

# Setting Transportation Network Company Policies to Increase Sustainability

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## POLICY BRIEF

### Issue

Use of Transportation Network Companies (TNCs) such as Uber and Lyft has grown rapidly in cities across the United States. TNCs often provide a cheaper and more flexible travel option than traditional taxi services, and could improve transportation sustainability if they facilitated more pooled travel and public transit use. However, TNCs' growth has been linked to increased congestion and emissions. Recent studies have found that TNCs have contributed to significant increases in congestion in places like New York City and San Francisco.

Cities and states have begun regulating TNCs, imposing taxes that are assessed per ride at a flat or percentage rate. Many of these taxes are meant to generate revenue for various public programs. Others are intended to reduce traffic, and a few are intended to disincentivize solo rides in favor of pooled rides to reduce congestion. This latter goal of encouraging pooling is an essential strategy in managing congestion and reducing emissions associated with TNCs. However, it is unclear whether the existing TNC taxes are large enough, or targeted enough, to achieve this goal.

Researchers at the University of California, Davis assessed 21 state and local TNC taxes across the United States and developed a method of comparing per-ride and percentage taxes. The researchers then assessed the likelihood of these taxes encouraging more sustainable travel.

### Key Research Findings

**Existing taxes on TNC trips are much too small to influence travel behavior.** Most existing taxes amount to less than 10% of the cost of the trip. The exceptions are in New York City and Chicago, where taxes average 18%–22% of the total trip cost for pooled and solo trips, respectively.

**Only four of the 21 taxes studied differentiate between solo and pooled rides.** Outside of San Francisco, Chicago, New York City, and New Jersey, no other city or state has structured its incentives to encourage pooled travel.

**Taxes on TNC trips over-penalize and fail to incentivize pooling.** When summed, taxes imposed on a pooled ride with three riders far exceed those imposed on a solo ride (Figure 1). While individual taxes per pooled ride are lower, the overall tax burden on the vehicle is higher even though the pooled vehicle likely causes a similar amount of congestion and emissions as a solo ride. This degree of taxation is at odds with congestion and emissions reduction goals.

**No jurisdictions currently use taxes to disincentivize TNC travel without passengers.** “Deadheading,” or TNC travel between vehicle pick-ups and drop-offs, is a primary contributor to congestion caused by TNCs. Yet existing taxes only apply to TNC trips with passengers.

**Taxes can succeed in achieving revenue generation goals.** These revenues can allow cities to leverage the popularity of TNCs to enable sustainable transportation investments, which might be more effective at addressing congestion.

### Policy Implications

Existing TNC taxes are too small to influence travel behavior. Furthermore, they overtax pooled rides, especially in jurisdictions that do not differentiate between solo and pooled rides. Taxes on solo trips should be far greater than those on pooled trips and should be used to further incentivize pooling. One way to do this would be to use taxes on solo rides to directly subsidize shared rides. For example, regulators could impose a \$2.50 fee on solo rides and subsidize shared rides by providing a \$2.50 discount.

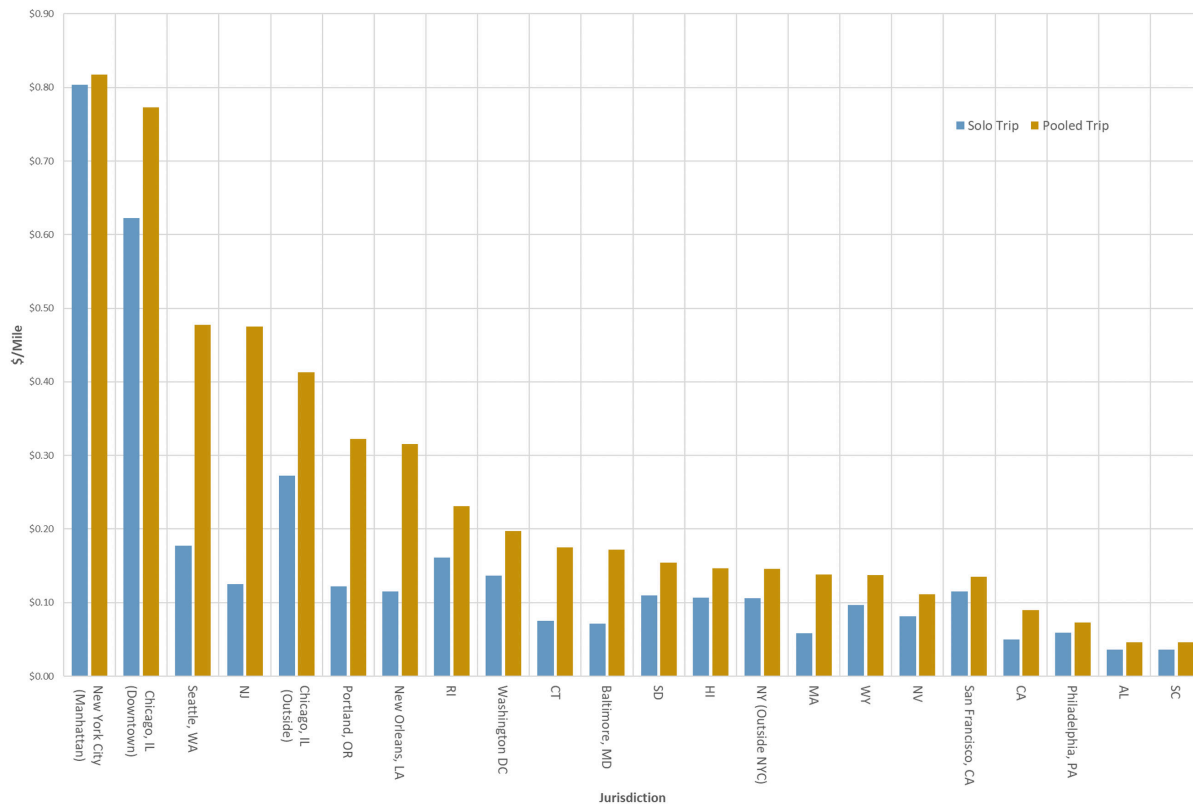


Figure 1. A comparison of per-mile TNC taxes on solo and pooled rides across 21 jurisdictions. The per-mile tax on pooled rides assumes three-person occupancy, so the overall tax burden on pooled vehicles is higher even if taxes on individual riders are equal to or less than those on solo riders.

State and local regulators should also consider alternatives to taxation that minimize deadheading. This time spent driving between vehicle pick-ups and drop-offs is the primary contributing factor to increased traffic and emissions coming from TNCs. California regulators have passed the Clean Miles Standard, which sets goals for reducing emissions per passenger mile for TNC fleets. TNCs can meet emissions targets by reducing deadheading, increased pooling, investing in bikeways and sidewalks, connecting passengers to transit, and electrifying their vehicle fleets. This type of comprehensive policy will likely be more effective than small taxes at affecting change in the TNC sector.

There is still an essential role for pricing policies: to send signals to riders that their travel choices have an impact on their communities and the climate. Since TNC travel is a small percentage of overall travel, policy makers must also target pricing policies toward personal vehicle travel, which remains the primary contributor

to congestion and emissions in transportation. More comprehensive congestion pricing policies would lead to larger emissions and congestion benefits than taxes that target TNCs alone.

### More Information

This policy brief is drawn from “Setting TNC Policies to Increase Sustainability,” a white paper from the National Center for Sustainable Transportation, authored by Sam Fuller, Tatjana Kunz, Austin L. Brown, and Mollie C. D’Agostino of the University of California, Davis. The full paper can be found on the NCST website at <https://ncst.ucdavis.edu/project/setting-transportation-network-company-tnc-policies-increase-sustainability>.

For more information about the findings presented in this brief, please contact Mollie C. D’Agostino at [mdagostino@ucdavis.edu](mailto:mdagostino@ucdavis.edu).

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