The State of the Chicago For-Hire Vehicle (FHV) Industry, 2022

Taxicabs in Chicago: The Big Picture

The decline of the taxi industry in Chicago and elsewhere has been well documented.

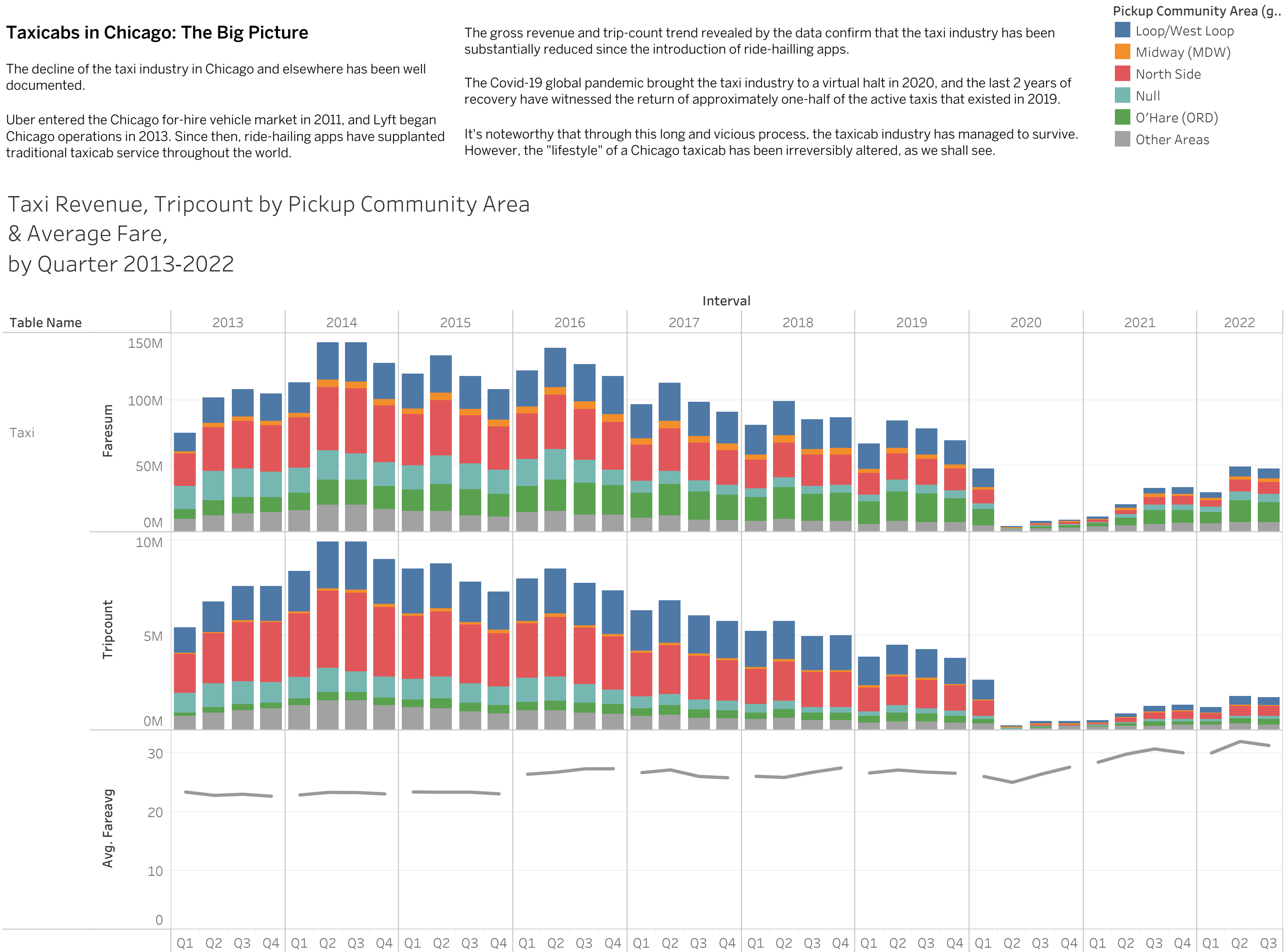
Uber entered the Chicago for-hire vehicle market in 2011, and Lyft began Chicago operations in 2013. Since then, ride-hailing apps have supplanted traditional taxicab service throughout the world.

The gross revenue and trip-count trend revealed by the data confirm that the taxi industry has been substantially reduced since the introduction of ride-hailling apps.

The Covid-19 global pandemic brought the taxi industry to a virtual halt in 2020, and the last 2 years of recovery have witnessed the return of approximately one-half of the active taxis that existed in 2019.

It's noteworthy that through this long and vicious process, the taxicab industry has managed to survive. However, the "lifestyle" of a Chicago taxicab has been irreversibly altered, as we shall see.

Taxi Revenue, Tripcount by Pickup Community Area & Average Fare, by Quarter 2013-2022



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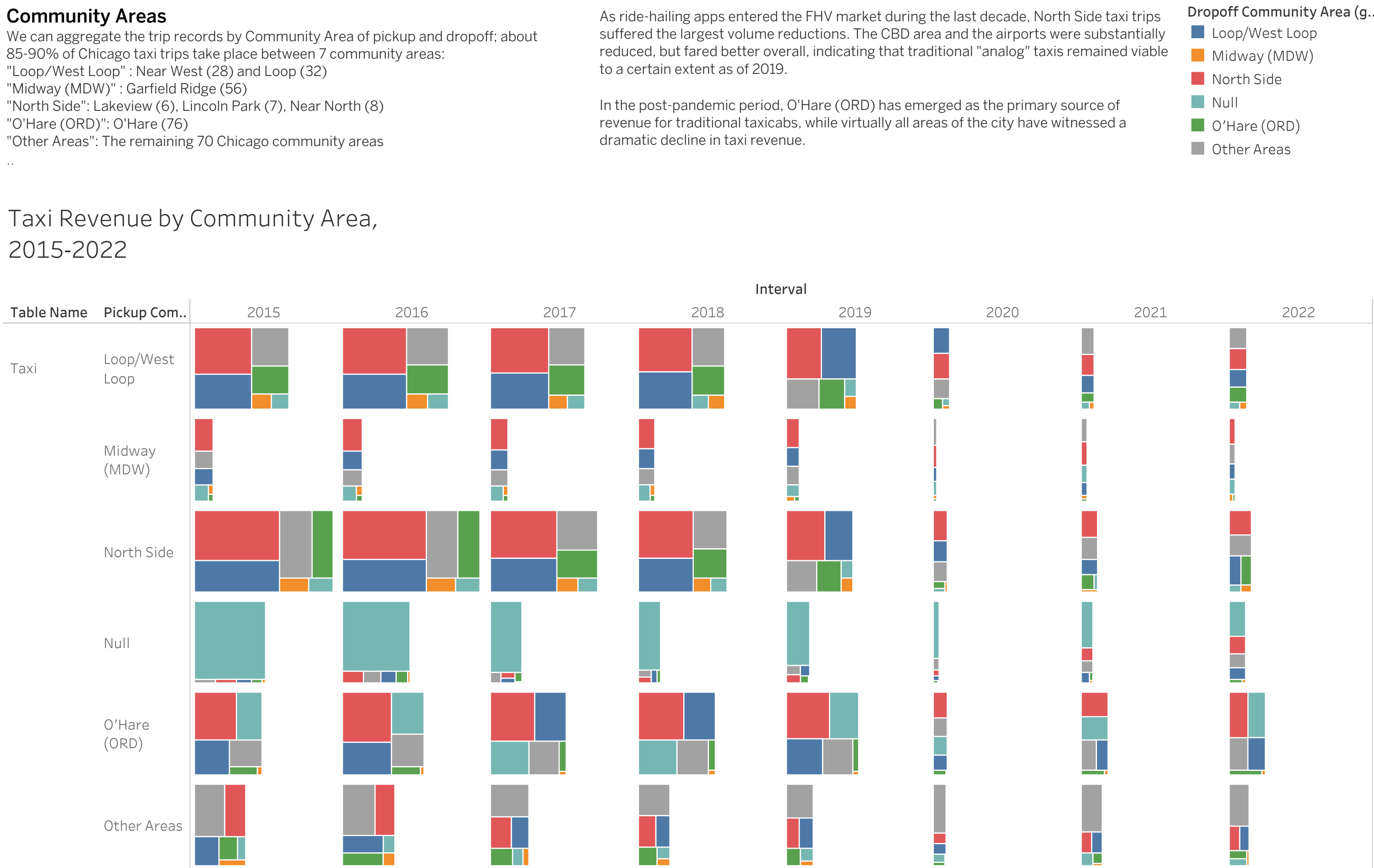
Community Areas

We can aggregate the trip records by Community Area of pickup and dropoff; about 85-90% of Chicago taxi trips take place between 7 community areas:
"Loop/West Loop" : Near West (28) and Loop (32)
"Midway (MDW)" : Garfield Ridge (56)
"North Side": Lakeview (6), Lincoln Park (7), Near North (8)
"O'Hare (ORD)": O'Hare (76)
"Other Areas": The remaining 70 Chicago community areas
..

As ride-hailing apps entered the FHV market during the last decade, North Side taxi trips suffered the largest volume reductions. The CBD area and the airports were substantially reduced, but fared better overall, indicating that traditional "analog" taxis remained viable to a certain extent as of 2019.

In the post-pandemic period, O'Hare (ORD) has emerged as the primary source of revenue for traditional taxicabs, while virtually all areas of the city have witnessed a dramatic decline in taxi revenue.

Taxi Revenue by Community Area, 2015-2022



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TNP Data Emerges

Data from Transportation Network Provider (TNP) companies has been published going back to the 4th quarter of 2018.

By 2019, TNP companies had dwarfed traditional taxi service in the vital areas of Loop/West Loop and the North Side. In the post-pandemic period, the pattern has continued unabated, with the North Side and Loop/West Loop areas dominated by TNP providers, while ORD has remained somewhat competitive between the two alternative ..

It is notable that TNP providers have apparently developed a large market segment of trip origins/destinations in areas outside of the core taxicab service areas. Taxicab service has been notoriously poor in non-core areas for a variety of reasons, and the advent of smartphone applications have solved many of those problems.

According to the data, the combined FHV market in 2022 is substantially larger than it was in 2015. And yet, the industry has only partially recovered from the 2020 recession.

Introduction of TNP Data, 2019-2022

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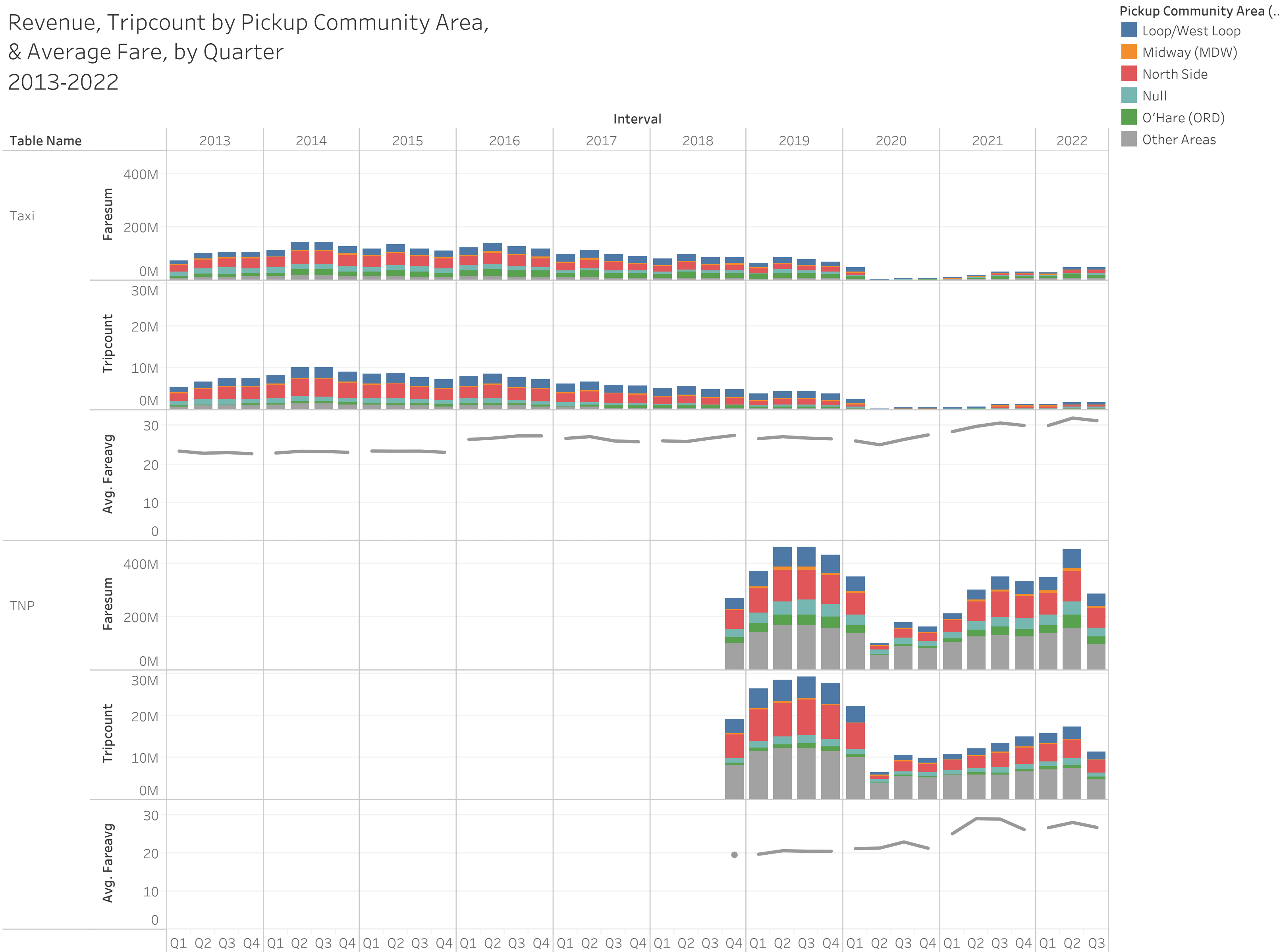
Revenue, Tripcount by Pickup Community Area, & Average Fare, by Quarter 2013-2022



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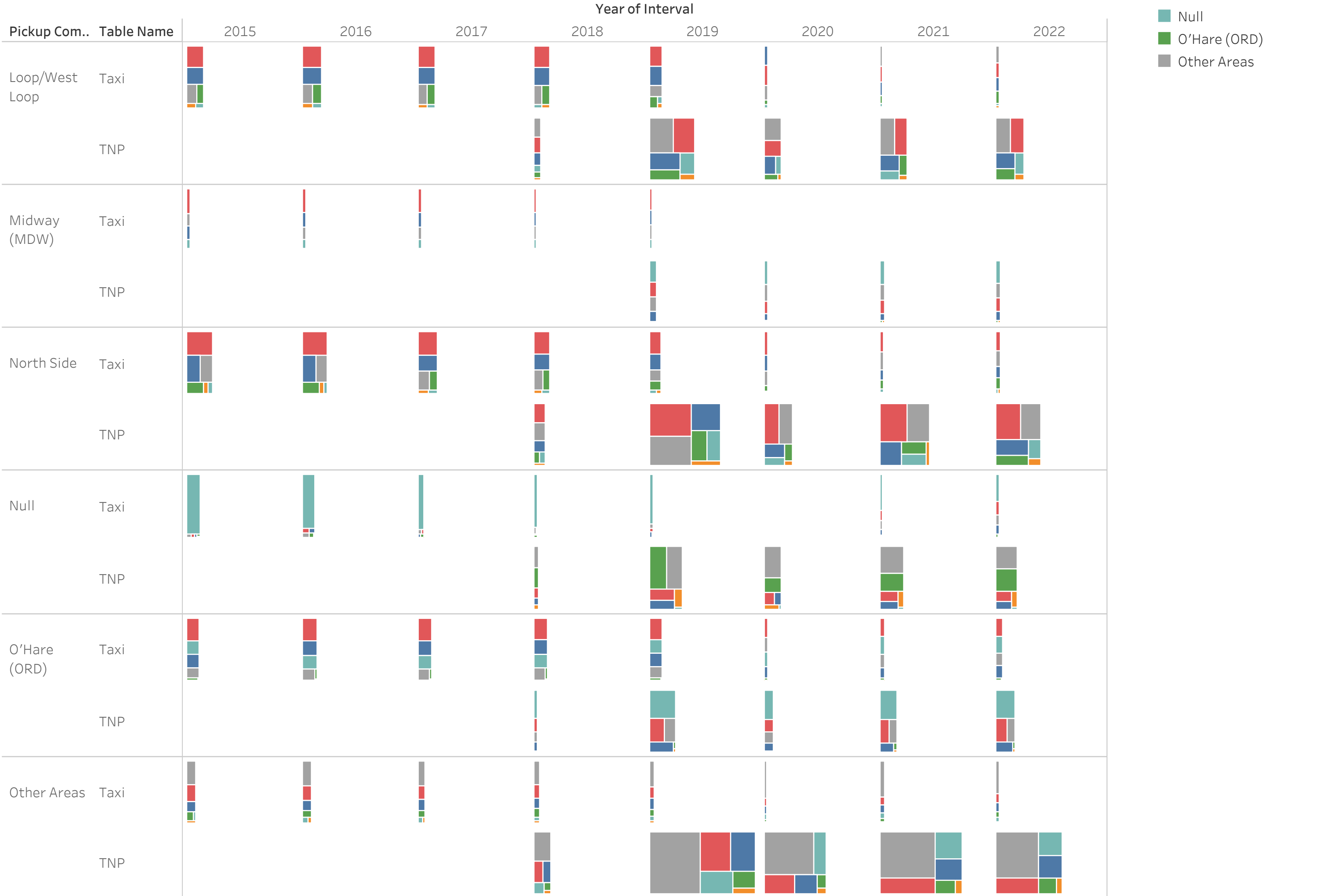
Taxi & TNP Revenue by Community Area, 2015-2022



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Total FHV Revenue by Community Area, 2015-2022

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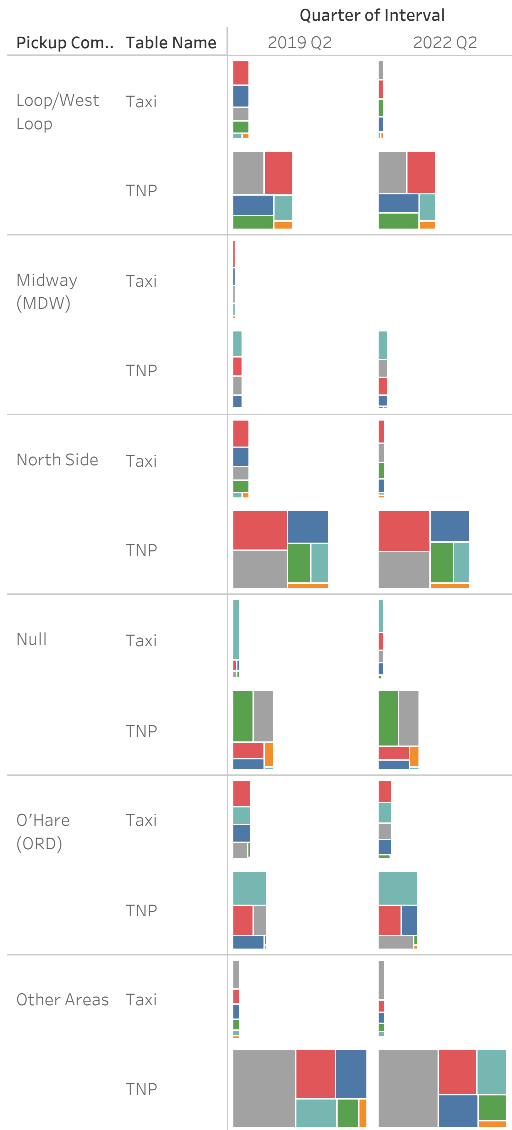
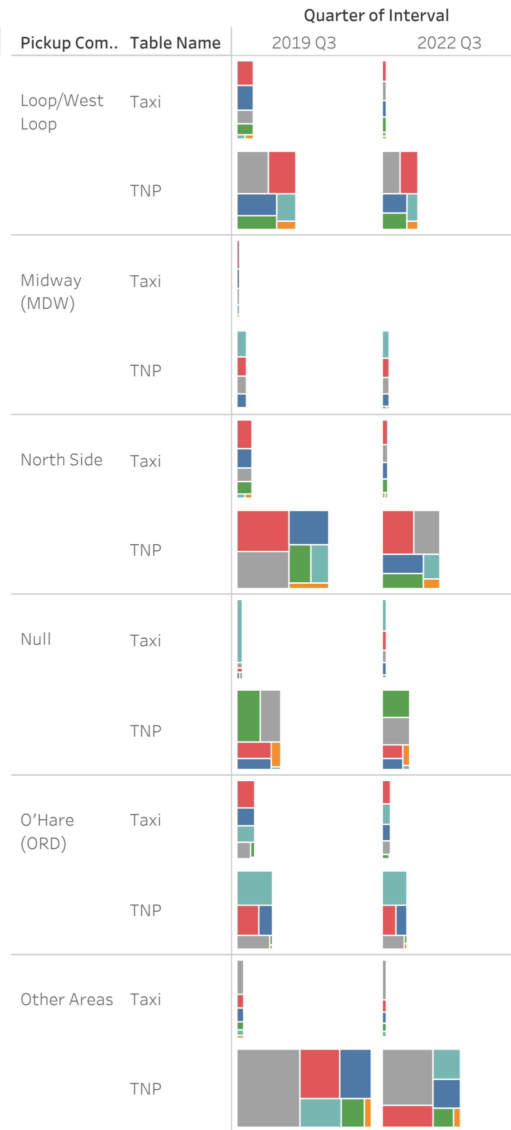
2022 Third Quarter Results Were Weak

Comparing 2Q and 3Q results for 2022 with corresponding numbers from 2019 shows a marked slowdown in the FHV market taking place over the summer months.

Q2 2019 vs 2022



Q3 2019 vs 2022



Dropoff Community Area (group)

- Loop/West Loop
- Midway (MDW)
- North Side
- Null
- O'Hare (ORD)
- Other Areas

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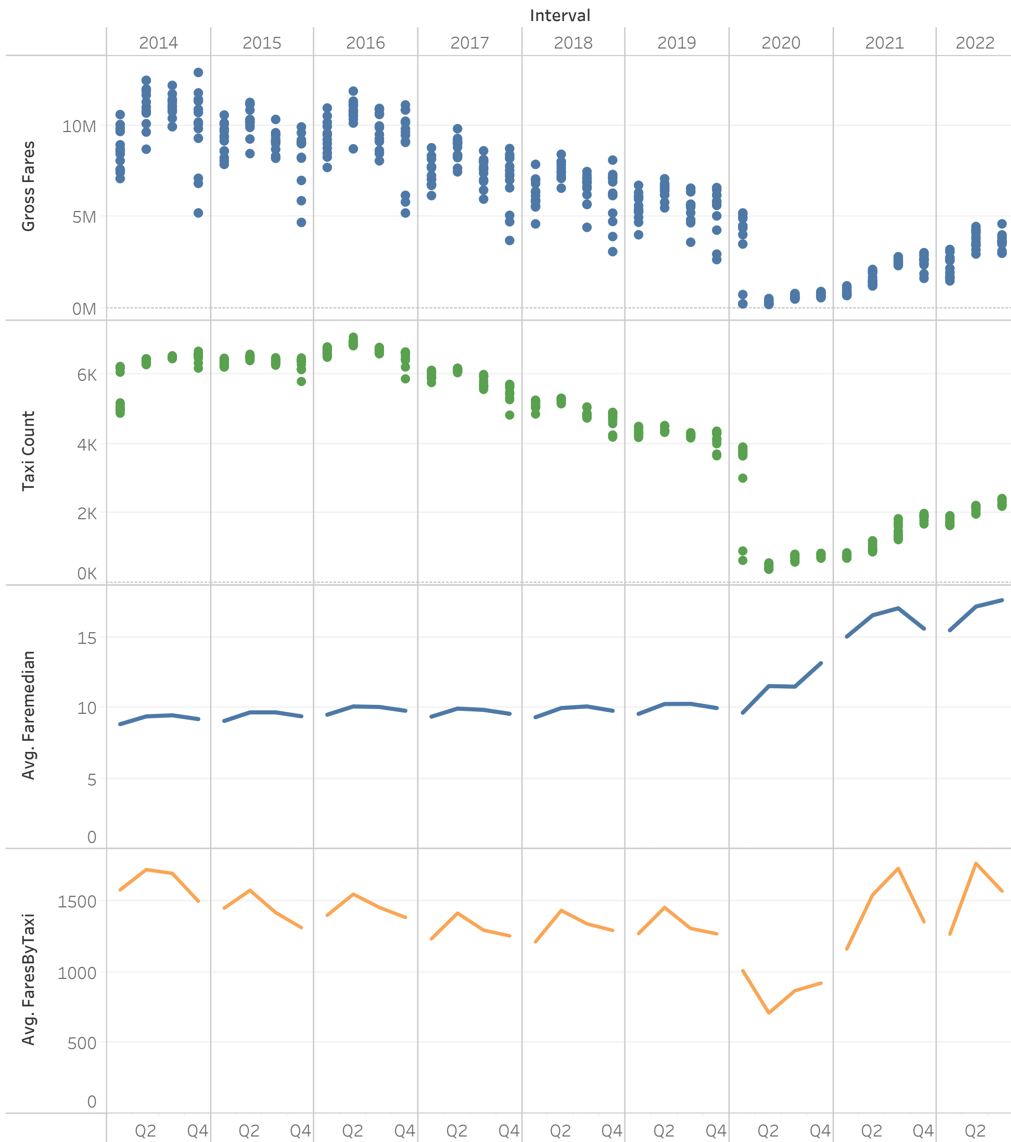
Weekly Taxi Revenue and Active Taxis by Quarter



The Taxi Driver's Perspective

Taxi capacity is more "sticky"in the short run than corresponding demand. However, the data shows that over the period from 2014 to 2019, the number of active taxis on a weekly basis declined in virtual lockstep with market revenue.

As a result, **the average gross fare revenue per active taxi did not suffer the same precipitious decline as did the total market** .

Average weekly revenue per active taxi declined by 10-20% between 2014 and 2019.

In the post-pandemic period, the median fare level for taxi trips has risen substantially, as taxis that remain active now focus almost exclusively on ORD.

With the number of weekly active taxis now approximately half the level from 2019, gross weekly fares havereturned to pre-pandemic levels, although there appears to be heightened seasonal volatility.

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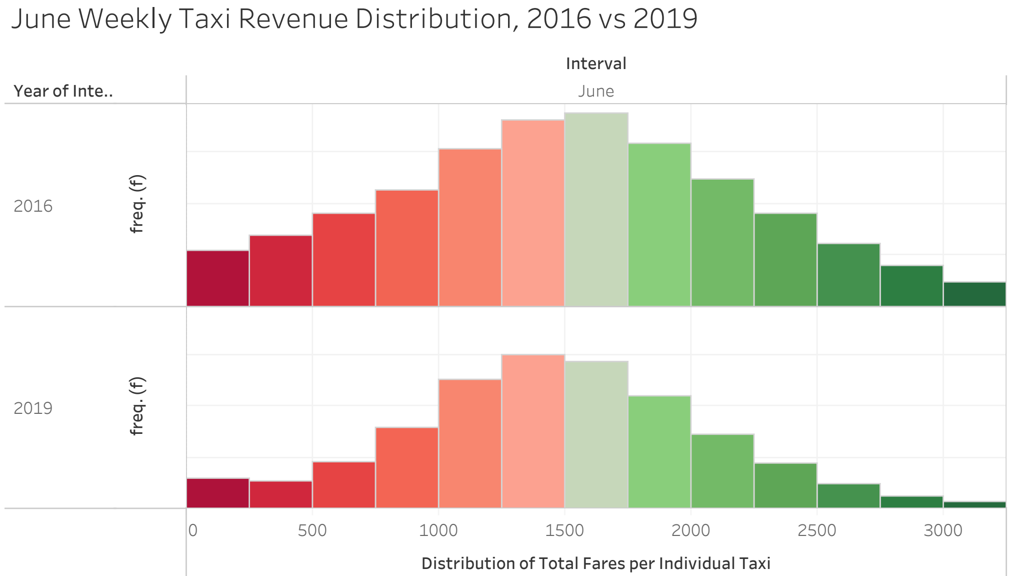
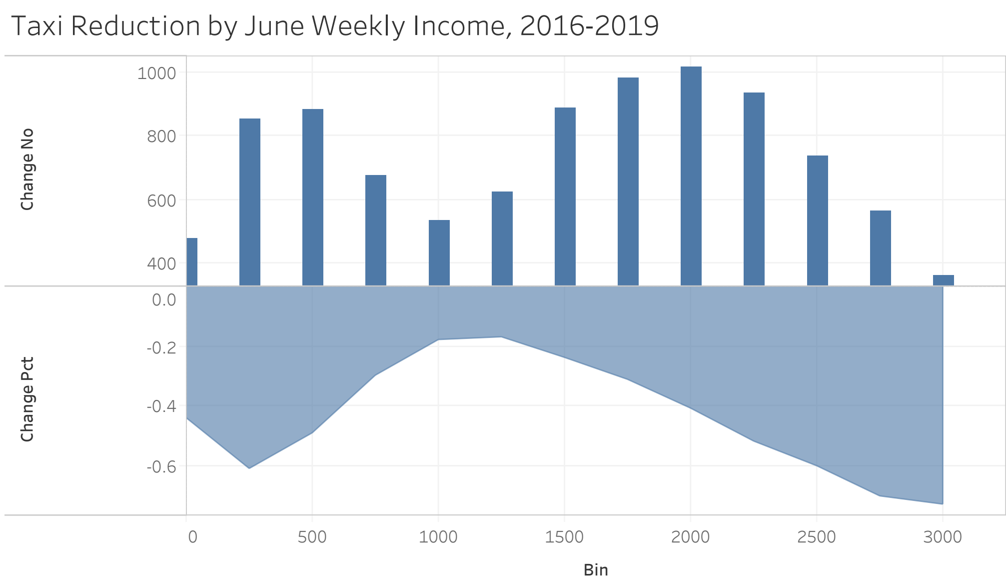


Distribution of Fares

Comparing the distribution of fare totals per unique taxi from the month of June between 2016 and 2019, we can see that the advent of ride-hailing smartphone apps has resulted in a large reduction of taxis at the high and low ends of the income distribution, while the number of taxis in the middle of the distribution has declined by about 20%.

The logic of this transition holds that drivers formerly drawing high weekly fares are now relegated to a narrow middle class of drivers. Likewise, formerly marginal drivers, e.g. part-timers, have disappeared along with low earning taxicabs. It's likely that many former part-time taxi drivers abandoned the traditional model for ride-hailing apps.



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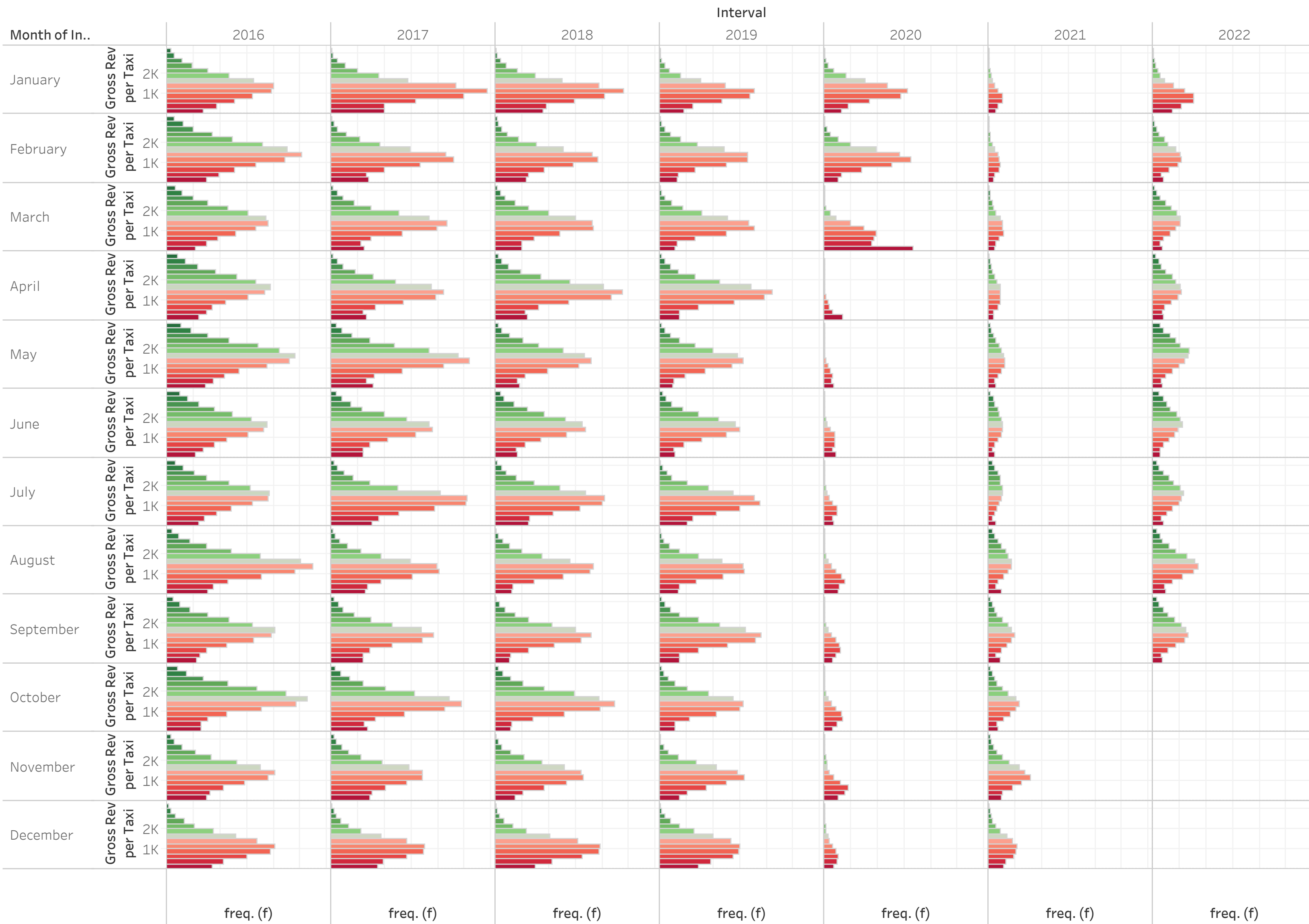
Weekly Taxi Revenue Distribution by Month



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1 2 3 4 5 6 7 8 9 10 11

Taxi Medallion Sale Prices