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Social and Economic Trends

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Uber No Solution for Winnipeg: Analysis of taxi and transport

Conservative forces in the provincial legislature and at Winnipeg City Hall are combining to enable ride-sharing services such as Uber and allow its introduction into the Winnipeg market.

Acting on recommendations of the December 2016 report prepared by accounting firm Myers, Norris, Penny (MNP) on Winnipeg taxicab services, the Province announced legislation to devolve responsibility for oversight of the taxicab industry to municipal government.

In February, 2017, in his annual *State of the City Address*, Winnipeg Mayor Brian Bowman reiterated his desire to enable ridesharing service providers such as Uber to enter the Winnipeg market.

These new developments, while not unexpected, represent the most significant changes in the eight-plus decades since the Province enacted legislation to govern the vehicle-for-hire industry.

The changes will have significant consequences for workers who earn a living in the industry, and they pose large public policy questions for all citizens.

The Winnipeg Market

Winnipeg is currently served by 410 standard taxis as of October 31, 2016. It has been frozen at this level for many years. The number rises to 756 taxicab business licenses across all categories (standard, accessible, limousine, special vehicles and seasonal licenses). Licenses are approved

and issued by the Taxicab Board.

A total of 2,200 workers are licensed taxicab drivers in Winnipeg, meaning that fully two-thirds don't have a business license and work on contract basis, often for poverty wages. The MNP study concluded that the annual average salaries, wages and benefits for the standard taxicab business license holder is approximately \$21,000. (More on earnings later in this paper).

MNP estimates a total of 4.1 million trips taken in the Winnipeg market in 2015. About 70 per cent of trips were arranged via dispatch, the remainder were either hailed rides, taxi stand rides or airport trips.

The report concludes that Winnipeggers are served with one taxicab for every 1,252 people compared to the average in other comparable Canadian cities of one taxicab for every 860 people. There is rising and legitimate pressure to add capacity to the current system.

MNP conducted a representative survey which rated overall public satisfaction with their taxicab experience at 7.1 out of 10. An on-line survey revealed less satisfaction as only 27 per cent of respondents felt their entire experience was as good as or better than in other cities. In recent years there has been mounting criticism that taxis avoid poorer neighborhoods and that indigenous citizens encounter racism regularly while using taxis. In addition women in

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Winnipeg and elsewhere have raised the issue of sexual assaults occurring in cabs.

These issues involving both accessibility and the overall safety of the taxi system must be key parts of public hearings.

The MNP report contains 44 separate recommendations including consideration of devolution of regulatory responsibility to municipalities; the establishment of a maximum number of metered taxicab licenses based on population ratio; and allowing the entrance of Transportation Network Companies (TNC-s) such as Uber into the Winnipeg market.

There is no question that there are issues and challenges within the existing taxicab industry in Winnipeg. There is also pressure for the introduction of ridesharing services. What is less clear is whether it is possible to create a level regulatory playing field between two such very different systems as the existing taxi business and Uber.

Demand for faster and more flexible app-based ridesharing services must be weighed against other public policy issues. Both need study and debate.

Taxicab Industry Issues

The Winnipeg market is regulated by legislation, regulations, by-laws and the Taxicab Board (TCB), first established in 1935 by the provincial government. Its mandate is to ensure that all citizens have access to quality, safe and efficient taxicab services.

Regulation of the industry in Canada and elsewhere has historically been rationalized as a means to ensure that workers within the industry can earn a living wage, one that can support a family. The Ottawa Journal spoke to this principle in 1936, saying, "No one has a right to expect a taxi ride... at a price that does not permit decent wages and working conditions for those engaged in providing it."

This feature of the existing industry is turned on its head when Uber enters communities upsetting market regulations and rules set down for the existing taxicab industry.

While government regulates supply, the value of taxicab licenses issued is very much market-driven. License owners, like small business owners selling their businesses, often view license sale as their retirement security, their pension.

The MNP report pegs the 2016 value of a taxicab license at \$406,000.

The entrance of Uber into existing markets has seen the value of licenses plummet. A 2015 feature article in *The Walrus* charted the decline in value of municipal taxi plates (licenses) in 2015 from \$360,000 in 2012, to \$120,000 by 2015 in the City of Toronto. Similar declines in the value of taxicab licenses have occurred everywhere Uber has gained access to the local market.

Care must be taken to look at the existing system with a critical eye. Despite regulation, it too has produced unfairness with many drivers earning subsistence wages as so-called independent contractors of existing license holders.

The MNP report recommends a ten year phase-out of the current license system which it terms "inequitable". This is a valid observation, but the solution ought not to be driven by allowing ridesharing firms such as Uber to further drive down the compensation of all workers within the industry.

The Uber Model

The launch of Uber in 2009 in San Francisco was, according to its founder, a technological innovation at par with Facebook and Google, and a natural evolution from the smart phone. Its goal was to make ridesharing so cheap that using Uber becomes an alternative to owning a car.

As a startup Uber attracted \$18 billion in equity and debt from Silicon Valley venture capitalists, mutual funds and Saudi Arabia's sovereign-wealth fund. Its growth has been phenomenal, today valued at \$70 billion, operating in 425 cities in 72 countries with about 30 million monthly users.

From a consumer point of view, customers order and pay for a ride via their smart phones and no money changes hands with the driver, nor is tipping a feature of Uber.

Drivers own their own vehicle and obtain rides only from Uber. About 75 per cent of each fare is retained by the driver; the remainder goes to Uber.

Transportation Network Companies (TNCs) of which Uber is the largest have far less in start-up costs when one considers they don't own cars and don't consider their drivers as employees.

Uber's growth has been driven by a few factors including the convenience and functionality of the app-based system, quick response times and lower costs. Pricing has been geared towards establishing market share. This will no doubt change as those market conditions change.

The Uber success story has not been without controversy. Uber drivers throughout the world are not earning promised salary levels and they are launching legal actions asserting that they are in fact employees, not independent contractors.

A recent UK employment tribunal ruling said, "The notion that Uber in London is a mosaic of 30,000 small businesses linked by a common platform is in our minds faintly ridiculous." This case, which is ongoing, attacks the very heart of the Uber business model, namely that Uber

drivers are self-employed (and thereby cannot unionize, and Uber need not pay standard employee deductions for them).

The Uber model is an example of, and contributes further to, the global epidemic of increasing inequality and rising work precarity. Creating more precarious work under the mantra of offering more convenience and service to the public is a circle that cannot be squared. The end-goal can never justify the means utilized to achieve it.

Uber has also faced a global backlash over reported incidents of sexual harassment cases being ignored and uninvestigated.

Uber recently announced it was shutting down its operations in Denmark in the face of a new taxi law requiring their vehicles to be fitted with seat occupancy sensors and fare meters.

One of the largest legal challenges Uber faces is in the European court of justice, whose pending ruling on whether Uber ought to be regulated as a transport service or a digital platform, is expected soon.

A recent video of Uber CEO Travis Kalnick berating a driver who dared to question steep cuts in Uber rates, went viral. Kalnick is caught on tape yelling at the worker, saying, "Some people don't like to take responsibility for their own shit." He uses the word innovation often when describing Uber, but he doesn't often cite his medieval approach to employee relations.

Uber has also been on the defensive since they were exposed for conducting a global program to deceive authorities in markets that attempt to block Uber. The app, called "Greyball" is used to identify customers who were gathering information on Uber's illegal operation. There are no depths Uber won't descend to in order to establish its presence and gain market share

from existing (regulated) providers.

Closer to home, the MNP report captures the frustration of the existing industry's view of Uber saying, "Essentially, TNC drivers are seen to be able to 'skim the cream' from the market without any of the public safety and consumer protection obligations that bind the license industry".

More Precarious Work

Canada's Competition Bureau in 2015 issued guiding principles for regulating the taxicab and ridesharing industry, suggesting in the main that deregulation and increased competition should anchor governmental approaches. But given the problems that have arisen in cities where Uber is established, this recommendation needs to be reconsidered. Deregulation is particularly worrisome given that even without Uber, many Winnipeg taxicab drivers are already working for poverty wages.

The MNP report outlines results from a driver/owner survey they conducted. It found that 88 per cent of standard taxicab drivers reported earning under \$35,000 annually, compared to 51 per cent of the Winnipeg population who reported they earned under this level (Statistics Canada 2014).

More than 50 per cent of standard taxicab drivers report annual earnings below the Low Income Cut Off (LICO) of \$24,409 (2015).

Tellingly, the MNP report provides that, "None of the standard taxicab drivers who participated in consultations indicated that they received an hourly wage from the owner of the cab they drove. As well the report said, "...a driver may reasonably be considered an employee. An individual driver may find it difficult to represent their interests to the Labour Board with the power imbalance and limited choice in the industry."

This frank admission of the plight of workers within the existing taxicab industry speaks to an endemic if not

permanent condition of precarity with this work. While the current system is hard to defend, it will only get worse, in terms of poverty wages when the market is opened up to Uber.

The plight of Uber drivers as mentioned is increasingly being played out in the courts. So-called independent contractors, or as they are called in the UK, zero-hour guaranteed workers, all combine to give substance to the notion of rising precarity and increasing global poverty.

In the UK *The Guardian* recently exposed the plight of 5,000 workers who drive as self-employed couriers for the multi-national firm DPD. They deliver for UK companies such as Marks & Spencer, John Lewis and Amazon. *The Guardian* exposé outlined how drivers are fined up to \$200 per day if they are sick and don't supply a replacement driver. Remember, these aren't employees in the eyes of their employer, DPD. They are not paid when they don't work. They do not have benefits or an employer pension plan, but they feel the full weight of their employer's power if they dare to call in sick.

This is the world of Uber and other similar corporations. They fuel what a recent *Winnipeg Free Press* editorial called "a throw-away society – companies throw away workers just as we throw away clothing and old appliances."

Transportation – The Big Picture

Citizens with concerns about both Uber and the current taxicab industry need to stretch the public debate. It cannot just be a choice between the current system or the Uber model.

We must demand support from all levels of government for comprehensive public and semi-public transportation options. This will not eliminate the need for the private vehicle-for-hire industry, but that industry cannot be either assessed or considered in the absence of other key components of public transportation.

Car sharing services like Winnipeg's own Peg City Car Co-Op in just a few short years have become an important feature of the urban transportation landscape. Today there are 418 share-holding members (representing 769 drivers) and a fleet of 24 vehicles and two full-time staff earning living wages.

In 2008 Seed Winnipeg supported a group of taxi drivers combined to form the Winnipeg Taxi Co-op. They pushed for 150 new standard taxi licenses, and their proposed Co-op would pay drivers a living wage. The Manitoba Taxicab Board rejected the application, bowing to the powerful Unicity / Duffy's lobby.

We must also ask our municipal government why they have been so slow to act upon rapid transit expansion. Or why it continues to contract out Handi-Transit services, creating an inferior system for citizens with disabilities.

Quality public transit reduces greenhouse gas emissions (GHGs) and gives people an attractive way to get around the city. Modern cities encourage urban density, but Winnipeg has done the opposite for 50 years, and continues to do the opposite, resulting in failing infrastructure including a sub-par public transit system. We have to consider how Uber will affect our attempts to densify, reduce GHGs and reduce wear and tear on infrastructure. To what degree are taxpayers - who pay for road maintenance - subsidizing low-cost ride sharing?

Moving forward, the planned devolution by the Province to the City needs to be questioned. There should also be public hearings to air all worker and public interest issues in the design of a new system moving forward.

A feature story in *The Walrus* concluded that the existing taxicab industry

and the new ridesharing entities cannot both survive, saying that, "one must die for the other to live". Perhaps neither system deserves to survive in its present format.

What is certain is that there are wide-ranging public interest and worker interests that need to be front and centre as we navigate this important policy debate. The public interest is not well served by any system that sacrifices workers interests and adds to the global problem of more precarious work and climate change.

We can and must do better.

Paul Moist is the past National President of CUPE, Canada's largest union with 630,000 members and a Research Associate for CCPA Manitoba.

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