

The Uber Effect: Why cab companies hate ridesharing

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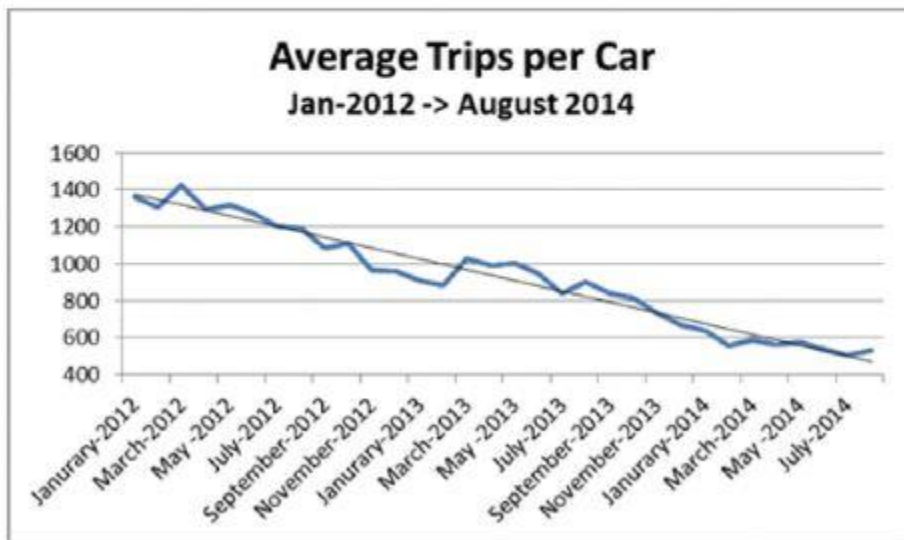
For cab companies and limo services, ridesharing startups such as Uber, Lyft, Sidecar are about as welcome as a blown tire on a crowded freeway.

A chart focusing on the San Francisco Bay Area may go a long way in explaining why.

Dubbed “The Uber Effect,” the chart, presented recently at a municipal transportation agency meeting, shows how many fares cab companies have lost over the past two years, since ridesharing companies, also known as transportation network companies, burst onto the Bay Area business landscape:

Impact of TNCs

- Major impact on overall taxi industry



Kate Toran, interim Taxis and Accessible Services director for the San Francisco Municipal Transportation Agency, reported trips logged by the average taxi plummeted from 1,424 to about 504 since January 2012. That’s a 65 percent drop.

In that time, Bay Area passengers have increasingly used ridesharing to help them get to work, airports, train stations and sports events.

Perhaps other reasons account for the drop, but the numbers reflect the threat cabbies and limo companies see from the blossoming ridesharing market.

“This is like a pirate cab company coming into the area and putting up a taxi sign and running around,” said Raymond Sanchez, an attorney for the Yellow Cab Co. of Albuquerque. Sanchez has been trying to persuade the New Mexico Public Regulation Commission to take a hard stand against Uber and Lyft, which opened for business this summer in New Mexico’s largest city.

“Taxi companies are worried about ridesharing companies like Uber and Lyft, and they should be,” said Matthew Feeney, policy analyst at the Cato Institute, a Washington, D.C.-based research institution promoting free-market values. “It’s like evolution. You adapt or you die.”

The debate is playing out in cities across the country:

*William McManus, police chief in San Antonio, told the San Antonio Express-News, “The cabs didn’t want anything to change.”

*Last Friday, a district court judge in Albuquerque refused to impose a temporary restraining order, which taxis and limos wanted to effectively shut down Uber and Lyft. The judge said the decision is up to state regulators, not the courts.

*In the nation’s capital, the Washington, D.C., City Council proposed forcing ridesharing companies charge no less than five times what D.C. cab companies charge customers, but it had to back down after it was flooded by calls from angry consumers.

Unlike traditional cab series, ridesharing companies are summoned by an app on a customer’s smartphone. No cash is passed because passengers enter their credit cards into the app, which the companies provide for free. Drivers, who often work part-time and set their own schedules, are considered individual contractors, rather than employees.

Passengers can rate drivers online, and drivers can rate passengers.

“Consumers have spoken,” said Mark Perry, professor of Finance and Business Economics at the University of Michigan-Flint. “People do not want the old (taxi) model ... The old model is a cartel.”

But the ride hasn’t been smooth.

Ridesharing companies have received plenty of resistance — even in California, where most of the ridesharing startups are based.

California regulators want Sidecar to end its newly installed carpooling feature, which allows multiple passengers to hop into a car to help save money on fares. All three companies have adopted the app as a way for passengers to carpool to work, but regulators say the feature violates California state code.

“We’re frankly disappointed and a little baffled that there would be all of this pushback,” Sunil Paul, chief executive of Sidecar, told the Wall Street Journal.

District attorneys in Los Angeles and San Francisco have filed injunctions questioning the thoroughness of background checks for drivers.

In June, an Uber driver in San Francisco was charged with two counts of battery in an alleged assault of a passenger and, last week, another Uber driver made headlines after being charged with striking a passenger in the head with a hammer. Ridesharing defenders respond by offering examples of licensed cab drivers who have also been charged with mistreating and assaulting passengers.

In New Mexico, cab companies say they’re being treated unfairly and complain that while they must pay for licenses and adhere to state Public Regulation Commission rules, Uber and Lyft flout those rules.

“They’re taking people from point A to point B and charging them a fare,” said Sanchez, the former New Mexico speaker of the House. “They’re operating illegally. Go by the same rules everybody else is going by.”

“There’s only so much piece of the pie, and when you keep up cutting that piece of the pie, business and service just keep going down,” Steve Abraham, the president of Yellow Cab, told New Mexico Watchdog in August. “It’s doesn’t get better, it goes down.”

But Perry doubts that once consumers get a taste of riding, they’ll accept going back.

“The future is Uber and Lyft. In the end, they’ll win out,” said Perry, citing what he calls Perry’s Law: Competition breeds competence.

“That’s what we want as consumers — the most amount of competition as possible,” said Perry, who is also a scholar at the American Enterprise Institute. “The French economist (Frederic) Bastiat said it best. He said all issues should be looked at through the viewpoint of the consumer ... We should look at this as what’s best for the consumers, not what’s best for the taxi cartels.”

“My preferred route would be to deregulate the taxi industry,” said the Cato Institute’s Feeney. “Instead of adding pages to the regulatory rulebook, we should be thinking about getting rid of pages that already exist ... It seems to me that adding regulations to an already overregulated industry is not going to help.”

In the meantime, the debate rages.

In New Mexico, for example, the PRC's public comment period continues Wednesday. The five commissioners appear divided on what to do about Uber and Lyft, with a final solution possibly coming in conjunction with the state Legislature, which convenes a 60-day session in January.