



Innovative Transportation Options for Metro Vancouver

Issue

Greater Vancouver is in desperate need of new and innovative passenger transportation options. Road congestion and crowded public transit is putting pressure on our region's infrastructure and draining our economy of its productivity and overall effectiveness. In Metro Vancouver alone, the direct cost of congestion is approximately \$1.4 billion per year.¹ Therefore, exploring new options for the safe and efficient movement of people is necessary to the growth and development of our economy and the success of our businesses.

Ridesharing is an emerging trend in transportation, in which drivers use personal vehicles to offer one-time rides to customers, aided by technology through a smartphone and online application. This business model offers a potential new option for the movement of people around the province and Lower Mainland, providing greater choice and flexibility and offering alternatives to conventional driving. Greater choice has the potential to provide flexibility in car ownership, new transportation options for underserved areas, and reduced prices and wait times for consumers.

Despite ridesharing services such as Uber, Lyft, and Blablacar proliferating across Canada, the United States, and Europe, no such services are available in British Columbia. In fact, Metro Vancouver remains the largest North American Metropolitan area without ridesharing.²

Background

The world's largest commercial ridesharing company, Uber, operated their UberBLACK sedan and SUV service in Vancouver from May to November 2012. However, Uber chose to cease operations rather than comply with a minimum fare of \$75/hr, imposed by the Passenger Transportation Board (PTB). Since then, no major ridesharing company has entered into the Vancouver or B.C. market.³

It should be noted that within the context of this paper, "ridesharing" refers specifically to commercial ridesharing services. Proponents of ridesharing services point to a need for greater market-driven competition within passenger transportation, and the perceived or real damages done by the lack of choice and restrictions on supply within the private ride-for-hire sector. They argue that the current medallion (vehicle-for-hire licences) system for taxis intentionally builds harmful supply-scarcity into the market. Restricted supply and growing demand drives up prices, and blocks new entrants into the market—stifling competition and hurting consumers.

The demand for taxi medallions themselves has reached such a point that while initially sold for approximately \$150; they often sell for thousands of times more on the secondary market — a

¹ <http://ecofiscal.ca/reports/traffic/getting-from-here-to-there-in-metro-vancouver/#&gid=1&pid=1>

² <http://www.theglobeandmail.com/news/british-columbia/uber-less-vancouver-to-study-bringing-in-ride-share-service/article26879496/>

³ <https://news.gov.bc.ca/stories/safe-fair-passenger-transportation-a-priority>



phenomenon seen across jurisdictions. This has created a vested interest to limit new market entrants for plate-owners, and / or their investors which they have actively pursued.^{4 5}

High fare prices, poor customer service and long wait times have led to the growing public demand for new passenger transportation alternatives.⁶ This is especially true in Metro Vancouver, where only 1,500 taxis servicing nearly 2.5 million inhabitants— the lowest taxis per capita of any major Canadian city.⁷ For example, Metro Vancouver would require 1,900 more taxis to meet Calgary's ratio.⁸ This is reflected in pricing as well, where a five-kilometre taxi ride costs 73% more in Vancouver, than in Washington D.C.⁹

Taxi companies continue to face strict, burdensome regulations, which hamper their own ability to offer more efficient and innovative services. Restrictions on inter-municipal operations and controlled supply are limiting the industry to their current model, hurting consumers and preventing efficient market outcomes. The current regulatory structure does not allow for the industry to adjust and respond adequately to the evolving consumer demands.

Critics of ridesharing—namely the traditional vehicle-for-hire industry and investors—raise safety and regulatory concerns as their primary point of contention. They argue ridesharing companies offer taxi-like services, yet are attempting to operate outside of established regulations. They would like to see ridesharing fall under the same regulatory framework as taxis, and contend that such measures are necessary to ensure that their competitiveness is not undercut. These regulations include permitting, insurance requirements, criminal background checks on drivers, and vehicle inspections.¹⁰ Ridesharing companies indicate that they already perform these, and additional, safety measures albeit in an unregulated status in most of Canada.

Debate about social externalities from the sharing economy and ridesharing is also ongoing. In other jurisdictions, ridesharing's perceived impact on the nature of work is sometimes raised as a point of contention. Recognizing that these services are indeed changing established work dynamics, this is a broader issue within the "gig economy," and not just confined to ridesharing.¹¹ On the other side proponents point to the flexibility that ridesharing services provides to drivers who are able to choose if, when, and for how long they work. Some members of the disability community have also voiced a concern that if ridesharing adversely impacts the taxi industry, it may lead to a shortage of accessible vehicles—especially since ridesharing predominantly relies on the use of personal, rather than commercial, vehicles.¹²

⁴ <http://bc.ctvnews.ca/taxi-licences-deliberately-kept-low-ctv-news-1.277448>

⁵ <http://www.theglobeandmail.com/globe-drive/adventure/red-line/how-uber-is-ending-the-dirty-dealings-behind-torontos-cab-business/article25515301/>

⁶ <http://www.vancouver.sun.com/life/customer+demand+will+drive+regulatory+change+uber+says/11397134/story.html>

⁷ <http://www.conferenceboard.ca/e-library/abstract.aspx?did=5897>

⁸ <http://bc.ctvnews.ca/report-says-vancouver-has-fewer-cabs-pricier-rides-than-other-cities-1.1972627>

⁹ http://www.vancouver.sun.com/Opinion+Time+reform+Vancouver+antiquated+taxi+industry/9900418/story.html?_lsa=3d3d-9c61

¹⁰ <http://taxitruths.ca/taxi-industry/>

¹¹ <http://www.economist.com/blogs/freeexchange/2015/10/gig-economy>

¹² <https://sustain.ubc.ca/sites/sustain.ubc.ca/files/GCS/2015%20Project%20Reports/Transportation%20Network%20Companies%20and%20the%20Ridesourcing%20Industry%20-%20Victor%20Ngo%20-%20Public.pdf>



Across the United States and around the world over 70 jurisdictions have now established regulations that embrace ridesharing and outline specific safety requirements. Edmonton recently became the first Canadian jurisdiction to pass such regulations. Its ridesharing regulation includes:

- No caps on the number of ridesharing vehicles
- No price cap, but a minimum fare of \$3.25 (equivalent to a bus pass) must be charged
- Mandatory driver criminal background checks
- Mandatory vehicle inspections
- No street hails
- Fees paid for by the ridesharing company on a per-trip basis¹³

Status

Currently there are no ridesharing services in Vancouver. However, as these services become more prevalent around the world, proponents are gaining momentum. Amongst even the taxi industry, there appears to be a sense of inevitability, and a shift towards mitigating its impact on their business—rather than strict opposition.

Public awareness and support for these services is exceptionally strong in Greater Vancouver. A recent survey found that 75% of voters are aware of services such as Uber, and that 70% are in support of allowing ridesharing services to operate in British Columbia.¹⁴

As recently as October 2015, Vancouver city councillors opposed the introduction of ridesharing within city limits, however did approve recommendations from a staff report, urging the provincial government to provide “a renewed policy direction” on the issue. The City has also refused to lift a moratorium on licences, despite the current shortage of vehicle-for-hire services.¹⁵

However, recently the municipalities of Coquitlam, Port Coquitlam, Port Moody, and Langley Township have all come out in favour of ridesharing. Port Coquitlam Mayor Greg Moore has cited issues with the current lack of options in the transportation system and potential consumer benefits as reasons to bring these services to the province.¹⁶

Taxi and ridesharing regulation itself is divided amongst the province and municipalities. Under the Passenger Transportation Act (2004), the B.C. PTB oversees the number of taxi licences issued, and basic vehicle regulations.¹⁷ The City of Vancouver, by virtue of The Vancouver Charter and Vehicles for Hire Bylaw, establishes additional overlapping regulatory requirements for drivers and their vehicles.¹⁸

¹³ <http://sirepub.edmonton.ca/sirepub/cache/2/yjrsgb1ypvxaizgbbib4lhsh/51847501312016034922314.PDF>

¹⁴ <http://mapleleafstrategies.com/wp-content/uploads/2015/10/Uber-BC-Question-Results-Oct-2015.pdf>

¹⁵ <http://www.conferenceboard.ca/e-library/abstract.aspx?did=5897>

¹⁶ <http://www.cbc.ca/news/canada/british-columbia/ride-sharing-port-coquitlam-council-vote-1.3361247>

¹⁷ http://www.bclaws.ca/Recon/document/ID/freeside/00_04039_01

¹⁸ <https://sustain.ubc.ca/sites/sustain.ubc.ca/files/GCS/2015%20Project%20Reports/Transportation%20Network%20Companies%20and%20the%20Ridesourcing%20Industry%20-%20Victor%20Ngo%20-%20Public.pdf>



Key Considerations

- The current scarcity of vehicle-for-hire options in British Columbia and the Lower Mainland has created a distorted market which drives up prices and leads to inefficient outcomes.
 - Ridesharing provides a new transportation option to consumers, and increased competition has the possibility to decrease wait times, costs, customer satisfaction, and coverage area.
- Supply management of the taxi industry has stifled competition and for decades has blocked new, market-driven, transportation options from entering the region.
 - Overregulation and supply-control practices harm business and consumers alike, and are a deterrent to Vancouver's overall competitiveness and image as a business-friendly jurisdiction.
- There is established regulatory precedent in the vehicle-for-hire industry for differing regulations based on varying risk profiles and business practices (e.g. limousines, taxis).
- The greatest potential benefactors of ridesharing would be consumers. They will face lower prices, increased competition, and access to more flexible transportation options.
- Ridesharing offers drivers a source of flexible income, allowing for under employed groups (e.g. women, first nations, new Canadians, and young people) to easily participate in the labour force or supplement existing income.
- Safety and insurance are incredibly important in ensuring that consumers are protected, and that safety is not sacrificed in the pursuit of market share.
 - Uber Canada currently provides its drivers and passengers with \$5 million in contingent auto liability insurance (this is in addition to the driver's personal insurance).¹⁹
 - Taxis offer insurance coverage of \$10 million.
- Ridesharing is one pillar of a larger "sharing economy" trend.
 - PriceWaterhouseCooper estimates the sharing economy will grow from \$15 billion to \$335 billion in 2025 (matching the size of the traditional rental economy, which will grow from \$240 billion to \$335 billion).²⁰
 - It is vital that a business-friendly environment is created for these innovative industries if the Lower Mainland is to take advantage of this emerging trend.
 - The Mowat Centre claims these services are creating a new market rather than overtaking an established one. The validity of this claim depends on how well taxi and ridesharing services can differentiate from one-another within a given jurisdiction.²¹
- Ridesharing has the potential to create positive environmental benefits as well. Studies have suggested that these services reduce dependency on personal vehicle ownership, especially within urban settings. A KPMG study found that the ride of flexible transportation is leading to an overall reduction in car ownership in the United States. By promoting a vehicle-less lifestyle, they

¹⁹ <http://ottawacitizen.com/news/local-news/taxi-association-sending-ottawa-uber-driver-info-to-insurance-companies>

²⁰ <http://www.pwc.co.uk/issues/megatrends/collisions/sharingeconomy/the-sharing-economy-sizing-the-revenue-opportunity.html>

²¹ http://mowatcentre.ca/wp-content/uploads/publications/106_PolicymakingForTheSharingEconomy.pdf



increase the utilization of low-carbon transit options such as bicycles and public transportation networks.²² Ridesharing offers one choice in a broader mix of options.

- Studies have suggested that by offering greater transportation options, jurisdictions with ridesharing have seen a reduction in impaired driving.²³
- Ridesharing offers dynamic supply which fluctuates with demand, allowing for more vehicles to be offered during peak hours and special occasions. However, the use of surge-pricing may also deter consumers to use ridesharing during points of high-demand, and compel them to look to other options such as public transportation.
- The Passenger Transportation Act has not seen a significant update in over a decade (since 2004), and the current framework is not well positioned to accommodate the rapid technological changes taking place in the industry.
- Recently, Edmonton has become the first Canadian municipality to legalize ridesharing and build a regulatory framework for these services such to operate.²⁴

Recommendations

The Greater Vancouver Board of Trade recommends the Government of British Columbia and the municipalities of Greater Vancouver work to:

1. Establish a new provincial regulatory framework which introduces ridesharing to the province and provides residents with greater access to safe and reliable passenger transportation options.
 - Develop provincial safety standards for ridesharing drivers, vehicles, and activities which are reflective of their particular business model.
 - Leverage data sharing agreements offered by ridesharing services to better inform and plan regional and provincial transportation policy.
 - Set corporate operating requirements for ridesharing companies to minimize any losses to local employment and tax revenue.
 - Consider requiring all operators to maintain a physical place of business within the province.
2. Review and update taxi regulations to enable the industry to effectively compete against new services and provide consumers with the benefits of a more competitive ride-for-hire market.
 - Explore a regional licensing structure for taxi operators to allow greater inter-municipal services and the elimination of duplicative permitting.
 - Ease supply-control and issue more taxi licences to help meet consumer demand and increase competition.
3. Modernize provincial and harmonize municipal regulations to remove unnecessary red tape and establish a regulatory regime which fosters innovation and competition, while safeguarding public transit.

²² <http://www.kpmg.com/Ca/en/IssuesAndInsights/ArticlesPublications/Documents/me-my-life-my-car.pdf>

²³ <http://www.theglobeandmail.com/news/british-columbia/uber-reduced-drinking-and-driving-deaths-in-california-study-suggests/article25820101/>

²⁴ <http://news.nationalpost.com/news/canada/edmonton-becomes-first-city-in-canada-to-pass-uber-friendly-bylaw>



- Coordinate the introduction of a ridesharing framework with a broader modernization of the provincial Passenger Transportation Act.
 - Actively work to position the PTA and other high level legislation to be more accommodating of innovative transportation models and the sharing economy.
 - Examine commercial ridesharing as one of a mix of innovative transportation options which includes public transportation and “active transit.”
 - Implement regulatory incentives and requirements which ensure that accessible services for seniors and the disabled are not interrupted.
4. Direct ICBC to consult with stakeholders in developing an insurance product suitable for part-time and flexible vehicle-for-hire work and is applicable to both the taxi and ridesharing industries.