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Uber, Lyft, and Taxis: The Case for Leveling the Regulatory Playing Field

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Author

Moorman, Evan

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UBER, LYFT, & TAXIS:

The Case for Leveling the Regulatory Playing Field

Committee for Review of Innovative Urban Mobility Services (which included Professor Michael Manville and was chaired by Professor Brian Taylor, both of UCLA)

Brief by: Evan Moorman



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RESEARCH TOPIC

The adoption of new technologies is boosting so-called transportation network companies (TNCs) like Uber and Lyft. These services put private vehicles into part-time commercial service, enabling new employment opportunities, increasing travel options, and possibly decreasing auto use. Partly as a result of their novelty and partly in response to the difficulty of regulating so-called “peer-to-peer” services, TNCs have been either lightly regulated or not regulated at all. This stands in direct opposition to often heavily regulated competing taxi services, who face strict regulations that govern not only vehicle type and driver background, but also the number of vehicles that can operate, where drivers may pick up passengers, and prices. The committee reported on the current status of regulations governing taxi companies and TNCs, and proposed ways that such regulations can be made more comparable, without stifling the mobility advantages that TNCs can bring.

RECOMMENDATIONS

- Non-safety related taxi regulations should be re-assessed to allow taxis to compete more effectively with companies like Uber and Lyft. For example, policymakers should consider the following:
 - Lessen or remove the restrictions on price and quantity often applied to dispatch taxi service (where taxis are dispatched to respond to pre-arranged pick-up requests). This would allow taxis to better compete with TNCs, which do not face these controls.
 - Allow taxi companies to pick up customers in any location within a metropolitan region, which would allow them to better compete against TNCs. This would require coordination of local regulating bodies or the creation of regional-scale regulation of taxis.
- Critical safety-related regulations such as vehicle inspections and insurance requirements should apply similarly to both taxis and TNCs to ensure a basic level of safety for passengers and a more balanced regulatory environment.
- Given that travelers frequently cross jurisdictional boundaries in most metropolitan areas, state and local governments should assess how the regulations governing the various industries relate to one another, particularly when multiple agencies regulate different industry segments within the same geographic area.
- Policy makers and regulators should identify the information needed to set policies on, plan for, and regulate mobility services, and require this information from all regulated entities.

STUDY

Over the course of 18 months, a group of a dozen researchers—led by Brian Taylor and including Michael Manville—studied the growth and diversification of transportation network companies (TNCs) such as Uber and Lyft. One of the central questions of the study was the extent to which there exists an uneven regulatory playing field between taxi companies and TNCs. This discourages competition, is economically unfair, and in some cases, could be dangerous for passengers utilizing TNCs. The committee reported on strategies to even regulations between taxis and TNCs, while maintaining some of the consumer advantages that TNCs bring.

Taxi Drivers Protesting in San Francisco at the 2015 Super Bowl



Auto Evolution.com, 2016

A Chicago Taxi Driver Protesting Disparate Regulations Applied to Taxis



Chicago Tribune, 2015

MAIN FINDINGS

- While taxi companies are usually locally-based and regulated at the municipal level, the multi-national scale of TNCs raises new questions for regulators, and may ultimately lead to the necessary implementation of regional, state, or even federal regulations.
- Taxi companies and drivers generally face strict regulations governing market entry, fare levels, insurance requirements, and the locations where passengers can be picked up. The idea behind such regulations is to maintain safety, fairness, predictability, and geographic coverage for the consumer in an environment with limited information among both drivers and customers. TNCs, on the other hand, offer drivers and customers considerably more information about one another, and enjoy simple market entry, variable prices that bring more drivers onto the road when passenger demand is high, and the ability to pick up passengers wherever convenient. This differential regulation creates an uneven playing field.
- Public safety concerns and uncertainties remain a major issue within TNCs. Insurance requirements and background checks, for example, have been bitterly opposed by most TNCs even as similar regulations have long been applied to the competing taxi sector. However, relatively little is known about the costs and benefits presumably guiding these regulations on taxi companies.

Committee for Review of Innovative Urban Mobility Services. "Transportation Research Board Special Report 319: Between Public and Private Mobility: Examining the Rise of Technology-Enabled Transportation Services." Retrieved from <http://www.trb.org/Main/Blurbs/173511.aspx>.