



Taxi Workers Alliance of Pennsylvania

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RE: Pennsylvania House Consumer Affairs Committee Public Comments TNC's

Greetings Chairman Godshall,

On behalf of the 1,200 members of the Taxi Workers Alliance of Pennsylvania, we wish to submit our comments to the House Consumer Affairs Committee on the Transportation Network Companies. Our comments concern the harm to drivers and customers from a not properly regulated new transportation sector.

Taxi drivers are some of the most vulnerable workers in Pennsylvania. Many of us work 12 hours a day, 6 days a week, and are still raising our families in poverty. The PUC and PPA, through their power to regulate the taxi industry, have almost total control over what a taxi driver can make. The same arguments that mandate the government's setting of a minimum wage so that workers do not have to live in poverty obligates the Legislators to regulate the taxi industry so that taxi drivers also don't have to live in poverty. We are workers too. The evidence suggests that giving up control over the number of vehicles and free fares fluctuation to TNC's will decrease income for both taxi drivers and TNC drivers, potentially far below the minimum wage.

HISTORY OF DEREGULATIONS OF TAXI INDUSTRY

Our claim that fare wars and unregulated number of vehicles is harmful to drivers and passengers is based on past experience. There have been four prominent waves of fare wars and unregulated number of taxis in the US. These occurred during the great depression, when thousands of the unemployed became taxi drivers, after WWII when thousands of returning veterans did the same, during the 1980's- when many cities deregulated their taxi industries with disastrous results, and

today with Transportation Network Companies injecting unlimited numbers of drivers and fare fluctuation into the system.

Each of the previous waves of deregulation of the taxi industry ended the same way, with escalation of prices, decrease in drivers' earnings, unsafe conditions for consumers, aggressive solicitations, and finally drivers exiting the industry. For example, during the great depression, New York had over 30,000 taxi drivers, far more than waiting passengers. Drivers had to work longer hours and reduce their fares in order to scrape together a living. The public became concerned about the aggressiveness of drivers and the integrity of the vehicles. In 1937, Mayor LaGuardia of New York City, signed the Haas Act that limited the number of taxicabs on the streets. This model was replicated across the country as cities either created a medallion/permit system or franchise model. Since then, the formula has been one taxicab per one thousand residents. Philadelphia with a population of 1.5 million is near that ratio with 1,600 taxicabs.

The entry of UberX and other Transportation Network Companies into taxi markets eerily reproduces the 1970's and 1980's failed experiments to deregulate taxicab fares and unlimited number of cars. Dr. Paul Dempsey has compiled the results of such taxi deregulation for 21 major U.S. cities prior to 1983 showing¹:

1. A significant increase in the number of active drivers competing for a fixed number of fares
2. An increase in highway congestion, energy consumption and environmental pollution;
3. An increase in rates;
4. A decline in driver income; and
5. A deterioration in service

Most cities returned to a regulated market within a few years. For example, in 1979, Seattle deregulated the taxi industry by lifting all caps and allowing taxis to set their own rates. The presumption was that it would improve service and reduce fares. What actually happened was that service declined and rates increased. In 1984, Seattle reregulated the taxi industry as did other cities that tried this experimental model.

The recent experiment with TNC's has already taken place and the results are in. In San Francisco, where it all began, their Metropolitan Transportation Agency recently released a report that found that taxicab fares have plummeted 65% over the past 15 months. In Chicago, where TNC's have been operating for at least a year, 30% of the taxi fleet sits dormant as drivers see their trade become valueless. The situation in Chicago is so dire that the city has reduced rental rates and credit card transactions fees in an effort to lure back drivers. The taxi industry must survive because everyone do not own a smart-phone or possess a credit card and taxicabs can be hailed from the streets. Lastly, taxicabs do not cherry pick their fares, they operate whether business is busy or slow, and they charge passengers a uniform rate.

You might think that as full time taxi drivers leave, they are being replaced by full time TNC drivers who are covering the same areas at the same times, but that is not the case. Drivers tell us

¹ Dempsey, Paul Stephen, "Taxi Industry Regulation, Deregulation & Regulation: The Paradox of Market Failure" Transportation Law Journal, University of Denver, College of Law, Denver, Colorado, Volume 24, #1, Summer 1996, p.102.

that part time UberX and Lyft drivers, who drive only around rush hour, take fares from full time taxi drivers who rely upon rush hour fares to allow them to drive the rest of the day. When you allow part timers to suck up the valuable fares you decimate the taxi industry at all other times, leaving vulnerable the elderly, the disabled, people in underserved neighborhoods, people who do not possess a smart phone, and anyone else reliant on paid transportation at non-peak times. Also, TNC fleets have no arrangements for hospitals, schools, or government contracts, and very rarely venture into undeserved neighborhoods.

Five years ago, if a driver was to use his /her personal car to transport people around Philadelphia, they would be considered an illegal hack. When a Billion Dollar venture does it, it is considered innovative, smart, and the future of transportation. But what kind of future are we talking about? The TNC's set the fares without any driver/passenger input or regulation. They maximize the number of drivers and vehicles without any consideration of oversaturation. They set the fees and commissions charged to the drivers without any driver input or regulation. Drivers have no recourse if they are unjustly unsubscribed from the app. TNC's are companies with 19th century labor relations hiding behind their 21st century smart phones. The medallion/franchise system was put into place with caps to make sure that drivers are vetted, vehicles are inspected, and rates were reasonable.

PROTECTING PENNSYLVANIA CONSUMERS

TNC's engage in price surging and follow no set tariff in violation of both PUC/ PPA regulations. On high demand days, many citizens will pay enormous amounts of money as TNC's profiteer on their services. New York State recently admonished TNC's for hosing consumers during Hurricane Sandy with extremely high price surging. Insurance coverage is also precarious as customers and pedestrians do not know if there is any legitimate insurance coverage of these vehicles. Most private vehicle insurance companies will not cover vehicles that are doing commercial work and TNC's insurance will not cover vehicles unless it is in route or during a trip. So what happens when there is an accident involving a pedestrian or bicyclist? Deregulating the number of for-hire vehicles on Pennsylvania streets will increase vehicle collisions, increase pollution, and add to congestion. Taxi drivers will be replaced with amateur drivers putting people further at risk. If one was to search "TNC's consumer attacks", pages of incidents would pop up. Last week one consumer was attacked with a hammer and another sexually assaulted. Not to say consumer assaults have not occurred in taxis, it does, but usually happening to the driver. The point is that taxis have GPS, panic buttons, and soon security cameras. Taxicabs are identifiable by the color of the vehicle, a number on the vehicle and a license plate beginning with TX. TNC's on the other hand, have none of these markers and will be using regular license plates. Lastly, as seen in previous deregulation attempts, both TNC and taxi drivers will become more aggressive in soliciting work, vehicle quality will diminish, and prices to customers will dramatically fluctuate. Taxicab driving will become a part-time job because no one will be able to make a full-time living. This prediction of part-time work comes from the TNC's themselves, according to their spokespersons. As many cities have seen, TNC's began operations without government approval, daring these municipalities to issue fines. Cities are so overwhelmed with these ventures that they simply give in. To that, we say bravo to the PUC judges in their recent decision against the TNC's for not waiting for Pennsylvania's approval. France, Germany, and Brussels also recently banned these TNC's for such disregard to

government authority and placing consumers in harm's way. Europe in general also had a problem of where these TNC paid their corporate taxes.

Taxi Workers Alliance of Pennsylvania recommendations for TNC regulation

Uber as a limousine company, registered with a taxi regulator has proven to be beneficial to the citizens of Pennsylvania. Their drivers have been vetted, vehicles carry the required insurance, are inspected by an actual regulator, and their prices are required to be above what a taxicab will charge. All of these requirements meet PUC/ PPA standards. We would only add that like medallion and franchise taxicabs, that their number of vehicles be capped. As with other limousine and taxicab companies, TNC's should be required to submit and follow a steady tariff, no price surging. TNC's drivers/partners must be covered by unambiguous insurance coverage meeting State requirements as soon as the driver turns on the application. The Taxi Workers Alliance supports TNC's in the limousine format described above with the added regulations. TNC's in the taxicab format will create a situation of deregulating the taxi industry followed by a severe income crisis for both TNC and taxi drivers; a race to the bottom. If TNC legislation is approved, then there must be some form of safety inspection along with the usual state inspection version. TNC must be assigned a special license plate that is identifiable to the public. TNC vehicles must be capped in number and voided from Pennsylvania Airports, Rails, hospitality centers, and cities of the first class. Philadelphia with a population of 1.5 million has 1,600 medallion taxis, 150 newly to arrive wheelchair accessible taxis, 700 partial rights cabs, over 500 limousines, and a host of shuttles, buses, and other forms of public transportation. TNC's must pay their corporate taxes to the proper venues.

Any approved legislation should include similar modern technology to regulate the taxi industry so that customers are getting the best service and drivers are able to make a livable income. Other cities have begun experimenting with their own app creation that will provide TNC type service from a vetted taxicab. We support such efforts from a statewide pursuit. For example, the taxi regulator could mandate an app for statewide coverage. We also have concerns for individuals that worked hard to own their medallion or permit. How fair would it be to these entrepreneurs to lose their investment while the state decides to deregulate the industry? In closing, it is our hope that the Pennsylvania House Consumer Affairs Committee takes a good look at the history of taxicab deregulations and exercises some patience before moving forward with this matter. As with recreational marijuana, most states are reserving action until there is clear evident that public safety will be preserved. As too with our transportation system, some study should be done before we submit to peer-pressure.

Respectfully submitted;



Ronald Blount - President