

July 18, 2024

Municipal Licensing & Standards

Toronto City Hall

16th Fl. W, 100 Queen St. W.

Toronto ON M5H 2N2

c/o vehicleforhirereview@toronto.ca

Subject: City of Toronto Vehicle-for-hire By-law Review – key recommendations

We are pleased that the City is updating the Vehicle-for-Hire Bylaw and developing a framework that balances customer service, economic impacts on drivers, impacts on public transit and congestion, and equity and accessibility. Regulating the vehicle-for-hire sector has long been a challenge and we appreciate that MLS is addressing it.

When the City last developed its own vision, it aimed for a highly regulated and controlled sector, with stringent rules for providing equitable accessible service and emission reductions. However, ride-hailing apps disrupted the market leading to deregulation that allowed anyone to drive, relied on mobile apps for customer communications, and reduced passenger wait times at the cost of causing severe congestion by adding thousands of cars to city streets.

Data clearly shows this deregulation created new and serious problems, including traffic congestion and emissions, plummeting driver income, and millions of trips diverted from public transit to private cars. Additionally, the ride-hailing business model has privatized public transportation in several cities and undercut labor standards in the industry.

We believe there is a better, more regulated approach that works for passengers, drivers, and other road users.

This letter presents recommendations to support and advance the City's policy goals while addressing many of the serious concerns faced by members of the Vehicle-for-Hire (VfH) industry.

**At a glance: Ten recommendations for a healthy, well-functioning
Vehicle-for-Hire sector**

1. Healthy competition under fair conditions should be an explicit regulatory goal.
2. PTCs as well as taxis should be subject to City-established limits on licensed VfH drivers to ensure a viable, diverse industry. Well-designed license limits will also help ensure inactive plates can be brought back into service.
3. Extrapolating from past practice, no more than 16,650 full-time equivalent licensed VfH (taxi and PTC drivers) should be needed to meet Toronto's ground transportation needs once all available taxi licenses are in active use.
4. Improving accessible on-demand taxi service must be a key priority. The industry supports staff's proposals to create a city-run centralized dispatch service, and institute operational as well as vehicle subsidies, though actual subsidy levels must reflect actual costs.
5. Ensuring overall industry viability is also necessary to retain and recruit accessible on-demand drivers.
6. Requirements for vehicle insurance should be comparable between taxis and PTCs; for PTCs, the City should directly oversee proof of commercial insurance and proof that personal insurers have been notified of ride-hailing activities.
7. To prevent price- and pay- gouging, the City must institute minimum time and distance fares for PTCs as well as taxis and require providers to fully disclose information about rates and fees to both drivers and passengers.
8. PTC vehicles must be distinctly and clearly identified while operating commercially to protect customers and other road users and facilitate enforcement efforts.
9. The City should resume in-car defensive driving instruction and in-person testing to improve the rigour of current driver training and combat cheating. Current training providers must be carefully reviewed.
10. Universal smart meters should be implemented to facilitate data collection from all industry participants and provide operational data directly to the City.

Detailed backgrounder:

1. Ensuring healthy competition under fair conditions

The vehicle-for-hire sector must balance different market players. A near-*monopoly* causes driver wages to fall and passenger fares increase. A healthy and diverse marketplace is essential, allowing individual owner-operators, small local companies and drivers working for large multinational platforms to coexist.

Special exemptions for ride-hailing platforms (from, for example, reduced insurance coverage, increased emissions, driver training, fare/pay policy, City driver licensing) have exacerbated the serious concerns faced by drivers and must be eliminated to allow a level-playing field.

2. License limits

(a) PTC Fleet Size Limit

By adding tens of thousands of vehicles to the fleet, unregulated ride-hailing has diluted driver income as fares must be spread across more drivers forcing active drivers to spend nearly half their time circulating around City streets looking for fares.

While PTCs are allowed unlimited number of drivers (and therefore, vehicles), taxicabs have had a limit set on issuance of new licenses for decades. A regular review (we suggest at least twice a year) of how many vehicles-for-hire are required to serve the city's population base should be implemented.

An effective fleet size limit would ensure driver time is used more efficiently and make better use of limited road space. The City must consider how many vehicles-for-hire and drivers the system can responsibly support, balancing customers' and drivers' interests with active transportation, road safety, emissions reduction, and transit ridership goals.

(b) The appropriate number of licensed drivers and vehicles based on past practice.

While the City is researching what overall fleet size could balance the interests of passengers, drivers, and the broader community, we offer two measures based on the City's past efforts to balance these numbers. We know that in 2013, City studies determined that the fleet of 4849 vehicles and approximately 15,000 drivers was sufficient to deliver services to Torontonians within a nine-minute service window.

We assume for these benchmarks that there should be no loss in the number of taxi licenses; taxi licenses should not be cancelled under this program (and indeed be allowed to increase within the cap once demand recovers); any reduction in PTC driver numbers can be accomplished by attrition.

Between 2013 and 2023, the City's population grew by about 11%. The total number of licensed drivers should proportionally increase to 16,650 (in full-time equivalents). With 6655 available taxi driver licenses, we should see the equivalent of just under 10,000 additional full-time equivalent licensed drivers to meet this goal.

Major transit lines are about to be added into the mix, and the City has added bike and car share options for Torontonians to get around. The equivalent of 16,650 full-time drivers should be able to meet an improved service window as these transportation alternatives come online.

(c) All VfH driver licenses should be directly administered by the City, not platforms

The City issues PTC driver licenses to ride-hailing companies which then extend them to drivers. This inefficient system creates a situation where drivers are reliant for the basic means to work on companies that consider them private contractors and deny them the benefits of employment. Given that the City sets the minimal requirements for the license and manages the issuance of the number of licenses, the City should maintain control of the issuance directly to the driver.

If platforms continue to control driver licensing, it is much more difficult for the City to exercise its oversight and regulatory role, including optimizing the fleet size, integrating and analyzing data, and ensuring licensing requirements are met. It should go without saying that efforts to control fleet size by limiting the number of PTC-issued driver licenses does not result in a limit of the number of licensed drivers or vehicles, as we discovered in the fall.

(d) Inactive taxi licenses

By allowing the taxi industry to recover, an effective VfH (taxi and PTC) license limit should by extension increase the utility of on-the-shelf plates. We strongly recommend the City not consider any action on inactive licenses before industry conditions have been stable under a license limit.

3. Accessibility strategy

Accessible taxis do not currently have the fleet and geographic coverage to provide passengers with reliable on-demand service. Also, much of the accessible on-demand fleet is at the end of its service life. As per the City staff disclosure, PTCs are not able to offer any accessible service at all. While the City collects money for an accessibility fund, it has acknowledged that it is not being spent effectively. Proposed subsidies fall short of what is needed to create a viable fleet. Accessible, on-demand service that requires significant investment of money and labour and comes with high operating cost without a reasonable return.

We agree that this is a major issue and are happy to see the proposals from the City in the consultations. Given the severity of the situation, our recommendation is to go further with the current recommendations to ensure a sustainable and viable solution.

We support the measures proposed by the City, but have additional suggestions to ensure they are effective:

Centralized dispatch – We support a centralized, city-administered dispatch to streamline the connection of drivers and passengers of accessible taxis. We strongly recommend only taxis be allowed on the centralized dispatch. This industry has historically invested and continues to invest in building the accessible on-demand service, even under challenging economic circumstances.

Operational subsidies – We support operational subsidies that accurately reflects the extra cost of providing the accessible trip but recommend the per-trip subsidy be increased to \$15 and be regularly reviewed to align with cost-of-living increases. Alternatively, the City could provide drivers of accessible on-demand vehicles a guaranteed minimum daily distance and per KM rate, such that drivers falling short of the daily per-kilometre threshold are topped up by the subsidy.

Vehicle subsidies – We support an increase in the vehicle subsidy that reflects the actual cost of vehicle conversion. Please see the attached quotes indicating that the cost of a rear-loading conversion is now approximately \$38,600, while the cost of a side-loading vehicle conversion is \$53,000.

Other considerations:

Determining how many accessible vehicles are active and needed – When TTL licenses were issued, they were intended to make accessible vehicles available and included a condition that licensees belong to a brokerage. Instead, many operators set up small brokerages that exist on paper only, to get TTL licenses but then used it to only offer conventional taxi services. At first glance, City data suggests that there are more than 400 TTLs on the road. In practice the situation is much more dire. Many of these taxi licenses are sitting idle, not connected to a vehicle. Removing these we estimate there remain roughly 200-250, about 100 of which are contract to Wheel Trans, leaving at most 150 offering accessible, on-demand service.

In addition to all other recommendations regarding on-demand accessible service, the City should come up with a strategy to determine how many accessible vehicles are needed to meet service standards, and work with the industry to ensure the supply of vehicles can actually be met.

Overall industry viability – Additionally, it must be recognized that, while accessible rides should be prioritized for accessible vehicles, they must also be augmented by regular VfH fares in order to allow the driver to make a sustainable income. The viability of accessible on-demand taxicab services is inextricably linked to the viability of the industry as a whole. Drivers of accessible on-demand taxis supplement their income through the conventional system. As long as their earnings opportunities are being suppressed by Uber and Lyft's irresponsible licensing practices, we risk losing drivers of on-demand accessible vehicles.

Working Group – We propose setting up a working group with the City to monitor the impact of the new vehicle-for-hire regulations on drivers' earnings and on service standards to ensure we are building a viable sector capable of meeting passengers' needs, making better use of the accessibility fund, and ensure the accessible vehicles get a mix of clients (not just people with disabilities) to ensure sustainability.

4. Insurance

Commercial vehicle insurance represents a significantly higher cost to taxis compared to PTC drivers – and is proving virtually unobtainable for commercial on-demand electric vehicles. While insurance companies are provincially regulated, the City sets requirements for coverage, and can help advocate for a diverse, viable industry. We recommend:

- a) As a license requirement, PTC drivers furnish to the City proof of \$2 million commercial insurance coverage, and evidence that they have informed their personal insurer that they are providing ride-hailing services; and
- b) Set up a working group with industry participants and provincial counterparts to task force to understand address concerns around available, affordable insurance, particularly for zero-emission vehicles.

5. City to set VfH fares

Today, taxis hailed by phone or on the street are still subject to regulated fares, protecting both passengers and drivers. PTC fares are unregulated, allowing large platforms to capture fares by lowering prices when business is slow, and hiking prices when demand increases.

We propose that the City should be setting minimum rates for all VfH rides, including PTCs, based on trip duration and distance (similar to taxicab meters) to ensure fair, reasonable, and sustainable fee for service for drivers and instituting similar disclosure requirements.

Minimum fares. When PTC fares are completely unregulated, it not only hurts taxis and customers but also PTC drivers and lowers labour standards in our industry. The City can end this race to the bottom by determining minimum fares and rates and by mandating transparency for all.

Surge pricing and transparency. PTCs argue that surge pricing is necessary to attract drivers at peak time. There is strong evidence that the surge is not consistently or completely passed on to drivers but is, instead, just a way to extract more money from passengers. Today, algorithmic pricing is being rolled out across the industry, setting fares based on what passengers will pay and drivers accept. The social equity impacts of such a policy are self-evident. There is a real risk this will lead to passengers in the most difficult circumstances in neighbourhoods with the poorest transit service paying more, and drivers in the most desperate economic circumstances accepting less.

The City should 1) mandate minimum time and distance rates for the entire industry and 2) require both passengers and drivers be provided full information about fares and fees to prevent unethical business practices.

6. Vehicle identification

When PTCs first arrived in Toronto, they were meant to be private cars driven by part-time drivers making extra money in their spare time. Over time it has become clear that most drivers work significant hours with a plurality exceeding a standard 40-hour work week. As the City has had to re-introduce safety, training, and security measures, the distinctions between PTC and taxi drivers are slowly being eroded. PTCs routinely pull over to collect and deposit riders on busy city streets but are only identified by small stickers in their windows, making it difficult for other road users to predict their behaviour or hold them to account for unsafe practices. Having them be more easily identifiable, by illuminated window signs, for example, while working commercially would help keep all road users safer.

7. Evaluate and improve driver training

Given widespread documentation of cheating and uneven service quality, we recommend the new on-line training programs be reviewed regularly to ensure adherence to and proper delivery of the course material. We further recommend reinstatement of in-car defensive driving training and testing. To avoid continued diminishing of the training standards, the City must review existing providers and consider returning to established, public post-secondary institution providers.

8. Smart meters

We agree with the City's overall direction that every vehicle in service should have smart metre active whenever logged into an app or on the road. Universal smart meters transmitting data directly to the

City would ensure proper data collection by the City, as independent operators, small brokerages and street-hailed trips are not captured by current data collection efforts. This direction needs to be clear and come from the City to standardize the practise across the industry.

Conclusions

The current by-law review is extremely important and very timely. There is a recognition among all VfH industry players that the current system for both taxicabs and PTCs is unsustainable. Many taxi drivers have stopped driving, even though demand has returned, because of cost and uncertainty of insuring and operating a car. The business model of the ride-hailing apps is also proving unsustainable for PTC drivers as it relies on financial losses and low wages.

Through this submission, we hope the City will exercise goodwill to look at all aspects of the industry structure to allow for every stakeholder to not only survive but thrive. Specifically, we have aimed to shine the light on the need to regulate fleet size to ensure vehicles are used efficiently and competition with more sustainable modes such as public transit is reduced to a minimum. With the city in control of PTC driver licenses, the City will be in a position to regulate fares and PTC fleet size that works for all drivers and in harmony with its policy goals. Vehicles-for-hire could be part of the solution to meeting our emissions targets. By providing easy, reliable, and accessible low-emission vehicle options for occasional use, we can help people live without owning private cars.

Sincerely,



Gurjeet Dhillon,
Vice President,
Scarborough City Taxi, Toronto 1 Taxi



Kristine Hubbard,
General Manager
Beck Taxi



Abdulkadir Mohamoud,
CEO & General Manager
Co-Op Taxi, Crown Taxi, Royal Taxi