

January 16, 2019

To: Members
Executive Committee

Re: Vehicles for Hire Regulatory Framework

RECOMMENDATION

1. That City Council approve the policy direction outlined in Option 2, including the following, as further described in this Report:
 - (a) Licensing - establish a licensing scheme for Transportation Network Companies;
 - (b) Fares – require pre-booking, require the cost of trip to be provided to customer prior to dispatch and prohibit the acceptance of street hails and cash;
 - (c) Drivers – adopt service requirements related to driver conduct, require TNC to provide driver identification information prior to dispatch and during the trip;
 - (d) Technology – require the use of computer-aided dispatch, GPS tracking and the submission of trip data to the City;
2. That this report be considered at the January 28, 2019 meeting of City Council.
3. That the City Solicitor be instructed to prepare a Bylaw implementing Option 2 for the February 28, 2019 meeting of City Council.

CONCLUSION

The provincial government recently passed *The Vehicles for Hire Act*, which prohibits a Transportation Network Company (TNC) from offering services within a municipality unless licensed or authorized by the municipality. The Administration recommends that the City of Regina create a licensing scheme allowing TNCs to operate within Regina.

BACKGROUND

Legislative Framework

The Vehicles for Hire Act (Act) and *Vehicles for Hire Regulations* (Regulations) came into force on December 14, 2018.

The Act enables the operation of Transportation Network Companies (TNC), often referred to as ridesharing services, in Saskatchewan provided the TNC holds a valid licence issued by the municipality or is otherwise authorized by the municipality to operate in that municipality. The Act permits the municipality to create bylaw requirements above and beyond what is required by the Act and Regulations provided that the bylaw requirements are not inconsistent with the Act and Regulations and fall within the authorities granted in *The Cities Act* and *The Vehicles for*

Hire Act.

The Regulations, developed by Saskatchewan Government Insurance (SGI), in consultation with the transportation industry and municipalities, were released on December 6, 2018. The Regulations include a series of requirements for TNCs and TNC affiliated drivers as well as taxi drivers and companies. Details of the regulations include:

- taxi, limo and TNC drivers must possess a commercial license or a class 5 driver's licence but must:
 - not be in the graduated licensing program for novice drivers;
 - have two years post graduated licensing program driving experience in Canada or a jurisdiction with equivalent licensing requirements;
 - not have been suspended or disqualified in the previous 10 years; and
 - not have accumulated more than 12 demerit points in the past two years;
- no person shall be permitted to operate a vehicle as part of a taxi, limo or TNC service if that person has been convicted of an offence as prescribed in the regulations;
- permitting TNCs to operate using a personal vehicle (LV plate);
- requiring TNCs to display a decal issued by the TNC company on the vehicle;
- requiring TNC, taxi and limo services to provide SGI with a list of its current drivers and a criminal record check for each driver on an annual basis.

In anticipation of Provincial legislation allowing TNCs to operate in Saskatchewan, the Administration completed leading practice research of other municipalities across Canada, conducted public engagement in the form of an online survey, a market research survey and stakeholder consultations with Regina taxi brokers and TNCs. The Administration also provided feedback to SGI during the development of its Regulations. All of this information has been used to develop the recommended policy approach outlined in this report.

Transportation Network Companies

A TNC provides the service of connecting passengers with drivers willing to use their personal vehicle to provide transportation. Booking rides is done using software (typically referred to as an App) on smartphones, laptops, tablets, or personal computers to book rides. Drivers for TNCs also use an App for interacting with the TNC and passengers. Unlike a taxi service, it is not possible to book a ride via telephone or street hail, which helps reduce the anonymity for both driver and passenger. Upon request for service, the passenger is provided with driver information including name, photo, and score as well as vehicle information such as colour, make, model and licence plate number. Prospective passenger information such as name and rating is also transmitted through the App to the potential driver. TNC platforms use a scoring system for both drivers and passengers, transmitted prior to confirming the trip, allowing driver and passenger to determine in advance if they want to accept the ride based on their assessment of the rating/score along with the other transmitted information.

Payment is cashless and is handled through the App, which has the benefit of reducing potential robberies of drivers. Both driver and passenger information is linked to every ride, ensuring that a record is available of who was taking every trip. Unlike taxi services, the cost of a trip is known prior to the passenger confirming the trip. The App submits the fare to the passenger, and only once the trip is accepted will the driver be dispatched to pick up the passenger. Payment is remitted after the trip is

completed. TNC fares are determined using an algorithm that draws upon trip distance, available drivers, immediate demand and market pricing. The use of these factors in determining pricing per trip allows for discounting and surge pricing. The cost of a trip can increase when demand increases, and conversely, the cost of a trip may be discounted to encourage potential passengers to use the service.

Another feature of common TNC Apps is the ability to share ride information with other individuals not participating in the ride. When a passenger shares the ride information, the other individual is able to view the progress of the ride and the location of the vehicle at all times. This is meant to serve as an added security measure for occupants and since rides are booked through cellular telephones, driver and passenger would both have a communication device in the event of an emergency.

DISCUSSION

The Administration developed the recommended option based on a combination of market research, public engagement, industry engagement, and a jurisdictional review of other municipalities across Canada.

Market Research and Online Survey

The City conducted research to explore residents' perceptions regarding potential ridesharing services in Regina. This included market research and a public engagement survey on Regina.ca. Market research was conducted between May 18 and May 28, 2018. A total of 494 online surveys were completed. Panelists were a random sample that is approximately representative and reflective of Regina's population. The data is also weighted to approximate Statistics Canada census data demographics in terms of age, gender and household income. Details from the online market research can be found in Appendix A while key findings indicated that:

- Approximately 30 per cent of respondents said they have used TNCs in other municipalities and were satisfied with all elements of the experience, including the cost of the trip, customer service provided, personal safety, arrival time and vehicle cleanliness.
- People in the 18-34 age category were most likely to have used a TNC in another city and the same age group is most likely to see value in having TNCs in Regina.
- 66 per cent of respondents see value in bringing TNC options to Regina, citing cheaper fares as the largest benefit.
- 49 per cent of respondents indicated they would use TNCs if the companies operated in Regina; however, 73% of people in the 18 to 34 age category are likely to use TNCs in Regina.
- 11 per cent of respondents disagreed with allowing TNCs to operate in Regina. Reasons cited were the negative impact on the Regina taxi industry and driver safety issues.

The public engagement was a self-directed survey that was available on the City of Regina website. Approximately 2,400 respondents participated and the full results can be found in Appendix B. Key findings identified that:

- 70 per cent of respondents have used TNC services and 90 per cent rated the experience as good or very good.
- 87 per cent of respondents agreed there was benefit to bringing TNC services to Regina and would likely use the service if it was available.
- The primary benefits were identified to be the predictability of the fares and the increased availability of transportation options during peak times.

In general, both surveys demonstrate the community’s desire to introduce TNCs as an alternative transportation option for Regina. The surveys also identified that along with wanting more transportation options, safety for passenger and driver were important factors respondents felt should be taken into consideration when developing recommendations on ridesharing in Regina.

Taxi Industry

The Administration conducted two stakeholder consultations with the taxi industry. The primary purpose of these consultations was to listen to concerns related to allowing TNCs to operate in Regina. The Administration is sensitive to the industry’s concerns that permitting TNCs to operate will have an impact on their business. Stakeholders vocalized varying degrees of concern. Some thought Regina should not allow TNCs to operate while others acknowledged that TNCs are becoming a normal transportation option across Canada and have a place in Regina. Similarly, some stakeholders indicated that the regulatory framework should be applied uniformly for both industries, while others admitted that the industries operate differently and do not require a uniform approach. In formulating the recommendations included in this report the Administration considered the City’s current regulatory scheme for the taxi industry and how it could form the basis for a TNC regulatory scheme with adaptations that take into account the key differences between the industries.

TNC Industry

The Administration consulted with Uber and Lyft, the two largest TNCs in North America. The Administration also reached out to iFare, which has been advertising as a Regina ridesharing company, but never received a response. Both Lyft and Uber expressed interest in operating within the Regina market. Both companies explained how their Apps addressed and mitigated safety concerns for passengers and drivers. The companies also signaled that certain regulations at either the municipal or provincial level would make it difficult for them to operate.

The following tables highlight the differences and similarities between the taxi industry and the ridesharing industry.

Key differences include:

	Taxi	TNC
Ownership structure	Taxi often has third-party owner and has multiple drivers. Parties include: broker, owner, driver	Drivers operate their own vehicle. Parties include: TNC, driver
Fares	Cost of trip is unknown until completion of trip.	Cost of trip is known prior to accepting trip.
Dispatch	A taxi is dispatched by the broker.	Passenger can choose vehicle/driver prior to dispatch.

Vehicles	Vehicle equipped as a taxi is typically a commercial vehicle and operates 24/7 driven by several drivers.	Driver and vehicle typically operate on a part-time basis. The vehicle is typically for personal use.
SGI	Requires commercial carrier insurance.	Requires insurance premiums based on kilometres of service.

Key similarities include:

	Taxi	TNC
Drivers	Provide customer service.	Provide customer service.
Dispatch	Vehicles are dispatched by broker using computer-aided dispatch.	Vehicles are dispatched through TNC's App.
Trip data	Collects trip data through computer-aided dispatch.	Collects trip data through App.
SGI	Driver requirements for licensing and criminal record checks.	Driver requirements for licensing and criminal record checks.

Leading Practice Research

The Administration conducted a jurisdictional review to understand how other Canadian municipalities have approached the TNC industry. The highlights of this research are included in Appendix C. Nine municipalities were included in the research and all but Vancouver allow TNCs to operate. While each municipality has implemented slightly different requirements, some differences are attributable to variations in provincial legislation, provincial insurance requirements and other regional issues. In general, the municipalities included in the research have taken a similar approach by implementing requirements that leverage the TNC technology.

The following options were developed taking into account:

- Regina's taxi regulatory scheme
- Recently adopted provincial regulation of the vehicle for hire industry in Saskatchewan
- Research on Canadian municipalities' approach to the TNC industry
- TNC use of technology

Option 1: Do not permit TNCs to operate in Regina (status quo)

Under the Act, if the City does not create a system of licenses or approvals then TNCs will be prohibited from operating in Regina. The Administration does not recommend this option because of the strong public support in favour of introducing TNC services into Regina. TNCs are currently permitted to operate in the majority of similar sized as well as larger cities across Canada including Saskatoon.

Option 2: Create a Licensing Scheme for TNCs (recommended option)

The Administration recommends a policy approach that takes into account the industry's use of technology, TNC driver's use of personal vehicles and the pre-booking and cashless payment practices typically used in the industry. A regulatory scheme that does not take into account the unique way TNCs operate may unintentionally result in no TNCs operating in Regina.

This recommended option includes some of the same regulatory requirements that the City places on taxis and in other respects develops regulatory requirements that specifically address or are responsive to the different way that TNCs operate relative to the taxi industry. The specifics of the Administration’s recommended policy approach are detailed below and are consistent with the other municipalities in Canada that allow TNCs to operate. A column entitled “Regina proposed” is included in the jurisdictional review attached as Appendix C to show how the proposed regulations compare with other jurisdictions.

(a) Licensing

The Administration recommends that TNCs be licensed by the City. The proposed license would be issued to each company and the company would be responsible for compliance with the City’s bylaw, including payment of all fees, on behalf of itself and its drivers. Any failure of a driver to meet provincial licensing requirements or criminal record check requirements would therefore be the responsibility of the company, putting the company’s license in jeopardy. The bylaw would include a process for prosecution of offences or revocation of a license for breach of the bylaw. The Administration is not recommending that drivers or their vehicles be separately licensed by the City. This is discussed further in paragraph (c) drivers/vehicles.

The proposed fee charged to the TNC is based on the number of drivers/vehicles operating for that company and the number of trips taken. The TNCs have indicated a preference for bearing the entire cost of licensing on behalf of all drivers and vehicles in their service in order to keep the cost barrier low for drivers.

The proposed fee includes a per trip surcharge of \$0.07 per trip to be used toward transportation initiatives to support accessibility. This amount is consistent with both Saskatoon and Winnipeg. This approach to accessibility is consistent with all but two of the municipalities surveyed and is being recommended because most personal vehicles used to provide TNC services would not be properly equipped to provide accessible service. The fees collected would be held in a separate account to be used to support accessible transportation options or initiatives.

The licensing fee structure is proposed to be based on full cost recovery. The following initial fees are recommended:

Number of vehicles	Annual License Fee	Per trip fee	Per trip accessibility surcharge
1 to 10 vehicles	\$2,500	\$0.20	\$0.07
11 to 50 vehicles	\$12,000	\$0.20	\$0.07
51 or more vehicles	\$25,000	\$0.20	\$0.07

The Administration acknowledges that costs and revenues will be difficult to estimate for a new industry and will monitor them to determine if it is necessary to return to Council for further adjustments to work towards a full cost recovery scenario. The Administration estimates that it would require new staff resources within the licensing area (further described in the Financial Implications section), and that some existing resources would be re-directed towards regulation and enforcement. As an initial estimate, the Administration is aware of at least three companies that are likely to become licensed in Regina. The Administration estimates that two companies

will initially fall in the 11-50 vehicle category and one company may be licensed in the 1-10 vehicle category, with the total fees being \$26,500 plus the per trip fee.

This is the same fee structure as proposed by Saskatoon and is consistent with fees charged in other municipalities. For further context, the City of Regina currently charges an annual fee to taxi brokers of \$350 regardless of how many owners (vehicles) or drivers are in their service. Each owner will then pay \$375 for their license and drivers pay \$25-\$50. Both the TNC and taxi licensing fee models are intended to cover the cost of administration and enforcement of the licensing scheme. Applying the proposed TNC fee model above and the taxi fee model to similar sized TNC and taxi brokerages is anticipated to result in a similar fee when taking into account all vehicles associated with a taxi brokerage or TNC.

(b) Fares

TNC fares are typically calculated using an algorithm that takes into account trip distance as well as real-time market supply and demand. TNC Apps provide the fare price in advance of committing to the trip. Both the passenger and the driver are able to choose to take a given trip. As there is a high degree of transparency for both parties, the Administration does not recommend setting fares through bylaw. Instead, the Administration recommends the following:

- requiring the use of an App-based dispatch service and that all trips be pre-booked through this service;
- requiring passengers to be provided with the following fare information prior to accepting a trip: total trip cost, estimated dispatch and arrival times, cancellation rights;
- prohibiting TNC affiliated drivers from picking up street hails or using taxi stands;
- prohibiting TNCs and affiliated drivers from using the words “taxi” or “cab” or otherwise implying the operation of a licensed taxi service;
- prohibiting TNCs and affiliated drivers from accepting cash;
- requiring, upon completion of a trip, the issuance of an electronic receipt containing prescribed information.

(c) Drivers/Vehicles

A number of driver requirements are set out in the new *Vehicle for Hire Regulations*. The *Regulations* require all drivers must have either a class 1, 2, 3, 4 or 5 Saskatchewan Driver’s Licence. Class 5 is the standard class for all drivers. For TNCs, taxis and limos there are additional requirements for a class 5 driver’s licence, as follows:

- must have at least two years driving experience in Canada or in a jurisdiction with equivalent licensing requirements;
- must not have been suspended or disqualified from driving in the previous 10 years; and
- must not have accumulated more than twelve demerit points in the previous two years.

Administration is satisfied with the additional restrictions prescribed by the *Regulations* for class 5 licence holders and is not recommending introducing additional drivers licensing requirements through the bylaw.

The *Regulations* also require all drivers to have an annual Criminal Record Check (CRC) completed by local law enforcement or an approved agent and submitted to SGI by the TNC. The *Regulations* list offences that would result in a lifetime prohibition and for others a time

frame where convictions of such offences would deem an applicant ineligible to be a driver for a TNC. The Administration has reviewed the list of offences and has made inquiries of the Regina Police Service regarding the list and does not recommend any additional requirements with respect to CRCs.

The Vehicle Inspection Regulations have been amended to require that all vehicles for hire have a valid stage 2 inspection certificate completed annually by a qualified mechanic appointed by SGI. This is the same certificate a person would be required to obtain when re-certifying a total loss (“written off”) vehicle or certifying an out-of-province vehicle. The Administration does not recommend that TNCs require any additional vehicle inspections to be completed by the City.

TNCs typically dispatch trips only after providing driver and vehicle information to the passenger and subject to the passenger’s approval. As a safety measure for the driver, they are not permitted to accept payment and are also provided with certain passenger information. The Administration recommends the following requirements related to safety measures for drivers and vehicles:

- requiring passengers to be provided with the driver name and image, vehicle make, model and year and company privacy policy prior to passenger acceptance of a trip;
- requiring that payment only be made through the application;
- requiring that the TNC provide the City with driver and vehicle information considered relevant by the City;
- creating offences which can result in the loss of the TNC licence if a TNC dispatches ineligible (unlicensed) drivers or vehicles;
- requiring the TNC to retain records of trips including driver and passenger identification.

In addition to the requirements imposed by the provincial regulations and the safety measures described above, the Administration further recommends that TNC drivers be required to abide by service provision standards related to driver conduct and vehicle cleanliness. These requirements are recommended to be similar to those currently required by the City for taxi drivers.

(d) Technology

Although the larger TNCs use technology in innovative ways which often enhance safety and passenger experience, the Administration recommends that the City require the following for all TNCs:

- the use of an application-based (computer-aided) dispatch service using GPS technology to book and dispatch trips (the “App”);
- the recording of trip information such as pickup and destination location as well as passenger and driver information;
- the submission of prescribed information to the City;
- that certain information be provided to all customers through the App prior to the completion of a booking, including total cost, arrival time, driver identification, company contact information, privacy policy, cancellation rights and an electronic receipt.

Option 3: Create a Licensing Scheme for TNCs as in Option 2 with additional requirements (not recommended)

The Administration considered the following additional requirements and is not recommending them as part of option 2 (the recommended option). The requirements were not recommended for various reasons as outlined under each heading.

(a) Cap on the number of Licenses

The Administration is not recommending that a cap be placed on the number of TNC licenses or on the number of vehicles driving for a TNC. This is in line with all other Canadian municipalities as none limit the number of TNC licenses or the number of vehicles driving for a TNC. The prominent TNC platforms self-adjust the supply of drivers based on real-time market signals and the TNC platform is intended to cater to part-time drivers. There does not appear to be a benefit to consumers to place a cap on the number of available TNCs.

(b) Minimum fares

Some municipalities have elected to place a minimum fare requirement on TNCs. The fee is often related to the amount a taxi is allowed to charge as a base fee (drop rate). This amount would be in the \$3-4 dollar range. The Administration has not recommended a minimum as we see no benefit to customers. Similarly, there is no minimum fare in *The Taxi Bylaw*.

(c) Drivers

The City could license all drivers. The recommended option does not include licensing of drivers separately from the TNC because the TNC business model holds the company responsible for many costs and other regulatory requirements on behalf of its drivers.

The recommended option does not include a requirement for drivers to provide criminal record checks to the City. *The Vehicle for Hire Act Regulations* require criminal record checks to be provided to SGI. Failing a criminal record check requirement would result in a restriction being placed on the individual's driver's licence meaning that the individual is prohibited by SGI from driving a public transportation vehicle. The Act and proposed bylaw both prohibit a TNC from dispatching a driver who does not have a valid driver's license or fails a criminal record check. It is an option for the City to also require receiving criminal record checks.

Three of the eight cities reviewed (Toronto, Calgary and Waterloo) require the licensing of drivers as well submission of CRCs to the City. Waterloo allows brokers to be granted licensing authority for their drivers. Toronto's bylaw is currently under review. Both Calgary and Toronto permit the TNC to apply for licenses on behalf of its drivers. The Administration is satisfied with the new oversight created by SGI of drivers for vehicles-for-hire and does not find increased benefit for requiring the licensing of drivers or submission of CRCs to the City.

(d) Vehicle Age

The recommended option does not stipulate vehicle age requirements for TNCs. The Administration is satisfied with SGI requiring a valid stage 2 inspection certificate completed annually by a qualified mechanic appointed by SGI. Furthermore, passengers are able to see vehicle information prior to booking a ride. Five of the eight other Canadian municipalities reviewed have implemented vehicle age requirements for TNCs. If vehicle age requirements are preferred, the typical maximum vehicle age in the municipalities researched is 10 years.

(e) Cameras

Research conducted indicates that no other Canadian municipality has included a requirement for cameras to be installed in TNC vehicles. Calgary and Ottawa have both completed reviews on this subject and determined that cameras are not necessary for business models that only conduct pre-arranged trips and retain passenger and driver information for accountability purposes. While safety for both driver and passenger are important, the Administration has approached this issue in the recommended Option 2 by requiring certain identifying information be provided to passengers and drivers prior to acceptance of and during a trip, prohibiting payment transactions in the vehicle and requiring the TNC to retain trip information which could be retrieved as part of a police investigation.

Based on this analysis, influenced by the review of other Canadian municipalities, the Administration does not recommend this option. It has also been the case that TNCs will not participate in markets if the regulatory environment imposes different safety and security features than that already built into the TNC platform.

RECOMMENDATION IMPLICATIONS

Financial Implications

An additional FTE was approved, through the 2019 Budget that will facilitate the introduction of the recommendations in this report and manage the ongoing regulatory requirements for ridesharing in Regina. The licensing fees recommended in the report will help offset the cost of this position. The Administration will review licensing fees in the future to determine if an increase or decrease is desired in order to move to full cost recovery.

Environmental Implications

None with respect to this report.

Policy and/or Strategic Implications

Allowing for another transportation option in Regina is in line with the Transportation Goals of the Official Community Plan. It also supports the Community Priority of ‘Fostering Economic Prosperity’ by allowing a new ride-sharing economy to establish itself in Regina.

Other Implications

None with respect to this report.

Accessibility Implications

The Administration will collect the accessibility surcharge on a per trip basis from the TNCs. The funds will be used to support accessible transportation.

COMMUNICATIONS

None with respect to this report.

DELEGATED AUTHORITY

The recommendations contained in this report require City Council approval.

Respectfully submitted,



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Respectfully submitted,



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