regulation can work with that industry.

Economic Development staff were consulted regarding the emergence of Uber into the market and they state that from a tourism perspective, Uber's focus on excellence in customer service as well as safety is a positive asset to Greater Sudbury's visitor offering, while the company's use of online and mobile technology makes it easy for consumers to rate and comment on their ride experiences. Along with traditional taxis and public transit options, Uber would fit within the community as an additional choice for transportation for visitors and residents.

Greater Sudbury Airport advises there is currently an exclusivity agreement with their present contractor to provide ground transportation to and from the airport. The Airport advised that if Uber and other ride sharing companies were regulated by the City and drivers were required to provide identification on their vehicles the airport could collect the airport charges as is done with other taxis and limousines, not included in the exclusive contact.
Guiding Principles

In developing a recommended model for Council’s consideration, staff considered the experiences of other municipalities, the direction received from Council and the feedback received in our own community to develop the following guiding principles which would form the framework for a new Vehicle For Hire By-Law:

Public Safety:

The foundation of the current and proposed by-law public safety is served by requiring all drivers to provide a Vulnerable Sector Check and a Ministry of Transportation Driver’s abstract, annually as part of the driver’s licence renewal process. Likewise, it is important that all vehicles be safe, as evidenced by an annual Safety Standards Inspection Certificate issued by a Ministry of Transportation Licensed Mechanic. This would be a move away from the current practice of having CGS staff conduct vehicle safety inspections. Finally, all commercial vehicles will be required to have proof of insurance with at least $2 million dollars comprehensive liability insurance resulting from any one accident and all ride share vehicles which are driven less than 20 hours per week will be required to have proof of comparable additional insurance with coverage for fee paying passengers.

Driver Safety:

Traditional taxi service is also regulated to provide elements of safety to the driver. The taxi must be equipped with a “panic button” that will alert the public by a flashing roof light that the driver is in danger. Part of the need to provide safety in this instance to the taxi driver is because he/she may be carrying cash and passengers may be unknown to the taxi driver and/or dispatch.

Ride sharing companies such as Uber provide an application that provides the identity of the passenger and driver and a rating system for both. Having real time GPS information available as to the location of the vehicle and passenger at any point in the ride deters any unacceptable behavior and reduces risk. The element of risk for the driver is greatly reduced because all payments for service are done electronically and no cash is handled or stored in the vehicle.

Service Enhancements

The survey results from the consultation process indicate that there is a desire for service enhancements. Public opinion is that the current taxi industry is expensive, sometimes unreliable (especially in the rural communities) and that there is insufficient capacity to handle fluctuations in demand as for example at closing time. The taxi industry itself has indicated that geographical coverage can be challenging, due to distance, time and...
cost. Improved community access to transportation alternatives such as ride sharing systems may enhance service levels in underserviced areas of the community at a reasonable cost as more transportation options will be available and presumably ride share drivers will drive where they live. This may also create capacity for peak periods.

**Fare Certainty and Parity**

Fare Certainty speaks to the consumer being protected by knowing either what the fare will be or the rate at which the fare will be charged, prior to accepting the ride. Fare Parity refers to having similar fares for similarly dispatched services and allowing both industries to set some fares based on market conditions as greater competition benefits consumers in terms of lower prices, higher quality of service, increased customer convenience and higher levels of innovation.

To ensure some form of fare parity, staff is recommending following the lead of Edmonton, which has set a minimum base fare or “drop rate” for all transportation providers in both the ride sharing and taxis models.

As ride sharing systems are designed using technology they are able to make adjustments to fares based on supply and demand in real time. Riders are able to make choices of their transportation options partially based on the fare estimate therefore it is recommended that after the base fare or “drop rate” has been charged, the market be used to set ride fares for all rides dispatched by app, be they provided by a rideshare service or a taxi company. Tariff rates would continue to apply for traditionally dispatched taxi rides, with the fares posted in the vehicles and calculated using a sealed, approved taximeter.

**Balancing Regulation and the Reduction of Red Tape:**
The City’s role as a regulator can be changed to reflect the environment and times. Responsibility for ensuring that approvals including police checks, drivers licence abstract checks and vehicle mechanical certificates are in place belong with the company/broker in both the traditional taxi industry and ride sharing companies. Rather than doing hands-on inspections and issuance of licences, the City’s resources are better deployed in an audit and follow-up environment. By overseeing the industry in this manner, the City may deploy resources previously utilized for prearranged inspections and license renewals for owners and drivers to task of auditing a larger number of companies and brokers and performing random inspections as services are provided in the community.

**Budget Neutral over the Longer Term**
The budget predicted in 2016 for the administration and enforcement of the current taxi by-law through licensing fees is $53,000. This estimate is based on previous years experience with similar numbers of limousine, shuttle and taxi vehicle owners, drivers
and brokers of the service. It is anticipated that revenues would remain stable for 2016/2017 as the initial fees in the new system remain constant. For 2017/2018 as the lower renewal rates for driver and vehicle licences in the traditional taxi industry come on stream, they would be offset by new licence revenues from ride sharing services.

**Enforcement**

It is imperative when considering regulations that they are achievable and effective for sustained enforcement against unlicensed “vehicles for hire”. The Taxi by-law is equipped to regulate the traditional taxi and limousine and the proposed new by-law will address and contain regulations specific to ride sharing activities, and also authorize penalties pursuant to the Municipal Act which will provide flexibility for enforcement with the type and value of penalty to encourage compliance with the by-law.

**Recommendation**

While there are as many potential models as there are drivers and companies across Canada, review of current trends suggest that those communities which are exploring this topic are coalescing around similar types of models and not waiting for senior levels of government to act. Edmonton’s model provides a good example of how regulators are encouraged to act and is one that staff recommends as a start to shape regulations and administration specific to the needs of the taxi industry in preparation of emergence of ride sharing systems in Greater Sudbury.

The recommendation in this report responds to the motion by Council to consider regulations that find a middle ground which allows Uber to serve as broker for its drivers and allows the conventional taxi industry to function more like Uber. This includes restricting ride share drivers to app based activity while allowing conventional taxi’s the flexibility to use traditional dispatch, hail and taxi stand methods in addition to an app similar to the ride share sector. This regulatory model shares the guiding principles as set out in this report and will ensure that when a ride share company such as Uber enters into the Greater Sudbury market, regulations will be in place that address public safety and foster healthy competiveness with the traditional taxi industry.

This report proposes that staff be directed to develop a new Vehicles for Hire By-Law based on the key principles as described in this report and outlined in the Summary Chart which follows. The goal is to have the new By-Law to Council for approval this summer, in advance of the fall taxi licence renewal dates.