

August 2020 FHV License Review Report and Determination

In August of 2018, Mayor Bill de Blasio signed Local Law 147 of 2018, pausing the issuance of new For-Hire Vehicle (FHV) licenses for one year. The legislation also gave the Taxi and Limousine Commission (TLC) the authority to determine the number of FHV licenses to issue after the expiration of the initial one-year pause. Local Law 147 exempted Wheelchair Accessible Vehicles (WAVs) from the license pause. In August of 2019, TLC adopted a rule which extended the pause on issuing new FHV licenses. The rule continued the exemption for WAVs and added an exemption for Battery Electric Vehicles (BEVs). The new rule requires TLC, beginning one year after the rule's adoption and every six months thereafter, to review whether additional FHV licenses should be issued, and to report the results of that review and the number of FHV licenses to be issued in the succeeding six months, if any.

TLC has reviewed relevant data sources and determined that no additional FHV licenses will be issued before the conclusion of the next six-month review. A review of the specific factors outlined in TLC's new rule—congestion levels, driver pay, license attrition rates, and outer-borough service¹—makes clear that there is no need for additional FHV licenses. Additionally, during the period reviewed, the City's economy was paused as a public health measure to slow the spread of COVID-19. This greatly reduced economic activity—including business, tourism, nightlife, and entertainment—caused a steep reduction in passenger demand, which reduced the number of trips. This trip reduction is detailed in the TLC's COVID-19 study.² Thus not only was there no demonstrated need for additional licenses before COVID-19, the supply of FHVs now exceeds demand even further. Despite some recent increases in trip numbers, it is uncertain when passenger demand will return to pre-COVID-19 levels. Additionally, since August of 2019, TLC has issued FHV licenses to 1,386 WAVs and 236 BEVs. In an effort to continue to increase the percentage of WAVs and BEVs in the FHV fleet, TLC will continue to issue FHV licenses for those vehicle types.

Since trips performed by High-Volume For-Hire Services (HVFHs) make up the overwhelming portion of FHV trip numbers, and since traditional FHV companies submit their data with a longer time lag, this review focuses primarily on High-Volume For-Hire Services (HVFHs) and relevant data through June of 2020, utilizing peak trip activity in February of 2020 as a baseline to understand where the industry is now and why the license pause must be extended.

Congestion levels and wait times

Before the City's economy slowed in March of 2020 due to COVID-19, there was no indication that congestion levels, particularly in the City's Central Business District (CBD), had declined. Issuing additional FHV licenses, even with pre-COVID-19 passenger demand, may exacerbate the City's congestion problems. After TLC extended the pause in August of 2019, average trips per day continued to increase,

¹ Title 35 § 59A-06(a)(1)

² "COVID-19 Impact on the NYC For-Hire Industry," *available at* <https://www1.nyc.gov/assets/tlc/downloads/pdf/covid-impact-report.pdf>.



peaking in February 2020; over that time, HVFHS daily trips across the City saw a 15% increase. This pattern was mirrored in the CBD, where daily trips increased 17% for the same period. These increases continued despite the license pause and suggest a more efficient use of existing vehicle supply. In addition to trip volumes increasing, wait times were decreasing pre-COVID, suggesting that existing vehicle supply continued to be adequate in meeting demand. Specifically, citywide wait times decreased by 11% between August 2019 and February 2020. In the CBD, wait times followed a similar pattern decreasing by 7% for the same period.

Of course, conditions have greatly changed because of COVID-19. Since March of 2020, as indicated in our COVID-19 report, trip volumes drastically declined due to a lack of demand for trips across the City. In February of 2020, HVFHSs performed, on average, nearly 750,000 trips per day. Trips began to decline in March and reached their lowest point in April, with about 144,000 trips per day. While trip volumes have recently begun to recover somewhat, the lack of passenger demand strongly suggests that the for-hire industry is not ready to absorb more FHV licenses into its vehicle supply. Issuing additional vehicle licenses without the requisite passenger demand would introduce underutilized vehicles to the City's streets. Accordingly, analyzing wait times and congestion levels, both prior to and post the impacts of the COVID-19 pandemic, favors a continuation of the pause on new FHV licenses.

Outer-borough service

Trip data suggest that the outer boroughs were being adequately served by the number of existing FHV licenses before COVID-19. Since March of 2020, passenger demand in the outer boroughs decreased precipitously. Pre-COVID, outer-borough service was on the rise. Between August of 2018 and February of 2020, daily trip volumes increased by 25% in Queens, 20% in Brooklyn, 39% in the Bronx, and 68% on Staten Island, suggesting a cessation of new license issuance did not negatively impact outer-borough service. HVFHS trips in the outer boroughs began to decline in March: between February and June, daily trips dropped 64% in Queens, 59% in Brooklyn, 42% in the Bronx, and 55% in Staten Island. As such, the number of FHV licenses is currently more than adequate to meet existing and foreseeable demand in the outer boroughs. An increase in vehicle licenses would only exacerbate the oversupply problems that the pause on new licenses is meant to address. Therefore, a consideration of outer-borough service levels favors a continuation of the pause on new FHV licenses.

Driver pay and vehicle supply

As noted in our COVID-19 report, HVFHS drivers experienced a severe drop in earnings by late March, which continued into early April. Due to the significant reduction in passenger demand discussed above, there was also a significant decline in the number of vehicles on the road, as drivers and the industry adjusted to meet passenger demand. There were 78,090 HVFHS vehicles on the road in February, but only 30,131 such vehicles on the road in June, a 61% decline. A similar trend is visible with respect to HVFHS drivers, with 79,282 drivers active in February but only 29,832 drivers active in June, a 62% decline.



Because of the sharp reduction in HVFHS vehicles and drivers on the road, beginning in May and continuing into June, gross weekly driver earnings, *for drivers who transported passengers*, slowly increased. HVFHS earnings have continued to recover reaching pre-pandemic levels. In June 2020 earnings for HVFHS drivers are identical to June 2019 earnings (\$1,026).

With such a large portion of existing FHVs not actively making trips, it is clear that issuing additional FHV licenses is unwarranted. Additional FHVs put into service would only serve to spread passenger demand even thinner and further suppress driver income. Therefore, a consideration of driver pay favors a continuation of the pause on new FHV licenses.

Vehicle license attrition rates and application volume

There are currently 110,430 active FHV licenses. While this number is almost 10,000, or 8%, lower than the 120,126 FHV licenses active in August of 2019, it was clear pre-COVID-19, based on vehicle utilization rates, that the number of vehicle licenses was sufficient to meet then-existing passenger demand. With the reduction in passenger demand due to COVID-19, it is even clearer that the existing number of vehicle licenses is more than enough to meet current and foreseeable passenger demand. As detailed in TLC's COVID-19 report, initial license applications and license renewals have sharply decreased since March of 2020, which is an additional sign that the industry is not positioned to absorb more for-hire vehicles. Therefore, a consideration of vehicle license attrition rates indicates that the number of vehicles still far outpaces demand and favors a continuation of the pause on new FHV licenses.