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Speaker
Edward Kargo

Late Backup

The Honorable Lee Leffingwell

Members of the Austin City Council

Austin, Texas

301 W. Second St.

Austin, TX 78701

May 22, 2013

Dear Mayor Leffingwell and Members of the Austin City Council:

This letter is submitted to you and your committee to aid you in your consideration of proposed legislation related to so-called "ridesharing" services operating in your jurisdiction.

We are very familiar with these services, as most of them are technology start up firms with their roots in my City of San Francisco. Specifically, Lyft and SideCar have been operating within our City for not quite a year, I think. I am writing to inform you of the consequences to the public and to our San Francisco taxi industry that have resulted from their operations.

First, I am extremely concerned about the safety of the public when it "gets into the cars of strangers," as we have all been warned never to do. The public of San Francisco does not have access to information about liability insurance coverage for these vehicles. Lyft and SideCar assure anyone who asks, including their passengers and drivers, that the personal liability insurance of the driver should cover any liability claims. However, when the Personal Insurance Federation of California, an insurance industry trade group, was posed the same question before our California Public Utilities Commission (CPUC), it stated on the record that claims that arise while a person is engaged in for-hire transportation would not be covered.

When the issue of insurance became an issue, Lyft and SideCar went shopping for excess liability coverage. Lyft claims to have "designed" its own policy, but it considers the terms of that policy to be proprietary so neither the local regulator nor the drivers and passengers who rely on Lyft's statements of insurance coverage are entitled to see the policy. When Lyft presented its policy to our California Public Utilities Commission under seal, it was granted permission by our state government (not the City of San Francisco) to proceed to operate while the CPUC ponders whether the companies should come under CPUC regulations. SideCar has also gone shopping for insurance but has apparently not yet found any company willing to underwrite its operations. And so it remains under a state-issued CPUC cease and desist order. Yet at all times since the cease and desist was issued late last year, SideCar has continued to operate in open defiance of that order....with no apparent liability coverage available to its drivers and paying passengers.

There are additional safety considerations related to the lack of driver or vehicle screening. Lyft and SideCar make representations about the extent of their driver and vehicle screening, but like the insurance coverage, it is something that the public is expected to take their word for, and trust that these brand-new companies started by career venture capitalists will maintain the level of safety that has historically been provided by public regulatory oversight of for-hire transportation.

Among the issues created by a lack of regulatory oversight is fare setting. Taxis have meter rates set by public bodies which balance a driver's need for a living wage and a company's need for a fair rate of return, with the public's need for universally accessible door to door, on demand taxi service at a price that is the same for all passengers. Lyft and SideCar, on the other hand, set rates by their whim, depending on their short-term business interests. These rates can and do change on a daily basis, dpending on special events, their need to recruit drivers or to market to passengers. Their fare structure is entirely opaque to anyone outside of the private company, including their drivers and passengers.

They claim that the payment is "a voluntary donation." What is not clear is how many times a person can ride without making a "voluntary donation" and still be picked up. I invite any person who reads this letter to ride in Lyft or SideCar and not pay, and see how long it takes before that service becomes unavailable. I did conduct that experiment, and was no longer able to get transportation service after the second ride.

Whether or not to provide transportation service to a particular member of the public is likewise, voluntary on the part of their drivers. Drivers are allowed to rate passengers on the basis of any personal preference. So a person with a heavy accent, unpopular politics, an "uncool" appearance or who makes the wrong joke can easily find themselves without recourse to these "services". Contrast taxi drivers, who are required by regulation to provide service to anyone within the jurisdiction who requests service, and are subject to discipline if they refuse service to any member of the public.

There are many claims made by these companies which have yet to be supported with evidence. They fantastically claim that the transportation that they broker through their "apps" is "ridesharing", in an attempt to evade the application of regulations with which all other motor vehicle for hire services must comply. But there can be no doubt that few if any of the thousands of trips they are providing in San Francisco bear any relation to the driver's work (as is required under California law), nor are they incidental to any purpose of the driver. They are merely individuals in their personal vehicles trolling for business in our City streets, alongside our taxi fleet, whose service they exactly replicate. As obvious as that is to anyone who spends more than a few hours on the streets of San Francisco watching the proliferating 'pink mustache' cars go by in greater and greater numbers every day, there is no way to verify it one way or another because, again, all information is in the hands of a private, for-profit company with no public accountability. Again, we are expected to take their word for it that they are really all carpooling to work and back, in the face of evidence to the contrary.

These companies claim that their operations also come within the 'ridesharing' exemption even though they accept payment for transportation services so long as the drivers do not make more that the annual cost of maintaining a vehicle. But the companies do not appear to monitor, control or limit how much a driver makes. Some evidence has been brought to my attention that there are at least some Lyft and SideCar drivers making tens of thousands of dollars of income per year, far above trip costs or even annual total vehicle expenses.

These companies claim that their services will result in fewer greenhouse gas emissions because people will feel more comfortable not owning a car. But our taxi fleet has, by regulatory oversight, become a fleet of nearly 100 percent hybrid vehicles. I can't imagine that the Lyft and SideCar fleets can come close to our taxis' low emission levels—but of course I can only imagine because there is no information on the subject that is available to the public. It defies logic that if a person can acquire a relatively cheap used vehicle and use it to make tens of thousands of dollars of income per year that people would tend to get rid of their cars, or decide not to buy one. To the contrary, in a time of underemployment and recession it seems intuitively logical that many more people would get themselves an inexpensive car or keep the car that they have so they can take to the streets to make a buck.

And that leads to the consequences that have been felt within the taxi industry of San Francisco during the relatively short time that these "services" have been flooding our already-congested, 49 square mile city with hundreds of quasi-professional drivers in their personal vehicles.

In San Francisco taxi supply is controlled. This system of managing taxi supply and demand is used by the vast majority of taxi regulators worldwide, as compared to an "open entry" system where anyone who wants to operate a taxi can do so. In an open entry system, it is assumed that eventually market forces will establish a viable level of supply.

It is simply not possible to manage a regulated fleet like our taxi system alongside an identical for-hire vehicle service that has no controls. The proposition represents de facto deregulation of the taxi industry, and it is toxic to the highly managed municipal taxi systems that taxi regulators struggle to maintain. The first symptom of disfunction that we saw in San Francisco was the extreme level of hostility on the streets between the taxi drivers who follow the rules and their direct competitors, who are bound by no regulatory controls whatsoever. It is a dangerous condition where hostilities are bound to flare up in some very counter-productive way.

Another problem with deregulating the for-hire vehicle industry without also deregulating the taxi industry, is that the most critical element to a successful taxi system, taxi drivers, have no incentive to stay in the industry. In San Francisco, experienced taxi drivers have recently begun to leave the industry in droves, many of them expressing their intention to go "get a pink mustache". This is devastating to the quality of taxi service, as experienced people leave the industry and we attempt to fill the gap with brand-new drivers.

It is challenging to recruit new drivers when their options are to spend several hundred dollars to acquire a permit and spend a week in driver training, or to just "get a pink mustache" for $50 and be on their way. This wholesale exodus of drivers from the taxi industry means that taxi companies can't fill shifts and they are losing escalating amounts of revenues as their vehicles sit idle.

It is also increasingly difficult in San Francisco to find a driver who is willing to drive a wheelchair accessible vehicle, which is more costly and difficult to operate than a regular taxi. And so much of our accessible vehicle fleet has come to sit idle, and our residents and visitors in wheelchairs have to stay home because there are no same day, door-to-door transportation options available to them. Neither Lyft nor SideCar's business models could ever provide for wheelchair accessible vehicles because those vehicles are expensive, after-market modified vehicles with specialized equipment that break down often and are expensive to operate and repair.

In short, I encourage you to be very mindful about the potential consequences to your City's taxi system, and the resulting consequences to the public, as you consider this proposal. This is not a question of protecting a regulated industry from competition; it is a question of the public safety values that regulation is designed to protect: universally accessible, affordable, transparent service provided in safe vehicles by professional, screened and trained drivers who are accountable to the public.

I hope that this information about San Francisco's recent experience has been helpful to you.

Very truly yours,

Christiane Hayashi

Deputy Director, Taxis and Accessible Services

San Francisco Municipal Transportation Agency

Summary of San Francisco's Rogue App Experience

Passenger Rights:

- No wheelchair accessible vehicles
- No published fares, no fare stability
- Deputy Director personally experimented with SideCar and Lyft and was blacklisted after two trips without a donation
- No oversight or assurance of the driver background checks
- Drivers can block and discriminate against passengers with whatever criteria they choose

Insurance:

- Personal Insurance Federation of California testified that drivers using Lyft & Sidecar would not be covered by personal insurance
- Lyft has refused to share insurance details with riders, drivers, and local regulators
- Sidecar has failed to procure commercial insurance, but continues to operate

Destabilization:

- Market flooded with uncontrolled number of new for-hire drivers
- Veteran taxi drivers are leaving the industry entirely or simply joining the unregulated app market
    - Less red tape and oversight driving for apps
- Hostility between taxi drivers and rogue app drivers
- Fares fluctuate wildly based on needs of company, special events, etc.

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Interview with a SideCar driver

"Curtis quit his job as a car salesman to drive Sidecar full time."

"Curtis, who's given a record 450+ Sidecar rides in Seattle, told me about a woman who took multiple long rides but never paid. She was eventually blacklisted from the service."

Markus Dark · 5 followers
Sunday at 9:02pm near Richmond, CA

Follow

Snapshot of Lyft driving numbers:

April 18-29th
#days driven - 13
hours driven - 91.22
Average hours/day - 7.01
Donations received - $2,595
Donations/hour - $28.44
Gas bought - $375.11
Bridge Tolls - $65
Net pay rate - $23.62/hr

Like · Comment · Share

7 people like this.

Arthur Wallis I hope you are writing off your Gas and Bridge toll on your taxes.
Sunday at 9:30pm · Like

Markus Dark Hence why I've begun tracking them 🙂
Sunday at 9:39pm · Like · 1

Write a comment...

Per Mile Costs of Operating a Vehicle

Source: http://www.irs.gov/pub/irs-drop/rp-10-51.pdf

"Purpose: This revenue procedure updates Rev. Proc. 2009-54, 2009-51 I.R.B. 930, and provides rules for using optional standard mileage rates in computing the deductible costs of operating an automobile for business, charitable, medical, or moving expense purposes."

[pg 7] ".02 Business standard mileage rate in lieu of fixed and variable costs . A taxpayer computes a deduction using the business standard mileage rate on a yearly basis and in lieu of computing the fixed and variable costs of the automobile allocable to business purposes (except as provided in section 7.06 of this revenue procedure). Items such as depreciation or lease payments, maintenance and repairs, tires, gasoline (including all taxes thereon), oil, insurance, and license and registration fees are included in fixed and variable costs for this purpose."

Source: http://www.foxnews.com/politics/2012/01/18/irs-keeps-mileage-reimbursement-rate-at-near-historic-high/#ixzz2U2cUVzzN

The IRS, which calculates the rate, isn't just factoring in fuel costs. Depreciation and other factors play a role in determining the reimbursement rate.

"While gasoline is a significant factor in the mileage figure, other items enter into the calculation of mileage rates, such as depreciation and insurance and other fixed and variable costs," IRS spokeswoman Sara Eguren said in an email.