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Ridesharing or Ridestealing? Changes in Taxi Ridership and Revenue in Los Angeles 2009-2014

Introduction

In 2015, Los Angeles increased the minimum wage to one of the highest in the country, leading the way to boost stagnating pay for workers and to ensure that workers are able to earn enough to support themselves and their families. Los Angeles needs to take the same care to ensure quality employment within the taxi industry, particularly in light of the rapid growth of transportation networking companies (TNCs) such as Uber and Lyft into Los Angeles.

TNCs are on-demand ride services where unlicensed individuals use their personal vehicles as for-hire vehicles. These companies have constructed an app-based ridesharing model that is having a major impact on the taxi industry in regards to income for taxi drivers, revenue for cab companies, and the local economy. TNCs are receiving praise for their innovation and their rapid growth is changing the way we do work. Yet these changes inevitably signal a business model shift that has a widespread and dramatic impact on workers in Los Angeles and nationwide. It is important to further evaluate and research how this business model will impact Los Angeles workers and the future of quality jobs in the city.

Currently, there are 2,361 taxis licensed in the City of Los Angeles. A 2006 survey of taxi drivers found that for most drivers, taxi driving is not a short-term, transitional job and that drivers depend upon this income to support their families.¹ Prior to Uber and Lyft's entry into the market, taxi driving was already a precarious job with drivers working long shifts and earning low wages. Now, TNCs have entered as competitors to traditional taxi services without many of the regulation constraints that taxi drivers and taxi companies face. The ridesharing trend raises concerns about unfair competition. While the taxi industry caps the number of taxis allowed to operate in each market to control supply and demand, rideshare vehicles can have an unlimited number of drivers on the street at any time. The large number of rideshare vehicles can flood the market, making it impossible for any driver to earn a viable, family-supporting income. The growth of "gig" work, and whether or not the rapid growth of part-time, temporary, and contract work is beneficial to the future of our economy is part of a much larger debate. Yet, for the scope of this research, it is clear that a dramatic influx of part-time and short-term workers displaces existing workers and infringes on the ability for any drivers to retain full-time work in the industry.

This policy brief is based on taxi service statistics from the Los Angeles Department of Transportation Custodian of Taxicab and Franchise Regulations from 2009 to 2014. The data includes aggregate monthly and annual data based on

¹Blasi, Gary and Jacqueline Leavitt. 2006. "Driving Poor: Taxi Drivers and the Regulation of the Taxi Industry in Los Angeles. UCLA Law School, UCLA Institute of Industrial Relations and Department of Urban Planning, UCLA School of Public Affairs.

taximeters. The data shows that:

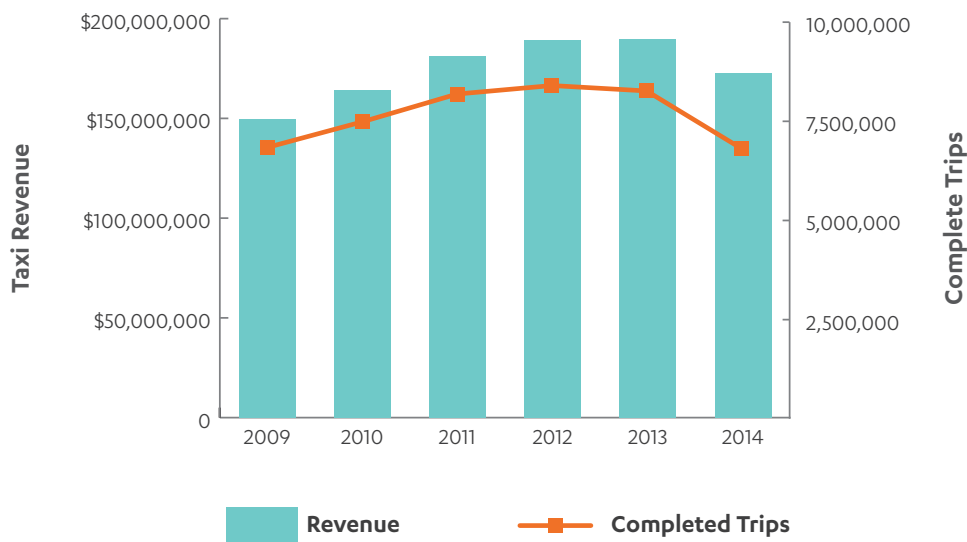
- Between 2013 and 2014, taxi revenue dropped by 9 percent and total completed trips dropped by 18 percent.
- Los Angeles taxi cabs logged 1.4 million trips less than the previous year, resulting in \$17.1 million revenue losses.
- Our economic analysis shows that this decreased revenue translates into a loss of 221 taxi industry jobs for the city, and an overall loss of 319 jobs county-wide.
- The impact to the Los Angeles economy is \$32.6 million dollars in losses.
- In tax revenue, this represents \$1.7 million in state and local taxes lost, and \$2.9 million on federal taxes lost. Combined, the total estimated tax impact is approximately \$4.6 million.

The data further shows that although the industry is experiencing revenue and ridership loss overall, this is not the case at the airport. While dispatch trips dropped by 24 percent, LAX airport trips increased by 15 percent. Airport traffic is the bread and butter for taxi workers, and increasingly so with the rapid growth of TNCs throughout the city. The Los Angeles airport is still restricted to TNCs from doing business on the premises, but this month the Los Angeles World Airport (LAWA) commissioners are expected to vote to lift a ban on TNCs at LAX. The airport is the last lifeline for the taxi industry in Los Angeles. Our analysis shows that allowing TNCs at the airport would have detrimental impact on taxi workers’ ability to make a living.

Taxis Face Ridership and Revenue Downturn

Coming out of the recession, between 2010 and 2012, the taxi industry saw a steady increase (approximately 9 percent) in the number of completed trips. By 2012, around the time that Uber and Lyft really came onto the scene, the increase in ridership began to subside. In 2013, ridership fell by 2 percent compared to the previous year. By 2014, the industry saw an even greater drop of 18 percent. Los Angeles taxi cabs logged 1.4 million trips less in 2014 than in the year before, resulting in \$17.1 million revenue losses (Figure 1; Table 1).

Figure 1. Total Taxi Revenue and Total Completed Trips 2009-2014



Source: Authors’ analysis of Los Angeles Department of Transportation data 2009-2014.

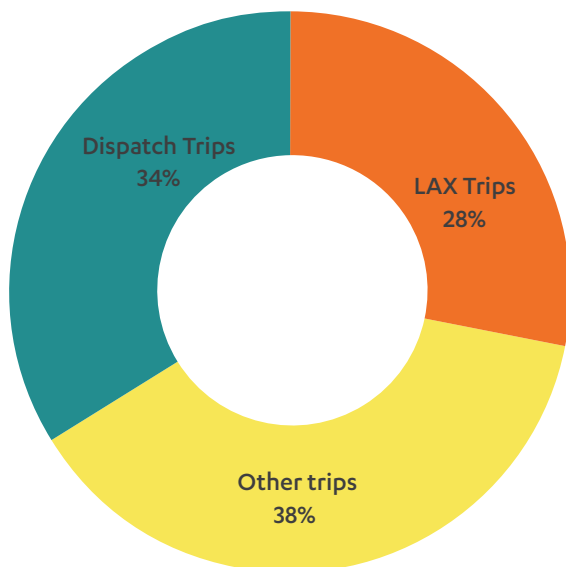
Table 1: Los Angeles Taxi Revenue and Total Completed Trip Data 2009-2014

Year	Revenue	Revenue % Change	Total Completed Trips	Trips % Change
2009	149,755,229		6,843,651	
2010	164,377,030	9.76%	7,487,897	9.41%
2011	181,149,457	10.20%	8,187,884	9.35%
2012	189,339,862	4.52%	8,401,922	2.61%
2013	189,769,532	0.23%	8,265,515	-1.62%
2014	172,662,538	-9.01%	6,814,816	-17.55%

Source: Authors' analysis of Los Angeles Department of Transportation data 2009-2014.

Amidst Decreased Ridership, Airport Pickup Trips Continue to Rise

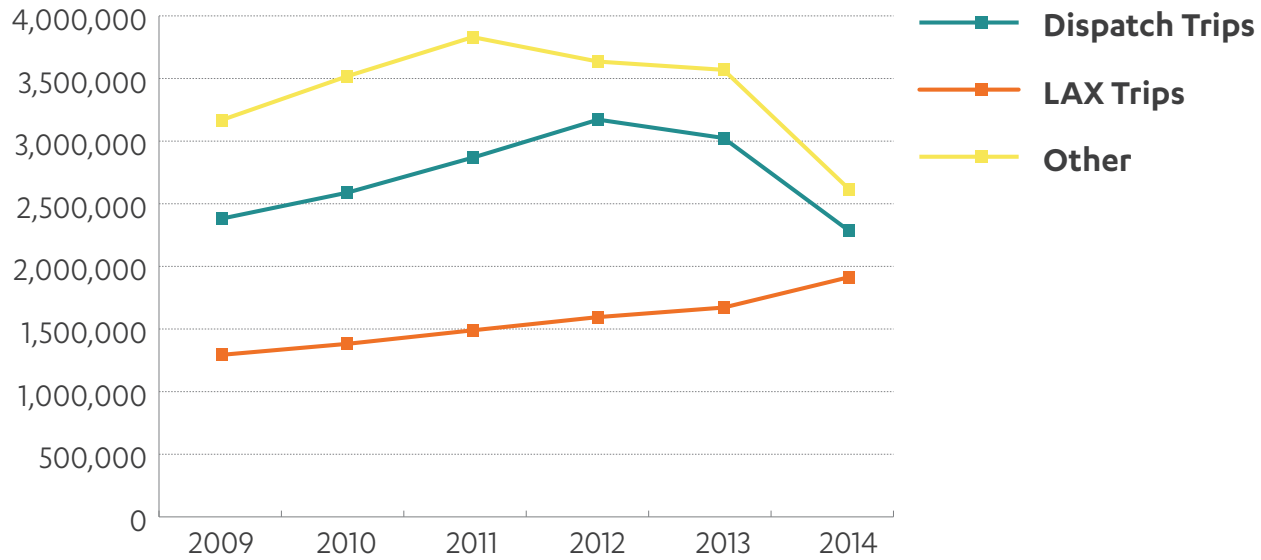
Airports are one of the prized sites for earnings for taxi drivers. Drivers are given access to the airport one day of the week known as their "airport day." Drivers typically earn more money due to longer fares though also tend to work longer days. Airport pickups currently account for 28 percent of total completed trips up from 20 percent the year before.

Figure 2: Total Completed Trips by Type of Pickup 2014

In 2014, there were 1.9 million trips out of the airport, up 243,000 from the year before. Airport pickups have been consistently increasing since 2009 (Figure 3). Whereas, dispatch trips dropped by 24 percent, LAX airport trips increased by 15 percent in 2014 (Table 2). Because of the ban on TNCs to the airport, the data suggests that the advent of TNCs in the city is negatively impacting ridership and revenue in the city but has not affected the taxi business at the airport. It further suggests that lifting the ban on TNCs to the airport will undercut taxi rides and have a further adverse effect on drivers incomes. The airport is the last lifeline for the taxi industry in Los Angeles.

Source: Authors' analysis of Los Angeles Department of Transportation data 2009-2014.

Figure 3: Taxi Trips Completed by Type 2009-2014



Source: Authors' analysis of Los Angeles Department of Transportation data 2009-2014.

Table 2: Taxi Trips Completed by Type 2009-2014

Year	Dispatch Trips Completed	Dispatch % Change	LAX Airport Trips Completed	LAX % Change
2009	2,381,366		1,293,836	
2010	2,588,531	8.70%	1,381,466	6.77%
2011	2,867,937	10.79%	1,489,413	7.81%
2012	3,171,625	10.59%	1,595,121	7.10%
2013	3,025,032	-4.62%	1,671,235	4.77%
2014	2,284,153	-24.49%	1,913,812	14.51%

Source: Authors' analysis of Los Angeles Department of Transportation data 2009-2014.

Economic Impact of Reduced Revenue on the Local Economy

As shown in Table 1, taxi cabs logged 1.4 million less trips in 2014 than in the year before, resulting in revenue losses close to \$17.1 million. To estimate the economic impact of this change in revenue in the taxi industry, we used IMPLAN 3.0 (using 2013 Los Angeles County data), which generated impacts on employment, economic output, and state and local taxes.

The effects of this lost revenue can be grouped into three different categories: direct impacts, indirect impacts, and induced impacts. Direct impacts include all losses resulting directly from decreased taxi revenues, such as the

county's loss of jobs or the loss of employment income of taxi drivers. Indirect impacts involve losses sustained by industries engaged in commerce with the taxi industry. For example, local auto repair shops that supply taxi fleets with needed routine maintenance will experience decreased demand for their services. To compensate for lost revenue resulting from decreased demand, these local businesses may adjust by reducing workers' hours and/or cutting other spending. The third and final type of impact, the induced impact, reflects changes in household spending that result from income changes in the taxi and taxi-related industries. For instance, households supported by taxi drivers are likely to reduce eating out at restaurants, and purchasing clothes or other goods at local retail stores. Lastly, decreased taxi revenues also result in fewer tax revenues for federal, state, and local governments given reduced employee compensation, household expenditures, and other indirect business activities.

Table 3: Industries with Greatest Estimated Employment Losses - Los Angeles County, 2014

Industry	Direct	Indirect	Induced	Total
Transit and ground passenger transportation	-221.3	-0.1	-0.3	-221.7
Dry-cleaning and laundry services	0.0	-5.9	-0.6	-6.4
Employment services	0.0	-3.6	-1.3	-4.9
Real estate	0.0	-1.4	-2.8	-4.2
Insurance agencies, brokerages, and related activities	0.0	-3.3	-0.5	-3.8
Full-service restaurants	0.0	-0.5	-3.1	-3.5
Limited-service restaurants	0.0	-0.2	-2.7	-2.9
Management consulting services	0.0	-2.4	-0.3	-2.7
Services to buildings	0.0	-2.2	-0.5	-2.7
Wholesale trade	0.0	-1.2	-1.5	-2.7
Total	-221.3	-42.6	-55.2	-319.1

Source: IMPLAN 3.0.

As shown in Table 3, we estimate that the decreased revenue resulted in a loss of approximately 221 jobs in the taxi industry, and a total of 319 jobs countywide across industries.² Similarly, we estimate that output, which accounts for total industry production within a given year, decreased approximately \$32.6 million in Los Angeles county. Aside from the taxi industry, the most affected industries are petroleum refineries, housing and real estate, insurance and wholesale trade.

² This data covers the losses due to the revenue changes in the taxi industry alone. It does not include benefits to the economy due to TNCs, since we currently do not have data on TNC ridership and revenues.

Table 4: Industries with Greatest Projected Losses in Output - Los Angeles County, 2014

Industry	Direct	Indirect	Induced	Total
Transit and ground passenger transportation	-\$17,394,668	-\$7,009	-\$19,758	-\$17,421,435
Petroleum refineries	\$0	-\$984,254	-\$197,980	-\$1,182,235
Owner-occupied dwellings	\$0	\$0	-\$953,392	-\$953,392
Real estate	\$0	-\$265,755	-\$540,398	-\$806,153
Insurance agencies, brokerages, and related activities	\$0	-\$597,791	-\$95,920	-\$693,712
Wholesale trade	\$0	-\$280,851	-\$347,701	-\$628,551
Monetary authorities and depository credit intermediation	\$0	-\$346,845	-\$223,019	-\$569,864
Insurance carriers	\$0	-\$238,190	-\$182,107	-\$420,297
Hospitals	\$0	\$0	-\$417,955	-\$417,955
Maintenance and repair construction of nonresidential structures	\$0	-\$379,653	-\$38,186	-\$417,839
Total	-\$17,394,668	-\$7,253,342	-\$7,924,653	-32,572,663

Source: IMPLAN 3.0.

We estimate that tax revenues for state and local governments decreased \$1.7 million and \$2.9 million for the federal government, as a result of decreased revenues in the taxi industry. Combined, the total estimated tax impact is approximately \$4.6 million.

Table 5: Tax Impact - Los Angeles County, 2014

Taxation Source	State and Local	Federal	Total
Employee Compensation	-\$28,774	-\$1,164,408	-\$1,193,182
Proprietary Income	\$0	-\$151,489	-\$151,489
Household Expenditures	-\$517,570	-\$1,106,811	-\$1,624,381
Corporations	-\$53,147	-\$288,120	-\$341,267
Indirect Business Activities	-\$1,103,856	-\$162,251	-\$1,266,107
Total	-\$1,703,347	-\$2,873,079	-\$4,576,426

Source: IMPLAN 3.0.

Conclusion

We are at a critical moment to reflect on the future of Los Angeles's economy. Currently we are creating a two-tiered system in the taxi industry that is rewarding part-time, temporary jobs. The impact of this could be detrimental to all drivers, Uber and traditional taxi drivers alike, setting back job standards and quality jobs for the long haul. Or, we can take this moment and use it as an opportunity to build our economy in such a way that innovation and quality jobs go hand in hand.



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The UCLA Labor Center creates innovative programs that offer a range of educational, research, and public service activities within the university and in the broader community, especially among low-wage and immigrant workers. The Labor Center is a vital resource for research, education, and policy development that helps create jobs that are good for workers and their communities. It also improves the quality of existing jobs in the low-wage economy, and strengthens the process of immigrant integration, especially among students and youth.

This report was prepared by Saba Waheed, Lucero Herrera, Stefanie Ritoper, Jonaki Mehta, Hugo Romero and Victor Narro.

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