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Should Cities Limit the Number of Rideshare Cars?

Seattle recently became the first city to limit the number of rideshare cars. City Councilwoman Sally Clark talks about the controversial regulations that have since been suspended.

In the past year, cities around the country have struggled with how to regulate so-called "rideshare" companies where drivers provide rides for pay using a phone app and their personal vehicle. In some places, municipalities have enacted temporary bans while they contemplate how these companies should be treated relative to existing businesses, mainly taxis. In March, the Seattle City Council took the unusual step of enacting new rules that legalized the companies and capped the number of vehicles (at 150) a company could have on the road at any given time.

Like the California Public Utilities Commission, Seattle concluded that the companies did not meet the federal definition of ridesharing, which essentially requires that any compensation only cover the cost of the trip. Instead, the council created a new designation: Transportation Network Companies, or TNCs. In addition to the caps, the city's new regulations for TNCs required that the drivers receive a criminal history background check and adhere to a zero-tolerance drug policy. The city also imposed minimum liability insurance requirements for the companies and required the companies to conduct vehicle safety inspections.

The rules were the result of 11 months of public hearings and council deliberations, informed by a market demand study. Now they're in limbo. In April, opponents of the new ordinance, funded with more than $200,000 each from Lyft and Uber, collected more than 36,000 signatures — twice the number needed — for a ballot measure that would repeal the regulations. Seattle Mayor Ed Murray's office is currently negotiating with the rideshare companies and other stakeholders over modified rules in order to avoid a public vote. In the mean time, the city has suspended the new rules.

Seattle City Councilwoman Sally Clark, who oversaw the council's committee on taxi, for-hire and limousine regulations, spoke with *Governing* April 30 about the city's recent experiences trying to fit rideshare companies within a regulatory framework.

Do you have a sense of how much of the push to repeal the new regulations is coming from the companies and their drivers? Is this really a citizen-led movement?

Oh, no, it's completely led by the companies. They funded the signature-gathering effort and drafted the referendum. Having said that, plenty of people were willing to sign on. Gathering the signatures that they needed was not particularly hard work.

I thought the demand study was really interesting. Were there specific lessons you drew from the study that helped shape the regulations you ended up passing?

For a long time, Seattle regulators had been saying, "well, we don't think there is a need for more taxi vehicles because the wait times are fine — no one is waiting an intolerable amount of time for a cab to respond." Yet I think what the demand study showed is that the wait time isn't a very accurate predictor of demand or of latent demand. What we thought was masked in that was increased demand over time, but it was being met by town cars and also by these new providers.

In Seattle's case, we don't regulate the number of town cars; that's a state set of regulations and they don't have a cap on the number of town cars that can work in the city. And so, you have this restricted market in terms of taxis because we do have a cap on the total number of licensed [taxi] vehicles, but they're operating side-by-side on the roadway with this uncapped set of vehicles, towncars, and then subsequently by the up-until-now uncapped TNC vehicles. The demand study got at that. We probably did have demand that wasn't being met by the existing taxi world.

There were some areas where the ride-sharing companies were outperforming taxis, like ease of payment and quality of service.

Yeah. We heard a lot about that. There was something about cracking into this subject that really allowed people to talk more openly or more vocally about their dissatisfaction with their taxi service.

Did the council discuss whether it has a role to play in trying to improve quality of service or ease of payment? I was thinking about how some cities require taxis to take credit cards. Did you think about requiring taxis to accept online payments through Hailo, Taxi Magic or some other phone app?

In general, I would like to see all the providers make it easier for customers to both get the ride and complete the ride, meaning payment. What the TNCs are providing in terms of the technology interface and also their focus on the customer satisfaction and communication — you get to rate the driver, you know who the driver is when they're on the way — I think that's all really good. I think that's a huge improvement over how we handled dispatch the old way.

For the legacy taxi systems, I think the exposure that customers are going to have to these easier apps will create demand for the same kind of ease of access of dispatch and attention to customer service. The communication and the data, I think, are really attractive to people.

So rather than trying to require it, you would just allow the market to create its own incentive for offering that option?

To be honest, I haven't thought much about a requirement because I think the market is going to require it. I haven't thought about the city saying "thou must have an app." I think it's going that way. I think anybody that doesn't have an app in the future is going to be at a severe disadvantage.

One of the findings that stands out to me is that taxis were more widely used among lower income brackets than rideshare services. Taxis were also more widely used among older riders. Do you think these new companies, if allowed to operate under city code, could change that rider behavior? Or do you think these types of riders might lose access to a transportation option?

I think that's still an open question for cities. We're looking at cities that have a slightly more mature market for ridesharing than we do. We look to San Francisco to say, how are lower income or disabled or more elderly riders using these systems and where are they left with more limited choices? I don't think we know yet.

That's a concern though. The concern for me is, for folks who really need the dependability of set meter rates, who don't want to be at the mercy of surge pricing, TNCs don't work so much for them. They want to know what the fare is going to be. And I certainly hear the argument that TNCs are going to cheaper at certain times. That might be true, but when an elderly person needs to get to a doctor's appointment during a daytime baseball game when there's a lot of demand, they're going to feel pinched by that. Traditionally, you had a system where everybody pays the same rate, no matter the time of day, and there's at least the dependability in that of being able to go from point A to point B at a rate that you understand and that's not affected by market demand at the same time.

What was the rationale for the 150 cap? Where did the number 150 come from? And why 150 per company instead of a single cap for all companies?

If we are going to stay in the business of constraining the universe of cars that are available for service, then it seemed reasonable that if we cap taxis and we cap flat-rate cars in Seattle, then it seemed reasonable to look at what our system needs. Does our system need an unlimited number of cars in there? Or does our system need a certain number of cars to provide the service, particularly in the pilot phase? We called this first two years a pilot phase to figure out: will the companies be around a year from now, will they will be able to operate under the rules we're putting in place for driver and vehicle safety, do we have enough time to rebuild some of those systems to better reflect how we should be onboarding drivers and checking vehicles for the 21st century? Some of our systems for that are really behind the times.

I think the idea was to look after a certain amount of time at the real impact that these cars are having and how we could adjust maybe a year into this and take a look at either lifting the cap, increasing the cap, doing something a year from now once we would have some data on what is happening to the traditional taxi system, and how it's affecting different slices of the client base that need access to rides.

In D.C., a few weeks ago, the taxi commission discussed deregulating taxi meter fares if you order a ride online or over a mobile app. Do you see Seattle doing something similar?

Deregulation is a big word. We probably are going in the direction of getting away from capping the total number of vehicles. That's a big change for the industry though and you have a lot of folks who have invested their life savings into their business as a way to provide for their families. If we go too fast in the deregulation route, we really destabilize a lot of folks.

The big question that we really haven't tackled yet is, are we going to get out of the business of managing fares? That would be a huge step for cities to say that we don't have an interest in having a ride available at a predictable cost at any time. It's not something we've got into here yet. I have a feeling it is something that cities are going to be talking about in the coming years.

It's been interesting to watch how interest groups have tried to lobby on for-hire-driver regulations as cities wrestle with what to do about companies like Lyft, Sidecar and Uber. In Seattle, were there differences in tactics and messaging between say, the taxi industry and the rideshare companies?

The TNCs are aggressive with their public relations. They're spending a lot of money on every city. They're both aggressive with the public relations in terms of talking with the regulators, but it's also about building their driver base and their customer base. To some degree, being in the news is good for them. Having people say, "oh my gosh, I don't want my ride service to be under attack" works for them. It builds a sense of community where they can say, "We're the new people. Nobody likes the new people. Help us fight back against the intransigent, dinosaur powers."

The taxi folks, in Seattle at least, have been on their heels. I don't know if that's the same in every city, but certainly in Seattle, the taxi folks have started out by simply hoping that we would shut [the TNCs] down. I think they were relying on technically what's the law and then recognizing that really the ground is shifting. So, taxi companies are saying "these are for-hire vehicles, why aren't you regulating them?” That’s exactly what we’re talking about, putting in place regulations that are about safety and consumer protection. And then there’s just the fact that the industry is fundamentally changing. Taxis, the ownership groups, in Seattle at least, need to recognize that sooner rather than later and figure out how they’re going to adapt.

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