

February 2021 FHV License Review Report and Determination

In August 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 2019, TLC adopted a rule that extended the pause on issuing new FHV licenses and continued the exemption for WAVs while also adding an exemption for Battery Electric Vehicles (BEVs). The rule also 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, if any, in the succeeding six months. TLC conducted its first review in August of 2020 and determined that no additional FHV licenses would be issued from September 2020 through February 2021.

TLC has reviewed relevant data sources since its previous determination and has determined that no additional FHV licenses will be issued before the conclusion of the next six-month review. 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.¹ A review of the specific factors outlined in TLC's rule—congestion levels, driver earnings, license attrition rates, and outer-borough service²—makes clear that there is no need for additional FHV licenses at this time. During the period reviewed, the City continued to experience reduced economic activity as a result of the COVID-19 pandemic. This greatly reduced economic activity—including business, tourism, nightlife, and entertainment—continued to depress passenger demand, which reduced the number of trips.³ Despite increases in trip numbers since TLC's previous review, and a continued reduction in vehicle numbers through attrition, passenger demand is still well below historic levels, and the number of vehicle licenses is still more than enough to meet that demand. Additionally, it is uncertain when passenger demand will return to pre-COVID-19 levels. Thus, not only was there no need for additional licenses before COVID-19, the supply of FHVs now exceeds demand even further, making the issuance of additional licenses unmerited at this time.

Since trips performed by High-Volume For-Hire Services (HVFHSs) 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 HVFHSs and relevant data from July to December of 2020, utilizing pre-COVID-19 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

¹ Between July and December of 2020, TLC issued FHV licenses to 621 WAVs and 111 BEVs.

² Title 35 § 59A-06(a)(1).

³ The initial impact of COVID-19 on trip numbers and other industry indicators through June of 2020 is outlined in the TLC report, "COVID-19 Impact on the NYC For-Hire Industry," *available at* <https://www1.nyc.gov/assets/tlc/downloads/pdf/covid-impact-report.pdf>. Subsequent data is provided below.

FHV licenses, even if passenger demand was at pre-COVID levels, could exacerbate the City's congestion problems. After TLC extended the pause in August of 2019, average trips per day continued to increase, 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. 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.

Conditions continue to be greatly changed because of COVID-19. Since March 2020, as indicated in TLC's COVID-19 report, trip volumes drastically declined due to a lack of demand for trips across the City. In February 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. Trip numbers have increased somewhat since then but are still well below pre-COVID levels; from July to December 2020, trip volumes increased by only 20%. This modest recovery and the continued lull in passenger demand strongly suggest 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 before and during the COVID-19 pandemic, favors a continuation of the pause on new FHV licenses.

Outer-borough service

TLC trip data strongly suggest that the number of existing FHVs licensed before COVID-19 adequately served the outer boroughs. 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 declined sharply in March and April of 2020 due to the impact of COVID-19. Outer-borough trip volumes have since increased slightly—between July and December 2020, daily trips increased 14% in Queens, 12% in Brooklyn, 6% in the Bronx, and 9% on Staten Island—but remain well below pre-COVID levels. As such, the number of FHV licenses is currently more than adequate to meet existing and near-term 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 earnings 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 2020, but only 30,131 such vehicles on the road in June 2020 (61% decline). Recovery has been slow; as

of December 2020, there were 51,534 vehicles on the road, a 34% increase compared to July 2020 but still well below pre-COVID levels. A similar trend is visible with respect to HVFHS drivers, with 79,282 drivers active in February 2020 but only 29,832 drivers active in June 2020, a 62% decline. With 51,525 active drivers in December 2020, driver recovery has been gradual, increasing by 34% between July and December but, again, still well below pre-COVID levels.

Because of the sharp reduction in HVFHS vehicles and drivers on the road, beginning in May 2020 and continuing into June 2020, gross weekly driver earnings for drivers who transported passengers slowly increased until they reached pre-pandemic levels; June 2020 gross weekly earnings for HVFHS drivers were identical to June 2019 earnings (\$1,026). However, as additional vehicles returned to the road in the second half of 2020, drivers saw a drop in average earnings; from July to December 2020, earnings for active drivers dropped by 25% from an average \$1,124 in July. These data points make clear that there is no need for new FHV licenses. There are still many FHVs not actively making trips that could be put into use if needed, and we have seen in recent months that additional vehicles on the road without a sharp increase in passenger demand negatively impacts driver income. Therefore, a consideration of driver earnings favors a continuation of the pause on new FHV licenses.

Vehicle license attrition rates and application volume

There are currently 100,800 active FHV licenses. While this number is about 10,000, or 8%, lower than the 110,430 FHV licenses active in August 2020, it was clear pre-COVID-19, based on trip volumes, that the number of vehicle licenses was more than sufficient to meet then-existing passenger demand. With the continued 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 sharply decreased from March to June of 2020, and this trend continued from July to December 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.

Conclusion

Based on our review of congestion, service levels, driver income, and license attrition, there is no need for the TLC to issue additional FHV licenses at this time.