

Proposals from the Board of Trade of Metropolitan Montreal presented to the Commission on Transportation and the Environment as part of public hearings on Bill 100, *An Act to amend various legislative provisions respecting mainly transportation services by taxi*



May 26, 2016

Preamble

The Board of Trade of Metropolitan Montreal (the Board of Trade) has over 7,000 members. Its mission is to be the voice of Montréal's business community and to promote the city's prosperity. The Board of Trade is involved in key areas of economic development, promoting a philosophy of action based on engagement, credibility, proactivity, collaboration and innovation. The Board of Trade is the largest private economic development organization in Quebec.

The Board of Trade would like to thank the commission for inviting its president and CEO Michel Leblanc to present its proposals regarding Bill 100, on this 26th day of May, 2016.

Background

The business community has always been a major user of taxis, either traditional or through new applications on the market. This is undoubtedly why the Board of Trade received an unusually high number of reactions to the evolution in industry regulation over the past 18 months.

During consultations on the taxi industry, conducted at the Palais des congrès de Montréal on July 8, 2015, the Board of Trade echoed the frustrations of users in the business community. Furthermore, representatives of the taxi industry, Uber and Téo Taxi were invited to address the issue before the Board of Trade.

In February and March 2016, the Government of Quebec held a parliamentary committee on remunerated passenger transportation by automobile. The goal of this consultation was to determine how the sector of activity should be overseen. On February 23, the Board of Trade submitted a brief to the Commission on Transportation and the Environment on the topic, which included seven recommendations (see appendix).

The consultations led to Bill 100, *An Act to amend various legislative provisions respecting mainly transportation services by taxi*, submitted to the National Assembly on May 12, 2016 by Minister Jacques Daoust.

Introduction

The Board of Trade has always supported the government's intention to normalize remunerated passenger transportation by automobile to make the system more fair and ensure all applicable consumption and income taxes are collected. In a context where new business models have begun to emerge, the system governing the taxi industry needs adjustments to eliminate varying interpretations of what constitutes remunerated passenger transportation.

However, as drafted, Bill 100 does not meet the expectations of the city's business community. It does not offer a long-term solution for moving on from the current system of quotas. And yet this dysfunctional system is largely responsible for the inertia in the taxi industry and has created frustrations among users and resulted in an exaggerated increase in the value of permits.

The Board of Trade had recommended that the government buy back taxi owners' permits, partially financing this measure through a buy-back tax applied per trip to all drivers. The government has decided not to pursue this avenue because of the cost.

With the government's intention to preserve the permit system, the Board of Trade still believes that we can come up with a regulatory framework that would foster the coexistence of different models and encourage the emergence of innovative players in the industry.

This why the Board of Trade asks that the bill be amended to provide for different classes of taxi permits.

1. Introduce a system with two classes of permits

The Board of Trade recommends that the bill include a system for maintaining the existence of current taxi permits while allowing for the entrance of new players that operate using a different business model.

If the Board of Trade's proposal were applied to the bill, it would require that anyone who wants to transport passengers for remuneration hold a taxi permit. However, the law would define two classes of permits. A first class, which we will call class A, would be like the owner's permits currently on the market. Holders of class A permits, or anyone who rents one, would enjoy the exclusive privileges listed in table I. Class B permits would be intended for drivers in private transportation networks (PTN). PTNs could operate in Quebec provided they meet certain requirements set out in the law. The obligations related to each class of permit are listed in table II.

Table I		
Proposed two-class system for remunerated passenger transportation by automobile		
Privilege	Class A	Class B
1. On-street hailing	√	
2. Access to waiting areas	√	
3. Government and institutional contracts	√	
4. Access to reserved lanes within the city	√	
5. Direct communication lines in public places	√	
6. Access to clients via an application	√	√
7. Varying rates based on demand	√ (on app. only)	√

Holders of class A permits would enjoy a number of competitive advantages, including access to reserved waiting areas for taxis and the right to pick up passengers in the street. Only taxis with class A permits could participate in government requests for proposals for adapted transportation contracts. Also, only taxi companies with drivers with class A permits could offer direct communication systems for ordering a taxi in a public place, such as a hotel or a shopping centre.

Quotas governing the number of permits in circulation would still apply to class A permits, as would the modified territorial delimitations, as set out in the bill. However, the Board of Trade proposes allowing class A taxis that complete a trip outside their territory to pick up clients to return to their starting point. This would reduce the number of empty trips, preventing taxi drivers from wasting time and losing money, while generating fewer greenhouse gas emissions.

The goal of this proposal is to open up the market and make it more competitive. The system would allow drivers who want to offer remunerated passenger transportation by automobile part time to do so, and taxi drivers who currently hold a permit to be competitive.

2. Offer flexible, regulated rates

In its February brief, the Board of Trade proposed flexible rates based on demand or time of day (day, evening, night). As such, we welcome Bill 100's proposal to allow rates to vary by time of day, the agglomeration, the type of service and the means of requesting it. Like the government, the Board of Trade believes in imposing a base rate with the addition of a flexible rate that would apply to the two types of permits, provided the trips are paid for via an application and credit card payment. However, the Board of Trade suggests excluding adapted transportation by taxi from the formula of flexible rates, given that these trips respond to a mobility need that is not readily met in public transportation systems.

Table II		
Obligations regarding operating a taxi permit according to class		
Obligation	Class A	Class B
1. Respect for revised territorial limits to avoid empty trips	√	
2. Payment of taxes (GST and QST) from the first dollar earned	√	√
3. Proof of insurance	√	√
4. Criminal background check	√	√
5. Proof of annual vehicle inspection	√	√
6. Respecting the age limit for vehicles	√	√
7. Obtaining a T plate	√	
8. Payment of a special contribution to the SAAQ		√
9. Limit to the number of hours worked consecutively	√	√
10. In-class or online training	√	√

We believe that opening the market to true competition would generate a healthy fluctuation in the cost of trips based on the time and the calendar. Higher prices could prompt more drivers to offer their services during peak periods. We would expect this equilibrium price to drop during off-peak periods.

It will be up to the regulator to prevent price-fixing cartels or oligopolies and to ensure that amounts are clear and agreed-upon in advance. If competition does not curb excessive increases, the government could set ceiling prices.

3. Require that everyone pay taxes

The Board of Trade is fully behind to the government's objective to ensure full payment of the GST and QST. In February, the Board of Trade proposed that the government require that all taxi intermediaries, including companies that offer dispatch services through digital applications, submit data quarterly regarding the number of trips and total revenue for each driver/partner, along with their social insurance number.

This obligation would apply to all permit holders, whether class A or B. Taxes would apply from the first dollar earned, even if a self-employed driver's total earnings do not exceed \$30,000 at the end of a fiscal year.

4. Make safety a priority

The issue of passenger and driver safety is fundamental. There is consensus that drivers' files and insurance policies must be up to date and checked periodically. The law should require an annual mechanical inspection of vehicles for both classes of permits. The requirement concerning the maximum age of vehicles currently set by the Bureau du taxi de Montréal should apply to both classes.

In a system with multiple classes of permits, drivers who want to drive a taxi would have to show that they have a clean criminal record when applying for their permit.

With respect to registration, unlike the holders of current permits, class A taxi drivers should have to register their car with a T plate. With class A permits, a car may be driven by one or more drivers. This same situation is unlikely with the PTN model, because it is based on using a personal vehicle as a taxi. Holders of class B permits should therefore be exempt from this requirement. However, a special tax should be collected from class B permit holders as a contribution to the SAAQ to compensate for the additional risks involved in remunerated passenger transportation. A contribution based on mileage or revenue would tie this contribution to the risk incurred.

The Board of Trade also believes that quick and easy evaluations made possible by new applications will contribute to the feeling of safety among users and drivers and identify inappropriate or delinquent behaviour. Dissatisfied clients or drivers who have served clients who have behaved improperly can more easily report the situation.

The government should also put in place a mechanism to limit the number of consecutive hours drivers spend at the wheel, to improve passenger and driver safety. The City of Chicago adopted this sort of regulation in 2014, limiting the number of consecutive hours of work to 10 hours out of every 24.

5. Allow for more flexible training

The passage of Bill 100 is an excellent opportunity to review training for taxi drivers. Taxi drivers are currently required to take 150 hours of training to drive in Montréal, 110 hours in Québec City and 60 hours in other regions of Quebec. The basic 60-hour training familiarizes drivers with the system, administrative tasks, professional conduct, customer service and serving people with reduced mobility.

This is in addition to 90 hours of toponymy training for Montréal and 50 hours for Québec City. This training has become obsolete now that virtually every taxi is equipped with GPS.

The Board of Trade believes that only basic training should be required, and it could be done online after passing an exam, also done online. A similar method exists for getting a boat license, with candidates training at their own pace, without the schedule constraints of classroom training.

If the government decides to continue to make classroom training mandatory for those who want a class A licence, it could reduce the cost of taking it.

6. Preparing for self-driving cars

The most powerful driver of innovation in an industry remains competition, as the rapid evolution in the taxi industry has shown over the last few months. Bill 100 imposes a single model, whereas

innovation is fuelled by the coexistence of a number of models. The bill should be amended to allow for this coexistence and even open the door to other emerging models.

Given that self-driving cars are being tested in some jurisdictions in North America, the next upheaval that will affect car sharing and the taxi industry is already on the horizon. The government's direction needs to send a message about innovation and creativity, which would enable us to envisage a future without the tensions of recent months.

The government wants to make Quebec an attractive, open digital economy with an international reputation for its knowledge and innovations, something the Board of Trade endorses. The recent announcement of the Digital Economy Action Plan sends a strong signal about how urgent it is for the private sector to speed up the transition to digital technology and the importance of adapting business models to the new realities of the market, starting today. Businesses are lagging in the digital economy, while the city is brimming with talent and strategic assets in the sector. This is precisely what was demonstrated by Uber as well as the niche that enabled Téo Taxi to develop.

During the May 20 press briefing following the release of the government's Digital Economy Action Plan, Premier Philippe Couillard reiterated that discussions during recent months about Uber and the taxi industry were nothing compared with what was on our doorstep: self-driving cars and new upheavals in the taxi industry.

Reviewing the regulatory framework was an excellent opportunity to prepare for the even more fundamental transformation that will affect the industry. Many car manufacturers have submitted applications to test their own prototypes. Google's objective is to market its cars at the latest by 2020. In mid-May, the City of Toronto launched a study on the impact of self-driving cars in major cities. Google and its Google Car so far have 2.4 million hours of road testing under their belt. Uber has also started testing its self-driving car on the streets of Pittsburgh.

As such, Bill 100 should be structured to allow for the addition of a class C licence for self-driving cars transporting passengers for remuneration. We are not trying to answer all the questions that this major revolution in transportation will raise right away, but we need to prepare for them.

Conclusion

The Board of Trade advocates modernizing the taxi industry and eliminating the quota system to open the market completely to competition. The current taxi owner's licence system is not an effective mechanism for overseeing remunerated passenger transportation and stimulating innovation. It has resulted in a disproportionate inflation in the price of licences on the secondary market, making it difficult to extricate ourselves from the current system.

The tensions we are seeing result from a system that has isolated industry players from client expectations for too long. We need to leave this system behind and ensure that the new one fosters innovation and customer satisfaction. We have to ensure that we don't get further bogged down.

The solution to this thorny issue exists, and the government needs to show vision and wisdom. Quebec needs to become part of the new age of digital models. As Premier Philippe Couillard pointed out in the Digital Economy Action Plan, the emergence of innovative digital technologies will continue to disrupt the way Quebec businesses and consumers do things in the coming years.

The Premier argues that Quebec will be a player that will take full advantage of the business opportunities created by new global digital trends, and Bill 100 is the first test. We have to get it right.

In a context where the government wants to universally impose the requirement of taxi permits, the adjustments proposed by the Board of Trade offer the advantage of allowing continuity with the current system while protecting the value of existing licences and integrating existing and future private transportation networks in Quebec.

These amendments would benefit clients, who would have more options available to them, part-time drivers in private transportation networks, who want to become part of the market, and taxi drivers, who want to maintain the current system, but who are nevertheless calling for their regulatory obligations to be reduced. The two-class system of licences would give drivers of so-called traditional taxis clear competitive advantages.

APPENDIX 1

Summary of the Board of Trade of Metropolitan Montreal's recommendations proposed to the Commission on Transportation and the Environment, February 23, 2016

Recommendation no. 1: Adopt a regulatory framework that governs new applications for passenger transportation by automobile for remuneration, which applies to all players already in operation, including Uber, and any other player that could open its doors in Montréal and Quebec.

Recommendation no. 2: Adopt a regulatory framework that recognizes the value of innovation and sets the conditions for deploying services.

Recommendation no. 3: Adopt a regulatory framework that will serve as a basis for governing the deployment of self-driving cars and stay on top of technological advances in the field.

Recommendation no. 4: Buy back the 8,365 taxi owner licences by partially financing this measure through a buyback tax per trip applied to all drivers.

Recommendation no. 5: Require intermediaries and businesses that offer a dispatch service through a digital app to submit quarterly reports indicating the number of trips and revenue earned by drivers/partners and require that sales tax be collected on the first dollar earned, even if the worker does not anticipate earning more than \$30,000 annually.

Recommendation no. 6: Establish an evaluation method for drivers, regularly check insurance, criminal records and the condition of vehicles, and limit the number of consecutive hours drivers spend at the wheel through a regulation put in place by the government with the cost assumed by the industry.

Recommendation no. 7: Apply the principle of rates based on supply and demand for all vehicles transporting passengers for remuneration in Montréal.