

# Flex Fare Pilot Report June 2019

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## Background and Introduction

In New York City, certified taximeters calculate the cost of all taxi trips. These taximeters are programmed with TLC-mandated rates, display the running total of all passenger fares based on the elapsed time and the distance of trips. The operation of a taximeter means passengers do not know their total fare until the end of the trip. However, For-Hire Vehicles offer guaranteed up-front fares to passenger prior to booking a trip. This level of price certainty is attractive to passengers and allows them to comparison shop, a competitive advantage that yellow taxis could not leverage.

On March 29, 2018, the New York City Taxi and Limousine Commission (TLC) approved the two-year long Flex Fare Pilot Program to offer taxi passengers the same price certainty as FHV passengers by freeing licensed E-Hail companies from the technical constraints of the taximeter. Approved licensees are allowed to calculate their own fares outside of the taximeter but must provide passengers with a binding, up-front fare quote.

The implementation of this pilot encouraged new companies to apply for E-Hail licenses, fostering competition in the New York City E-Hail market. Currently, flex fares are primarily used for trips originating through the MTA's Access-a-Ride (AAR) program, which provides predominantly prearranged taxi service to eligible passengers at a subsidized cost.

Within the first six months of this study:

- **11,000 drivers** completed over **161,000 trips**.
- **Three** new companies applied for and received E-Hail licenses.
- **Four** E-hail licensees were approved for the pilot but only **two** are operating.

## Participants

The creation of the Flex Fare Pilot attracted new companies to the New York City E-Hail market. After the adoption of the pilot, TLC issued E-Hail licenses and pilot approval to three new companies: Waave, Myle, and Wapanda. Of the three, Waave is the only company to begin offering flex fare service. Waave is joined by Curb, a pre-existing E-Hail licensee that also offers flex fare service under the Metropolitan Transportation Authority's Access-a-Ride program, which provides paratransit service to people who have disabilities that impact their ability to use fixed-route transit such as subways.

## **Driver and Passenger Experience**

### *Passengers*

For members of the general public, the passenger experience is much the same as with For-Hire Vehicles. Customers download an E-Hail app on their phone, input their origin and destination, confirm a guaranteed flat fare, and pay automatically on their phone using their stored banking information. Passengers also automatically receive a receipt on their phones.

For Access-a-Ride customers, the majority of passengers call the MTA call center the day before travel and request a trip. The MTA dispatches either a dedicated Access-A-Ride vehicle or a taxi/for-hire vehicle for each trip. The trip is subsidized by the MTA and passengers pay a set co-pay of \$2.75, which is the same regardless of the type of vehicle dispatched. Curb is one of several companies that services these trips as an MTA vendor. In addition to trips booked in advance and sent to taxis by the MTA, a small subset of Access-a-Ride users can request a car directly from the Curb app as part of an on-demand pilot being offered by the MTA until the end of 2019. Customers in that pilot also paid a \$2.75 co-pay. For Access-A-Ride customers, the impact of flex fares is limited, as their \$2.75 co-pay was not dependent on the metered rate prior to this program.

### *Drivers*

Participating taxi drivers receive a fare offer either on their smartphone or on the Driver Information Monitor installed in every taxi. The fare offer must include, at a minimum, the pickup location and the flat net dollar amount the driver will earn. Unlike street-hails, which calculate a running fare total during the trip, these fares are determined prior to the driver accepting the trip. Like standard E-Hails, Flex Fares trips are not mandatory and drivers may refuse to accept the fare offer. After accepting and completing the trip, the driver is paid directly by the E-Hail Licensee using banking information provided by the driver when registering.

### *Study Limitations*

In the first six months of the pilot, taxis and Street-Hail Liveries completed over 161,000 flex fare trips, compared to over 50 million metered trips. However, over 99% of Flex Fare trips were performed as part of MTA's Access-a-Ride program. Because Access-a-Ride passengers pay only a set, subsidized co-pay which is independent of the rate of payment to the driver, and the MTA chooses how to allocate trips among their vendors, TLC cannot draw conclusions about the effect of upfront or new pricing structures on passenger demand at this time.

The Flex Fare pilot did introduce changes for drivers by allowing drivers to see their promised earnings before accepting a trip, whereas previously drivers only discovered how much they earned after completing the trip.

## Vehicle Utilization

Figure 1 below depicts flex fare and metered hourly trip volumes for an average week. Metered trips follow the traditional pattern with trips peaking during morning and evening rush hours and a steep decline in the early mornings. Flex Fares, on the other hand, show peaks during early morning rush hour, with only slight spikes during evening rush hours relative to the mornings. As nearly all flex fares were completed as part of Access-a-Ride, the relative difference in trip volumes throughout the day is likely a result of program operations unrelated to the Flex Fare Pilot.

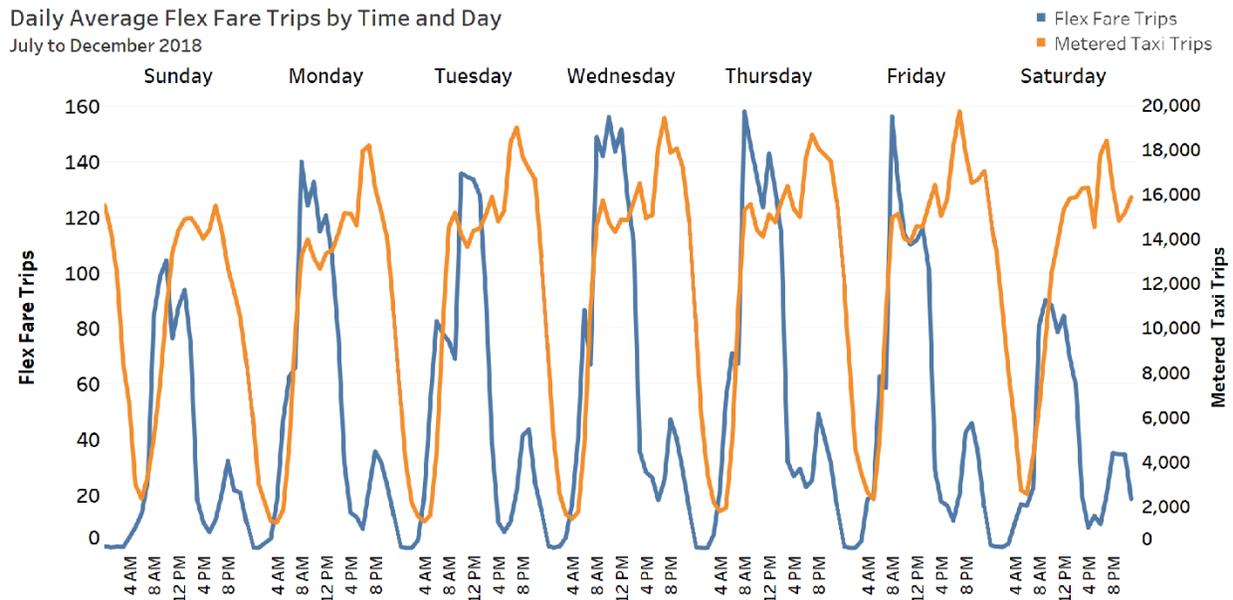


Figure 1 – Trip counts for metered and flex fares between July to December 2018 by time of day.

The geographic distribution of flex fare trips was not the same as that of metered trips. Eighty-one percent of metered fares (41,099,438) began and ended in Manhattan, the traditional service area for taxicabs. However, flex fare trips were more concentrated outside of Manhattan. For instance, twenty-one percent of flex fare trips (33,909) began and ended in Brooklyn. Figure 2 below shows the relative density of pickups and drop-offs for flex fare and metered trips in New York City.

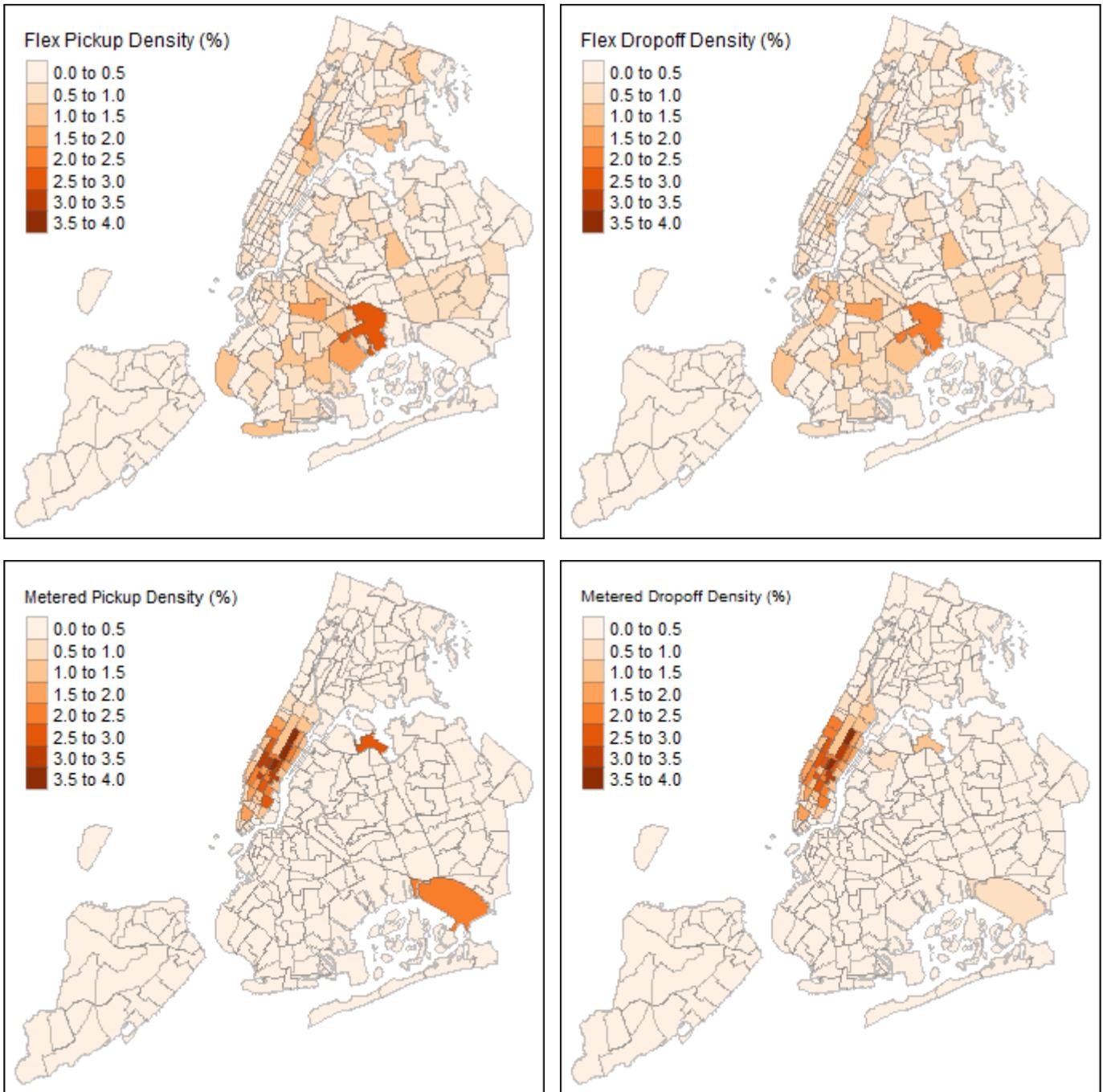


Figure 2 – Location of metered and flex fares between July to December 2018.

As previously discussed, TLC cannot draw any conclusions about the effect of the Flex Fare Pilot on trip distribution in the city, since the majority of flex fare trips were a part of the MTA’s AAR program, which determines its trip distribution based on programmatic needs unrelated to taxi fare structures. The Commission will continue to study the viability of flex fares as an alternative to the metered rate over the course of the pilot.

## Driver Income/ Service Demand

For yellow taxi drivers, income protection has been accomplished through TLC-mandated rates and a lease cap limiting the amount that can be charged to rent a taxi. TLC is interested in seeing new types of fares and products, e.g. shared rides, from E-Hail companies to increase taxi ridership, but is closely monitoring driver fares and trip volumes to ensure that drivers' incomes are not negatively affected as a result.

Unfortunately, TLC cannot draw conclusions at this time about the effect of different rates of fare or new product offerings on ridership volumes or driver income. While TLC has encouraged Participants to experiment with their rates and service offerings, the two operating Participants have chosen to emulate the standard taximeter rate. In addition, 99% of Flex Fare trips originate from Access-a-Ride, whose ridership is determined programmatically, not as a function of cost. TLC will continue to monitor yellow taxi driver incomes.

While TLC cannot draw conclusions about the effect on driver income at this time, we can examine how closely Participants are mirroring the taximeter rate. On average, Flex Fare trips are longer. The average length of a flex fare trip was 9.5 miles and 35 minutes, with drivers' earnings of approximately \$30.00. In comparison, metered trips are approximately 3 miles and 20 minutes with drivers earning an estimated \$15. While flex fare trips are cheaper on a distance basis, they are nearly equivalent to metered taxi trips on a time basis. This implies that the difference in price is related to traffic conditions where flex fares are more prevalent.

	<b>DISTANCE</b>	<b>TIME</b>	<b>FARE</b>
<b>FLEX FARE</b>	9.49 mi.	34:52 mins	\$29.90
<b>MEDALLION</b>	2.98 mi.	17:10 mins.	\$15:27
<b>STREET HAIL LIVERY</b>	3.41 mi.	22:80 mins.	\$15.14

*Table 1 – Average distance, time and fares of flex fare and metered trip, split by medallion or Street-Hail Livery. July 2 through December 27, 2018.*

In order to control for traffic and other conditions that may affect fare calculations, TLC selected the ten most repeated flex fare trips and compared them with their metered equivalent. Table 2 below contains the ten most repeated trips. Pairing flex fare and metered trips by route provides a precise look at the fare data by controlling for traffic conditions. For the routes identified in the table below, flex fare trips pay generally 20% less to 4% more than their metered equivalents. However, the low volume of trips and high standard deviations in some routes make any conclusions unreliable.

PICK-UP: <b>FLATBUSH/DITMAS PARK</b> DROP-OFF: <b>JACKSON HEIGHTS (31ST AVE)</b>				PICK-UP: <b>BEDFORD</b> DROP-OFF: <b>EAST NEW YORK</b>			
	<b>TRIPS</b>	<b>FARE</b>	<b>SD</b>		<b>TRIPS</b>	<b>FARE</b>	<b>SD</b>
<b>FLEX</b>	58	\$38.12	2.10	<b>FLEX</b>	53	\$18.19	0.26
<b>METERED</b>	26	\$39.44	1.97	<b>METERED</b>	27	\$20.76	1.67
PICK-UP: <b>QUEENS VILLAGE (90TH AVE)</b> DROP-OFF: <b>OZONE PARK</b>				PICK-UP: <b>QUEENS VILLAGE (JAMAICA AVE)</b> DROP-OFF: <b>STARRETT CITY</b>			
	<b>TRIPS</b>	<b>FARE</b>	<b>SD</b>		<b>TRIPS</b>	<b>FARE</b>	<b>SD</b>
<b>FLEX</b>	50	\$28.73	2.72	<b>FLEX</b>	49	\$35.67	0.89
<b>METERED</b>	28	\$35.68	4.24	<b>METERED</b>	27	\$38.56	2.12
PICK-UP: <b>BROOKLYN HEIGHTS</b> DROP-OFF: <b>OCEAN PARKWAY SOUTH</b>				PICK-UP: <b>BEDFORD PARK</b> DROP-OFF: <b>REGO PARK</b>			
	<b>TRIPS</b>	<b>FARE</b>	<b>SD</b>		<b>TRIPS</b>	<b>FARE</b>	<b>SD</b>
<b>FLEX</b>	48	\$21.63	0.68	<b>FLEX</b>	46	\$35.69	1.14
<b>METERED</b>	33	\$23.70	1.49	<b>METERED</b>	24	\$40.75	4.64
PICK-UP: <b>EAST FLATBUSH/FARRAGUT</b> DROP-OFF: <b>SOUTH OZONE PARK</b>				PICK-UP: <b>JAMAICA</b> DROP-OFF: <b>JACKSON HEIGHTS (35TH AVE)</b>			
	<b>TRIPS</b>	<b>FARE</b>	<b>SD</b>		<b>TRIPS</b>	<b>FARE</b>	<b>SD</b>
<b>FLEX</b>	41	\$25.28	1.44	<b>FLEX</b>	41	\$21.42	0.80
<b>METERED</b>	45	\$30.23	4.95	<b>METERED</b>	17	\$27.53	1.27
PICK-UP: <b>BAY RIDGE</b> DROP-OFF: <b>GRAVESEND</b>				PICK-UP: <b>QUEENS VILLAGE (107TH AVE)</b> DROP-OFF: <b>YORKVILLE WEST</b>			
	<b>TRIPS</b>	<b>FARE</b>	<b>SD</b>		<b>TRIPS</b>	<b>FARE</b>	<b>SD</b>
<b>FLEX</b>	40	\$24.62	2.37	<b>FLEX</b>	40	\$55.34	1.98
<b>METERED</b>	25	\$23.72	1.63	<b>METERED</b>	20	\$58.65	1.97

Table 2 - Comparison of flex fare and metered trip routes. Locations have been converted to taxi zones.

Due to the majority of flex fare trips (99.7%) originating from the MTA's Access-a-Ride program, the effect of unmetered fares and binding fare quotes on overall taxi demand has been difficult to ascertain. At this stage of the pilot, conclusions regarding driver income would be premature. However the Commission will continue to monitor any changes throughout the pilot.

## Lessons Learned and Recommendations

While the TLC cannot yet draw conclusions on the effect of the Flex Fare Pilot on taxi and Street-Hail Livery trip distribution or driver income, the pilot has revealed important operational challenges that must be considered when allowing upfront fare quotes not calculated by a taximeter.

The Commission had hoped that pilot participants would experiment with different rates of fare. However, in their applications participants noted that they would attempt to emulate closely the existing taxi rates of fare as set by the Commission. Anecdotally, participants noted that taxi passengers are accustomed to the metered rates and may be resistant to different

fares, especially if they result in some trips being more expensive than they would be under the meter.

The Commission had also hoped that participants would offer new forms of service not contemplated by the Commission-set rate schedule, particularly shared rides. One participant is proactively creating opportunities for yellow taxis to participate in contracted dispatch work via the Access-a-Ride program; however participants have not yet offered new services to the general public. The Commission will continue to assess ways it can encourage participants to voluntarily offer shared ride service in yellow taxis to the general public.

Additionally, the participants have not undertaken any advertising. Most Flex Fares occur through a closed program, but one participant does offer Flex Fares to the general public. However, awareness of the pilot and of the participants by New Yorkers is low. The Commission hopes to see participants begin to advertise their services more extensively in the future in order to attract more customers.

The Commission has received a number of complaints from drivers, primarily regarding the transparency of fees and fare amounts. For example, correspondence received expressed frustration over unclear messaging of flex fare offers. Drivers traditionally receive dispatches from many different programs sent via the Driver Information Monitor installed in taxis and often have trouble distinguishing between the programs. Flex fare offers are required to display the amount that drivers would be paid prior to the accepting the trip. However at the beginning of the pilot drivers were not clearly seeing that offer amount and, according to drivers, only discovered the fare amount after driving to the passenger. At that point some drivers felt that the fare was too low and wanted to cancel the trip however, “being face to face with a customer and having to deal with this uncomfortable situation can lead to a potential issue.” The Commission has received fewer of these complaints as drivers become used to the program, but still receives complaints that fare offers are too low.

In a related issue, drivers have also complained about the cancellation fees that E-Hail companies are allowed to charge drivers. Drivers complained that they were being forced into accepting low fares by being charged high cancellation fees when trying to cancel trips. As above, the Commission has received fewer of these types of complaints as drivers have become more accustomed to the program, however it has highlighted the importance of transparent, clear messaging to drivers of the fare amount during the initial trip offer.

Additionally, drivers have complained that they are being charged hidden fees that they do not understand. For instance, TLC has received anecdotal complaints from drivers who were surprised at the end of the pay period by a charge for taking a route other than that dictated by the E-Hail company. This means that, beyond the lease cap regulating how much drivers can be charged for vehicles, yellow taxi drivers need trip-centric deduction protections and transparency similar to what FHV drivers receive in order to protect taxi driver income.

At this time, TLC recommends:

1. Continuing the Flex Fare Pilot and monitoring its effect on taxi demand and driver income,
2. Engaging with pilot participants to explore ways to encourage the adoption of shared rides by yellow taxis, and
3. Establishing yellow taxi driver fee and pay transparency requirements similar to existing protections for FHV drivers.