



Free markets. Real solutions.

R STREET POLICY STUDY NO. 48
December 2015

RIDESCORE 2015: HIRED DRIVER RULES IN U.S. CITIES

Andrew Moylan and Zach Graves

INTRODUCTION

R Street researchers last year embarked on an ambitious project to assess 50 of America's largest cities on the quality of their regulatory environments for vehicle-for-hire services. The emergence in recent years of ridesharing services like Uber and Lyft has disrupted existing taxicab and limousine business models. In the early days of this new service option, many states and municipalities reacted with kneejerk attempts to shut down the services, rather than examining whether it was time to lift the heavy regulations that long had been placed on incumbent taxis and limos and that serve to hike costs and degrade service.

Much like other businesses that face disruption, the taxi industry made itself a target, due in no small part to persistent customer concerns about availability and responsiveness. A 2013 survey in San Francisco found more than 26 percent of users rated taxi availability at their homes to be

CONTENTS

| | |
|---|----|
| Introduction | 1 |
| TNC friendliness | 2 |
| Taxi friendliness | 5 |
| Limo friendliness | 7 |
| Overall transportation friendliness | 9 |
| Ideological trends | 11 |
| Population and density | 13 |
| Pre-emption | 13 |
| Labor issues | 13 |
| Conclusion | 14 |
| FIGURE 1: R Street map of TNC legislation | 2 |
| FIGURE 2: Policy conservatism in U.S. cities | 12 |
| TABLE 1: TNC friendliness scores | 4 |
| TABLE 2: Taxi friendliness scores | 6 |
| TABLE 3: Limo friendliness scores | 8 |
| TABLE 4: Overall transportation friendliness scores | 10 |

“terrible,” with 27 percent reporting cabs that never showed up or that took more than 30 minutes to arrive on weekends.¹

With transportation options changing rapidly across the country, we performed an in-depth review of regulatory climates facing for-hire vehicle services in 50 major American cities. The result, Ridescore 2014, and the associated website, ridescore.org, provided a comprehensive analysis of each city's legal climate for both traditional taxi and limo services, as well as for emerging transportation network companies (TNCs) like Uber, Lyft and Sidecar.

Our findings told the story of a policy area in flux. Some forward-looking cities, like Washington, D.C., were beginning the difficult work of crafting new legal structures for TNCs, while modestly scaling back onerous restrictions on taxis and limos. Meanwhile, recalcitrant cities like Las Vegas clung to heavy command-and-control regulation of taxis and limos, while freezing out TNCs entirely.

We sought to perform a similar, but improved, analysis of for-hire transportation regulation in America's major cities for 2015.² We again reviewed each of the 50 cities in three categories: TNC regulation, taxi regulation and limo regulation. Each component included a base score with point deductions or additions based on a combination of objec-

1. Hara Associates Inc. and Corey, Canapary & Galanis, “Best Practices Studies of Taxi Regulation,” San Francisco Municipal Transportation Agency, March 31, 2013. <https://www.sfmta.com/sites/default/files/Draft%20SF%20UserSurvey%2055%20WEB%20version04042013.pdf>

2. Research assistance was provided by John D'Ambrosio, Ian Adams, Lori Sanders and R.J. Lehmann.

tive and subjective measurements of a city's restrictions. The three components were then blended to create a combined "transportation friendliness" score and an associated letter grade, yielding an easily understood assessment of the relative freedom of each city's regulatory climate.

It should be noted that our analysis includes all relevant city, county or state legislation that affect for-hire transportation. Evaluating only municipal regulation would overlook the obvious impact of statewide legislation, especially in states that have chosen to pre-empt local efforts. But evaluating only state or county law would overlook the obvious impact of additional (or, in some cases, conflicting) municipal regulations. As such, a high transportation-friendliness score does not necessarily testify to the genius of a particular city's elected council and mayor, just as a low score is not necessarily a condemnation of their work. The score is instead our best estimate of the overall regulatory climate in that city.

While Ridescore 2014 told the story of a policy area in flux, Ridescore 2015 tells a story of consistent, albeit modest, improvement. Of the 50 cities in our analysis, 29 improved their scores this year, while only one earned a significant double-digit drop. Competition and innovation appear to have driven legislators to begin modernizing legal climates to keep up with market developments.

It also should be noted that there are emerging areas of law and regulation that could affect the transportation-for-hire market, either directly or indirectly, which are not addressed in this report. Cities and other municipal authorities have differed in the degree to which they allow TNCs to operate at airports, a controversy that this edition of the report does not attempt to quantify. Recent litigation and some recent legislation both seek to clarify whether TNC drivers should be regarded as employees or as independent contractors, which also is not reflected in the current scores. Moreover, emerging debates about consumer data-privacy issues and government information-sharing mandates potentially could shape how new and existing transportation services evolve. These are topics that may be examined more fully in future editions of Ridescore.

TNC FRIENDLINESS

The 2015 picture for transportation network companies is, indeed, quite different from 2014. TNCs entered 2014 facing existential questions across much of the country, including on issues of regulatory requirements for insurance coverage and background checks for drivers. Less than two years later, those questions largely have been resolved.

In March 2015, a number of major insurers and all three of the largest property/casualty insurance trade associations struck a compromise with Uber and Lyft to codify insurance

requirements for all three periods of a ride (when a driver is logged in to a ridesharing app but not matched to a rider, when a driver is on their way to pick up a rider and during the ride itself, when the individual is in the vehicle).³ This compromise, combined with a consensus to require background checks to screen for criminals or those with problematic driving records, was quickly adopted by many states and municipalities. As of December 2015, 29 states and the District of Columbia have passed some form of legislation creating a regulatory structure for TNCs, as seen in Figure 1.

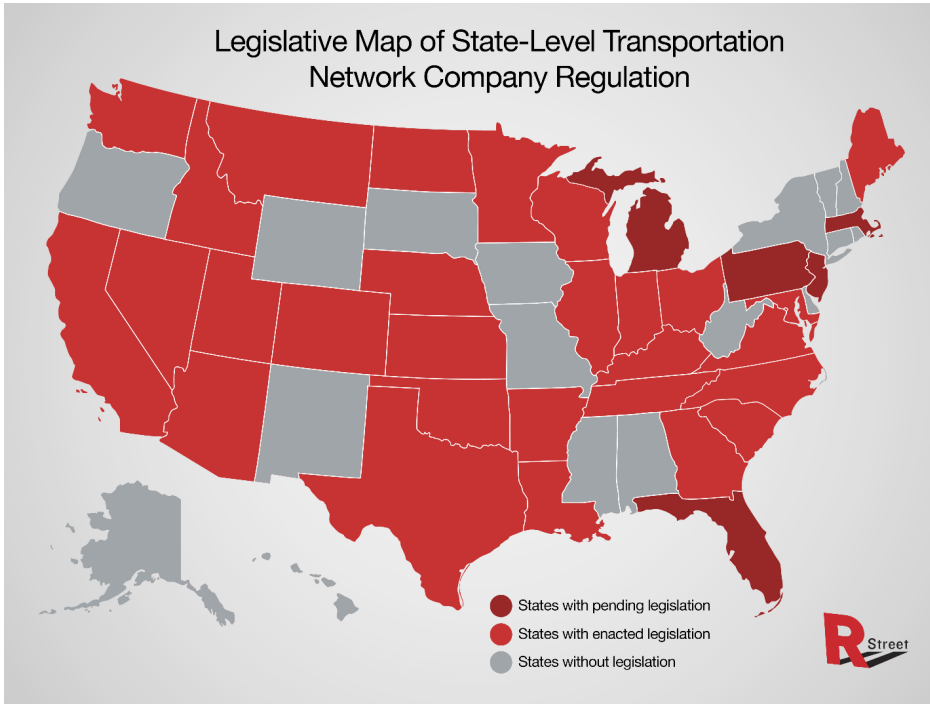
Dozens of cities also have passed their own legal frameworks. In fact, only a small handful of the 50 cities in our 2015 analysis lack some comprehensive statutory acknowledgment of TNCs, either at the state or municipal level. In 2014, 27 cities lacked such a structure.

We took an enhanced approach to evaluate TNC regulation for Ridescore 2015. Each city started with a base score of 90, and points were added or deducted based on the following questions:

1. **Can TNCs operate legally within the city?** – We analyzed each city's legal framework or lack thereof. If a municipality had in place at some point during calendar year 2015 a cease-and-desist order banning all TNC operations, they were deducted as many as 15 points, depending on the duration and severity of that order. If the order was removed or replaced with subsequent legislation, the city could regain as many as 10 points. We felt this structure appropriately penalized cities that took the "ban first, ask questions later" mentality so prevalent in early TNC fights, while giving due credit to those that rectified the situation by passing appropriate statutory changes.
2. **How hostile is the city's regulatory framework for TNCs?** – The second component analyzes each city's regulatory framework for its openness to TNC services. We deduct up to 25 points from this score, depending on the severity of the city's rules. For example, requiring separate licensure or medallions for TNC drivers, imposing disproportionate taxes and fees, establishing strict pricing rules for ridesharing or imposing unreasonable inspection and background-check requirements could bring significant point deductions.
3. **Are the city's TNC insurance requirements disproportionately high?** – While insurers and TNCs have crafted a compromise framework for appropriate insurance levels, some cities and states still have

3. Ray Lehmann, "Major Insurers to Strike Deal to Support Compromise TNC Language," *Insurance Journal*, March 24, 2015. <http://www.insurancejournal.com/blogs/right-street/2015/03/24/361971.htm>

FIGURE I: R STREET MAP OF TNC LEGISLATION



Map reflects legislation as of Dec. 11, 2015

not calibrated the required minimum coverages to protect the public without placing undue burdens on ridesharing drivers. In order to craft a reasonable baseline, we applied the following formula.

For requirements during the so-called “Period 1” – when a ridesharing driver is available for hailing, but not yet matched to a rider – we compared how insurance requirements for ridesharing differ from minimum coverage requirements for ordinary drivers. We deducted up to 2 points for those with Period 1 requirements that were substantially higher for ridesharing drivers. For Period 2 (once a driver has matched with a passenger) and Period 3 (when the driver is actively transporting the passenger) we compared a city’s TNC insurance requirements to its requirements for limousines (a reasonable proxy, since many limos are owner-operated) and assessed deductions of up to 3 points where the requirements differed significantly. Finally, a city that mandates drivers carry comprehensive and collision coverage (an optional coverage generally not required of taxis, limos or ordinary drivers) could face deductions of up to 2 additional points. In total, a city could face deductions of up to 7 points for excessive TNC insurance requirements.

Applying this methodology yields a score that translates into a letter grade for TNC regulatory friendliness. The TNC

grade accounts for 40 percent of a city’s overall score. The results are displayed in Table 1.

As can be seen in the scores, the insurance compromise contributed greatly to rapid adoption of commonsense ridesharing legislation and a corresponding increase in TNC friendliness. In fact, 30 of the 50 cities saw improvements in their TNC friendliness score and 23 cities improved by 10 points or more. Only 10 cities received grades of C+ or below, while 30 cities received grades of A- or higher.

The median score this year was 92.5, equivalent to an A grade. This represents a substantial 12.5 point jump over the 2014 median of 80.0. While last year’s results showed TNC regulations that varied greatly from city to city, the standard deviation of scores dropped significantly from 17 points to just 11 points. This reflects much more “clustering” around a high degree of TNC freedom, owing to the proliferation of largely reasonable ridesharing bills across the country. With the recent passage of TNC legislation in Ohio and ongoing negotiations in several other states, it’s not unreasonable to project that nearly every state will have a statute on the books by the end of 2016.

Nashville had the top TNC-friendliness score nationwide, at 97.0, reflecting its commonsense ridesharing legislation and lack of hostile regulations that would restrict access. The city saw a modest 3-point deduction for having slightly

TABLE I: TNC FRIENDLINESS SCORES (BASE SCORE = 90)

| City | State | Legality | Hostility | Insurance | 2015 Score | 2014 Score | Change | 2015 Grade |
|------------------|-------|----------|-----------|-----------|------------|------------|--------|------------|
| Albuquerque | NM | +1.0 | -15.0 | -2.0 | 74.0 | 65.0 | +9.0 | C |
| Atlanta | GA | +10.0 | -10.0 | -5.0 | 85.0 | 85.0 | 0.0 | B |
| Austin | TX | +10.0 | -2.5 | -5.0 | 92.5 | 95.0 | -2.5 | A |
| Baltimore | MD | +10.0 | -2.5 | -2.0 | 95.5 | 80.0 | +15.5 | A |
| Boston | MA | +1.0 | 0.0 | 0.0 | 91.0 | 80.0 | +11.0 | A- |
| Charlotte | NC | +10.0 | -2.5 | -5.0 | 92.5 | 80.0 | +12.5 | A |
| Chicago | IL | +5.0 | -5.0 | -5.0 | 85.0 | 86.0 | -1.0 | B |
| Cleveland | OH | +10.0 | 0.0 | -5.0 | 95.0 | 80.0 | +15.0 | A |
| Colorado Springs | CO | +10.0 | -5.0 | -2.0 | 93.0 | 100.0 | -7.0 | A |
| Columbus | OH | +10.0 | -15.0 | -5.0 | 80.0 | 76.0 | +4.0 | D |
| Dallas | TX | +10.0 | -10.0 | -5.0 | 85.0 | 75.0 | +10.0 | B |
| Denver | CO | +10.0 | -5.0 | -5.0 | 90.0 | 100.0 | -10.0 | A- |
| Detroit | MI | 0.0 | 0.0 | -2.0 | 88.0 | 85.0 | +3.0 | B+ |
| El Paso | TX | 0.0 | 0.0 | -5.0 | 85.0 | 80.0 | +5.0 | B |
| Fort Worth | TX | 0.0 | 0.0 | -5.0 | 85.0 | 80.0 | +5.0 | B |
| Fresno | CA | +10.0 | -2.5 | -5.0 | 92.5 | 98.0 | -5.5 | A |
| Houston | TX | +1.0 | -20.0 | -2.0 | 69.0 | 76.0 | -7.0 | D+ |
| Indianapolis | IN | +10.0 | 0.0 | -5.0 | 95.0 | 85.0 | +10.0 | A |
| Jacksonville | FL | +1.0 | -10.0 | -2.0 | 79.0 | 55.0 | +24.0 | C+ |
| Kansas City | MO | +1.0 | -20.0 | -5.0 | 66.0 | 35.0 | +31.0 | D |
| Las Vegas | NV | +5.0 | -10.0 | -2.0 | 83.0 | 50.0 | +33.0 | B |
| Long Beach | CA | +10.0 | -2.5 | -5.0 | 92.5 | 98.0 | -5.5 | A |
| Los Angeles | CA | +10.0 | -2.5 | -5.0 | 92.5 | 93.0 | -0.5 | A |
| Louisville | KY | +10.0 | 0.0 | -5.0 | 95.0 | 80.0 | +15.0 | A |
| Memphis | TN | +10.0 | 0.0 | -5.0 | 95.0 | 65.0 | +30.0 | A |
| Mesa | AZ | +10.0 | 0.0 | -5.0 | 95.0 | 75.0 | +20.0 | A |
| Miami | FL | +1.0 | -25.0 | -2.0 | 64.0 | 75.0 | -11.0 | D |
| Milwaukee | WI | +10.0 | 0.0 | -5.0 | 95.0 | 76.0 | +19.0 | A |
| Minneapolis | MN | +10.0 | 0.0 | -5.0 | 95.0 | 100.0 | -5.0 | A |
| Nashville | TN | +10.0 | 0.0 | -3.0 | 97.0 | 80.0 | +17.0 | A |
| New Orleans | LA | +5.0 | -10.0 | -7.0 | 78.0 | 66.0 | +12.0 | C+ |
| New York | NY | +1.0 | -20.0 | 0.0 | 71.0 | 63.0 | +8.0 | C- |
| Oakland | CA | +10.0 | -2.5 | -5.0 | 92.5 | 98.0 | -5.5 | A |
| Oklahoma City | OK | +10.0 | 0.0 | -5.0 | 95.0 | 80.0 | +15.0 | A |
| Omaha | NE | +10.0 | -7.5 | -3.0 | 89.5 | 35.0 | +54.5 | B+ |
| Orlando | FL | +1.0 | -15.0 | -5.0 | 71.0 | 75.0 | -4.0 | C- |
| Philadelphia | PA | -10.0 | -25.0 | -2.0 | 53.0 | 55.0 | -2.0 | F |
| Phoenix | AZ | +10.0 | 0.0 | -7.0 | 93.0 | 55.0 | +38.0 | A |
| Portland | OR | +10.0 | -5.0 | -2.0 | 93.0 | 50.0 | +43.0 | B+ |
| Raleigh | NC | +10.0 | 0.0 | -5.0 | 95.0 | 80.0 | +15.0 | A |
| Sacramento | CA | +10.0 | -2.5 | -5.0 | 92.5 | 98.0 | -5.5 | A |
| San Antonio | TX | +5.0 | -15.0 | -5.0 | 75.0 | 55.0 | +20.0 | C |
| San Diego | CA | +10.0 | -2.5 | -5.0 | 92.5 | 98.0 | -5.5 | A |
| San Francisco | CA | +10.0 | -2.5 | -5.0 | 92.5 | 98.0 | -5.5 | A |
| San Jose | CA | +10.0 | -2.5 | -5.0 | 92.5 | 98.0 | -5.5 | A |
| Seattle | WA | +10.0 | -15.0 | -2.0 | 83.0 | 100.0 | -17.0 | B |
| Tucson | AZ | +10.0 | 0.0 | -5.0 | 95.0 | 75.0 | +20.0 | A |
| Tulsa | OK | +10.0 | 0.0 | -5.0 | 95.0 | 80.0 | +15.0 | A |
| Virginia Beach | VA | +10.0 | 0.0 | -5.0 | 95.0 | 85.0 | +10.0 | A |
| Washington | DC | +10.0 | 0.0 | -5.0 | 95.0 | 100.0 | -5.0 | A |
| MEDIAN | | +10.0 | -2.5 | -5.0 | 92.5 | 80.0 | +6.5 | A |
| AVERAGE | | +7.1 | -5.8 | -4.2 | 87.0 | 78.7 | +8.3 | B+ |

disproportionate insurance requirements in Periods 2 and 3. Just behind Nashville is Baltimore, which received a score of 95.5. The Charm City's only deductions were associated with fees imposed on TNC services and modestly high Period 1 insurance requirements.

Baltimore is followed by a cluster of cities at 95.0 points: Cleveland, Indianapolis, Louisville, Memphis, Mesa, Milwaukee, Minneapolis, Oklahoma City, Raleigh, Tucson, Tulsa, Virginia Beach and Washington. All of these cities benefited from solid ridesharing legal frameworks and suffered only small deductions to account for slightly high insurance mandates.

The city that saw the largest increase in TNC friendliness is Omaha, which jumped from just 35.0 in 2014 all the way to 89.5 percent in 2015. The city's cease-and-desist order halting TNC operations was vacated in May, when the Nebraska Legislature passed a solid ridesharing bill that accounted for 10 points of improvement above the base score. Omaha was assessed modest deductions of 10 points to reflect the earlier cease-and-desist order, slightly disproportionate Period 2 and 3 insurance requirements and the imposition of an \$80 per-driver fee on TNC operators. The net result was a huge jump from dead last in 2014 to the middle of the pack in 2015.

Meanwhile, the lowest score was found in Philadelphia. The City of Brotherly Love makes TNC operations essentially illegal, as the Philadelphia Parking Authority (the regulator responsible for transportation services in the city) has banned ridesharing services. As such, Philadelphia saw 10 points deducted for its imposition of a cease-and-desist order and an additional 25 points for its exceptionally harsh enforcement activities. Though the state Legislature worked on a ridesharing bill, it had not yet passed as this paper went to publication.

In Ridescore 2014, Philadelphia was one of eight cities to receive an F on TNC friendliness. Its failure to improve has left it alone at the bottom as the only city to receive a failing grade on this component. In fact, the other seven cities that received an F in TNC friendliness last year improved their scores by an average of more than 33 points, leaving the home of the cheesesteak in their dust.

A few cities actually took steps backward in 2015. The city that saw the biggest drop in its TNC-friendliness score was Seattle, which fell 17 points from 100.0 to 83.0. The Emerald City was a success story last year, with cutting-edge legislation that affirmed TNCs' existence and provided a reasonable foundation for their legal operation. Unfortunately, that success was undermined this year with the city's subsequent imposition of a questionable "knowledge test" for TNC drivers, new fees on all TNC rides, and a nascent effort to unionize drivers for the first time. Combined with the city's

previous efforts (later vacated) to cap the total number of TNC drivers to just 150 (in a city with a population of more than 650,000) Seattle received a 15-point deduction for hostility. It received an additional 2-point deduction for having disproportionately high Period 2/3 insurance requirements. Seattle's final score put them 38th nationwide in TNC friendliness, after placing first last year.

TAXI FRIENDLINESS

Unfortunately, successful efforts to craft and implement appropriate TNC regulations across the country have not, to date, generally been accompanied by commensurate efforts to liberalize the often-onerous rules governing taxi markets. Cities' median score for taxi friendliness in this year's report was 75.0, nearly unchanged from the 74.7 we recorded last year. The standard deviation of 12.3 points also was roughly the same as in 2014. In fact, 21 cities saw no changes at all in their 2015 scores and another 20 cities saw changes of less than one point.

The taxi friendliness metric accounts for 40 percent of a city's overall score. We assessed three key policy areas. From a base score of 100, points were deducted based on the following questions:

1. **Does the city restrict fleet size or impose medallion or special-licensure requirements?** – Many cities restrict the supply of taxicabs through medallion systems, fleet caps and other forms of supplemental licensure. Economic experts agree such systems tend to increase rents to medallion and fleet owners (who frequently aren't themselves drivers) while artificially reducing service to passengers.⁴ Medallion systems are particularly problematic in that, in addition to constraining supply, they confer a property right that offers an incentive to future rent-seeking. A number of cities without formal medallion systems resort to more direct supply restriction by simply capping the number of taxis allowed to operate. Due in part to heavy lobbying by existing providers, many cities have held fleet limits below market-clearing levels and thus helped create supply shortages. It should be noted that some cities have hybrid systems or employ the terminology of "medallions" to describe what actually are non-tradable permits. We deducted as many as 30 points for cities where taxi supply is artificially constrained, depending on the severity of the constraints.
2. **How hostile is the city's regulatory framework for taxis?** – For the second year in a row, all 50 cities in

4. Paul Krugman, Robin Wells and Kathryn Graddy, *Essential Economics: Second Edition*, Worth Publishers, p. 119, 2011. http://books.google.com/books?id=VXpyNs5EaHEC&printsec=frontcover&source=gbs_ge_summary_r&cad=0#v=onepage&q&f=false

TABLE 2: TAXI FRIENDLINESS SCORES (BASE SCORE = 100)

| City | State | Fleet Size | Hostility | Insurance | 2015 Score | 2014 Score | Change | 2015 Grade |
|------------------|-------|------------|-----------|-----------|------------|------------|--------|------------|
| Albuquerque | NM | 0.0 | -5.0 | -5.0 | 90.0 | 86.9 | +3.2 | A- |
| Atlanta | GA | -30.0 | -5.0 | 0.0 | 65.0 | 75.0 | -10.0 | D |
| Austin | TX | -20.0 | -5.0 | 0.0 | 75.0 | 75.0 | 0.0 | C |
| Baltimore | MD | -20.0 | -5.0 | 0.0 | 75.0 | 75.0 | 0.0 | C |
| Boston | MA | -30.0 | -5.0 | 0.0 | 65.0 | 65.0 | 0.0 | D |
| Charlotte | NC | -20.0 | -5.0 | 0.0 | 75.0 | 75.0 | 0.0 | C |
| Chicago | IL | -30.0 | -5.0 | 0.0 | 65.0 | 63.9 | +1.1 | D |
| Cleveland | OH | -20.0 | -5.0 | -0.3 | 74.7 | 74.5 | +0.2 | C |
| Colorado Springs | CO | -20.0 | -5.0 | -2.4 | 72.6 | 72.3 | +0.3 | C |
| Columbus | OH | -20.0 | -5.0 | -0.3 | 74.7 | 64.5 | +10.2 | C |
| Dallas | TX | 0.0 | -5.0 | -2.4 | 92.6 | 72.3 | +20.3 | A |
| Denver | CO | -20.0 | -5.0 | -2.4 | 72.6 | 72.3 | +0.3 | C |
| Detroit | MI | -30.0 | -5.0 | -0.3 | 64.7 | 64.5 | +0.2 | D |
| El Paso | TX | -30.0 | -5.0 | -0.3 | 64.7 | 65.0 | -0.3 | D |
| Fort Worth | TX | 0.0 | -5.0 | -2.4 | 92.6 | 92.3 | +0.3 | A |
| Fresno | CA | 0.0 | -5.0 | -0.3 | 94.7 | 94.5 | +0.2 | A |
| Houston | TX | -20.0 | -5.0 | 0.0 | 75.0 | 74.5 | +0.5 | C |
| Indianapolis | IN | 0.0 | -5.0 | 0.0 | 95.0 | 95.0 | 0.0 | A |
| Jacksonville | FL | -30.0 | -5.0 | -0.3 | 64.7 | 94.5 | -29.8 | D |
| Kansas City | MO | -20.0 | -5.0 | 0.0 | 75.0 | 75.0 | 0.0 | C |
| Las Vegas | NV | -30.0 | -5.0 | -2.4 | 62.6 | 62.3 | +0.3 | D |
| Long Beach | CA | -20.0 | -5.0 | -0.8 | 74.2 | 73.9 | +0.2 | C |
| Los Angeles | CA | -20.0 | -5.0 | -0.3 | 74.7 | 74.5 | +0.2 | C |
| Louisville | KY | 0.0 | -5.0 | 0.0 | 95.0 | 95.0 | 0.0 | A |
| Memphis | TN | -20.0 | -5.0 | 0.0 | 75.0 | 75.0 | 0.0 | C |
| Mesa | AZ | 0.0 | -5.0 | 0.0 | 95.0 | 95.0 | 0.0 | A |
| Miami | FL | -30.0 | -5.0 | 0.0 | 65.0 | 65.0 | 0.0 | D |
| Milwaukee | WI | 0.0 | -5.0 | 0.0 | 95.0 | 95.0 | 0.0 | A |
| Minneapolis | MN | 0.0 | -5.0 | -0.3 | 94.7 | 94.5 | +0.2 | A |
| Nashville | TN | -30.0 | -5.0 | 0.0 | 65.0 | 65.0 | 0.0 | D |
| New Orleans | LA | -20.0 | -5.0 | 0.0 | 75.0 | 75.0 | 0.0 | C |
| New York | NY | -30.0 | -5.0 | -0.3 | 64.7 | 64.5 | +0.2 | D |
| Oakland | CA | -20.0 | -5.0 | -5.0 | 70.0 | 66.9 | +3.2 | C- |
| Oklahoma City | OK | -20.0 | -5.0 | 0.0 | 75.0 | 75.0 | 0.0 | C |
| Omaha | NE | 0.0 | -5.0 | -2.4 | 92.6 | 92.3 | +0.3 | A |
| Orlando | FL | -20.0 | -5.0 | 0.0 | 75.0 | 75.0 | 0.0 | C |
| Philadelphia | PA | -30.0 | -5.0 | 0.0 | 65.0 | 65.0 | 0.0 | D |
| Phoenix | AZ | 0.0 | -5.0 | 0.0 | 95.0 | 94.5 | +0.5 | A |
| Portland | OR | 0.0 | -5.0 | -2.7 | 92.0 | 72.3 | +19.7 | A- |
| Raleigh | NC | 0.0 | -5.0 | 0.0 | 95.0 | 95.0 | 0.0 | A |
| Sacramento | CA | -20.0 | -5.0 | -2.4 | 72.6 | 72.3 | +0.3 | C |
| San Antonio | TX | -20.0 | -5.0 | 0.0 | 75.0 | 75.0 | 0.0 | C |
| San Diego | CA | 0.0 | -5.0 | -0.3 | 94.7 | 64.5 | +30.2 | A |
| San Francisco | CA | -30.0 | -5.0 | -0.3 | 64.7 | 64.5 | +0.2 | D |
| San Jose | CA | -20.0 | -5.0 | -0.3 | 74.7 | 74.5 | +0.2 | C |
| Seattle | WA | -30.0 | -5.0 | -0.3 | 64.7 | 64 | +0.7 | D |
| Tucson | AZ | 0.0 | -5.0 | 0.0 | 95.0 | 95.0 | 0.0 | A |
| Tulsa | OK | -30.0 | -5.0 | 0.0 | 65.0 | 65.0 | 0.0 | D |
| Virginia Beach | VA | 0.0 | -5.0 | -0.3 | 94.7 | 94.5 | +0.2 | A |
| Washington | DC | 0.0 | -5.0 | 0.0 | 95.0 | 95.0 | 0.0 | A |
| MEDIAN | | -20.0 | -5.0 | -0.2 | 75.0 | 74.7 | +0.2 | C |
| AVERAGE | | -16.1 | -5.0 | -0.7 | 78.2 | 77.2 | +1.0 | C+ |

our analysis prescribed regulations on taxis' fares, dispatch mandates and vehicle-age limits. These elaborate rules effectively eliminate price competition and, in many cases, suppress supply and degrade service levels. To account for the presence of these complex structures, we deducted 5 points from every city.

3. **How burdensome are insurance requirements for taxis?** – Every city in our analysis establishes minimum insurance requirements for taxicabs. To assess the relative burden of these requirements, we surveyed the minimum liability coverage levels required in each of the 50 cities. For those whose requirements were significantly above the mean, we deducted up to 5 points.

The results can be found in Table 2.

In discussing the six cities with significant score changes, we should begin with a mea culpa. Atlanta and Jacksonville have 2015 scores that are significantly lower than in 2014, due not to worse regulatory climates but to data-categorization errors in last year's analysis. Atlanta actually eased its inspection rules and vehicle-age limits somewhat earlier this year. However, a proper account of its medallion system for taxi licensure led to a drop in its score this year. Jacksonville's 2015 score likewise now properly reflects its medallion system. We also reassessed Columbus' fleet-size restrictions, which earned a 30-point deduction last year. While the city imposes a cap on taxis and has a black market for trade in permits, it does not operate a medallion system and thus is more appropriately penalized 20 points in this year's report.

Three cities that undertook significant positive reform in taxi freedom were Dallas, Portland and San Diego. Dallas removed its cap on the number of taxis permitted to operate. While there is little policy justification for caps of this nature, they are politically difficult to change and the city deserves credit for moving boldly to eliminate the cap entirely. The effort accounts for most of the city's more than 20-point improvement, as Dallas' score jumped from 72.3 to 92.6.

After a months-long pilot program, Portland similarly passed legislation to eliminate its fleet cap, coinciding with its new regulatory framework for TNCs. This accounts for the jump in the city's taxi-friendliness score from 72.3 in 2014 to 92.0 this year.

San Diego already had a TNC law in place, thanks to the California Legislature's pioneering efforts in 2014. This year, the city liberalized its taxi restrictions by abolishing the limit of just 993 taxi permits. This put an end to the trading of licenses, which had reached into six-figure dollar amounts. The change boosted San Diego's score by 30.2 points, as it went from a D to an A in taxi friendliness.

The top score for taxi friendliness in 2015 was 95.0, shared by eight cities: Indianapolis, Louisville, Mesa, Milwaukee, Phoenix, Raleigh, Tucson and Washington. While each received a deduction of five points for restrictions on fares and operation, they yielded no other demerits. None have a restriction on fleet size or a problematic medallion system, and they impose relatively modest insurance requirements that do not pose an unworkable burden for taxi operations.

Meanwhile, the lowest-scoring city in taxi friendliness was, once again, Las Vegas. Sin City earned a score of 62.6, for a grade of D. It has a pernicious medallion system which restricts supply and increases financial returns to owners, who tend to be much wealthier than drivers. The city also imposes minimum liability requirements nearly twice as high as the average across all 50 cities. Combined with its restrictions on fares and vehicles, the net result is a very difficult environment for taxi providers and customers. Under mounting pressure from business and convention officials, the Nevada Taxicab Authority began last month to increase the number of medallions in circulation.⁵ Growing competition from TNCs might further spur the city to be more aggressive with reforms in the future.

LIMO FRIENDLINESS

Much as in the taxi-friendliness category, the picture of limo friendliness is little changed from last year. In 22 cities, there was no change in score, while six others saw changes of less than one full point. Another 19 cities saw modest movements of less than 10 points, generally reflecting small changes on two components that measure insurance requirements. As a result, both the average score and standard deviation are essentially unchanged from 2014.

In three cities – Atlanta, Fort Worth and Detroit – refinements we made in this year's report in how to categorize regulations related to minimum waits, ride times and fares, led to more significant changes in scoring. Atlanta jumped 20.0 points, Fort Worth rose 20.6 and Detroit dropped 29.1.

The limo-friendliness metric accounts for 20 percent of a city's overall score. To assess regulations on limo and black-car services, we evaluated four key policy areas. From a base score of 100, we added or deducted points based on the following questions:

1. **Does the city mandate minimum wait times, ride times or fares?** – Many cities segregate the markets for taxi and limousine services by forcing limos to comply with minimum fares, minimum wait times

5. Richard N. Velotta, "Officials approve record number of cabs for Las Vegas," *Las Vegas Review-Journal*, Nov. 19, 2015. <http://www.reviewjournal.com/business/officials-approve-record-number-cabs-las-vegas>

TABLE 3: LIMO FRIENDLINESS SCORES (BASE SCORE = 100)

| City | State | Hostility | Min. Wait/Fare | Insurance Req | | 2015 Score | 2014 Score | Change | 2015 Grade |
|------------------|-------|-----------|----------------|---------------|---------|------------|------------|--------|------------|
| | | | | Burden | vs Taxi | | | | |
| Albuquerque | NM | -15.0 | 0.0 | -4.1 | 0.0 | 80.9 | 75.8 | +5.2 | B- |
| Atlanta | GA | -15.0 | 0.0 | 0.0 | -5.0 | 80.0 | 60.0 | +20.0 | B- |
| Austin | TX | -15.0 | -30.0 | 0.0 | -5.0 | 50.0 | 55.0 | -5.0 | F |
| Baltimore | MD | -15.0 | 0.0 | 0.0 | -1.7 | 83.3 | 83.3 | 0.0 | B |
| Boston | MA | -15.0 | 0.0 | 0.0 | 0.0 | 85.0 | 85.0 | 0.0 | B |
| Charlotte | NC | -15.0 | -20.0 | 0.0 | 0.0 | 65.0 | 65.0 | 0.0 | D |
| Chicago | IL | -15.0 | 0.0 | 0.0 | -5.0 | 80.0 | 85.0 | -5.0 | B- |
| Cleveland | OH | -15.0 | 0.0 | 0.0 | 0.0 | 85.0 | 85.0 | 0.0 | B |
| Colorado Springs | CO | -15.0 | 0.0 | -7.8 | -5.0 | 72.2 | 77.5 | -5.3 | C- |
| Columbus | OH | -15.0 | 0.0 | -0.4 | -1.7 | 83.0 | 82.4 | +0.6 | B |
| Dallas | TX | -15.0 | 0.0 | -0.4 | 0.0 | 84.6 | 84.1 | +0.6 | B |
| Denver | CO | -15.0 | 0.0 | -0.4 | 0.0 | 84.6 | 77.5 | +7.1 | B |
| Detroit | MI | -15.0 | -20.0 | -4.1 | -5.0 | 55.9 | 85.0 | -29.1 | F |
| El Paso | TX | -15.0 | 0.0 | 0.0 | 0.0 | 85.0 | 80.0 | +5.0 | B |
| Fort Worth | TX | -15.0 | 0.0 | -0.4 | 0.0 | 84.6 | 64.1 | +20.6 | B |
| Fresno | CA | -15.0 | 0.0 | -2.2 | -3.8 | 79.0 | 84.6 | -5.6 | C+ |
| Houston | TX | -15.0 | -30.0 | -4.1 | -5.0 | 45.9 | 52.4 | -6.5 | F |
| Indianapolis | IN | -15.0 | 0.0 | 0.0 | 0.0 | 85.0 | 85.0 | 0.0 | B |
| Jacksonville | FL | -15.0 | 0.0 | 0.0 | 0.0 | 85.0 | 85.0 | 0.0 | B |
| Kansas City | MO | -15.0 | 0.0 | 0.0 | 0.0 | 85.0 | 85.0 | 0.0 | B |
| Las Vegas | NV | -15.0 | -30.0 | -7.8 | -5.0 | 42.2 | 52.0 | -9.8 | F |
| Long Beach | CA | -15.0 | 0.0 | -2.2 | -2.9 | 79.9 | 85.0 | -5.1 | C- |
| Los Angeles | CA | -15.0 | 0.0 | -2.2 | -3.8 | 79.0 | 84.6 | -5.6 | C+ |
| Louisville | KY | -15.0 | 0.0 | 0.0 | 0.0 | 85.0 | 85.0 | 0.0 | B |
| Memphis | TN | -15.0 | 0.0 | 0.0 | 0.0 | 85.0 | 85.0 | 0.0 | B |
| Mesa | AZ | -15.0 | 0.0 | 0.0 | 0.0 | 85.0 | 80.0 | +5.0 | B |
| Miami | FL | -15.0 | -30.0 | 0.0 | -5.0 | 50.0 | 50.0 | 0.0 | F |
| Milwaukee | WI | -15.0 | 0.0 | 0.0 | 0.0 | 85.0 | 85.0 | 0.0 | B |
| Minneapolis | MN | -15.0 | 0.0 | 0.0 | 0.0 | 85.0 | 85.0 | 0.0 | B |
| Nashville | TN | -15.0 | -5.0 | 0.0 | 0.0 | 80.0 | 80.0 | 0.0 | B- |
| New Orleans | LA | -15.0 | -10.0 | 0.0 | -5.0 | 70.0 | 65.0 | +5.0 | C- |
| New York | NY | -15.0 | 0.0 | 0.0 | 0.0 | 85.0 | 85.0 | 0.0 | B |
| Oakland | CA | -15.0 | 0.0 | -2.2 | 0.0 | 82.8 | 85.0 | -2.2 | B |
| Oklahoma City | OK | -15.0 | 0.0 | 0.0 | 0.0 | 85.0 | 85.0 | 0.0 | B |
| Omaha | NE | -15.0 | 0.0 | -0.4 | 0.0 | 84.6 | 84.1 | +0.6 | B |
| Orlando | FL | -15.0 | -30.0 | 0.0 | -0.5 | 54.5 | 55.0 | -0.5 | B |
| Philadelphia | PA | -15.0 | 0.0 | -7.8 | -5.0 | 72.2 | 72.0 | +0.2 | C- |
| Phoenix | AZ | -15.0 | 0.0 | 0.0 | 0.0 | 85.0 | 85.0 | 0.0 | B |
| Portland | OR | -15.0 | -25.0 | -4.1 | 0.0 | 55.9 | 47.5 | +8.4 | F |
| Raleigh | NC | -15.0 | 0.0 | 0.0 | 0.0 | 85.0 | 85.0 | 0.0 | B |
| Sacramento | CA | -15.0 | 0.0 | -2.2 | -1.3 | 81.5 | 85.0 | -3.5 | B- |
| San Antonio | TX | -15.0 | -30.0 | -0.4 | -5.0 | 50 | 49 | +1 | F |
| San Diego | CA | -15.0 | 0.0 | 0.0 | -0.4 | 84.6 | 84.6 | 0.0 | B |
| San Francisco | CA | -15.0 | 0.0 | -2.2 | -3.8 | 79.0 | 84.6 | -5.6 | C+ |
| San Jose | CA | -15.0 | 0.0 | 0.0 | -0.4 | 84.6 | 84.6 | 0.0 | B |
| Seattle | WA | -15.0 | 0.0 | -4.4 | -5.0 | 75.6 | 85.0 | -9.4 | C |
| Tucson | AZ | -15.0 | 0.0 | 0.0 | 0.0 | 85.0 | 80.0 | +5.0 | B |
| Tulsa | OK | -15.0 | -25.0 | 0.0 | 0.0 | 60.0 | 55.0 | +5.0 | D- |
| Virginia Beach | VA | -15.0 | 0.0 | 0.0 | 0.0 | 85.0 | 85.0 | 0.0 | B |
| Washington | DC | -15.0 | 0.0 | 0.0 | 0.0 | 85.0 | 85.0 | 0.0 | B |
| MEDIAN | | -15.0 | 0.0 | 0.0 | 0.0 | 83.1 | 84.6 | 0.0 | B |
| AVERAGE | | -15.0 | -5.6 | -1.2 | -1.6 | 76.6 | 76.8 | -0.2 | C+ |

after booking a ride and minimum ride times for any limo service. These rules prevent price competition and erect wholly unnecessary barriers between customers and potential drivers. In the extreme, they can make it impossible to hail a limo on demand. Where such restrictions exist, we deduct up to 30 points, depending on severity.

2. **How burdensome are limo-insurance requirements?** – As with taxis, we evaluated the burdens placed by minimum coverage requirements for limousines in each city. For cities with minimum coverage levels that are significantly more than the mean, we deducted up to 8 points.
3. **Are insurance requirements substantially more burdensome than those in place for taxis?** – In addition to evaluating insurance requirements on their own, we wanted to determine if the burdens for limos in a given city are substantially higher than those for taxis. In terms of public safety, there is little difference between taxi and limo service that would justify any significant variation in insurance requirements. To calculate the gap between taxi and limo-insurance requirements, we examined the ratio between the two. For cities with much higher limo-insurance requirements than taxi requirements, we deducted as many as 5 points.
4. **Does the city mandate fare structure, vehicle type and dispatch rules?** – All 50 cities in our analysis prescribed fare limitations (including a ban on metered fares), dispatch mandates, restrictions on airport pickups, vehicle-age limits and directives to use only certain types of luxury vehicles. These elaborate rules serve to separate the taxi and limo markets artificially, to restrict supply and to degrade service for consumers. To account for these hostile regulatory structures, we deducted 15 points from every city.

The results are displayed in Table 3.

The scores were very top-heavy, with 18 cities sharing the top score of 85.0. This reflects that they, like their counterparts, suffered a 15-point deduction for banning metered fares or engaging in other such hostile restrictions. However, these top-performing cities did not impose high insurance burdens or extra restrictions – like mandated minimum fares or wait times – that would earn other deductions.

We found 12 cities that impose special rules dictating fare or wait minimums. For example, Portland, Ore., forces customers to wait a minimum of one hour before a limo may pick them up; it also mandates that limos must charge fares

at least 35 percent higher than taxis. In Austin, Texas, the city mandates an extraordinarily high minimum fare of \$55 and forces consumers to wait at least 30 minutes before their limo may arrive. These burdens tend to limit limo usage to the wealthy or for very long hauls, effectively eliminating any competition they might provide to taxi services.

In 22 of the 50 cities, regulators impose insurance requirements that are substantially more burdensome than those placed on taxis. While the trappings of the two services are different, the essential safety question is close to the same for both. Thus, a differential in insurance requirements simply serves as an additional burden to make limo service artificially more expensive and less available.

The lowest limo-friendliness score was in Las Vegas, which scored a dismal 42.2. That result earns Sin City the dubious distinction of scoring the lowest in two of our three components. The city combines the traditional metered fare ban and other restrictions with a one-hour minimum ride time, a minimum fare of \$40 and disproportionately high insurance requirements for limos. This makes for a very restrictive market where limousines are prevented from operating freely.

OVERALL TRANSPORTATION FRIENDLINESS

When all three subgrades are combined, it yields an overall “Ridescore” for each city that approximates the friendliness of its transportation regulation. Forty percent of this score is derived from a city’s treatment of TNCs, 40 percent from its approach to taxi regulation, and 20 percent from its limo rules. Limos represent a smaller share of the total score because they operate in a relatively limited market niche. The final results are displayed in Table 4.

Transportation-friendliness trends in 2015 were driven by the spread of ridesharing legislation. The rapid advancement of TNC legal frameworks nationwide drove a 4.1-point improvement in the median transportation-friendliness score, from 77.8 percent in 2014 to 81.9 percent in 2015.

The highest transportation-friendliness score in the nation was 93.0, shared by seven cities: Indianapolis, Louisville, Mesa, Milwaukee, Raleigh, Tucson and Washington. Each city received identical scores of 95.0 on TNC friendliness, 95.0 on taxi friendliness and 85.0 on limo friendliness. Each finished with an overall grade of A.

The biggest jump was found in Portland, which skyrocketed 26.8 points from a dismal 58.4 in 2014 to 85.2 in 2015, moving from an F to a B in the process. Because the city affirmatively legalized TNCs while deregulating the cab industry, its transportation climate is dramatically improved from

TABLE 4: OVERALL TRANSPORTATION FRIENDLINESS SCORES

| City | TNC Friendliness | | Taxi Friendliness | | Limo Friendliness | | 2014 Overall | | 2015 Overall | | |
|------------------|------------------|-------|-------------------|-------|-------------------|-------|--------------|-------|--------------|--------|-------|
| | Score | Grade | Score | Grade | Score | Grade | Score | Grade | Score | Change | Grade |
| Albuquerque | 74.0 | C | 90.0 | A- | 80.9 | B- | 75.9 | C | 81.8 | +5.9 | B- |
| Atlanta | 85.0 | B | 65.0 | D | 80.0 | B- | 76.0 | C | 76.0 | 0.0 | C |
| Austin | 92.5 | A | 75.0 | C | 50.0 | F | 79.0 | C+ | 77.0 | -2.0 | C+ |
| Baltimore | 95.5 | A | 75.0 | C | 83.3 | B | 78.7 | C+ | 84.9 | +6.2 | B |
| Boston | 91.0 | A- | 65.0 | D | 85.0 | B | 75.0 | C | 79.4 | +4.4 | C+ |
| Charlotte | 92.5 | A | 75.0 | C | 65.0 | D | 75.0 | C | 80.0 | +5.0 | B- |
| Chicago | 85.0 | B | 65.0 | D | 80.0 | B- | 77.0 | C+ | 76.0 | -1.0 | C |
| Cleveland | 95.0 | A | 74.7 | C | 85.0 | B | 78.8 | C+ | 84.9 | +6.1 | B |
| Colorado Springs | 93.0 | A | 72.6 | C | 72.2 | C- | 84.4 | B | 80.7 | -3.7 | B- |
| Columbus | 80.0 | B- | 74.7 | C | 83.0 | B | 72.7 | C | 78.5 | +5.8 | C+ |
| Dallas | 85.0 | B | 92.6 | A | 84.6 | B | 75.7 | C | 88.0 | +12.2 | B+ |
| Denver | 90.0 | A- | 72.6 | C | 84.6 | B | 84.4 | B | 82.0 | -2.5 | B- |
| Detroit | 88.0 | B+ | 64.7 | D | 55.9 | F | 76.8 | C+ | 72.3 | -4.5 | C- |
| El Paso | 85.0 | B | 64.7 | D | 85.0 | B | 74.0 | C | 76.9 | +2.9 | C+ |
| Fort Worth | 85.0 | B | 92.6 | A | 84.6 | B | 81.7 | B- | 88.0 | +6.2 | B+ |
| Fresno | 92.5 | A | 94.7 | A | 79.0 | C+ | 93.7 | A | 90.7 | -3.0 | A- |
| Houston | 69.0 | D+ | 75.0 | C | 45.9 | F | 70.7 | C- | 66.8 | -3.9 | D+ |
| Indianapolis | 95.0 | A | 95.0 | A | 85.0 | B | 89.0 | B+ | 93.0 | +4.0 | A |
| Jacksonville | 79.0 | C+ | 64.7 | D | 85.0 | B | 76.8 | C+ | 74.5 | -2.3 | C |
| Kansas City | 66.0 | D | 75.0 | C | 85.0 | B | 61.0 | D- | 73.4 | +12.4 | C |
| Las Vegas | 83.0 | B | 62.6 | D | 42.2 | F | 55.3 | F | 66.7 | +11.4 | D+ |
| Long Beach | 92.5 | A | 74.2 | C | 79.9 | B- | 85.6 | B | 82.6 | -2.9 | B |
| Los Angeles | 92.5 | A | 74.7 | C | 79.0 | C+ | 83.7 | B | 82.7 | -1.0 | B |
| Louisville | 95.0 | A | 95.0 | A | 85.0 | B | 87.0 | B+ | 93.0 | +6.0 | A |
| Memphis | 95.0 | A | 75.0 | C | 85.0 | B | 73.0 | C | 85.0 | +12.0 | B |
| Mesa | 95.0 | A | 95.0 | A | 85.0 | B | 84.0 | B | 93.0 | +9.0 | A |
| Miami | 64.0 | D | 65.0 | D | 50.0 | F | 66.0 | D | 61.6 | -4.4 | D- |
| Milwaukee | 95.0 | A | 95.0 | A | 85.0 | B | 85.4 | B | 93.0 | +7.6 | A |
| Minneapolis | 95.0 | A | 94.7 | A | 85.0 | B | 94.8 | A | 92.9 | -1.9 | A |
| Nashville | 97.0 | A | 65.0 | D | 80.0 | B- | 74.0 | C | 80.8 | +6.8 | B- |
| New Orleans | 78.0 | C+ | 75.0 | C | 70.0 | C- | 69.4 | D+ | 75.2 | +5.8 | C |
| New York | 71.0 | C- | 64.7 | D | 85.0 | B | 67.8 | D+ | 71.3 | +3.5 | C- |
| Oakland | 92.5 | A | 70.0 | C- | 82.8 | B | 82.7 | B | 81.6 | -1.2 | B- |
| Oklahoma City | 95.0 | A | 75.0 | C | 85.0 | B | 79.0 | C+ | 85.0 | +6.0 | B |
| Omaha | 89.5 | A- | 92.6 | A | 84.6 | B | 67.7 | D+ | 89.8 | +22.0 | B+ |
| Orlando | 71.0 | C- | 75.0 | C | 54.5 | B | 71.0 | C- | 69.3 | -1.7 | D+ |
| Philadelphia | 53.0 | F | 65.0 | D | 72.2 | C- | 62.4 | D- | 61.6 | -0.8 | D- |
| Phoenix | 93.0 | A | 95.0 | A | 85.0 | B | 76.8 | C+ | 92.2 | +15.4 | A- |
| Portland | 93.0 | A | 92.0 | A- | 55.9 | F | 58.4 | F | 85.2 | +26.8 | B |
| Raleigh | 95.0 | A | 95.0 | A | 85.0 | B | 87.0 | B+ | 93.0 | +6.0 | A |
| Sacramento | 92.5 | A | 72.6 | C | 81.5 | B- | 84.9 | B | 82.3 | -2.6 | B- |
| San Antonio | 75.0 | C | 75.0 | C | 49.6 | F | 61.9 | D- | 70.0 | +8.2 | C- |
| San Diego | 92.5 | A | 94.7 | A | 84.6 | B | 81.7 | B- | 91.8 | +10.1 | A- |
| San Francisco | 92.5 | A | 64.7 | D | 79.0 | C+ | 81.7 | B- | 78.7 | -3.0 | C+ |
| San Jose | 92.5 | A | 74.7 | C | 84.6 | B | 85.7 | B | 83.8 | -1.9 | B |
| Seattle | 83.0 | B | 64.7 | D | 75.6 | C | 82.8 | B | 74.2 | -8.6 | C |
| Tucson | 95.0 | A | 95.0 | A | 85.0 | B | 84.0 | B | 93.0 | +9.0 | A |
| Tulsa | 95.0 | A | 65.0 | D | 60.0 | D- | 69.0 | D+ | 76.0 | +7.0 | C |
| Virginia Beach | 95.0 | A | 94.7 | A | 85.0 | B | 88.8 | B+ | 92.9 | +4.1 | A |
| Washington | 95.0 | A | 95.0 | A | 85.0 | B | 95.0 | A | 93.0 | -2.0 | A |
| MEDIAN | 92.5 | A | 75.0 | C | 83.1 | B | 77.8 | C+ | 81.9 | +4.0 | B- |
| AVERAGE | 87.0 | B+ | 78.3 | C+ | 76.5 | C+ | 77.7 | C+ | 81.4 | +3.8 | B- |

its previously woeful state. High TNC and taxi-friendliness scores of 93.0 and 92.0, respectively, offset a poor showing in limo friendliness of 55.9.

This is a particularly interesting development, given proceedings in Portland's unofficial sister city to the north: Seattle. The two cities may share similar cultures and political outlooks but they took very different approaches to transportation reform in 2015. While Portland legalized ridesharing and deregulated taxis, Seattle lost ground in both TNC and limo friendliness, dropping its overall score to 74.2, 11 points below Portland.

Behind Portland, the next biggest increase was in Omaha, which leaped 22.0 points from an overall score of 67.7 and grade of D+ last year. This was entirely driven by its 54.5 point jump in TNC friendliness. When added to its already solid scores of 92.6 for taxi friendliness and 89.5 for limo friendliness, the net result was a score of 89.8, for a grade of B+.

The worst transportation climate in the country is shared by both Philadelphia and Miami, both with a score of 61.6 and a grade of D-. Both cities mix poor TNC climates (53.0 and 64.0, respectively), strict taxi regulations (both 65.0) and significant limo restrictions (72.2 and 50.0, respectively) to achieve the ignominious distinction of the least-free transportation climates of any major American city.

Unlike last year, when Portland and Las Vegas received failing grades, no city received an overall grade of F in this year's report. Portland's improvement already has been noted, while Las Vegas owes its admittedly small improvement from 55.3 to 66.7 percent entirely to the passage of new state ridesharing legislation. While the law is imperfect, as it contains significant tax and fee assessments, it nonetheless marks an improvement over the draconian climate in place a year ago and helped rescue Las Vegas from another failing grade in 2015.

IDEOLOGICAL TRENDS

As ridesharing has grown in popularity and battles emerged in dozens of states and cities, both conservatives and liberals have attempted to seize the mantle of support for innovation and transportation freedom. While the political advantage of being seen as supporting the growth of popular new services is obvious, no clear ideological trend emerged in 2014.

Washington, a very liberal city, was the top scorer overall last year with 95.0. But Fresno, a relatively conservative city, was close behind at 93.7. At the other end of the performance spectrum, Portland, perhaps the poster child for the political left, was second from the bottom, with a score of just 58.4. The relatively conservative Omaha didn't fare much better,

at 67.7. In other words, if there was a correlation between liberal or conservative governance and success on our measurement of transportation friendliness, it wasn't evident from a surface analysis of the data.

Making use of research from Chris Tausanovitch of the University of California at Los Angeles and Christopher Warshaw of the Massachusetts Institute of Technology,⁶ we examined whether similar conditions held in 2015. Tausanovitch and Warshaw's analysis sought to determine the mean policy conservatism of major U.S. cities, plotting them on a scale from most liberal (San Francisco, at -1.0) to most conservative (Mesa, at +0.41). Their findings, as presented in visual form by *The Economist*,⁷ paint a very interesting picture of ideological preferences across the country. (See Figure 2).

We find the average transportation friendliness of all cities assessed at zero or above by Tausanovitch and Warshaw (indicating conservative leanings) was 85.8, while the average for cities below zero (indicating liberal leanings) was 80.6. Likewise, the five most conservative cities earned an average transportation friendliness score of 85.4, while the five most liberal cities earned an average of 82.0. Tausanovitch and Warshaw did not break out data for Orlando, so it is excluded from the analysis.

We also looked at a narrower slice: only those cities that scored between -0.41 and +0.41 on Tausanovitch and Warshaw's scale. Through this, we sought to find an "apples to apples" comparison of the strength of a city's liberal or conservative preferences. There is no major city that is as conservative as San Francisco is liberal, while there are 19 cities more liberal than Mesa is conservative. Here, too, there remains a small difference: an average of 85.8 for conservative cities and 82.7 for liberal cities.

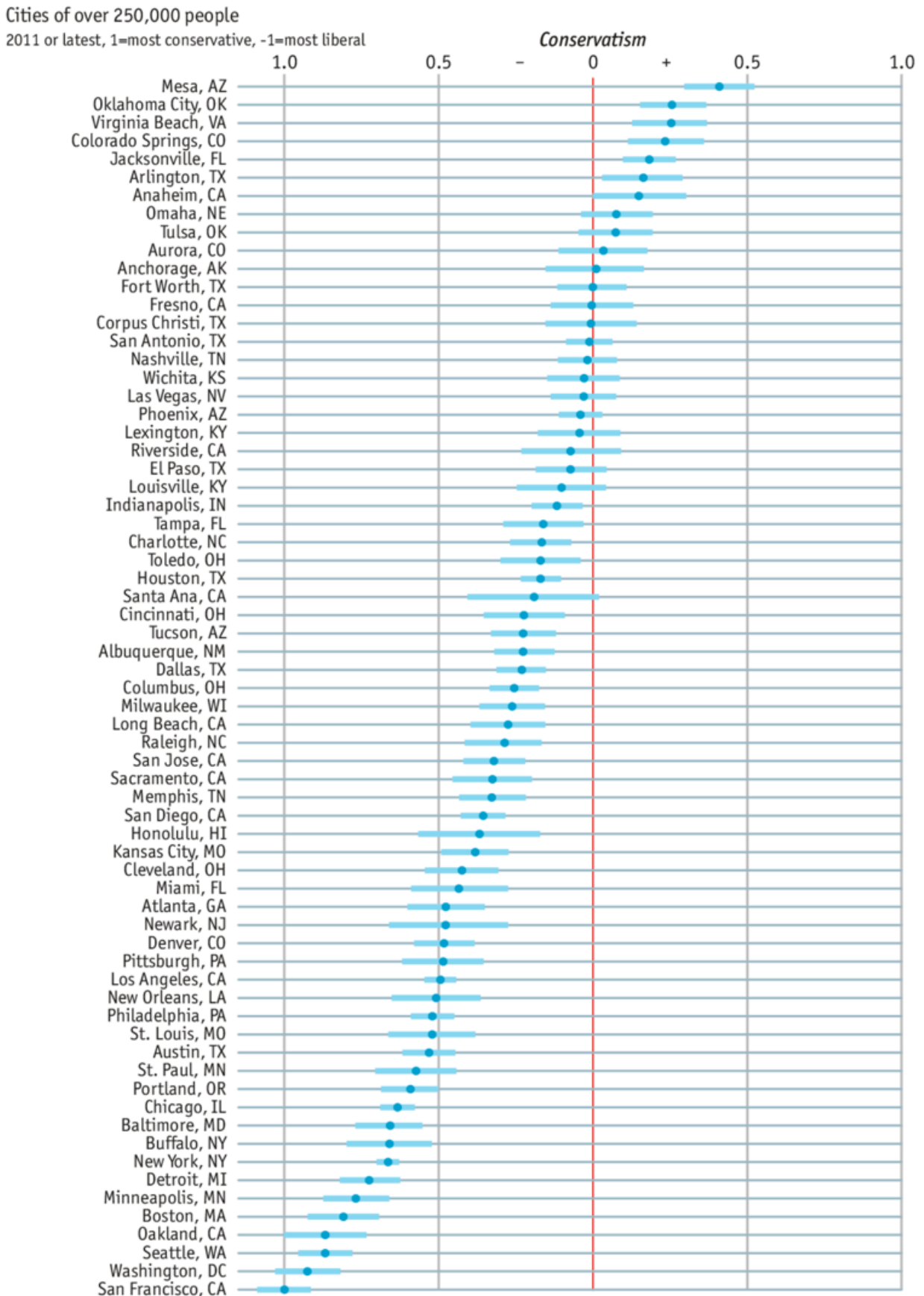
It should be noted that all of these results are well-within the standard deviation of 8.9 points from the overall mean of 81.4. We would not make the claim that there is a statistically significant correlation between a city's ideology and its transportation friendliness, where statistically significant is defined as having a p-value of greater than 0.5.

Even if there were a significant correlation, that surely doesn't equal causation. We observe only that it is interesting that conservative cities perform slightly better on our transportation friendliness scorecard than their liberal counterparts.

6. Chris Tausanovitch and Christopher Warshaw, "Representation in Municipal Government," *American Political Science Review*, March 2014. http://www.ctausanovitch.com/Municipal_Representation_140502.pdf

7. K.N.C. and L.P., "Urban ideologies," *The Economist*, Aug. 4, 2014. <http://www.economist.com/blogs/graphicdetail/2014/08/daily-chart-0>

FIGURE 2: POLICY CONSERVATISM IN U.S. CITIES



Source: *The Economist*

POPULATION AND DENSITY

One other bit of speculation arising from Ridescore 2014 was whether there was correlation between population density and transportation friendliness. For this year's report, we performed a simple test by applying data on population density from the 2010 U.S. Census to the results of Ridescore 2015

In fact, if there is any correlation between high population density and transportation friendliness, it would appear more likely that it's mildly *negative*. The five densest cities (New York, San Francisco, Boston, Chicago and Philadelphia) earned an average score of 73.4. The five least dense cities included in our scorecard (Virginia Beach, Kansas City, Nashville, Jacksonville and Oklahoma City) earned an average score of 81.4, which is identical to the overall mean of all 50 cities.

As with ideology, this simple test does not demonstrate a statistically significant correlation, but it does raise questions about why less dense cities might tend to earn higher transportation-friendliness scores. At first glance, it's notable that the five most dense cities are quite liberal on average (-0.72 on the Tausanovitch and Warshaw scale) while the five least dense cities are mildly conservative on average (0.06 on the scale). This could contribute to the observed difference in scores.

It's also possible there is greater pressure to "get it right" in less dense cities, where there likely are fewer public-transit options and possibly less robust TNC, taxi and limo markets. In other words, a very dense city like New York might have more leeway to impose harsh regulations, since its density naturally promotes a strong and functioning transportation market.

PRE-EMPTION

Seattle's setback provides an opportunity to reflect on the wisdom of statewide legislation that pre-empts additional municipal restrictions. Washington State passed a reasonable ridesharing law in 2014, counting itself among the wave of post-California and Colorado states to codify rules for TNCs. But the Evergreen State did not pre-empt city efforts to impose additional regulation, allowing Seattle to create a harsher climate than what was envisioned by legislators in Olympia.

This stands in contrast to the proceedings in Wisconsin, for example. Unlike in Washington, the Badger State's ridesharing legislation *did* pre-empt additional city law on the matter. This proved an important development, given that an ordinance in the state capital of Madison would have forced TNCs to operate 24 hours per-day, seven days per-week,

among many other restrictions.⁸ This provision would have proven impossible to meet, since ridesharing companies do not control driver schedules. When erstwhile presidential candidate and Wisconsin Gov. Scott Walker signed pre-emptive state legislation, Madison's effort was rendered dead on arrival.

While advocates of limited government rightly show a preference for governance at the most local level practical, a compelling case can be made for state regulation of for-hire transportation services, given their role in regional development and the unfortunate predilections of some cities to impose onerous rules that hamper innovation. Furthermore, since both the federal government and municipal governments are created by the states, most states have clear legal authority to do so.

Moving forward, states may want to create avenues for local experimentation in the direction of transportation-market liberalization. State legislation could allow municipalities to appeal for dispensations to establish pilot projects with new, tailored insurance products or novel approaches to maintain the freedom to price services appropriately.

LABOR ISSUES

Perhaps the biggest regulatory question now facing ridesharing comes not from burdensome insurance and licensure structures, but from labor-classification issues. These employment-status questions appear to be the "next wave" of TNC policy challenges, as the initial matters of legal status, insurance and background checks approach complete resolution.

Ongoing litigation in California – the home of many "gig" economy firms – threatens to curtail the emergence of a variety of new business models by classifying flexible contract workers like TNC drivers as full-time employees. This effectively would confer to them a full slate of ill-fitting workplace benefits – and apply to them a number of workplace rules and restrictions – intended for ordinary salaried employees who operate under the direct control of an employer. The resolution, or lack thereof, of these labor questions could prove decisive for the future of the sharing economy.

As R Street's Ian Adams wrote recently: "Legislatures, not courts, are the appropriate venues in which to write the next chapter in the future of work."⁹ The time has come for lawmakers to begin sketching a policy framework that provides workers and firms much greater flexibility than exists in

8. Bryna Godar, "Madison City Council approves ordinance to regulate Uber, Lyft," *The Cap Times*, April 1, 2015. http://host.madison.com/ct/news/local/writers/bryna-godar/madison-city-council-approves-ordinance-to-regulate-uber-lyft/article_52d9c599-5cfc-56ec-8552-5914c99044fa.html

9. Ian Adams, "The flexible future of work," R Street Institute, November 2015. <http://www.rstreet.org/wp-content/uploads/2015/11/RSTREETSHORT15.pdf>

today's rigid, old-economy structures. Regulatory regimes that divide labor only into traditional salaried workers and entirely independent contractors do not suit the modern sharing economy.

In the near term, some progress could be made if states were to enact "safe harbor" provisions allowing sharing-economy companies like Uber or Lyft to provide *some* benefits to drivers without immediately triggering their designation as traditional employees. Over a longer time horizon, much work will be needed at both the state and federal level to modernize labor law to acknowledge the legality of flexible work arrangements. An effort to create a "third way" for employment status might apply some benefits, like expense reimbursement or tax withholding, to gig-economy work while eschewing imposition of benefits like paid family leave, the case for which is less compelling in a world of workers who set their own schedules.

Seattle might also prove one of the most compelling cities to analyze in future years, as they experiment with new forms of labor unions for TNC drivers. A recent legislative effort would essentially circumvent federal labor law, which explicitly excludes independent contractors from collective bargaining rules, by creating a shell nonprofit entity that would be authorized to bargain on behalf of TNC drivers, should a majority choose to be represented.

CONCLUSION

Much has been made of the astonishingly rapid expansion of the TNC market, and rightly so. One set of data from the first quarter of 2015 found that a staggering 46 percent of all paid rides for business travelers were made through Uber alone, a huge jump from just 15 percent in the first quarter of 2014.¹⁰ *The New York Times* reported in October that Uber was valued at between \$60 and \$70 billion.¹¹ This represents a massive increase from a mid-2014 estimate of just \$17 billion.¹² At the same time, the U.S. taxi market is estimated to be "just" \$11 billion, by one estimate.¹³

A valuation of Uber at six times the size of the U.S. taxi market suggests a number of things, including that investors expect the company will continue to expand beyond the United States (it already operates in 67 countries) and that

it likely will expand into other services, as well. But it also suggests the ridesharing market itself will expand significantly in the future, as services like app-enabled carpooling or even driverless cars proliferate.

In other words, it appears that ridesharing companies both could take a larger share of the transportation services "pie" while *also* expanding the size of the pie. While this trend will face some natural limits, it's reasonable to assume TNCs will continue to grow substantially not just in major cities, but in many cities of more modest population.

This likely will place greater pressure on legislators to pursue deeper reforms to taxi regulation. Whether this takes the form of a beneficial scale-down of antiquated rules, as it did in Portland and San Diego this year, or instead follows the "scaling up" model of imposing anachronistic and ill-fitting medallion requirements or excessive licensure and inspection regimes, remains to be seen.

While Ridescore 2015 is evidence of the improving transportation-policy climate nationwide, policymakers still have much work to do to create comprehensible regulatory structures that foster competition both *within* each category of provider and *between* categories. Our hope is that this analysis can provide state, county and city lawmakers with a road map to a system of simple, fair and modest regulation that will allow transportation services of all types, including those not yet envisioned, to flourish.

ABOUT THE AUTHORS

Andrew Moylan is executive director and senior fellow for R Street, where he heads coalition efforts, conducts policy analysis and serves as the organization's lead voice on tax issues.

Prior to joining R Street, Andrew was vice president of government affairs for the National Taxpayers Union, a grassroots taxpayer advocacy organization. He previously served with the Center for Educational Freedom at the Cato Institute and completed internships in the U.S. Senate and the House of Representatives with members from his home state of Michigan.

Andrew's writings have appeared in such publications as the *Wall Street Journal*, the *New York Times* and *The Weekly Standard*. He is a graduate of the University of Michigan with a degree in political science.

Zach Graves is R Street's director of digital and a senior fellow working at the intersection of policy and technology. He is responsible for R Street's digital strategy and online advocacy efforts, which includes project sites such as rstreet.org, congressionaldata.org and ridescorere.org. He also manages many of R Street's campaigns and coalitions on technology policy, focusing on innovation policy, open governance, disruptive technologies and online privacy.

Zach previously worked at the Cato Institute, America's Future Foundation, and the Competitive Enterprise Institute. He holds a master's from the California Institute of the Arts and a bachelor's from the University of California at Davis.

10. Andrew Bender, "Uber's Astounding Rise: Overtaking Taxis In Key Market," *Forbes*, April 10, 2015. <http://www.forbes.com/sites/andrewbender/2015/04/10/ubers-astounding-rise-overtaking-taxis-in-key-markets/>

11. Leslie Picker and Mike Isaac, "Uber Said to Plan Another \$1 Billion in Fund-Raising," *The New York Times*, Oct. 23, 2015. http://www.nytimes.com/2015/10/24/business/dealbook/uber-said-to-plan-another-1-billion-in-fund-raising.html?_r=0

12. Evelyn M. Rusli and Kirsten Grind, "Wellington and Fidelity Expected to Lead Uber Investment," *Wall Street Journal*, June 3, 2014. <http://blogs.wsj.com/digits/2014/06/03/wellington-and-fidelity-expected-to-lead-uber-investment/>

13. Timothy B. Lee, "Why Uber could be worth \$70 billion," *Vox*, Oct. 25, 2015. <http://www.vox.com/2014/12/4/7336433/uber-worth->